



# Future Focused



# Financial statements

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For the year ended 30 June 2009

**Provet Holdings Limited and Controlled Entities**

ABN 91 092 593 774

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## Directors' report

For the year ended 30 June 2009

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2009. Provet Holdings Limited is an unlisted public company limited by shares that is incorporated and domiciled in Australia.

### Directors

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

- Dr Robert Leonard Emil Menrath
- Dr Victor Hans Menrath
- Dr William Anthony Nicholls
- Dr Garth Alexander McGilvray
- Dr Nigel Bruce Nichols
- Dr John Kenneth Maclachlan
- Dr Reginald Roland Roessler Pascoe

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

The Directors and Executives interest in shares of the company are disclosed in Note 25 of these accounts.

The Directors experience and qualifications are detailed below.

### Principal activities

The principal activities of the consolidated entity during the year were:

- full range veterinary wholesaling,
- sales, support and development of Practice Management software,
- training and consulting services to the veterinary industry, and
- online business activities.

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

### Operating result

The consolidated profit of the consolidated entity for the financial year, before providing for income tax amounted to \$6,015,127 (\$4,525,827 after tax). This compares to 2008 profit before income tax of \$5,952,624 (\$4,447,684 after tax).

### Review of operations

Amidst some turbulent times in regard to the world economy and the lack of consumer confidence in the market place during the 2008/09 financial year, the Animal Health industry in general has

shown significant resilience and continues to grow.

The Provet Group reports consolidated sales this financial year of \$270,274,114 which is up on the 2007/08 financial year by \$19.8 million or 7.9% which is significant given market conditions. This is almost entirely from organic growth as there have been no acquisitions in the 2008/09 financial year.

Consolidated net profit before tax (NPBT) for 2008/09 financial year was \$6,015,127 and is up on last years NPBT result by 1.05%. Again this is a pleasing result compared to many other businesses which have reported profit reductions. However, what is more important is that after deducting a number of non-operational financial impacts which have been incurred in the reporting period, the underlying profitability of the Group is much more favourable for shareholders over the prior year.

During the 2008/09 year, the Group has written off \$282,000 (net of tax) representing the costs associated with preparing the company for an initial public offering (IPO) in 2008 which could no longer be carried forward as a capitalised item. In addition, we have booked an impairment loss of \$83,576 against the goodwill being carried for Vetcare due to significant development of the next version of the Practice Management Software, taken a loss on sale of \$90,517 on our property at 21 Gibberd Road in Perth and taken up a small foreign exchange gain of \$38,640 for the year. The normalised operating NPBT after these adjustments are taken into account compared with the normalised NPBT for the 2007/08 reporting period shows an increase in profitability between the reporting periods of \$638,000 or 11%. The Board is very satisfied with this good result in the current conditions.

### Veterinary wholesaling

Following a period of strategic acquisitions over the last few years we have been focused on ensuring that our core wholesale businesses now start driving towards more efficient operation and improving profitability. All core wholesale businesses acquired in recent years are now operating on the Provet IT systems and are fully integrated into the Provet Group.

We have continued to grow market share in both our Australian and New Zealand markets over the prior year and our export business has increased sales over the prior year by 13%.

Of significance is that our overall cost of doing business as a percentage of sales has reduced by 0.7% compared to the prior year and continues to be an area that our managers are focused on.

In the last quarter of 2009, we relocated both our Provet WA and Provet NT businesses into new purpose built warehouses and we have started construction on a warehouse for our Provet Tasmania start up business, which commenced trading in March 2009.

### Practice Management Software

A significant part of the activities of our IT Division is associated with the sale, implementation, development and on-going maintenance and support of our two Practice Management Software applications; Vision VPM and Viva VPM. Viva VPM is the new brand name for the completely redeveloped Vetcare system which the Group purchased two years ago and is due for release to the market amidst strong demand in October 2009.

Vision VPM continues to enjoy strong demand from the Veterinary community in both New Zealand and in Australia. In relation to the Australian market, the software we believe has significant growth prospects as the market recognises the unparalleled support and service that is provided by our customer support team. This links with the leading edge functionality which supports veterinary practices which is being offered in each new release of the software.

### Training and consulting services

The Provet Group's training and consulting business services as provided by AIRC and Crampton Consulting team has ensured continued differentiation in the market place from our competitors. It offers a high quality service to veterinary practices, supported by experience and knowledge of good business principles and Animal Health standards and requirements. The services it provides to our customers are in line with our strategy to be viewed as a first choice business partner by our customers and provides practical consulting advice to improve

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## Directors' report cont.

For the year ended 30 June 2009

profitability and grow their businesses, training courses to improve the skills of nurses and improve existing practices and procedures used in veterinary practices.

An initiative which has been successfully rolled out in the 2009 financial year, has been the Practice Fitness Workshops, which have been well received by veterinary practitioners and cover core areas such as strategic planning, financial management, marketing and human resources. These workshops have been attended by both Provet and non-Provet customers alike building stronger relationships with existing and future customers.

### Online business activities

The key activities within this area of our business are predominately associated with the sale and support of the e-Practice websites within our customer's practices. Through our Provet IT Division, we continue to develop and enhance the product offered to the market and drive growth in sales. The Board continues to believe this product is a key part of the services that we offer to our customers and future business strategy.

### Significant changes in affairs

There were no significant changes in affairs of the company.

### Significant events after balance date

No final dividend in respect of the current financial year has been formally declared by the company Directors as at 30 June 2009 and in line with accounting standards, had not been brought to account. However, on the 10th September 2009, the Board has declared a final dividend of 21.5 cents to be paid in November 2009.

### Likely developments and expected results

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

### Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Information of Directors

### Garth Alexander McGilvray

BVSc, MRCVS, FAICD

*Chairman since 1st January 2006*

Dr McGilvray has been a non-executive Director since 1985. He was Chairman of the Audit Committee from 2002 to 2005 and as Board Chairman, is currently an ex-officio member of all Board Committees. He is a registered Veterinary Surgeon, Fellow of the AVA and is a Fellow of the Australian Institute of Company Directors. Dr McGilvray is deputy chairman of North State Finance Pty Ltd and is a director of a number of private companies.

### Robert Leonard Menrath

BSc, BVSc, FAICD

*Chairman to 31st December 2005*

Dr Menrath was the founding Chairman of Provet and held the position of Chairman and Chief Executive Officer until December 2003, when he resigned as Chairman. He resigned from the position of CEO in December 2004 and then resumed the role of Chairman in the 2005 year, before retiring as Chairman in December 2005. Dr Menrath now holds the role of non-executive Director. He is the Chairman of the Risk Management Committee and member of the Audit and Compliance Committee. Dr Menrath is a registered Veterinary Surgeon, a Fellow of the Australian Institute of Company Directors and is a director of a number of private companies.

### John Kenneth Maclachlan

BVSc, Cert Business Management, Cert. of Business Direction

Dr Maclachlan has been a non-executive Director since 2003. He is the current Chairman of the Audit and Compliance Committee and is a member of the Remuneration Committee. Dr Maclachlan is a registered Veterinary Surgeon, Immediate Past President of the New Zealand Veterinary Association and is a member of the Institute of Directors (NZ). He is chairman of Crest Energy Ltd, director of the Foundation for Continuing Education (VetLearn NZ) and director for National Quality Veterinary Standards (NQVS) and is a director of a number of private companies.

### Victor Hans Menrath

BAgr, BVSc(Hons), FACVSc, FAICD

Dr Menrath is a founding Director and has held the position of non-executive Director since 1982 and was Joint Company Secretary until 2006. He is Chairman of the Remuneration Committee and a member of both the Nomination and Organisation Committee and the Risk Management Committee. Dr Menrath is a registered Veterinary Surgeon and is practicing specialist in Feline Medicine and a member of the Veterinary Surgeon's board. He was previously a visiting lecturer, Adjunct Associate Professor to the Veterinary Faculty University of Queensland. He is the Patron of the School of Veterinary Science Capital Campaign UQ from 2007 and is a director of a number of private companies.

### William Anthony Nicholls

BVSc, QDA, FAICD

Dr Nicholls is a founding Director and has held the position of non-executive Director since 1982. He was joint Company Secretary from 1990–2006. He is the Chairman of the Green Committee and a member of both the Audit and Compliance Committee and the Remuneration Committee. Dr Nicholls is a registered Veterinary Surgeon and Life Member of the AVA, is a Fellow of the Australian Institute of Company Directors and a director of a number of private companies.

### Nigel Bruce Nichols

BVSc, (Hons), FAICD

Dr Nichols was a non-executive Director from 1985–2004, he was Chairman in 2004 and has held the position of Chief Executive Officer since January 2005 as well as maintaining his role as Director. He is a member of the Risk Management Committee and the Nomination and Organisation Committee. Dr Nichols is a registered Veterinary Surgeon and is a Fellow of the Australian Institute of Company Directors and is a director of a number of private companies.

### Reginald Roland Pascoe

AM, BVSc, MVSc, DVSc, FRCVS, FACVSc

Dr Pascoe is a founding Director and has held the position of non-executive Director since 1982. He is the Chairman of the Nomination and Organisation Committee. Dr Pascoe is a registered Veterinary

Surgeon and practicing Equine Specialist. He is a consultant to the Oakey Veterinary Hospital and until 2005, was a visiting lecturer, consultant and external examiner and Adjunct Professor to Veterinary Faculty, University of Queensland. He is chairman of the board of Examiners National Veterinary Examinations and Patron of the Queensland Horse Council and Qld Branch of the Australian Farriers and Blacksmiths Association. He is also the Patron of the School of Veterinary Science Capital Campaign UQ from 2007.

### Company Secretary

#### Chris Lowndes

BComm, CA

Chris Lowndes is also the Chief Financial Officer of the company and is a Chartered Accountant. He is an Affiliate of the Institute of Chartered Secretaries Australia and has a Certificate in Governance Practice and Administration.

### Meeting of Directors

As at the date of this report Provet Holdings Limited and the controlled entities had the following committees and the respective chairmen are:

#### Audit and Compliance

John Kenneth Maclachlan

#### Remuneration

William Anthony Nicholls (up to 31/12/08)  
Victor Hans Menrath (from 1/1/09).

