

# FORM: Preliminary final report

Name of issuer

VET BIOTECHNOLOGY LTD

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Financial year ended ('Current period')
105 577 017		√	30/6/2009

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

Extracts from this statement for announcement to the market (see note 7).

				\$A
Revenue (item 1.1)	up	21%	to	283,639
(Loss) for the period (item 1.9)	down	53%	to	(256,099)
(Loss) for the period attributable to members of the parent (item 1.11)	down	53%	to	(256,099)
<b>Dividends</b>				
Franking rate applicable:	Current period		Previous corresponding period	
	N/A		N/A	
<b>Final dividend</b> (preliminary final report only)(item 10.13-10.14)	N/A		N/A	
Amount per security				
Franked amount per security				
<b>Interim dividend</b> (Half yearly report only) (item 10.11 – 10.12)	N/A		N/A	
Amount per security				
Franked amount per security				
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
N/A				

**Ratios**

	Current period	Previous corresponding period
<b>(Loss) before tax / revenue</b>	<b>(90%)</b>	<b>(232%)</b>
8.1 (loss) before tax ( <i>item 1.5</i> ) as a percentage of revenue ( <i>item 1.1</i> )		
<b>(Loss) after tax / equity interests</b>		
8.2 (loss) after tax attributable to members ( <i>item 1.11</i> ) as a percentage of equity (similarly attributable) at the end of the period ( <i>item 3.37</i> )	<b>(59%)</b>	<b>(181%)</b>

**Annual meeting***(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

TBA

Date

TBA

Time

TBA

Approximate date the annual report will be available

30 September 2009

**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

N/A

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:

- ☐ The financial statements have been audited.
- ☐ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☐ The financial statements are in the process of being audited or subject to review.
- ☒ The financial statements have *not* yet been audited or reviewed.

5. The issuer ~~does~~ not have a formally constituted audit committee.

Sign here:

(Director)

Date:

14 September 2009

Print name: Michael Derin

**VET BIOTECHNOLOGY LTD**

**ABN: 54 105 577 017**

**Annual Financial Report For The Year Ended  
30 June 2009**



**VET BIOTECHNOLOGY LTD**

**30 June 2009**

**ABN: 54 105 577 017**

<b>CONTENTS</b>	<b>Page</b>
<b>Report of the Directors'</b>	<b>1</b>
<b>Auditor's Independence Declaration</b>	<b>7</b>
<b>Income Statement</b>	<b>8</b>
<b>Balance Sheet</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Cash Flow Statement</b>	<b>11</b>
<b>Notes to the Financial Statements</b>	<b>12</b>
<b>Directors' Declaration</b>	<b>28</b>
<b>Independent Audit Report</b>	<b>29</b>
<b>Additional Information for Listed Public Companies</b>	<b>30</b>

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**REPORT OF THE DIRECTORS'**

Your directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2009.

**Directors**

The names of directors in office at any time during or since the end of the year are:

Douglas Peter LeMessurier (appointed 23/07/03)

Michael Derin (appointed 15/12/06)

Ian Brown (appointed 16/02/08)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Information on Directors**

<b>Douglas Peter LeMessurier</b>	– Director
Qualifications	– SIA (Aff) ADA1 (ASX) M6DIA MBA
Experience	– Various company directorships
Interest in Shares and Options	– 1,805,000 ordinary shares of Vet Biotechnology Ltd and options to acquire a further 950,000 shares of Vet Biotechnology Ltd.
	– 1,900,000 ordinary shares of Vet Biotechnology Ltd and options to acquire a further 1,000,000 ordinary shares of Vet Biotechnology Ltd in the name of Palpet Pty Ltd.
	– 1,710,000 ordinary shares of Vet Biotechnology Ltd and options to acquire a further 900,000 ordinary shares of Vet Biotechnology Ltd in the name of First Avenue Investments Pty Ltd.
	– 530,000 ordinary shares of Vet Biotechnology Ltd and options to acquire a further 500,000 ordinary shares of Vet Biotechnology Ltd in the name of Kytron Pty Ltd.
	– 665,000 ordinary shares of Vet Biotechnology Ltd and options to acquire a further 350,000 ordinary shares of Vet Biotechnology Ltd in the name of Jane Mary LeMessurier.
Directorship	– Director of Ascend Group Ltd and LabTech Systems Ltd
<b>Michael Derin</b>	– Director and Company Secretary
Qualifications	– FCA ACIS ACID ASIA B.Bus
Experience	– Various Company Directorships
Interest in Shares and Options	– 750,000 options in Vet Biotechnology Ltd in the name of Heirophant Pty Ltd
<b>Ian Brown</b>	– Director
Qualifications	– MBA FAICD FAIM
Experience	– Various Company Directorships

**Company Secretary**

The following person held the position of company secretary at the end of the financial year:

Michael Derin — Fellow Chartered Accountant (appointed 15/12/2006)

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**REPORT OF THE DIRECTORS'**

**Principal Activities**

The principal activities of the entity during the financial year were those of a veterinary biotechnology marketer. The company currently sells two products to the market known as Stembank, for the extraction of stemcells from umbilical cords of foals and Regenicell, for the extraction of stemcells from the bone marrow of horses.

There were no other significant changes in the nature of the entity's principal activities during the financial year.

**Operating Results**

The net loss of the company in 2009 amounted to \$256,099 after income tax (2008: \$541,838). The significant improvement was largely from increased revenues and effective costs minimisation strategies implemented by the Board of Directors. Further discussion of the company's operations now follows.

**Review of Operations**

Vet Biotechnology Ltd (VBT) has increased revenues from \$233,476 in 2008 to \$283,639 for the year 2009. This is despite the effects of the Equine Influenza epidemic in 2007 and the global financial crisis in 2008.

Today, Vet Biotechnology Limited continues to transform the business and is well placed to succeed in a very difficult external environment.

As we deal with the pressures on our industry and the broader upheaval in the global economy, we also face our own particular challenges. At the same time, we see tremendous opportunities rooted within regenicell and stembank products that counter many of the challenges we face. We have set our sights on delivering products and services which are in short supply in the horse treatment markets.

The footprint for the Equine Bone Marrow derived Stem Cell Therapies (now trade-named Regenicell) continues to expand with a number of veterinarians that have previously chosen to simply monitor the progress of returning racehorses treated at other surgeries now 'coming on board' and accelerating their recommendation of the Regenicell service to the owners of injured performance horses. In February 2009 VBT introduced a new accreditation protocol with three new veterinarians joining the accreditation list which now stands at 110.