### Risk Management

Robert Leonard Emil Menrath

### Nomination and Organisation

Reginald Roland Roessler Pascoe

### Retirement, election and continuation in office of Director

In line with the requirements of the Provet Holdings Limited Constitution and supported by the Company Corporate Governance Charter, Dr Victor Menrath and Dr William Anthony Nicholls are the Directors retiring by rotation who, being eligible, offer themselves for re-election.

### Directors' emoluments

The remuneration committee, consisting of three non-executive Directors, advises the board on remuneration policies and practices generally and with reference to standard Australian remuneration benchmarks, makes specific recommendations on remuneration packages and other terms of employment for the executive Director and the non-executive Directors. Information on Directors' emoluments is set out in the Remuneration Report.

### Share options granted to Directors

No options over issued shares or interests in the Company or controlled entity were granted during or since the end of the financial year.

### Insurance of officers

During the financial year, Provet Pty Ltd paid a premium of \$16,775 to insure the Directors and officers of the consolidated entity.

The liabilities insured cover the costs and expenses that may be incurred in defending legal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any way in 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.

### Tax consolidation

Effective 1 June 2005, for the purposes of income taxation, Provet Holdings Limited and its 100% owned subsidiaries have formed a tax consolidated group. The Provet Group of Companies has a formal tax funding arrangement which requires all subsidiaries to provide funding to the Head Entity, Provet Holdings Limited, to ensure it can meet tax payments as and when they fall due. Provet Holdings Limited has formally notified the Australian Tax Office.

On the 1st July 2006 and 25th May 2007, Provet SA Pty Ltd and Westralian Holdings Limited respectively, formally joined the Provet tax consolidated group.

*The number of meetings of the Company's Board of Directors and committees held during the year ended 30 June 2009 and the number of meetings attended by each Director were:*

	Directors meetings		Committee meetings							
			Audit and Compliance		Remuneration		Risk Management		Nomination and Org	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J Maclachlan	10	10	4	4	4	4	4	4*	0	0
G McGilvray	10	10	4	3*	4	4*	4	4*	0	0
R Menrath	10	9	4	4	4	2*	4	4	0	0
V Menrath	10	10	4	2*	4	3	4	4	0	0
WA Nicholls	10	10	4	4	4	4	4	4*	0	0
N Nichols	10	10	4	4*	4	2*	4	4	0	0
R Pascoe	10	10	4	3*	4	4*	4	4*	0	0

\* Director that is not a member of the committee but an invitee to the committee meeting

Apart from the main Board Committees listed above, other sub committee's such as the Green and the Continuous Disclosure committee's met on an as needs basis during the 2009 financial year and attendees were both non-executive and executive Directors.

## Directors' report cont.

For the year ended 30 June 2009

### Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Provet Holdings Limited and controlled entities support and are guided by the principles of corporate governance.

The company's corporate governance charter has been compiled and can be viewed on the Provet online website.

### Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that the Group's activities are aligned with the risks and opportunities identified by the Board.

A Risk Management Committee of the Board is tasked with overseeing the risk management process within the Group. This Committee is supported by executive officers who are tasked with rolling out the risk management plan and its ongoing maintenance and managing OH&S processes. The key business risks have been identified, assessed, rated and loaded into a formal risk management software package which provides reporting to the Committee. We are currently in the process of proactively working on strategies and actions to address unacceptable risks to the Company.

The Board also has a number of other mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These mechanisms include Strategic Plan and Corporate Plan documents which encompass the Group's vision and strategy for the future and Board approved operational activity plans and budgets which are monitored by the Board.

### Auditor independence and non-audit services

The Directors received a declaration from the auditor of Provet Holdings Limited. This is shown on page 7 of this report.

### Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst and Young. The Directors are satisfied

that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst and Young received or are due to receive the following amounts for the provision of non-audit services:

Non-audit services	
	2009 \$
Tax advice and compliance services	20,790
Other accounting and due diligence services	–

### Remuneration report (audited)

This remuneration report outlines the Director and executive remuneration agreements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent Company, and includes those key management personnel in the Parent or Group receiving the highest remuneration.

For the purpose of this report, the term 'executive' encompasses the chief executive and senior executive officers of the Parent and Group.

#### a. Details of key management personnel

##### i. Directors

*Garth McGilvray*  
Chairman (non-executive)

*Nigel Nichols*  
Chief Executive Officer

*Robert Menrath*  
Director (non-executive)

*John Maclachlan*  
Director (non-executive)

*William A Nicholls*  
Director (non-executive)

*Reginald Pascoe*  
Director (non-executive)

*Victor Menrath*  
Director (non-executive)

##### ii. Executives

*Chris Lowndes*  
Chief Financial Officer and Company Secretary

*Joe Best*  
Chief Operations Officer.

There were no changes of the CEO or other key management personnel between reporting date and the date the financial report was authorised for issue.

#### b. Compensation of key management personnel

##### i. Compensation Policy

The performance of the Group depends upon the quality of its Directors and executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and executives.

To this end, the Group embodies the following principles in its compensation framework:

- Provide competitive rewards to attract high calibre executives; and
- Mandatory requirement for Directors to hold shares in the company purchased at market price.

##### Remuneration Committee

The Remuneration Committee of the Board of Directors of the Parent is responsible for determining and reviewing compensation arrangements for the Directors, the chief executive officer, chief operations officer and chief financial officer/company secretary.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant employment market conditions and benchmarking data provided by independent research organisations with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

### Compensation structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive compensation is separate and distinct.

#### Non-executive Director compensation Objective

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

#### Structure

The Constitution and corporate governance guidance specify that the aggregate compensation of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then paid to the Directors as agreed. The latest determination, based on a recommendation by the Remuneration Committee, was at the Extraordinary General Meeting (EGM) held on Friday 27 April 2007. The EGM passed a resolution which sets a proposed maximum limit of \$475,000 as the aggregate Director's fees p.a. (inclusive of superannuation) rather than periodically resolving increases in Director's fees at the Annual General Meeting.

Where required, approval is sought from shareholders for any changes to the amount of aggregate compensation and then the manner in which it is apportioned amongst Directors is reviewed annually. The Board takes into consideration published data from Independent Research Organisations when undertaking the annual review process.

Each Director receives a fee for being a Director of the company. In the case of the

Audit Committee, the Chairman is paid a loading of 10% over the normal Director's fee. The payment of additional fees for serving on this committee recognises the additional time commitment required by the Director.

Non-executive Directors have long been encouraged by the Board to hold a minimum of 10,000 shares in the company (purchased by the Director on market during the approved trading timeframe windows). It is considered good governance for Directors to have a stake in the Company on whose Board they sit.

#### Executive Compensation Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- align the interests of executives with those of shareholders,
- ensure total compensation is competitive by market standards, and
- ensure there is a correct balance of executive packages within the Company.

#### Structure

It is the Remuneration Committee's policy that employment contracts are entered into with the Chief Executive Officer, Chief Operations Officer and Chief Financial Officer.

Compensation consists of the following key elements:

- fixed compensation, and
- variable incentive compensation.

The proportion of fixed compensation and variable incentive compensation is established for each key management

personnel by the Remuneration Committee. The details of the variable component (%) of the remuneration of the key management personnel of the Group are outlined in the following table on the next page.

#### Fixed compensation Objective

Fixed compensation is reviewed annually by the Remuneration Committee.

The process consists of a review of the company wide, business unit and individual performances and relevant comparative compensation in the market.

#### Structure

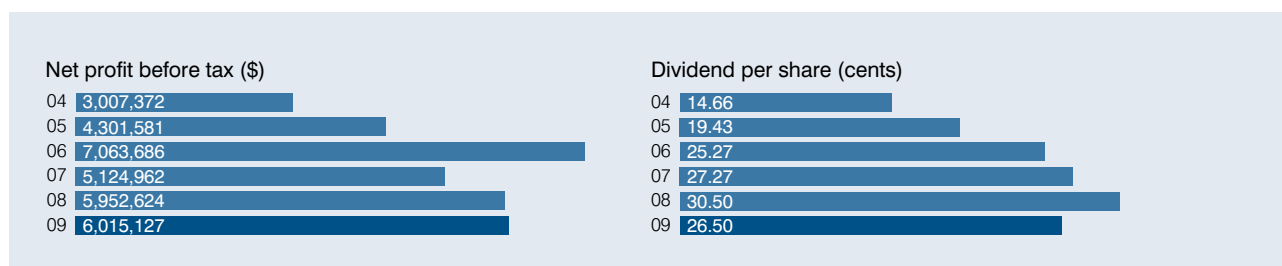
Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans.

#### Variable incentive compensation – short-term incentive (STI)

The key operational target is the actual performance of the Company to budget. On an annual basis, following determination of final audited net profit before tax, the Remuneration Committee assesses whether a bonus will be paid to key management and, if so, what the parameters will be and the allocation to each executive. Normally the bonus is set as a percentage of Group Net Profit after Tax. Recommendations of the Remuneration Committee are then discussed and approved by the Board. The Company has an employee share plan in place and each year the Board sets the deemed market issue price along with appropriate discount, for participation in the ESP. The executives then have the choice to take this STI in the form of shares under the ESP or in cash.

### Group performance

The graphs below show the Groups performance over the past five years.



## Directors' report cont.

For the year ended 30 June 2009

### b. Compensation of key management personnel cont.

#### ii. Compensation of key management personnel (consolidated) for the year ended 30 June 2009

	Salary and fees	Short-term non-monetary benefits	Bonus	Post employment superannuation	Total	Performance related
	\$	\$	\$	\$	\$	%
<b>Director</b>						
John Maclachlan*	65,866	–	–	–	65,866	–
Robert Menrath	54,516	–	–	4,906	59,422	–
Victor Menrath	54,516	–	–	4,906	59,422	–
William Nicholls	54,516	–	–	4,906	59,422	–
Reginald Pascoe	61,426	–	–	–	61,426	–
Nigel Nichols	377,062	59,136	52,130	33,936	522,264	10.0
Garth McGilvray	98,766	–	–	8,639	107,405	–
<b>Executive</b>						
Joe Best	264,908	43,128	18,250	23,842	350,128	5.2
Chris Lowndes	210,720	39,572	18,250	18,965	287,507	6.3
<b>Total</b>	<b>1,242,296</b>	<b>141,836</b>	<b>88,630</b>	<b>100,100</b>	<b>1,572,862</b>	

\* Director fees for John Maclachlan are calculated on the same basis as other Directors, however they are paid in New Zealand dollars and are based on a foreign currency conversion at a point in time.

#### ii. Compensation of key management personnel (consolidated) for the year ended 30 June 2008


	Salary and fees	Short-term non-monetary benefits	Bonus	Post employment superannuation	Total	Performance related
	\$	\$	\$	\$	\$	%
<b>Director</b>						
John Maclachlan	54,945	–	–	–	54,945	–
Robert Menrath	51,334	–	–	4,620	55,954	–
Victor Menrath	51,334	–	–	4,620	55,954	–
William Nicholls	61,334	–	–	4,620	65,954	–
Reginald Pascoe	56,858	–	–	75	56,933	–
Nigel Nichols	353,779	43,122	36,450	31,840	465,191	7.8
Garth McGilvray	93,001	–	–	8,370	101,371	–
<b>Executive</b>						
Joe Best	230,512	36,896	24,300	20,743	312,451	7.8
Chris Lowndes	196,606	38,555	24,300	17,695	277,156	8.8
Andrew Foote*	180,000	48,892	10,000	16,200	255,092	3.9
<b>Total</b>	<b>1,329,703</b>	<b>167,465</b>	<b>95,050</b>	<b>108,783</b>	<b>1,700,992</b>	

\* Andrew Foote is not included in 2009 as he does not meet the criteria of key management personnel.



**Nigel Nichols**  
Director

10th September 2009



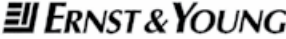
**John Maclachlan**  
Director

10th September 2009

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## Auditor independence declaration


For the year ended 30 June 2009




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**Auditor's Independence Declaration to the Directors of Provet Holdings Limited**

In relation to our audit of the financial report of Provet Holdings Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Mark Phelps  
Partner  
10 September 2009

Liability limited by a scheme approved  
under Professional Standards Legislation

## Income statement

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Income</b>	3	272,401,210	252,819,095	2,253,868	5,083,305
Cost of goods sold	3	(217,578,003)	(200,866,967)	–	–
Employee benefits expenses	3	(22,727,208)	(21,688,286)	–	–
Depreciation, amortisation and impairment expenses	3	(1,951,967)	(1,801,978)	–	–
Finance costs	3	(2,102,360)	(2,159,140)	–	–
Other expenses	3	(22,026,545)	(20,350,100)	(365)	–
<b>Profit before income tax</b>		6,015,127	5,952,624	2,253,503	5,083,305
Income tax expense	4	(1,489,300)	(1,504,940)	(1,432)	–
<b>Net profit attributable to members of Provet Holdings Limited</b>		4,525,827	4,447,684	2,252,071	5,083,305

## Balance sheet

As at 30 June 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current assets</b>					
Cash and cash equivalents	5	6,727,059	3,248,350	1,774,463	1,695,574
Trade and other receivables	6	33,493,792	29,269,366	61,698	446,576
Derivatives		–	7,366	–	–
Inventories	7	25,277,616	26,275,393	–	–
Income tax receivable		80,277	–	41,057	–
Other	8	652,404	706,855	494	100
<b>Total current assets</b>		<b>66,231,148</b>	<b>59,507,330</b>	<b>1,877,712</b>	<b>2,142,250</b>
<b>Non-current assets</b>					
Trade and other receivables	6	–	–	32,682,831	30,691,547
Investments available for sale	9	164,846	175,554	–	–
Investments in controlled entities	9	–	–	4,445,738	4,445,738
Property, plant and equipment	10	12,796,551	14,288,721	–	–
Intangible assets and goodwill	11	19,470,326	19,709,744	–	–
Deferred tax assets	4	2,509,330	1,904,104	747,740	725,665
Other	13	115,908	156,946	–	–
<b>Total non-current assets</b>		<b>35,056,961</b>	<b>36,235,069</b>	<b>37,876,309</b>	<b>35,862,950</b>
<b>Total assets</b>		<b>101,288,109</b>	<b>95,742,399</b>	<b>39,754,021</b>	<b>38,005,200</b>
<b>Current liabilities</b>					
Trade and other payables	14	35,652,161	31,046,539	60,152	52,927
Interest bearing loans and borrowings	15	8,565,463	10,550,123	–	–
Revenue received in advance		325,107	218,352	–	–
Income tax payable		–	81,995	–	172,274
Derivatives		4,207	–	–	–
Provisions	16	2,396,236	2,071,512	–	–
<b>Total current liabilities</b>		<b>46,943,174</b>	<b>43,968,521</b>	<b>60,152</b>	<b>225,201</b>
<b>Non-current liabilities</b>					
Trade and other payables	14	–	–	3,815,865	2,553,521
Interest bearing loans and borrowings	15	14,900,507	15,214,283	–	–
Revenue received in advance		28,461	42,183	–	–
Provisions	16	362,322	304,846	–	–
<b>Total non-current liabilities</b>		<b>15,291,290</b>	<b>15,561,312</b>	<b>3,815,865</b>	<b>2,553,521</b>
<b>Total liabilities</b>		<b>62,234,464</b>	<b>59,529,833</b>	<b>3,876,017</b>	<b>2,778,722</b>
<b>Net assets</b>		<b>39,053,645</b>	<b>36,212,566</b>	<b>35,878,004</b>	<b>35,226,478</b>
<b>Equity</b>					
Contributed equity	17	22,392,366	22,068,118	22,392,366	22,068,118
Reserves	18a	(1,149,455)	(1,065,252)	–	–
Retained profits	18b	17,810,734	15,209,700	13,485,638	13,158,360
<b>Total equity</b>		<b>39,053,645</b>	<b>36,212,566</b>	<b>35,878,004</b>	<b>35,226,478</b>

## Statement of recognised income and expense

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash flow hedge gain/(loss) taken to equity	18	(11,573)	(129,233)	–	–
Foreign currency translation	18	228,122	(2,142,109)	–	–
Fair value revaluation of land and buildings	18	(418,936)	457,616	–	–
Fair value revaluation of equity investments	18	(10,707)	(109,478)	–	–
Transaction costs on share issue		–	(7,450)	–	(7,450)
Income tax on items taken directly to equity		128,892	(183,942)	–	2,235
<b>Net Income recognised directly in equity</b>		(84,202)	(2,114,596)	–	(5,215)
Profit for the period		4,525,827	4,447,684	2,252,071	5,083,305
<b>Total recognised income and expense for the period</b>		4,441,625	2,333,088	2,252,071	5,078,090

## Cash flow statement

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		309,721,313	289,032,255	–	–
Payments to suppliers and employees		(294,295,767)	(278,947,946)	–	–
Interest received		373,728	399,091	–	–
Borrowing costs		(5,831,528)	(5,568,139)	–	–
Dividends received		13,858	8,999	–	–
Income tax paid		(1,755,789)	(2,368,658)	(1,804,433)	(2,472,881)
<b>Net cash flows from/(used in) operating activities</b>	28b	8,225,815	2,555,602	(1,804,433)	(2,472,881)
<b>Cash flow from investing activities</b>					
Proceeds from sale of property, plant and equipment		2,932,711	2,762,999	–	–
Proceeds from sale of investments		–	19,719	–	–
Payment for property, plant and equipment		(3,287,826)	(1,447,566)	–	–
Purchase of intangibles		(250,834)	–	–	–
Purchase of business, net of cash acquired	27	–	(1,268,235)	–	–
<b>Net cash flows from/(used in) investing activities</b>		(605,949)	66,917	–	–
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		721,484	1,933,830	–	–
Intercompany cash transfers		–	–	3,544,203	2,795,682
Repayment of borrowings		(2,458,679)	(2,701,021)	–	–
Proceeds from issue of shares		–	1,930,998	–	1,930,997
Transaction costs from issue of shares		–	(408,899)	–	(7,455)
Payment of finance lease liabilities		(762,042)	(654,406)	–	–
Dividends paid		(1,660,881)	(1,962,512)	(1,660,881)	(1,962,512)
<b>Net cash flows from/(used in) financing activities</b>		(4,160,118)	(1,862,010)	1,883,322	2,756,712
Net increase/(decrease) in cash and cash equivalents		3,459,748	760,509	78,889	283,831
Cash and cash equivalents at beginning of period		3,248,350	2,593,552	1,695,574	1,411,743
Effects of exchange rate on cash balances		19,411	(105,711)	–	–
<b>Cash and cash equivalents at end of period</b>	28a	6,727,509	3,248,350	1,774,463	1,695,574

## Notes to the financial statements

For the year ended 30 June 2009

### Note 1. Corporate information

The financial report of Provet Holdings Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 10 September 2009.

The financial report covers the consolidated entity of Provet Holdings Limited and controlled entities (the Group), and Provet Holdings Limited (the Company) as an individual parent entity. Provet Holdings Limited is an unlisted public company, incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the Directors' report.

### Note 2. Summary of significant accounting policies

#### a. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for land and buildings, derivative financial instruments, assets held for trading and available-for-sale investments, which have been

measured at fair value. The financial report is presented in Australian dollars.

#### b. Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Except for AASB 8 *Operating Segments* (issued February 2007), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2009 are shown below:

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	Impact expected to be immaterial	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	Impact expected to be immaterial	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquire either at its fair value or at its proportionate interest in the acquire's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	An impact is expected but can not be ascertained at this point in time	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	Impact expected to be immaterial	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2009-Y	Amendments to Australian Accounting Standards  (AASB 5, 7, 107, 112, 136 and 139 and Interpretation 17)	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	Impact expected to be immaterial	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards  Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.  AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Impact expected to be immaterial	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards  Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	Impact expected to be immaterial	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards  Improving Disclosures about Financial Instruments (AASB 4, AASB 7, AASB 1023 and AASB 1038)	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: <ul style="list-style-type: none"> <li>• quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),</li> <li>• inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2), and</li> <li>• inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).</li> </ul> <p>These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	Impact expected to be immaterial	1 July 2009

\* Designated the beginning of the applicable annual reporting period

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## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 2. Summary of significant accounting policies cont.