The performances of horses returning to competition following Regenicell treatment continues to stun the market with its superiority over alternative forms of treatment.

Stembank, the collection of Adult Stem Cells from the umbilical cord immediately following birth, remains at the early stages of establishment with the 2008 foaling season coinciding with the severe economic downturn. The strategies for the 2009 foaling season is now being formulated.

Whilst several research and development opportunities beckon, management has decided to focus on increasing revenues from its core businesses. The EGUS Breath Test, Rattles projects and expansion of the suite of Stemcell treatments are on hold in the short term.

The Directors sincerely appreciate the support provided by shareholders for these wonderful business units during extremely testing local and global operating conditions.

**Financial Position**

The net liabilities of the company have increased by \$137,786 from 30 June 2008 to \$437,230 in 2009. This increase has largely resulted from the writing off of intangible assets, (known as impairment) in accordance with the International Financial Reporting Standards (IFRS).

During the previous financial year of operations, the company has been focusing on increasing its sales from the core businesses.

The directors believe the company is well placed to expand and grow its current operations.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**REPORT OF THE DIRECTORS'**

**Significant Changes in State of Affairs**

Other than those specifically outlined on this report, there were no significant changes to the state of affairs of Vet Biotechnology Limited which occurred during the year ended 30 June 2009.

**Dividends Paid or Recommended**

There were no dividends paid or recommended to be paid for the financial year ended 30 June 2009.

**After Balance Date Events**

Vet Biotechnology Limited was advised in August 2009 by Medvet Science Pty Ltd ("Medvet") that they will cease the contract manufacturer of the company's Regenicell and Stembank treatments and terminate the existing agreement with effect on 7 September 2009.

The Board of Directors together with the General Manager of the company are seeking a new manufacturer and advise that the company will incur delays in both locating and establishing this facility. The company's Regenicell and Stembank treatments will be put on hold on 7 September until replacement for Medvet has been secured. The company is aiming to re-launch the manufacturing operations and associated Stemcell and Stembank treatments in November 2009.

**Likely Developments**

Disclosure of further information regarding likely developments in the operations of the company in future financial years and expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

**Environmental Issues**

The company's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

**Meetings of Directors**

During the financial year, **10** meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors' Meetings	
Number eligible to attend	Number attended
Douglas Peter LeMessurier	10
Michael Derin	10
Ian Brown	10

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**REPORT OF THE DIRECTORS'**

**Options**

At the date of this report, the unissued ordinary shares of Vet Biotechnology Ltd under option are as follows

<b>Grant Date</b>	<b>Date of expiry</b>	<b>Exercise price</b>	<b>Number under option</b>	<b>Option Type</b>	<b>Bonus eligibility</b>
10/09/2003	30/06/2011	\$0.30	54,000	VBLO	9:10
15/09/2003	30/06/2011	\$0.30	5,346,000	VBLO	9:10
12/11/2003	30/06/2011	\$0.30	1,173,333	VBLO	9:10
18/12/2003	30/06/2011	\$0.30	100,000	VBLO	9:10
11/03/2004	30/06/2011	\$0.30	282,333	VBLO	9:10
31/03/2004	30/06/2011	\$0.30	68,334	VBLO	9:10
21/06/2004	30/06/2011	\$0.30	68,000	VBLO	9:10
24/06/2004	30/06/2011	\$0.30	154,000	VBLO	9:10
30/06/2004	30/06/2011	\$0.30	172,427	VBLO	9:10
11/08/2004	30/06/2011	\$0.30	760,000	VBLO	9:10
17/12/2004	30/06/2011	\$0.30	1,214,333	VBLO	9:10
29/03/2005	30/06/2011	\$0.30	500,000	VBLO	9:10
31/05/2007	30/06/2013	\$0.20	200,000	VBLO	9:10
17/01/2008			(200,000)	VBLO	9:10
<b>Total VBLO Options (Listed)</b>			<b>9,892,760</b>		
23/03/2007	30/06/2011	\$0.20	2,250,000	VBLOB	9:10
<b>Total VBLOB Options (Unlisted)</b>			<b>2,250,000</b>		
8/05/2007	30/06/2013	\$0.20	3,173,514	VBLOC	9:10
<b>Total VBLOC Options (Listed)</b>			<b>3,173,514</b>		
31/05/2007	30/06/2013	\$0.20	200,000	VBLOD	9:10
6/11/2007	30/06/2013	\$0.20	451,118	VBLOD	9:10
5/08/2008	30/06/2013	\$0.20	30,000	VBLOD	9:10
<b>Total VBLOD Options (Listed)</b>			<b>681,118</b>		
31/05/2007	30/06/2011	\$0.20	625,000	VBLOE	9:10
<b>Total VBLOE Options (Unlisted)</b>			<b>625,000</b>		

Options holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2009, there were no options exercised and no additional options issued.

**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page of the Annual Report.



**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**REPORT OF THE DIRECTORS'**

**REMUNERATION REPORT**

**Remuneration Policy**

The remuneration policy of Vet Biotechnology Ltd has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the entity's financial results. The board of Vet Biotechnology Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the entity is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- The remuneration committee reviews key management personnel packages annually by reference to the entity's performance, executive performance and comparable information from industry sectors.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Options granted under the arrangement do not carry dividend or voting rights and is valued using the Black-Scholes methodology.

**Employment Details of Members of Key Management Personnel and Other Executives**

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the entity, and to the extent different, were amongst the company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of option.

<b>Key Management Personnel</b>	<b>Position Held as at 30 June 2009 and any change during the year</b>	<b>Contract details</b>
David Bridgland	General Manager	Consultancy and external management services

The contract of service of the general manager, David Bridgland is formalised in a terms of engagement between Thoroughbred Business Strategies Pty Ltd and Vet Biotechnology Ltd. Either Vet Biotechnology Ltd or Thoroughbred Business Strategies Pty Ltd are able to terminate the agreement with a minimum of 6 weeks notice. Other than the general manager, all other contracts of service are formalised by way of a contract on a continuing basis.