#### c. Basis of consolidation

The consolidated financial statements comprise the financial statements of Provet Holdings Limited and its controlled entities, as at 30 June 2009 (the Group). The financial statements of the subsidiaries are prepared for the same reporting period as Provet Holdings Limited, using consistent accounting principles.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

All intercompany balances and transactions have been eliminated on consolidation, including any unrealised profits or losses where material.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Provet Holdings Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

#### d. Significant accounting judgements, estimates and assumptions

##### *Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the

carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### *i. Impairment of goodwill and intangibles with indefinite useful lives*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 12.

##### *ii. Provision for doubtful debts*

When receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these amounts is assessed by management. Each outstanding debtor is assessed and a provision for non-recovery raised where full collection is not likely.

##### *iii. Provision for stock obsolescence*

Provision is made where it is considered unlikely that stock will be sold for greater than its carrying amount. The provision considers the age of the stock and whether the stock is still saleable.

#### e. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *i. Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

##### *ii. Rendering of services, licence fees and maintenance fees*

Revenue from the provision of training and consulting services and software maintenance and support is recognised

by reference to the stage of completion of a contract. Stage of completion is measured by reference to the period of contract completed against total duration of contract.

##### *iii. Interest and dividends*

Revenue is recognised when the Group's right to receive payment is established.

#### f. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

#### g. Leases, hire purchases and chattel mortgages

Finance leases, hire purchases and chattel mortgages which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in the Income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

#### h. Cash and cash equivalents

Cash and short-term deposits in the Balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Cash flow Statement, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts.

#### i. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts.

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An estimate for doubtful debts is made when there is objective evidence that collection for the full amount is no longer probable. Financial difficulties of the debtor, debts more than 90 days overdue, significant decrease in debtor activity and default of agreed extended payment plans are considered objective evidence of impairment. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest when charged is taken up as income on an accruals basis.

#### **j. Inventories**

Inventories are valued at the lower of cost (net of purchasing rebates) and net realisable value. Cost is calculated on a 'Weighted Average' basis and includes a proportion of labour and warehouse overheads incurred in making inventories available for sale. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### **k. Derivative financial instruments and hedging**

The Group uses a derivative financial instrument such as an interest rate swap to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability,
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk

associated with a recognised asset or liability or to a forecast transaction, or

- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

##### **i. Fair value hedges**

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

##### **ii. Cash flow hedges**

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

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## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 2. Summary of significant accounting policies cont.

#### iii. Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

#### I. Derecognition of financial assets and financial liabilities

##### i. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired,
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### ii. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### m. Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

##### i. Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually

or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

##### ii. Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

##### n. Foreign currency translation

Both the functional and presentation currency of Provet Holdings Limited and its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

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All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, Provet NZ Pty Limited is New Zealand dollars (NZ\$). As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of Provet Holdings Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

#### **o. Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **p. Goods and Services Tax (GST)**

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian 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.

Cashflows are included in the Cash flow statement on a gross basis and the GST component of cashflows arising from investing and financing activities, which is recoverable from or payable to the taxation authority are classified as operating cashflows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **q. Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 2. Summary of significant accounting policies cont.

#### q. Property, plant and equipment cont.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is provided for all property, plant and equipment, except freehold land. The diminishing value or straight line methods of depreciation are used where appropriate, so as to write off assets over their anticipated useful lives.

The depreciation rates used for each class of asset are:

Class of asset	Depreciation periods
	2009 and 2008
Buildings and improvements	40 years
Plant and equipment	2 1/2–40 years
Leased plant and equipment	3–7 years
Motor vehicles	3–5 years
Leased motor vehicles	3–5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### i. Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement in the depreciation and amortisation expense line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

#### ii. Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance sheet date.

#### iii. Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

#### r. Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, assets held for trading, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. Available for sale investments are subsequently measured at fair value, however where fair value cannot be reliably measured, the assets are recorded at initial cost. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### s. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquire's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

#### t. Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

*A summary of the policies applied to the Group's intangible assets are featured in the table below:*

Trademarked manufactured products	
<b>Useful lives</b>	Finite (2008: finite).
<b>Amortisation method used</b>	Amortised over 10 years, being the period of expected future sales from the related project on a straight-line basis (2008: Amortised over 10 years, being the period of expected future sales from the related project on a straight line basis).
<b>Internally generated or acquired</b>	Acquired.
<b>Impairment testing</b>	Annually and more frequently when an indication of impairment exists (2008: Annually and more frequently when an indication of impairment exists).

#### Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 2. Summary of significant accounting policies cont.

#### t. Intangible assets cont.

##### Research and development costs cont.

Licences – registered training organisation license	
Useful lives	Infinite (2008: infinite).
Amortisation method used	No amortisation (2008: infinite).
Internally generated or acquired	Acquired.
Impairment testing	Annually and more frequently when an indication of impairment exists (2008: infinite).
Development costs	
Useful lives	Finite (2008: finite).
Amortisation method used	Amortised over 4–10 years, being the period of expected future sales from the related project on a straight-line basis (2008: Amortised over 4–10 years, being the period of expected future sales from the related project on a straight line basis).
Internally generated or acquired	Internally generated and acquired.
Impairment testing	Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end (2008: Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end).
Practice management software	
Useful lives	Finite (2008: finite)
Amortisation method used	Amortised over 10 years, being the period of expected future sales from the related project on a straight-line basis (2008: Amortised over 10 years, being the period of expected future sales from the related project on a straight line basis).
Internally generated or acquired	Internally generated and acquired.
Impairment testing	Annually and more frequently when an indication of impairment exists (2008: Annually and more frequently when an indication of impairment exists).

#### u. Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely

independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post tax

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### v. Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

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**w. Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

**x. Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current post tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

**y. Employee leave benefits****i. Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**ii. Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**z. Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**aa. Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

**ab. Customer Loyalty Program**

The Group operates a Customer loyalty program called 'Provet Plus'. The Group accounts for award credits as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The liability is recorded at the full value of outstanding Provet Plus points.

## Notes to the financial statements cont.

For the year ended 30 June 2009

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 3. Revenue and expenses</b>				
<b>a. Revenue</b>				
Sale of goods	270,274,114	250,485,780	–	–
Interest	373,738	399,091	5,138	–
Dividends				
Subsidiaries	–	–	2,248,730	5,083,305
Other corporations	13,858	8,999	–	–
Net gain on sale of investment	–	14,221	–	–
Net foreign currency gain	38,640	233,975	–	–
Other	1,700,860	1,677,029	–	–
<b>Total income from ordinary activities</b>	<b>272,401,210</b>	<b>252,819,095</b>	<b>2,253,868</b>	<b>5,083,305</b>
<b>b. Expenses</b>				
Cost of goods sold	217,578,003	200,866,967	–	–
Employee benefits expenses				
Salaries and wages	18,074,718	16,913,001	–	–
Employee leave provisions	382,200	347,236	–	–
Other employee related costs	4,270,290	4,428,049	–	–
	22,727,208	21,688,286	–	–
Depreciation, amortisation and impairment expenses				
Depreciation				
Buildings, plant and equipment	1,083,460	1,036,809	–	–
Provet Plus program	22,521	22,521	–	–
	1,105,981	1,059,330	–	–
Impairment of intangibles	83,576	–	–	–
Amortisation				
Intangible assets	65,435	68,137	–	–
Plant and equipment under finance leases	696,975	674,511	–	–
	762,410	742,648	–	–
<b>Total depreciation, amortisation and impairment expenditure</b>	<b>1,951,967</b>	<b>1,801,978</b>	<b>–</b>	<b>–</b>

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Finance costs				
Interest and finance charges paid/payable				
Bank loan and overdraft	1,825,698	1,887,556	–	–
Lease finance charges	276,662	271,584	–	–
	2,102,360	2,159,140	–	–
Other expenses				
Administrative expenses	10,089,629	9,577,419	365	–
Freight and cartage	5,041,022	4,751,346	–	–
Merchant fees	3,747,686	3,397,962	–	–
Operating lease rentals	2,868,667	2,549,037	–	–
Bad and doubtful debts	152,461	43,256	–	–
Net loss on disposal of plant and equipment	36,563	31,080	–	–
Net loss on disposal of land and buildings	90,517	–	–	–
	22,026,545	20,350,100	365	–
<b>Auditor's remuneration</b>				
Amounts received or due and receivable by Ernst and Young (Australia) for:				
Auditing or reviewing of the financial report	250,000	201,785	–	–
Tax advice and compliance services	20,790	23,800	–	–
Other accounting and due diligence services	–	203,889	–	–
	270,790	429,474	–	–

## Notes to the financial statements cont.

For the year ended 30 June 2009

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 4. Income tax</b>				
The major components of income tax expense are:				
<b>Income statement</b>				
Current income tax charge	1,621,086	2,140,948	(3,574)	(5,006)
Adjustments in respect of current income tax of previous years	–	63,743	–	–
Adjustments in respect of deferred income tax of previous years	(110)	11,979	–	–
Deferred income tax relating to the origination and reversal of temporary differences	(131,676)	(711,730)	5,006	5,006
Income tax expense/(benefit) reported in the Income statement	1,489,300	1,504,940	1,432	–
<b>Statement of recognised income and expense</b>				
Deferred income tax related to items charged or credited directly to equity				
Net gain on revaluation of land and buildings	(125,680)	219,021	–	–
Change in fair value of Investments	(3,212)	(32,843)	–	–
Transaction costs on share issue	–	(2,236)	–	(2,235)
Income tax expense/(benefit) reported in equity	(128,892)	183,942	–	(2,235)
<b>A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:</b>				
Prima facie tax on profits from ordinary activities before income tax at the rates applicable in the country of operation	1,804,538	1,785,787	676,050	1,524,992
Adjustments in respect of current income tax of previous years	–	63,743	–	–
Non-deductible expenses	188,259	829,000	–	–
Non-assessable items	(423,597)	(1,173,590)	(674,618)	(1,524,992)
Other	(79,900)	–	–	–
Income tax expense attributable to ordinary activities	1,489,300	1,504,940	1,432	–

## Deferred income tax

Deferred income tax at 30 June relates to the following:

	Balance sheet		Income statement	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Consolidated</b>				
<i>Deferred tax liabilities</i>				
Differences in accounting and tax depreciation	128,043	431,181	44,736	(167,851)
Revaluation of land and buildings	529,424	655,104	–	–
Other deferred tax liabilities	3,022	4,874	(1,852)	(62,487)
Gross deferred income tax liabilities	660,489	1,091,159		
Set-off of deferred income tax liabilities	(660,489)	(1,091,159)		
<b>Net deferred income tax liabilities</b>	<b>–</b>	<b>–</b>		
<i>Deferred tax assets</i>				
Differences in accounting and tax depreciation	7,166	15,227	8,061	49,316
Employee provisions	833,082	721,750	(111,332)	(117,256)
Provet Plus liability	1,137,937	1,014,006	(123,931)	(135,767)
Losses available to be offset against future taxable income	741,839	714,758	(27,081)	54,970
Other deferred tax assets	449,795	529,521	79,723	(320,676)
Gross deferred income tax assets	3,169,819	2,995,263		
Set-off of deferred income tax liabilities	(660,489)	(1,091,159)		
<b>Net deferred income tax assets</b>	<b>2,509,330</b>	<b>1,904,104</b>		
<b>Deferred tax expense</b>			<b>(131,676)</b>	<b>(699,751)</b>
<b>Parent</b>				
<i>Deferred tax assets</i>				
Losses available to be offset against future taxable income	741,839	714,758	–	–
Other deferred tax assets	5,901	10,907	5,006	5,006
<b>Net deferred income tax assets</b>	<b>747,740</b>	<b>725,665</b>		
<b>Deferred tax expense</b>	<b>–</b>	<b>–</b>	<b>5,006</b>	<b>5,006</b>

The Group has tax losses arising from New Zealand operations of \$2,407,740 (2008: \$2,382,527) that are available indefinitely for offset against future taxable profits of the New Zealand operations. New Zealand tax losses of \$25,213 were recognised in the current period.

In the current period the Group has carried forward a capital loss of \$65,057 arising from the sale of land and buildings.

## Tax consolidation

Provet Holdings Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group with effect from 1 June 2005. Provet Holdings Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax funding agreement which requires all of the wholly owned subsidiaries to provide funding to the head entity to ensure it can meet tax payments as and when they fall due. Under the agreement the funding of income tax is based on the taxable profit/loss of each member.

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 5. Cash and cash equivalents</b>				
Cash at bank and in hand	6,727,059	3,248,350	1,774,463	1,695,574

## Notes to the financial statements cont.

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 6. Trade and other receivables</b>					
<i>Current</i>					
Trade debtors		32,981,847	28,747,684	–	–
Less allowance for impairment loss	i	(158,809)	(161,753)	–	–
		32,823,038	28,585,931	–	–
Loan to associate		159,842	159,842	–	–
Provision for non-recovery of loan to associate		(159,842)	(159,842)	–	–
Other debtors		670,754	683,435	–	–
Owing by controlled entities		–	–	61,698	446,576
		33,493,792	29,269,366	61,698	446,576
<i>Non-current</i>					
Owing by controlled entities		–	–	32,628,831	30,691,547

Trade receivables are non-interest bearing and are generally on 30 day terms.

### i. Impaired trade receivables

A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

At 30 June 2009 \$158,809 (2008: \$161,753) of trade debtors were considered to be impaired. An amount of \$152,461 (2008: \$ 16,323) has been recognised as an expense for specific debtors for which such evidence of impairment exists during the year. The amount of the allowance has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. No individual amount within the impairment allowance is material.

An allowance has been made for the non-recovery of the loan to associate as disclosed in Note 24.

*Movements in the provision for impairment loss were as follows:*

Opening balance	161,753	180,590	–	–
Charge for the year	152,461	16,323	–	–
Amounts written off	(155,817)	(36,648)	–	–
Foreign exchange translation	410	1,488	–	–
<b>Closing balance</b>	<b>158,809</b>	<b>161,753</b>	<b>–</b>	<b>–</b>

*As at 30 June 2009, the analysis of trade receivables (including related parties) that were past due but not impaired is:*

	Total	Current	Days overdue			
			< 30 days	30–60 days	60–90 days	90+ days
<b>2009</b>						
<b>Consolidated</b>	32,823,038	26,760,038	3,488,485	1,085,860	548,050	940,605
<b>Parent</b>	–	–	–	–	–	–
<b>2008</b>						
<b>Consolidated</b>	28,585,931	22,895,938	3,265,019	950,087	689,674	785,212
<b>Parent</b>	–	–	–	–	–	–

The Group believes the above receivables will be fully collected.

Other balances within trade and other debtors do not contain impaired assets and are not past due. It is expected that they will be received when due.

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 7. Inventories</b>					
Stock on hand – at cost		25,288,616	26,286,393	–	–
Provision for obsolescence		(11,000)	(11,000)	–	–
		25,277,616	26,275,393	–	–
<b>Note 8. Other current assets</b>					
Prepaid expenses		495,536	345,765	–	–
Other assets		156,868	361,090	494	100
		652,404	706,855	494	100
<b>Note 9. Other financial assets</b>					
Investments in listed entities available for sale		164,846	175,554	–	–
Investment in controlled entities	26	–	–	4,445,738	4,445,738
		164,846	175,554	4,445,738	4,445,738
<b>Note 10. Property, plant and equipment</b>					
<i>Non-current</i>					
Land and buildings at fair value		4,560,000	6,263,491	–	–
<b>Less</b> accumulated depreciation		–	–	–	–
		4,560,000	6,263,491	–	–
Plant and equipment at cost		10,124,266	8,617,793	–	–
<b>Less</b> accumulated depreciation		(5,082,301)	(4,184,532)	–	–
		5,041,965	4,433,261	–	–
Motor vehicles at cost		965,085	697,167	–	–
<b>Less</b> accumulated depreciation		(361,296)	(301,191)	–	–
		603,789	395,976	–	–
Plant and equipment, under lease capitalised value		4,286,595	4,724,775	–	–
<b>Less</b> accumulated amortisation		(1,695,798)	(1,528,782)	–	–
		2,590,797	3,195,993	–	–
<b>Property, plant and equipment</b>		12,796,551	14,288,721	–	–

There is a first mortgage charge held over freehold land and buildings by Commonwealth Bank of Australia and a floating charge over all other assets by Commonwealth Bank of Australia. (Refer to Note 15).

## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 10. Property, plant and equipment cont.

#### Revaluation of land and buildings

Fair value is determined directly by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is assessed at the end of each reporting period.

In December 2008 a revaluation decrement of \$332,159 was recorded against the land and buildings at 21 Gibberd Road in Perth, Western Australia and this property was subsequently sold in April 2009.

The Group engaged Knight Frank, an independent valuer based in Newcastle, to determine the fair value of its land and buildings at Cameron Park. As a result of the valuation, a revaluation decrement of \$86,777 has been booked against the value of land and buildings.

*If land and buildings were measured using the cost model the carrying amounts would be as follows:*

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Cost	3,183,239	3,348,234	–	–
Less accumulated depreciation	(201,999)	(276,731)	–	–
Net carrying amount	2,981,240	3,071,503	–	–

#### a. Movements in carrying amounts

*Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:*

	Land and building \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Leased plant and equipment \$'000	Total \$'000
<b>2009</b>					
<b>Consolidated entity</b>					
Balance at the beginning of year	6,263	4,433	396	3,197	14,289
Additions	1,324	1,621	342	340	3,627
Acquisition of subsidiary/business	–	–	–	–	–
Revaluation increments/(decrements)	(419)	–	–	–	(419)
Disposals	(2,537)	(96)	(38)	(250)	(2,921)
Depreciation and amortisation expense	(71)	(915)	(97)	(697)	(1,780)
<b>Carrying amount at the end of year</b>	<b>4,560</b>	<b>5,043</b>	<b>603</b>	<b>2,590</b>	<b>12,796</b>
<b>2008</b>					
<b>Consolidated entity</b>					
Balance at the beginning of year	8,190	4,020	480	3,290	15,980
Additions	–	1,284	118	818	2,220
Acquisition of subsidiary/business	–	46	–	–	46
Revaluation increments/(decrements)	730	–	–	–	730
Disposals	(2,554)	(77)	(107)	(238)	(2,976)
Depreciation and amortisation expense	(103)	(840)	(95)	(673)	(1,711)
<b>Carrying amount at the end of year</b>	<b>6,263</b>	<b>4,433</b>	<b>396</b>	<b>3,197</b>	<b>14,289</b>

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 11. Intangible assets and goodwill</b>				
Goodwill on consolidation	19,233,646	19,583,494	–	–
Less Impairment	(83,576)	–	–	–
Less accumulated amortisation	(1,027,076)	(1,027,076)	–	–
	18,122,994	18,556,418	–	–
Trademark manufactured products	366,747	361,004	–	–
Less accumulated amortisation	(152,819)	(114,318)	–	–
	213,928	246,686	–	–
Practice management software	522,799	267,707	–	–
Less accumulated amortisation	(64,022)	(35,694)	–	–
	458,777	232,013	–	–
Licences – registered training organisation	674,627	674,627	–	–
	19,470,326	19,709,744	–	–
<b>Movements goodwill</b>				
Balance at the beginning of the year	18,556,418	18,892,492	–	–
Additions during the year	–	830,028	–	–
Impairment loss	(83,576)	–	–	–
Adjustments				
Purchase price adjustment	(368,835)	54,657	–	–
Contingent purchase consideration	(102,108)	(93,783)	–	–
Exchange adjustment	121,095	(1,126,976)	–	–
<b>Balance at the end of the year</b>	<b>18,122,994</b>	<b>18,556,418</b>	<b>–</b>	<b>–</b>
<b>Movements trademarked manufacture products</b>				
Balance at the beginning of the year	246,686	324,564	–	–
Amortisation expense	(38,491)	(39,150)	–	–
Exchange adjustment	5,733	(38,728)	–	–
<b>Balance at the end of the year</b>	<b>213,928</b>	<b>246,686</b>	<b>–</b>	<b>–</b>
<b>Movements practice management software</b>				
Balance at the beginning of the year	232,013	297,014	–	–
Additions during the year	250,834	–	–	–
Amortisation expense	(28,328)	(28,987)	–	–
Exchange adjustment	4,258	(36,014)	–	–
<b>Balance at the end of the year</b>	<b>458,777</b>	<b>232,013</b>	<b>–</b>	<b>–</b>
<b>Movements licences</b>				
Balance at the beginning of the year	674,627	674,627	–	–
Additions during the year	–	–	–	–
Amortisation expense	–	–	–	–
Exchange adjustment	–	–	–	–
<b>Balance at the end of the year</b>	<b>674,627</b>	<b>674,627</b>	<b>–</b>	<b>–</b>

## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 11. Intangible assets and goodwill cont.