**Remuneration Details for the Year Ended 30 June 2009**

The following table of payments and benefits details, in respect to the financial year, the components of remuneration for each member of the key management personnel for the entity and, to the extent different, the five company executives receiving the highest remuneration:-

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**REPORT OF THE DIRECTORS'**

Table of Benefits and Payments for the year ended 30 June 2009

		<b>Short-term benefits</b>		
		<b>Fees &amp; Salaries</b>	<b>Non-monetary</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
2009				
<b>Key Management Personnel</b>				
David Bridgland		71,643	-	71,643
		<u>71,643</u>	<u>-</u>	<u>71,643</u>

		<b>Short-term benefits</b>		
		<b>Fees &amp; Salaries</b>	<b>Non-monetary</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
2008				
<b>Key Management Personnel</b>				
David Bridgland		137,070	-	137,070
		<u>137,070</u>	<u>-</u>	<u>137,070</u>

**Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

Vet Biotechnology Ltd has incurred net losses after tax for the period ended 30 June 2009 of \$256,099 (2008: \$541,838) and experienced net cash outflows from operating activities of \$132,181 (2008: \$322,100). As at 30 June 2009, Vet Biotechnology Ltd had net current liabilities of \$47,707 (2008: \$536,185). Accordingly, there remains uncertainty about Vet Biotechnology's ability to continue as a going concern.

The ability of Vet Biotechnology Ltd to continue as a going concern is dependent on the following:

- (i) Vet Biotechnology Ltd's ability to secure additional funds through the issue of shares without which the company will not be able to support itself;
- (ii) The directors' ability to generate operating cash flows through the continued growth in sales of its existing services through existing and new channels in the equine community;
- (iii) Douglas Peter LeMessurier will not call upon the loan of \$350,000 prior to the expiration of thirty six (36) months per the terms of the agreement;
- (iv) Vet Biotechnology Limited's ability to reduce operational costs in order to manage cash flow and working capital requirements.

Since 30 June 2009, Vet Biotechnology Ltd has raised \$34,000 through the issuance of 1,700,000 ordinary shares at an issue price of \$0.02.

The directors have confidence that they will be able to raise additional funds in order to ensure that the company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, cost cutting measures continue to be put in place to reduce operational expenditure. For this reason they continue to adopt the going concern basis in preparation of the accounts.

This Report of the Directors', incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

  
 Michael Derin, Director

Dated:

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm \_\_\_\_\_

Name of Partner Hanoze Udachia

Date 14/09/2009

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 \$	2008 \$
<b>Total Revenue</b>			
Revenue	2	283,639	233,476
<b>Total Cost of Sales</b>			
Cost of sales		(113,911)	(153,436)
<b>Gross Profit</b>		<b>169,728</b>	<b>80,040</b>
<b>Total Expenses</b>			
Employee benefit expense		(74,143)	(171,184)
Operating and general expenses		(100,232)	(379,547)
Depreciation and amortisation expense		(40,420)	(16,042)
Bad debts expense		-	(1,350)
Impairment loss	3	(197,395)	-
Finance costs	3	(13,637)	(53,755)
Loss before income tax		<b>(256,099)</b>	<b>(541,838)</b>
Income tax expense	4	-	-
Loss after income tax		<b>(256,099)</b>	<b>(541,838)</b>
Loss from continuing operations		<b>(256,099)</b>	<b>(541,838)</b>
<b>Loss attributable to members of the entity</b>		<b>(256,099)</b>	<b>(541,838)</b>
<b>Overall Operations</b>			
Basic earnings (losses) per share (cents per share)	7	(0.0078)	(1.8300)
Diluted earnings (losses) per share (cents per share)	7	(0.0078)	(1.8300)

The accompanying notes form part of these financial statements.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**BALANCE SHEET AS AT 30 JUNE 2009**

	Note	2009 \$	2008 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	5,362	21,050
Trade and other receivables	9	28,449	51,759
Inventories	10	1,016	-
Other current assets	13	8,146	9,606
<b>TOTAL CURRENT ASSETS</b>		<b>42,973</b>	<b>82,415</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1,477	1,855
Intangible assets	12	-	234,886
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,477</b>	<b>236,741</b>
<b>TOTAL ASSETS</b>		<b>44,450</b>	<b>319,156</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	82,579	169,431
Borrowings	15	8,101	449,169
<b>TOTAL CURRENT LIABILITIES</b>		<b>90,680</b>	<b>618,600</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	391,000	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>391,000</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>481,680</b>	<b>618,600</b>
<b>NET ASSETS</b>		<b>(437,230)</b>	<b>(299,444)</b>
<b>EQUITY</b>			
Issued capital	17	2,138,224	2,019,911
Reserves	23	134,728	134,728
Retained earnings		(2,710,182)	(2,454,083)
<b>TOTAL EQUITY</b>		<b>(437,230)</b>	<b>(299,444)</b>

The accompanying notes form part of these financial statements.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009**

	Ordinary shares	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	<b>1,762,494</b>	<b>(1,912,245)</b>	<b>133,375</b>	<b>(16,376)</b>
Shares issued during the year	197,417			197,417
Losses attributable to members of the company		(541,838)		(541,838)
Options converted to shares during the year	60,000		1,353	61,353
<b>Balance at 30 June 2008</b>	<b>2,019,911</b>	<b>(2,454,083)</b>	<b>134,728</b>	<b>(299,444)</b>
Shares issued during the year	133,100			133,100
Losses attributable to members of the company		(256,099)		(256,099)
Capital raising costs	(14,787)			(14,787)
<b>Balance at 30 June 2009</b>	<b>2,138,224</b>	<b>(2,710,182)</b>	<b>134,728</b>	<b>(437,230)</b>

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		189,150	224,631
Payments to suppliers and employees		(321,411)	(550,040)
Interest received		80	3,309
Net cash (used in) operating activities	19a	<u>(132,181)</u>	<u>(322,100)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,262)	-
Purchase of intangible assets		(559)	(22,300)
Net cash (used in) investing activities		<u>(1,821)</u>	<u>(22,300)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		133,100	78,000
Capital raising costs		(14,786)	-
Net cash provided by financing activities		<u>118,314</u>	<u>78,000</u>
Net increase in cash held		(15,688)	(266,400)
Cash at beginning of financial year		21,050	287,450
Cash at end of financial year	8	<u><u>5,362</u></u>	<u><u>21,050</u></u>

The accompanying notes form part of these financial statements.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

This financial report includes the financial statements and notes of Vet Biotechnology Ltd, and the separate financial statements and notes of Vet Biotechnology Ltd.