Trademarked manufactured products is an intangible asset acquired through a business combination. The estimated useful life of this asset is 10 years and as such amortisation of \$38,491 (2008: \$39,150) has been recorded in the accounts. The asset was tested for impairment at 30 June 2009 (refer to Note 12).

Practice management software are intangible asset acquired through a business combination or developed internally. The estimated useful life of the assets are 10 years and as such amortisation of \$28,328 (2008: \$28,987) has been recorded in the accounts. The assets were tested for impairment at 30th June 2009 (refer to Note 12).

Licenses are an intangible asset acquired through a business combination. The asset is envisaged to have an indefinite life, as there is no expiry period attached to the license and as such no amortisation has been recorded in the accounts. The asset was tested for impairment at 30th June 2009 (refer to Note 12).

As from 1 July 2005, goodwill is no longer amortised but is now subject to annual impairment testing (refer to Note 12).

An impairment loss of \$83,576 was recognised in 2009, associated with a reduction in value of goodwill for the Vetcare business acquired in June 2007. The impairment was due to the development of a new enhanced product that will eventually replace the original software purchased. No impairment loss was recognised in 2008 financial year.

### Note 12. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations have been allocated to the individual cash generating units which are the respective operational business units. For the purposes of disclosure in these accounts, the operating business units have been grouped by the respective business segments given the nature of the businesses and differences in key assumptions.

#### Wholesale

- Provet Queensland Pty Ltd
- Provet VMS Pty Ltd
- Provet NSW Pty Ltd
- Provet NZ Pty Ltd
- Provet Victoria Pty Ltd
- Provet WA Pty Ltd
- Provet Pty Ltd trading as Provet NT

#### Software sales, development and support

- Provet IT Pty Ltd trading as Petalia
- Provet IT Pty Ltd trading as Vetcare and Viva VPM
- Provet NZ Pty Ltd trading as Vision VPM

#### Training and consulting services

- Provet Pty Ltd trading as Animal Industries Resource Centre (AIRC) and Crampton Consulting

The recoverable amount of the business units have been determined based on value in use calculations using cashflow projections based on financial budgets approved by senior management and the Board covering a five-year period.

The pre tax discount rate applied to each of cash generating units cashflow projections is 17.14% (2008: 21.43%)

and cashflows beyond the five-year period are based on business terminal values of between 5.9 and 8.7 times EBITDA which is considered a reasonable industry multiple for each of the respective businesses.

#### Key assumptions used in value in use calculations for 30 June 2009.

The following describes each key assumption on which management has based its cashflow projections when determining the value in use of the business units:

- A range of rates between 1% and 6% net profit before tax (2008: 8.1% and 6.8%) have been used as the basis for determining adjusted cashflows for each of the Wholesale cash generating units over the first five year period. This is based on conservative budget projections across the group of companies for the 2009/10 year.
- A 5% net profit before tax (2008: 3%) has been used as the basis for determining the adjusted cashflows for the Provet IT and software – 'ePractice' cash generating unit consistently over the first five year period.
- For our practice management software businesses Vision VPM and Vetcare/Viva VPM, they average 14.5% and 16.6% net profit before tax (2008: 15.9% and 60%) respectively over the five-year period.
- A stepped level of growth which averages 4% (2008: 5%) over the five year period services for net profit before tax has been used as the basis for determining adjusted cashflows for the Training and Consulting services cash generating unit consistently over the first five year period.

#### Carrying amount of goodwill allocated to each of the cash generating units:

	Warehouse		Software		Training & consulting		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Carrying amount of goodwill</b>								
Provet Queensland Pty Ltd	2,110	2,110	–	–	–	–	2,110	2,110
Provet VMS Pty Ltd	621	621	–	–	–	–	621	621
Provet (NSW) Pty Ltd	691	691	–	–	–	–	691	691
Provet NZ Pty Ltd	6,762	6,654	981	966	–	–	7,743	7,620
Provet Victoria Pty Ltd	715	715	–	–	–	–	715	715
Provet IT Pty Ltd	–	–	488	572	–	–	488	572
Provet Pty Ltd	830	830	–	–	467	569	1,297	1,399
Provet WA Pty Ltd	4,458	4,828	–	–	–	–	4,458	4,828
<b>Total</b>	<b>16,187</b>	<b>16,449</b>	<b>1,469</b>	<b>1,538</b>	<b>467</b>	<b>569</b>	<b>18,123</b>	<b>18,556</b>

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 13. Other non-current assets</b>					
Provet Plus program		225,209	225,209	–	–
Less accumulated depreciation		(157,646)	(135,125)	–	–
		67,563	90,084	–	–
Other non-current assets		48,345	66,862	–	–
		115,908	156,946	–	–
<b>Note 14. Trade and other payables</b>					
<b>Current</b>					
Trade creditors	i	25,951,497	22,241,569	–	–
Other creditors and accruals		5,916,001	5,424,953	–	–
Provet Plus liability		3,784,663	3,380,017	–	–
Owing to controlled entities		–	–	60,152	52,927
		35,652,161	31,046,539	60,152	52,927
<b>Non-current</b>					
Owing to controlled entities		–	–	3,815,865	2,553,521
		–	–	3,815,865	2,553,521
i. Trade creditors are non-interest bearing and are normally settled on terms ranging between 7–60 days.					
<b>Note 15. Interest bearing loans and borrowings</b>					
<b>Current</b>					
Hire purchase loans		153,211	99,827	–	–
Lease liabilities	21	745,302	777,610	–	–
Commercial bill or cash advance facility		7,200,000	9,200,000	–	–
Foreign currency – loan facility		280,103	395,538	–	–
Chattel mortgage		143,771	77,148	–	–
Finance Escrow facility		43,076	–	–	–
		8,565,463	10,550,123	–	–
<b>Non-current</b>					
Hire purchase loans		473,603	246,563	–	–
Lease liabilities	21	1,958,965	2,496,233	–	–
Commercial bills		12,000,000	12,000,000	–	–
Foreign currency loan facility		–	117,505	–	–
Chattel mortgage		397,969	353,982	–	–
Finance Escrow facility		69,970	–	–	–
		14,900,507	15,214,283	–	–
The carrying amount of assets pledged as security are:					
First mortgage		–	–	–	–
Freehold land and buildings		4,524,963	6,263,491	–	–
Floating charge over assets		96,763,146	89,478,908	–	–
Total assets pledged as security		101,288,109	95,742,399	–	–

## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 15. Interest bearing loans and borrowings cont.

#### Fair value disclosures

The carrying value of the Group's interest bearing liabilities is not materially different to their fair value.

Lease liabilities and hire purchase loans are secured by the assets subject to the finance.

#### Commercial bill

##### Current facility

The facility is secured by a fixed and floating charge over the Group's assets and is subject to an annual review. The average interest rate incurred on the facility for the reporting period was 6.72% (2008: 7.46%).

##### Non-current facility

The facility is secured by a fixed and floating charge over the Group's assets and is repayable in full in June 2012. The average interest rate incurred on the facility for the reporting period was 6.72% (2008: 7.46%).

##### Foreign currency facilities

The Foreign Currency facilities are secured by a fixed and floating charge over the Group's assets. There are two Domestic Foreign Currency Advances, the first \$119,373 is repayable in full by 29 April 2010. The second advance \$160,730 has no maturity date but the terms are reviewed annually by the Group's bankers. The average interest rate incurred on the facility for the reporting period was 5.94% (2008: 7.78%).

##### Chattel mortgage

The facility is secured by a charge over the Group's CRM system, installed office fit-out and a warehouse coldroom. Terms of the facility range from 5–7 years. The average interest rate incurred on the facility for the reporting period was 11.62% (2008: 11.80%).

##### Finance Escrow facility

The facility is being used to fund the acquisition of assets. When the assets are complete the facility will roll into a Hire Purchases with a term of 84 months. The average interest rate incurred on the facility for the reporting period was 10.50% (2008: nil).

#### Financing facilities available:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
At reporting date the following facilities had been negotiated and were available:				
Total facilities				
Bank overdraft	300,000	300,000	–	–
Bank loans	25,223,938	29,043,673	–	–
	25,523,938	29,343,673	–	–
Facilities used at reporting date				
Bank overdraft	–	–	–	–
Bank loans	19,480,103	21,713,043	–	–
	19,480,103	21,713,043	–	–
Facilities unused at reporting date				
Bank overdraft	300,000	300,000	–	–
Bank loans	5,743,835	7,330,630	–	–
	6,043,835	7,630,630	–	–
Total facilities	25,523,938	29,343,673	–	–
Facilities used at reporting date	19,480,103	21,713,043	–	–
<b>Facilities unused at reporting date</b>	<b>6,043,835</b>	<b>7,630,630</b>	<b>–</b>	<b>–</b>

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 16. Provisions</b>					
<b>Current</b>					
Employee benefits		2,396,236	2,071,512	–	–
<b>Non-current</b>					
Employee benefits		362,322	304,846	–	–
The number of employees within the Provet Group at 30 June 2009 was 337 (2008: 335).					
<b>Note 17. Contributed equity</b>					
<b>a. Issued capital</b>					
Ordinary shares fully paid up		22,392,366	22,068,118	22,392,366	22,068,118
<b>b. Movements issued and paid-up ordinary shares (\$)</b>					
<b>At the beginning of reporting period</b>					
		22,068,118	19,839,166	22,068,118	19,839,166
<b>Shares issued during the year</b>					
	17d,e,f	324,248	2,234,167	324,248	2,234,167
Transaction costs on share issue		–	(5,215)	–	(5,215)
<b>At reporting date</b>					
		22,392,366	22,068,118	22,392,366	22,068,118
<b>c. Movements in number of ordinary shares on Issue</b>					
<b>Shares at the beginning of reporting period</b>					
		7,394,625	7,022,801	7,394,625	7,022,801
<b>Shares issued during the year</b>					
	17d,e,f	51,198	371,824	51,198	371,824
<b>Shares at the reporting date</b>					
		7,445,823	7,394,625	7,445,823	7,394,625

d. As part of the Group's Employee Share Plan, 8,264 (2008: 9,677) ordinary fully paid shares were issued during the year to Provet staff at a share value of \$5.67 (2008: \$6.30), agreed by Board resolution valuation.

e. During the year 1,877 shares were issued at \$6.75 and 73 shares were issued at \$5.67 to employees (2008: 2,372 at \$5.70 and 109 at \$6.30) as part of their remuneration package.

f. During the reporting period the company issued 40,984 new shares under the dividend re-investment plan.