**Note 1      Statement of Significant Accounting Policies**

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(a) Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(b) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.



**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**(c) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**(d) Financial Instruments**

**Initial Recognition and Measurement**

Financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument.

**Classification and Subsequent Measurement**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition (ii) less principal repayments (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

**(i) Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**(e) Impairment of Assets**

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(f) Intangibles**

**Option Fees, License Fees and Medvet license Fees**

Intangible assets are valued in the accounts at costs of acquisition and are amortised over the period in which their benefits are expected to be realised.

**Research Expenses**

Expenditure during the research phase of a project is recognised as an expense when incurred.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**(g) Employee Benefits**

Equity-settled compensation

The entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using the exercise price of these options. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**(h) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks.

**(i) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

**(j) Borrowing Costs**

All other borrowing costs are recognised in income in the period in which they are incurred.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(l) Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

**(m) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(n) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

Key Estimates

(a) Impairment

The entity assesses impairment at each reporting date by evaluating conditions and events specific to the entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**(o) Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

Vet Biotechnology Ltd has incurred net losses after tax for the period ended 30 June 2009 of \$256,099 (2008: \$541,838) and experienced net cash outflows from operating activities of \$132,181 (2008: \$322,100). As at 30 June 2009, Vet Biotechnology Ltd had net current liabilities of \$47,707 (2008: \$536,185). Accordingly, there remains uncertainty about Vet Biotechnology's ability to continue as a going concern.

- (i) Vet Biotechnology Ltd's ability to secure additional funds through the issue of shares without which the company will not be able to support itself;
- (ii) The directors' ability to generate operating cash flows through the continued growth in sales of its existing services through existing and new channels in the equine community;
- (iii) Douglas Peter LeMessurier will not call upon the loan of \$350,000 prior to the expiration of thirty six (36) months per the terms of the agreement;
- (iv) Vet Biotechnology Limited's ability to reduce operational costs in order to manage cash flow and working capital requirements.

Since 30 June 2009, Vet Biotechnology Ltd has raised \$34,000 through the issuance of 1,700,000 ordinary shares at an issue price of \$0.02.

The directors have confidence that they will be able to raise additional funds in order to ensure that the company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, cost cutting measures continue to be put in place to reduce operational expenditure. For this reason they continue to adopt the going concern basis in preparation of the accounts.

**Note 2 Revenue and Other Income**

	Note	2009 \$	2008 \$
Sales Revenue			
— Regenicell Services		121,885	191,949
— Stembank Services		36,660	24,385
Total Sales Revenue		<u>158,545</u>	<u>216,334</u>
Other Revenue			
— interest received	2(a)	86	3,309
— government subsidies received		-	5,000
— Disbursement Income		8,521	8,408
— Gain on debt forgiveness		115,529	-
— Other		958	425
Total Other Revenue		<u>125,094</u>	<u>17,142</u>
Total Sales Revenue and Other Revenue		<u>283,639</u>	<u>233,476</u>
(a) Interest revenue from:			
— Banks		86	3,309
Total interest revenue on financial assets		<u>86</u>	<u>3,309</u>

In 2008, a government subsidy of \$5,000 was awarded to Vet Biotechnology Ltd by the South Australian Government to assist with the fall out from the equine flu influenza during the year. There were no conditions attached to the grant and hence the full amount has been recognised as income in the previous year.

**Note 3 Profit for the Year before Income Tax**

	2009 \$	2008 \$
(a) Cost of sales		
— Regenicell Services	62,949	107,897
— Stembank Services	10,660	19,475
— Disbursement cost	38,422	19,918
— Other cost	1,880	6,146
Total cost of sales	<u>113,911</u>	<u>153,436</u>
(b) Employee Benefits		
— Salaries and wages	-	4,420
— Fee remuneration	74,143	165,970
— Other employer expenses	-	794
Total Employee Benefits	<u>74,143</u>	<u>171,184</u>

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(c) Operating and general expenses		
— Consulting fees	4,894	7,016
— Travel and accommodation	774	14,005
— Insurance	17,156	26,026
— Share registry cost	6,500	13,622
— Auditor's remuneration	25,834	15,000
— Legal fee	335	9,990
— Rent	4,859	7,435
— Staff training	959	1,253
— Marketing and advertising	13,153	20,059
— Research and development	-	95,847
— Other general and administrative expenses	25,768	169,294
Total operating cost	<u>100,232</u>	<u>379,547</u>
(d) Finance cost		
— Interest on outstanding loans	<u>13,637</u>	<u>53,755</u>
Total finance cost	<u>13,637</u>	<u>53,755</u>
(e) Impairment loss		
— Option fees	15,840	-
— Medvet license fees	27,072	-
— Vetcell license fees	148,411	53,755
— Stembank trademarks & logos	<u>6,072</u>	<u>-</u>
	<u>197,395</u>	<u>53,755</u>

**Note 4 Income Tax Expense**

	2009	2008
	\$	\$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

**Note 5 Interests of Key Management Personnel (KMP)**

Refer to the Remuneration Report contained in the Report of the Directors' for details of the remuneration paid or payable to each member of Key Management Personnel for the year ended 30 June 2009.

Key Management Personnel	Position
Douglas Peter LeMessurier (appointed 23/07/03)	Chairman
Michael Derin (appointed 15/12/06)	Director
Ian Brown (appointed 16/02/08)	Director
David Bridgland (appointed 19 June 2006)	General Manager

The totals of remuneration paid to KMP of the Company during the year are as follows:-

	2009	2008
	\$	\$
Short-term employee benefits	74,143	171,184
	<u>74,143</u>	<u>171,184</u>

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**KMP Options and Rights Holdings**

The number of options over ordinary shares in Vet Biotechnology Ltd held during the financial year by each KMP of the entity is as follows:-

	Balance as at the beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance as at the end of year	Vested during the year	Vested and exercisable	Vested and unexercisable
30 June 2009								
Douglas Peter LeMessurier	3,700,000	-	-	-	3,700,000	-	3,700,000	-
Michael Derin	750,000	-	-	-	750,000	-	750,000	-
Ian Brown	-	-	-	-	-	-	-	-
David Bridgland	504,514	-	-	-	504,514	-	504,514	-
	<u>4,954,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,954,514</u>	<u>-</u>	<u>4,954,514</u>	<u>-</u>

	Balance as at the beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance as at the end of year	Vested during the year	Vested and exercisable	Vested and unexercisable
30 June 2008								
Douglas Peter LeMessurier	3,700,000	-	-	-	3,700,000	-	3,700,000	-
Michael Derin	750,000	-	-	-	750,000	-	750,000	-
Ian Brown	-	-	-	-	-	-	-	-
David Bridgland	504,514	-	-	-	504,514	-	504,514	-
	<u>4,954,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,954,514</u>	<u>-</u>	<u>4,954,514</u>	<u>-</u>

**KMP Shareholdings**

The number of ordinary shares in Vet Biotechnology Ltd held during the financial year by each KMP of the entity is as follows:-

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Bonus Issue	Other changes during the year*	Balance at end of year
30 June 2009						
Douglas Peter LeMessurier	6,610,000	-	-	-	-	6,610,000
Michael Derin	-	-	-	-	-	-
Ian Brown	-	-	-	-	-	-
David Bridgland	8,577	-	-	-	-	8,577
	<u>6,618,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,618,577</u>

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Bonus Issue	Other changes during the year*	Balance at end of year
30 June 2008						
Douglas Peter LeMessurier	7,030,000	-	-	-	(420,000)	6,610,000
Michael Derin	-	-	-	-	-	-
Ian Brown	-	-	-	-	-	-
David Bridgland	8,577	-	-	-	-	8,577
	<u>7,038,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(420,000)</u>	<u>6,618,577</u>

**Other KMP Transactions**

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 25: Related Party Transactions.

\*Other changes during the year refers to shares purchased or sold during the financial year.

**Note 6 Auditors' Remuneration**

	2009 \$	2008 \$
Remuneration of the auditor of the entity for:		
— auditing or reviewing the financial report	11,000	15,000
	<u>11,000</u>	<u>15,000</u>

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**Note 7 Earnings per Share**

	2009 \$	2008 \$
(a) Reconciliation of earnings to income statements		
Loss attributable to members of the entity	(256,099)	(541,838)
Preference share dividends		-
Losses used to calculate basic EPS	(256,099)	(541,838)
Dividends on converting preference shares		-
Losses used in the calculation of dilutive EPS	(256,099)	(541,838)
(b) Weighted average number of ordinary shares outstanding during the	32,811,842	29,683,960
Weighted average number of ordinary shares outstanding during the	32,811,842	29,683,960
Potential ordinary shares arising from options issued:		
Balance as at the beginning of the year	16,141,274	16,141,274
Movement of weighted average number of options due to:		
- Exercise of options	-	(200,000)
- Options issued on share issuance	-	481,118
Weighted average number of potential ordinary shares	16,141,274	16,422,392

**Note 8 Cash and Cash Equivalents**

	2009 \$	2008 \$
Cash at bank and in hand	5,362	21,050
	5,362	21,050
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	5,362	21,050
	5,362	21,050

**Note 9 Trade and Other Receivables**

	2009 \$	2008 \$
CURRENT		
Trade receivables	9,063	32,882
Provision for impairment of receivables	-	(1,350)
	9,063	31,532
Amounts receivable from:		
— Australian Taxation Office (GST)	19,386	20,227
Total current trade and other receivables	28,449	51,759

(a) Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 1 July 2007	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2008
	\$	\$	\$	\$
(i) Current trade receivables	-	1,350	-	1,350
	-	1,350	-	1,350
	Opening Balance 1 July 2008	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2009
	\$	\$	\$	\$
(i) Current trade receivables	1,350	-	(1,350)	-
	1,350	-	(1,350)	-

There are no balances within trade and other receivables that contain assets that are impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

**Credit risk - Trade and Other Receivables**

The entity has no significant concentration of credit risk with respect to any single counterparty or entity of counterparties other than those receivables specifically provided for and mentioned within Note 9. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk to the entity.

The following table details the entity's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the entity and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the entity.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount \$	Past due and impaired \$	Past due but not impaired				Within initial trade terms \$
			<30 \$	31-60 \$	61-90 \$	>90 \$	
2009							
Trade and term receivables	9,063		512	969	347	7,235	
Other receivables	19,386						19,386
Total	28,449	-	512	969	347	7,235	19,386
	Gross Amount \$	Past due and impaired \$	Past due but not impaired				Within initial trade terms \$
			<30 \$	31-60 \$	61-90 \$	>90 \$	
2008							
Trade and term receivables	31,532						31,532
Other receivables	20,227						20,227
Total	51,759	-	-	-	-	-	51,759

	2009	2008
(f) Financial Assets classified as loans and receivables	\$	\$
Trade and other Receivables		
— Total Current	28,449	51,759
Financial Assets	28,449	51,759

**Note 10 Inventories**

	2009	2008
	\$	\$
CURRENT		
At cost		
Finished goods - Collection Kits	1,016	-
	1,016	-

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**Note 11 Property, Plant and Equipment**

	2009 \$	2008 \$
PLANT AND EQUIPMENT		
At cost	14,709	13,447
Accumulated depreciation	(13,232)	(11,592)
Total Property, Plant and Equipment	<u>1,477</u>	<u>1,855</u>

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Office Equipment \$	Total \$
Balance at 1 July 2007	3,952	3,952
Additions	-	-
Depreciation expense	(2,097)	(2,097)
Balance at 30 June 2008	<u>1,855</u>	<u>1,855</u>
Additions	1,262	1,262
Depreciation expense	(1,640)	(1,640)
Balance at 30 June 2009	<u>1,477</u>	<u>1,477</u>

(f) Impairment losses

There was no impairment losses recognised in the income statement during the year in relation to fixed assets. The carrying value was estimated to be equal to the fair value of the assets as at 30 June 2009.