#### g. Capital management

The Group manages its capital to ensure that the companies in the group are able to continue as going concerns while maximising the effective use of debt and equity balances available. While there is no formal plan, management closely monitor cashflow and working capital

ratio's and periodically report these to the Board along with key balance sheet ratio's such as net debt to equity, net worth and return on equity.

The company has a targeted dividend payout ratio of between 40% and 60% of net profit after tax, subject to the ongoing cash needs of the business.

## Notes to the financial statements cont.

For the year ended 30 June 2009

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 18. Reserves and retained profits</b>				
The following movements in reserves have taken place				
<b>a. Reserves</b>				
<b>Asset revaluation reserve</b>				
<i>i. Nature and purpose of reserve</i>				
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.				
<i>ii. Movements in reserve</i>				
Balance at the beginning of the year	1,488,813	1,250,216	–	–
Revaluation increment/(decrement) on revaluation of land and buildings	(418,936)	730,066	–	–
Transfer revaluation of land and building sold during the year	–	(272,448)	–	–
Tax effect of revaluation of land and buildings	125,680	(219,021)	–	–
<b>Balance at the end of the year</b>	<b>1,195,557</b>	<b>1,488,813</b>	<b>–</b>	<b>–</b>
<b>Foreign currency translation reserve</b>				
<i>i. Nature and purpose of reserve</i>				
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.				
<i>ii. Movements in reserve</i>				
Balance at the beginning of the year	(2,484,796)	(342,687)	–	–
Gain/(loss) on translation of overseas controlled entities	228,121	(2,142,109)	–	–
<b>Balance at the end of the year</b>	<b>(2,256,675)</b>	<b>(2,484,796)</b>	<b>–</b>	<b>–</b>
<b>Fair value reserve</b>				
<i>i. Nature and purpose of reserve</i>				
The fair value reserve is used to record increments and decrements in the value of investments				
<i>ii. Movements in reserve</i>				
Balance at the beginning of the year	(76,635)	–	–	–
Net unrealised gain/(loss) on investments	(10,707)	(109,478)	–	–
Tax effect of movement in fair value reserve	3,212	32,843	–	–
<b>Balance at the end of the year</b>	<b>(84,130)</b>	<b>(76,635)</b>	<b>–</b>	<b>–</b>
<b>Cashflow hedge reserve</b>				
<i>i. Nature and purpose of reserve</i>				
The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cashflow hedge that is determined to be an effective hedge				
<i>ii. Movements in reserve</i>				
Balance at the beginning of the year	7,366	136,599	–	–
Net gain/(loss) on cashflow hedges	(11,573)	(129,233)	–	–
<b>Balance at the end of the year</b>	<b>(4,207)</b>	<b>7,366</b>	<b>–</b>	<b>–</b>
<b>Total reserves</b>	<b>(1,149,455)</b>	<b>(1,065,252)</b>	<b>–</b>	<b>–</b>
<b>b. Retained profits</b>				
Retained Profits at the beginning of the year	15,209,700	12,452,080	13,158,360	10,037,567
Net profits attributable to members of Provet Holdings Limited	4,525,827	4,447,684	2,252,071	5,083,305
Total available for appropriation	19,735,527	16,899,764	15,410,431	15,120,872
Dividends provided for or paid	(1,924,793)	(1,962,512)	(1,924,793)	(1,962,512)
Aggregate amount transferred from the asset revaluation reserve	–	272,448	–	–
<b>Closing balance</b>	<b>17,810,734</b>	<b>15,209,700</b>	<b>13,485,638</b>	<b>13,158,360</b>

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 19. Dividends proposed or paid</b>				
Dividend paid during the year:				
2008 Final fully franked 21 cents per share (2007: 18.27 cents)	1,553,266	1,260,022	1,553,266	1,260,022
2009 Interim fully franked 5 cents per share (2008: 9.5 cents)	371,527	702,490	371,527	702,490
	1,924,793	1,962,512	1,924,793	1,962,512
The tax rate at which dividends have been franked is 30%				
The amount of the franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the financial year at 30% (2008: 30%)			14,167,480	12,478,547
Adjusted for:				
Franking credits that will arise from the payment (refund) of income tax payable as at the end of the financial year			(64,701)	277,048
			14,102,779	12,755,595

#### Note 20. Financial instruments and risk management

The Group's principal financial instruments comprise cash, short-term deposits, bank loans and overdrafts, finance leases, hire purchase and chattel mortgages.

The main purpose of these financial instruments is to manage liquidity and to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables which arise directly from its operations.

The Group has also entered into an interest rate swap to manage interest rate risks arising from its foreign loans.

##### a. Interest rate risk

The Group's exposure to risk of changes in interest rates relates primarily to the Group's debt obligations with a variable interest rate. The level of debt is disclosed in Note 15.

*At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:*

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Financial assets</b>				
Cash and cash equivalents	6,727,059	3,248,350	1,774,463	1,695,574
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	(8,973,776)	(10,858,215)	–	–
<b>Net exposure</b>	<b>(2,246,717)</b>	<b>(7,609,865)</b>	<b>1,774,463</b>	<b>1,695,574</b>

An interest rate swap contract, with a fair value payable of \$4,207 (2008: receivable \$7,366) is exposed to fair value movements if interest rates change.

## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 20. Financial instruments and risk management cont.

#### Sensitivity analysis

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Post tax gain/(loss)				
			<b>Impact on profit</b>	
Interest rate increase by 100 basis points	(15,727)	(53,269)	–	–
Interest rate decrease by 25 basis points	3,932	13,317	–	–
			<b>Impact on equity</b>	
Interest rate increase by 100 basis points	(14,891)	(50,875)	–	–
Interest rate decrease by 25 basis points	3,723	10,833	–	–

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity is lower in 2009 than in 2008 because of a reduction in outstanding borrowings and an increase in cash held.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australia and foreign countries, relationships with finance

institutions as well as the level of debt that is expected to be renewed.

- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

#### b. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Balance sheet and Notes to the financial statements.

Trade receivables comprise the majority of the exposure to credit risk and as such balances are reviewed on an ongoing basis, with a formal review of

all balances at least every six months. Where necessary appropriate provisions are established.

Credit risk for derivative financial instruments arises from the potential failure by counter parties to the contract to meet their obligations.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

#### c. Foreign currency exposure

Foreign currency debt is not hedged against movements in foreign exchange rates. The Foreign currency debt listed in Note 15 is denominated in New Zealand dollars and is exposed to movements of this currency.

At balance date, the Group had the following exposure to NZ\$ foreign currency:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Financial assets</b>				
Cash and cash equivalents	329,226	286,832	–	–
Derivatives – interest rate swap	–	7,366	–	–
	329,226	294,198	–	–
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	(280,103)	(513,043)	–	–
Derivatives – interest rate swap	(4,207)	–	–	–
	(284,310)	(513,043)	–	–
<b>Net exposure</b>	44,916	(218,845)	–	–

The translation of the net assets in subsidiaries with a functional currency other than AUD has not been included in the above table.



## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 20. Financial instruments and risk management cont.

#### e. Liquidity risk cont.

	<12 months	1–5 years	>5 years	Total
	\$	\$	\$	\$
<b>Consolidated</b>				
<b>Year ended 30 June 2008</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3,248,350	–	–	3,248,350
Trade and other receivables	29,269,366	–	–	29,269,366
Investments available for sale	–	–	175,554	175,554
	32,517,716	–	175,554	32,693,270
<b>Financial liabilities</b>				
Trade and other payables	31,046,539	–	–	31,046,539
Interest bearing loans and payables	12,288,093	18,343,041	378,529	31,009,663
	43,334,632	18,343,041	378,529	62,056,202
<b>Net maturity</b>	<b>(10,816,916)</b>	<b>(18,343,041)</b>	<b>(202,975)</b>	<b>(29,362,932)</b>
<b>Parent</b>				
<b>Year ended 30 June 2009</b>				
<b>Financial assets</b>				
Cash and cash equivalents	1,774,463	–	–	1,774,463
Trade and other receivables	61,698	–	32,682,831	32,744,529
	1,836,161	–	32,682,831	34,518,992
<b>Financial liabilities</b>				
Trade and other payables	60,152	–	3,815,865	3,876,017
<b>Net maturity</b>	<b>1,776,009</b>	<b>–</b>	<b>28,866,966</b>	<b>30,642,975</b>
<b>Parent</b>				
<b>Year ended 30 June 2008</b>				
<b>Financial assets</b>				
Cash and cash equivalents	1,695,574	–	–	1,695,574
Trade and other receivables	446,576	–	30,691,547	31,138,123
	2,142,150	–	30,691,547	32,833,697
<b>Financial liabilities</b>				
Trade and other payables	52,927	–	2,553,521	2,606,448
<b>Net maturity</b>	<b>2,089,223</b>	<b>–</b>	<b>28,138,026</b>	<b>30,227,249</b>

#### f. Net fair values

The Directors consider aggregate net fair values is not materially different to the carrying amounts of financial assets and financial liabilities as disclosed in the Balance sheet and in the Notes to and forming part of the accounts.