**Note 12 Intangible Assets**

	2009 \$	2008 \$
Option Fee		
Cost	25,000	25,000
Accumulated amortisation	(9,161)	(7,493)
Impairment loss	(15,839)	-
Net carrying value	<u>-</u>	<u>17,507</u>
Medvet License fee		
Cost	40,000	40,000
Accumulated amortisation	(12,925)	(10,070)
Impairment loss	(27,075)	-
Net carrying value	<u>-</u>	<u>29,930</u>
Vetcell License Fee		
Cost	215,220	215,220
Accumulated amortisation	(66,811)	(32,972)
Impairment loss	(148,409)	-
Net carrying value	<u>-</u>	<u>182,248</u>
Stembank Trademark & Logos		
Cost	6,843	5,553
Accumulated amortisation	(770)	(352)
Impairment loss	(6,073)	-
Net carrying value	<u>-</u>	<u>5,201</u>
Total intangibles	<u>-</u>	<u>234,886</u>



**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	Option Fee \$	Medvet License Fee \$	Vetcell License \$	Stembank Trademark & Logo \$	Total \$
Year ended 30 June 2008					-
Balance at the beginning of year	19,173	32,787	166,549	1,574	220,083
Additions	-	-	24,768	3,980	28,748
Amortisation charge	(1,667)	(2,858)	(9,069)	(352)	(13,946)
Closing value at 30 June 2008	17,506	29,929	182,248	5,202	234,885
Year ended 30 June 2009					
Balance at the beginning of year	17,506	29,929	182,248	5,202	234,885
Additions	-	-	-	1,290	1,290
Amortisation charge	(1,667)	(2,855)	(33,839)	(419)	(38,780)
Impairment losses	(15,839)	(27,074)	(148,409)	(6,073)	(197,395)
Closing value at 30 June 2009	-	-	-	-	-

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement.

**Impairment Disclosures**

An impairment loss is recognised as an expensed when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined as the higher of fair values less costs to sell and value in use. As at 30 June 2009, the net carrying value of the intangible assets of \$197,395 has been impaired.

**Capitalised cost**

No further license fees have been capitalised on the balance sheet as at 30 June 2009. All costs associated with the Regenicell and Stembank treatments were expensed through the income statements during the year.

**Note 13 Other Assets**

	2009 \$	2008 \$
CURRENT		
Prepayments	8,146	9,606
	<u>8,146</u>	<u>9,606</u>

**Note 14 Trade and Other Payables**

	2009 \$	2008 \$
CURRENT		
Unsecured liabilities		
Trade payables	71,579	74,150
Sundry payables and accrued expenses	11,000	95,281
	<u>82,579</u>	<u>169,431</u>

**Note 15 Borrowings**

	2009 \$	2008 \$
CURRENT		
Unsecured liabilities		
Unsecured short-term borrowings	8,101	449,169
	<u>8,101</u>	<u>449,169</u>
NON CURRENT		
Unsecured liabilities	391,000	-
Unsecured long-term borrowings	391,000	-
	<u>391,000</u>	<u>-</u>
Total unsecured borrowings	<u>399,101</u>	<u>449,169</u>

On 30 October 2008, Raymond Pank and Douglas Peter LeMessurier signed an agreement whereby Raymond Pank agreed to forgive the loan interest accumulated to 30 September 2008 of \$112,779 and the previous loan amount of \$350,000 between Raymond Pank and Vet Biotechnology Ltd be re-assigned from Vet Biotechnology Ltd to Douglas Peter LeMessurier. The result of this re-assignment is that Vet Biotechnology now owes Douglas Peter LeMessurier \$350,000 and Douglas Peter LeMessurier now owes Raymond Pank \$350,000. The new loan term is for three (3) years with Nil% per annum interest for the first twelve (12) months and 8% per annum for the next twenty four (24) months. Raymond Pank has also agreed that he will not seek recourse against the other directors of Vet biotechnology Ltd if Douglas Peter LeMessurier fails to pay the principal.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**Note 16 Tax**

	2009 \$	2008 \$
a. The prima facie tax on losses from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on losses from ordinary activities before income tax at 30%	-	(162,551)
Tax losses not taken into account	-	(162,551)
Add Tax effect of:		
Permanent differences		
- Other non-allowable items		38,649
- Other deductions		(18,711)
- Share options expensed during the year		-
Temporary Differences		
Tax losses to be carried forward and not taken into account		142,613
Income Tax Expense	-	-
b. Deferred Tax Assets		
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility		
Temporary differences:		
- Loss on capital raising costs		53,814
- Accruals		3,300
- Provisions		405
Tax Losses		
- Operating losses		581,258
		<u>638,777</u>
c. Reconciliations - Deferred Tax Assets		
Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance		505,912
Credit to the income statements		145,913
(Charge)/credit to equity		(13,453)
Provisions		405
Closing balance		<u>638,777</u>
The movement in deferred tax assets for each temporary difference during the year:		
Capital Raising Costs		
Opening balance		67,267
(Charge)/credit to equity		(13,453)
Closing balance		<u>53,814</u>
Accruals		
Opening balance		-
(Charge)/credit to income statements		3,300
Closing balance	-	<u>3,300</u>
Provision - Doubtful Accounts		
Opening balance		-
(Charge)/credit to income statements		405
Closing balance		<u>405</u>
d. Deferred Tax liabilities		
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility		
Impairment loss - intangibles		26,525
Business cost capitalised		423
Total		<u>26,948</u>

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

e. Reconciliations

(i) Gross Movements

The overall movement in the deferred tax account is as follows:

Opening balance	-
Credit to income statements	26,948
Closing balance	<u>26,948</u>

The movement in deferred tax assets for each temporary difference during the year:

Intangibles	
Opening balance	-
Credit to income statements	26,525
Closing balance	<u>26,525</u>

Business Cost

Opening balance	-
Credit to income statements	423
Closing balance	<u>423</u>

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

**Note 17 Issued Capital**

	2009 \$	2008 \$
36,479,801 (2008: [31,324,801]) fully paid ordinary shares	2,377,234	2,244,134
Less: Cost associated with capital raising	<u>(239,010)</u>	<u>(224,223)</u>
	<u>2,138,224</u>	<u>2,019,911</u>

(a) Ordinary Shares

	2009 \$	2008 \$
At the beginning of reporting period	2,019,911	1,762,494
Shares issued during year		
— Diana Evans interest on loan conversion (451,118 shares @ \$0.105 each)	-	47,367
— Medvet Science Pty Ltd (1,320,495 shares @ \$0.10 each)	-	132,050
— Options converted to shares (200,000 options converted to shares @ 9:10 being 380,000 shares issued)	-	60,000
— Share Purchase Plan (150,000 @ \$0.10 each)	-	15,000
— Share issuance @ \$0.10 each	37,500	3,000
— Share issuance @ \$0.02 each	95,600	-
— Capital raising costs	<u>(14,787)</u>	<u>-</u>
At reporting date	<u>2,138,224</u>	<u>2,019,911</u>

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

(e) Capital Management

Management controls the capital of the entity in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the entity can fund its operations and continue as a going concern.

The entity's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manage the entity's capital by assessing the entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the entity since the prior year. This strategy is to ensure that the entity's gearing ratio remains between [insert percentage]% and [insert percentage]%. The gearing ratios for the year ended 30 June 2009 and 30 June 2008 are as follows:

	2009 \$	2008 \$
Total borrowings	90,680	618,600
Less cash and cash equivalents	<u>(5,362)</u>	<u>(21,050)</u>
Net debt	85,318	597,550
Total equity	<u>(437,230)</u>	<u>(299,444)</u>
Total capital	<u>(351,912)</u>	<u>298,106</u>

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**Note 18 Segment Reporting**

	Regenicell		Stembank		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Primary Reporting — Business Segments						
REVENUE						
External Sales	121,885	191,949	36,660	24,385	158,545	216,334
Unallocated revenue	-	-	-	-	125,094	17,142
Total revenue	121,885	191,949	36,660	24,385	283,639	233,476
COST OF SALES						
Cost of Sales	62,949	107,897	10,660	19,475	73,609	127,372
Unallocated Cost of Sales	-	-	-	-	40,302	26,064
Total cost of sales	62,949	107,897	10,660	19,475	113,911	153,436

**Accounting Policies**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Assets and liabilities of Vet Biotechnology Ltd are not allocated separately to different segments at this stage.

**Business segments**

The entity has the following business segments:

- Regenicell Services for the extraction of stem cells from the bone marrow of horses which are later expanded and injected into injured ligaments and tendons.
- Stembank Services for the collection of stem cells from the umbilical cord at foal birth which are later expanded and injected into injured ligaments and tendons.

**Note 19 Cash Flow Information**

	2009	2008
	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	(256,099)	(541,838)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in losses:		
Amortisation	38,780	13,945
Depreciation	1,640	2,097
Interest on loan	-	53,755
Impairment loss	197,395	16,920
Bad debt expense (recovery)	(1,350)	1,350
Other non-cash items	(50,799)	84,095
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	24,660	(9,541)
(Increase)/decrease in prepayments	1,460	7,043
(Increase)/decrease in inventories	(1,016)	-
Increase/(decrease) in trade payables and other payables	(86,852)	50,074
Cash flow from operations	(132,181)	(322,100)

**Note 20 Events After the Balance Sheet Date**

Vet Biotechnology Limited was advised in August 2009 by Medvet Science Pty Ltd ("Medvet") that they will cease the contract manufacturer of the company's Regenicell and Stembank treatments and terminate the existing agreement with effect on 7 September 2009.

The Board of Directors together with the General Manager of the company are seeking a new manufacturer and advise that the company will incur delays in both locating and establishing this facility. The company's Regenicell and Stembank treatments will be put on hold on 7 September until replacement for Medvet has been secured. The company is aiming to re-launch the manufacturing operations and associated Stemcell and Stembank treatments in November 2009.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**Note 21 Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.  
Transactions with related parties:

(a) Associated Companies - Kytron Pty Ltd

On 30 October 2008, Raymond Pank and Douglas Peter LeMessurier signed an agreement whereby Raymond Pank agreed to forgive the loan interest accumulated to 30 September 2008 of \$112,779 and the previous loan amount of \$350,000 between Raymond Pank and Vet Biotechnology Ltd be re-assigned from Vet Biotechnology Ltd to Douglas Peter LeMessurier. The result of this re-assignment is that Vet Biotechnology now owes Douglas Peter LeMessurier \$350,000 and Douglas Peter LeMessurier now owes Raymond Pank \$350,000. The new loan term is for three (3) years with Nil% per annum interest for the first twelve (12) months and 8% per annum for the next twenty four (24) months. Raymond Pank has also agreed that he will not seek recourse against the other directors of Vet biotechnology Ltd if Douglas Peter LeMessurier fails to pay the principal.

(b) Associated Companies - Azure Group Pty Ltd

On 17 December 2008, Kytron Pty Ltd a company controlled by Douglas Peter LeMessurier transferred its 100,000 Labtech shares for \$0.15 per share to Azure Group Pty Ltd for the part settlement of outstanding accounting fees owing to Azure Group Pty Ltd by Vet Biotechnology Limited. As a result of this transaction, the company owes Kytron Pty Ltd \$15,000. Douglas Peter LeMessurier is a director of both Kytron Pty Ltd and Vet Biotechnology Limited as at the reporting date.

(c) Key Management Personnel - David Bridgland

On 17 December 2008, Kytron Pty Ltd a company controlled by Douglas Peter LeMessurier transferred its 100,000 Labtech shares for \$0.12 per share to David Bridgland for the part settlement of outstanding consultancy fees owing to David Bridgland by Vet Biotechnology Limited. As a result of this transaction, the company owes Kytron Pty Ltd \$12,000. Douglas Peter LeMessurier is a director of both Kytron Pty Ltd and Vet Biotechnology Limited as at the reporting date.

(d) Other related parties

Medvet Science Pty Ltd is a shareholder in Vet Biotechnology Ltd, holding 2,460,495 ordinary shares and 600,000 VBLO options with an exercise price of 30 cents expiring 30 June 2011. During the six (6) months period, the company incurred \$147,042 of costs in relation to treatments and patents. \$126,647 remains unpaid as at 31 December 2008. Medvet Science Pty Ltd is a substantial shareholder of Vet Biotechnology Limited as at reporting date.

**Note 22 Financial Risk Management**

The entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to related parties.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2009 \$	2008 \$
Financial Assets			
Cash and cash equivalents	8	5,362	21,050
Trade and other receivables	9	28,449	51,759
		<u>33,811</u>	<u>72,809</u>
Financial Liabilities			
Trade and other payables	14	82,579	169,431
Borrowings	15	399,101	449,169
		<u>481,680</u>	<u>618,600</u>

Specific Financial Risk Exposures and Management

The main risks the entity is exposed to through its financial instruments are liquidity risk and credit risk.

a. Liquidity risk

The entity manages liquidity risk by monitoring forecast cash flows and determining additional sources of cash from either additional private placements or share purchase plans with existing shareholders. Given the tight capital market conditions felt throughout Australia and beyond, there is a risk that the company will find it difficult to raise capital from the investment community in order to generate the necessary future cash flows required for working capital management. Given this, the company's focus since year end has been on reducing operating costs in order to minimise the additional cash required through these means.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables	82,579	169,431	-	-	-	-	82,579	169,431
Borrowings	8,101	449,169	391,000	-	-	-	399,101	449,169
Total expected outflows	90,680	618,600	391,000	-	-	-	481,680	618,600
	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets - cash flows realisable								
Cash and cash equivalents	5,362	21,050	-	-	-	-	5,362	21,050
Trade and other receivables	28,449	51,759	-	-	-	-	28,449	51,759
Total anticipated inflows	33,811	72,809	-	-	-	-	33,811	72,809
Net (outflow) / inflow on financial instruments	(56,869)	(545,791)	(391,000)	-	-	-	(447,869)	(545,791)

The periods in which cash flows are expected to occur are as depicted in the above maturity analysis table.

b. Credit risk

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the balance sheet. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 9.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	Footnote	2009		2008	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	(i)	5,362	5,362	21,050	21,050
Trade and other receivables	(i)	28,449	28,449	51,759	51,759
Total financial assets		33,811	33,811	72,809	72,809
Financial liabilities					
Trade and other payables	(i)	82,579	82,579	169,431	169,431
Borrowings	(i)	399,101	399,101	449,169	449,169
Total financial liabilities		481,680	481,680	618,600	618,600

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables, trade other payables and borrowings are short term instruments in nature whose carrying value is equivalent to fair value.

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**Note 23 Reserves**

	2009	2008
	\$	\$
Option Reserve		
As at the beginning of the reporting period	134,728	133,375
Options Issued	-	1,353
At Reporting date	<u>134,728</u>	<u>134,728</u>

The following options were on issue:

VBLO Options (Exercisable at \$0.30, expiring 30/6/2011, eligible on conversion for the 9 May 2007 9 for 10 bonus)	9,692,760	9,692,760
VBLOB Options (Exercisable at \$0.20, expiring 30/6/2013, eligible on conversion for the 9 May 2007 9 for 10 bonus)	2,250,000	2,250,000
VBLOC Options (Exercisable at \$0.20, expiring 30/6/2011, eligible on conversion for the 9 May 2007 9 for 10 bonus)	3,173,514	3,173,514
VBLOD Options (Exercisable at \$0.20, expiring 30/6/2013, not eligible for bonus issues)	882,868	681,118
VBLOE Options (Exercisable at \$0.20, expiring 30/6/2011, not eligible for bonus issues)	625,000	625,000
Total number of options issued	<u>16,624,142</u>	<u>16,422,392</u>

During the year, the company issued 201,750 options (VBLOD) in relation to the issuance of 201,750 ordinary shares issued at \$0.10 per share.

**Note 24 Company Details**

The registered office of the company is:

Vet Biotechnology Ltd  
Level 12  
280 George Street  
Sydney, NSW, 2000

The principal place of business is:

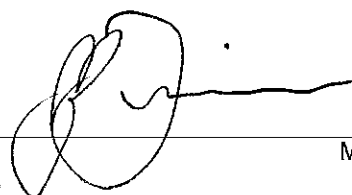
Vet Biotechnology Ltd  
Level 1, 157 Melbourne Street  
North Adelaide  
SA 5006

VET BIOTECHNOLOGY LTD ABN: 54 105 577 017  
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 27, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company;
2. the Directors have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director  \_\_\_\_\_  
Michael Derin

Dated this 14<sup>th</sup> day of September, 2009



**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

The following additional information is required by the National Stock Exchange Ltd in respect of listed public companies only.

**1. Shareholding**

**a. Distribution of Shareholders**

Category (size of holding)	Number	
	Ordinary	Redeemable
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	8,577	-
10,001 – 100,000	1,098,828	-
100,001 – and over	35,472,396	-
	<b>36,579,801</b>	<b>-</b>

**b.** The number of shareholdings held in less than marketable parcels is 4,780,000 ordinary shares.

**c.** The names of the substantial shareholders listed in the holding company's register as at 30 June 2009 are:

Shareholder	Number	
	Ordinary	Preference
Mrs Diana Mary O'Halloran	4,071,718	-

**d. Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**e. 20 Largest Shareholders — Ordinary Shares**

		Number of Ordinary Fully Paid Shares	% Held of Issued Ordinary Capital
Name		Held	
1.	MRS DIANA MARY O'HALLORAN	4,071,718	11%
2.	JOHN P M COOK	2,749,612	8%
3.	MR NICHOLAS GREENAWAY MILLS	3,097,500	8%
4.	MEDVET SCIENCE PTY LTD	2,460,495	7%
5.	PALPET PTY LTD	1,900,000	5%
6.	MR DOUGLAS PETER LEMESSURIER	1,805,000	5%
7.	FIRST AVENUE INVESTMENTS PTY	1,710,000	5%
8.	EMU CARDS PTY LTD	1,140,000	3%
9.	DR ADRIAN JOHN PORTER &	1,024,000	3%
10.	MR RAYMOND GEORGE PANK	955,700	3%
11.	BRENTWOOD PTY LTD	950,000	3%
12.	HUGH BERKLEY GUTHRIE &	950,000	3%
13.	KYTRON PTY LTD	950,000	3%
14.	MR HUGO FREDERICK LEMESSURIER	950,000	3%
15.	PAUL LAWRENCE KERR	950,000	3%
16.	J.J. HOLDINGS (NSW) PTY LTD	712,500	2%
17.	MRS JANE MARY LEMESSURIER	665,000	2%
18.	SOJO STRATEGIC PTY LTD	506,663	1%
19.	JFB SERVICES PTY LIMITED	503,500	1%
20.	BROHOK INVESTMENT CO PTY LTD	475,000	1%
		<b>28,526,688</b>	<b>78%</b>

**VET BIOTECHNOLOGY LTD ABN: 54 105 577 017**  
**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

- g.** The name of the company secretary is Michael Derin, FCA.
- h.** The address of the principal registered office in Australia is Level 12, 280 George Street SYDNEY NSW 2000.
- i.** Registers of securities are held at the following addresses
- |                           |   |
|---------------------------|---|
| <b>Registries Limited</b> | Level 7, 207 Kent Street<br>SYDNEY NSW 2000 |
|---------------------------|---|
- j. Stock Exchange Listing**  
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian National Stock Exchange Limited.