#### g. Hedging activities

##### Cashflow hedge

At 30 June 2009, the Group held a swap transaction, related to part of the foreign currency advance, which assists the business in managing the impacts of future interest rate fluctuations. It is a designated cashflow hedge and has

been assessed to be effective and as at 30 June 2009, an unrealised loss of \$4,207 (2008: gain of \$7,366) is included in equity for this swap. The swap is included in the interest rate risk and foreign currency exposure sensitivity analyses above.

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 21. Commitments and contingent liabilities</b>					
At 30 June 2009, the Group had future lease hire purchase and chattel mortgage commitments which can be summarised as follows:					
<b>Finance lease, hire purchase and chattel mortgage commitments</b>					
Not later than one year		1,351,767	1,284,705	–	–
Later than one year but not later than five years		3,202,569	3,297,134	–	–
Later than five years		130,502	378,529	–	–
Minimum lease payments		4,684,838	4,960,368	–	–
less future finance charges		812,017	909,006	–	–
<b>Total lease liability</b>		<b>3,872,821</b>	<b>4,051,362</b>	–	–
This is recorded as:					
Current liability	15	1,042,284	954,585	–	–
Non-current liability	15	2,830,537	3,096,777	–	–
		3,872,821	4,051,362	–	–
<b>Operating leases</b>					
No later than one year		2,827,481	2,719,684	–	–
Later than one year but not later than five years		7,563,933	8,105,219	–	–
Later than five years		3,518,248	5,433,117	–	–
		13,909,662	16,258,020	–	–

Lease payments are determined at the time of taking out the lease by the lessor. The Group does have options within a number of lease agreements to renew or purchase the leased asset at the end of the lease period. There are no restrictions placed on the Group by the lessor.

Operating leases have an average lease term of 3 to 4 years. The exception being our building leases which have remaining terms of between 1 and 15 years. Assets that are the subject of operating leases include motor vehicles, buildings and office equipment.

No provision has been made for any 'make-good' costs upon expiration of leases on the basis Directors consider any costs to be incurred are likely to be not material.

As at 18 June 2009, Provet WA Pty Ltd had entered into an agreement to lease a purpose built warehouse in Western Australia. The term of the lease is 15 years with an annual rental in year one of \$330,000.

As at 30 June 2009, Provet Pty Ltd had entered into an agreement to lease a purpose built warehouse in the Northern Territory. The term of the lease is 10 years with an annual rental in year one of \$89,280.

As at 30 June 2009, Provet NZ Pty Ltd had entered into an agreement to lease for a purpose built warehouse in Christchurch. The term of the lease is 10 years with an annual rental in year one of \$172,000. The lease is expected to commence May 2010.

As at 30 June 2009, Provet Victoria Pty Ltd had entered into a Agreement to lease to a purpose built warehouse in Tasmania. The term of the lease is 5 years with an annual rental in year one of \$126,350. The lease is expected to commence later in the 2010 financial year.

The Group had contractual obligations to purchase plant and equipment for \$656,846 at balance date (2008: \$37,368) principally relating upgrading warehouse

facilities. This commitment is expected to be settled within 6 months from balance date.

There are no other capital commitments to disclose as at reporting date (2008: nil).

#### Guarantees

The Provet Group of Companies has as at 30 June 2009 a total of \$665,686 bank guarantees in place representing security deposits over the rental payments for various building leases. (2008: \$600,698). There are no other contingent liabilities to disclose as at reporting date.

#### Note 22. Events subsequent to balance date

The Directors on 10th September 2009 declared a fully franked final dividend of 21.5 cents per share. The total amount of the dividend is expected to be \$1,600,852 and will be paid out in November 2009.

There were no other material events to report subsequent to the balance date.

## Notes to the financial statements cont.

For the year ended 30 June 2009

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Note 23. Employee benefits and superannuation commitments</b>				
<b>a. Employee benefits</b>				
The aggregate employee benefit liability is comprised of:				
Accrued wages, salary and on-costs	481,087	539,068	–	–
Provisions (current)	2,396,236	2,071,512	–	–
Provisions (non-current)	362,322	304,846	–	–
	3,239,645	2,915,426	–	–

### b. Superannuation commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the entity of 9% of employees' wages and salaries are legally enforceable in Australia.

	Consolidated	
	2009	2008
	\$	\$
<b>Note 24. Related parties</b>		
a. All Directors are registered Veterinarians and as such may have a financial interest in Veterinary practice. Such practices trade on normal commercial terms and conditions with the Provet Group.		
Sales to related parties	681,242	1,559,747
Amounts owed by related parties	66,800	249,299
b. The Group has a 30% Interest in D-Vet Limited, a distribution company incorporated in Thailand. The carrying value of the investment in D-Vet is nil.		
As at 30 June 2009, the following loan was owing by D-Vet Limited. Management considers the likelihood of recovery to be low and consequently the loan is fully provided for.		
Amounts owed by related parties	159,842	
Provision for non-recovery of loan	(159,842)	
c. Certain shareholders have purchased inventory from the consolidated entity at normal commercial terms and conditions.		
d. The result of transactions between Provet Holdings Limited and the controlled entities and inter-entity balances are detailed in Notes 6 and 14.		
e. The ultimate parent entity in the wholly owned group is Provet Holdings Limited. Refer to Note 26 for full Group structure.		

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Note 25. Director and executive disclosures</b>				
Details of key management personnel and related remuneration disclosures are included in the Remuneration report, which forms part of the Directors' report.				
<b>a. Compensation of key management personnel</b>				
Salary and fees	1,242,296	1,329,703	–	–
Short-term non-monetary benefits	141,836	167,465	–	–
Bonus	88,630	95,050	–	–
Post employment superannuation	100,100	108,783	–	–
<b>Total compensation</b>	<b>1,572,862</b>	<b>1,700,992</b>	<b>–</b>	<b>–</b>

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**b. Shareholdings of key management personnel***Shares held in Provet Holdings Limited (number) – 30 June 2009*

	Balance 1 July 2008	Net other change	Balance 30 June 2009
<b>Directors</b>			
Garth McGilvray	172,670	545	173,215
Nigel Nichols	112,720	–	112,720
Robert Menrath	490,882	(4,954)	485,928
John Maclachlan	78,250	–	78,250
William A Nicholls	510,000	–	510,000
Reg Pascoe	348,711	3420	352,131
Vic Menrath	161,713	220	161,933
<b>Executives</b>			
Chris Lowndes	4,287	41	4,328
Joe Best	38,814	–	38,814
<b>Total</b>	<b>1,918,047</b>	<b>(728)</b>	<b>1,917,319</b>

All equity transactions with key management personnel other than those arising from the exercise of remuneration under the employee share plan have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

*Shares held in Provet Holdings Limited (number) – 30 June 2008*

	Balance 1 July 2007	Net other change	Balance 30 June 2008
<b>Directors</b>			
Garth McGilvray	172,670	–	172,670
Nigel Nichols	112,720	–	112,720
Robert Menrath	493,844	(2,962)	490,882
John Maclachlan	78,250	–	78,250
William A Nicholls	510,000	–	510,000
Reg Pascoe	348,711	–	348,711
Vic Menrath	161,713	–	161,713
<b>Executives</b>			
Chris Lowndes	4,287	–	4,287
Joe Best	38,814	–	38,814
Andrew Foote	15,619	(3,998)	11,621
<b>Total</b>	<b>1,936,628</b>	<b>(6,960)</b>	<b>1,929,668</b>

All equity transactions with key management personnel other than those arising from the exercise of remuneration under the employee share plan, have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

## Notes to the financial statements cont.

For the year ended 30 June 2009

The consolidated financial statements include the financial statements of Provet Holdings Limited and the subsidiaries listed in the following table:

	Country of Incorporation	Investment		Equity interest	
		2009 \$	2008 \$	2009 %	2008 %
<b>Note 26. Investments in controlled entities</b>					
<b>Subsidiaries of Provet Holdings Limited</b>					
Petsite Pty Ltd	Australia	100	100	100	100
Provet Pty Ltd	Australia	4,445,638	4,445,638	100	100
<b>Subsidiaries of Provet Pty Ltd</b>					
Provet VMS Pty Ltd	Australia	1,972,000	1,972,000	100	100
Provet Queensland Pty Ltd	Australia	1,666,002	1,666,002	100	100
Provet Riverina Pty Ltd	Australia	2	2	100	100
Provet (NSW) Pty Ltd	Australia	2,676,214	2,676,214	100	100
Provet NZ Pty Limited	Australia	383,788	383,788	100	100
Provet Victoria Pty Ltd (formally known as Provet Allhank Pty Ltd)	Australia	2	2	100	100
Provet SA Pty Ltd	Australia	2	2	100	100
Provet WA Pty Ltd (formally known as Westralian Holdings Limited)	Australia	12,741,363	13,110,198	100	100
<b>Subsidiaries of Provet NZ Pty Ltd</b>					
Provet Australasia Pty Limited	New Zealand	79	79	100	100
<b>Subsidiaries of Petsite Pty Ltd</b>					
Provet IT Pty Ltd (formally known as Petsite.Com Ltd)	Australia	100	100	100	100

### Entities subject to class order

Class Order relief has been granted to Provet Pty Ltd, Provet (VMS) Pty Ltd, Provet Queensland Pty Ltd, Provet (NSW) Pty Ltd, Provet NZ Pty Limited, Provet Victoria Pty Ltd, Provet Riverina Pty Ltd and Provet WA Pty Ltd ('Closed Group') from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

Specifically, members of the closed group are relieved from the requirement to prepare a financial report and Director's report (s292(1)(b) and (c));

the requirement to have the financial report audited (s301(1)); the requirements concerning distribution of the financial report, Director's report and auditor's report and any concise financial report to members (s314, 315 and 316); the requirement for a public company to lay reports before the annual general meeting (s317); the requirement to lodge reports with ASIC (s319(1)) and, the requirement for a public company to appoint an auditor (s327A, 327B and 327C).

The parties to the Class Order relief have entered into a deed of cross guarantee with holding company, Provet Holdings Limited as holding entity. The effect of the Deed is that Provet Holdings Limited has guaranteed to pay any deficiency in the event of winding up of any of the controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Provet Holdings Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated Income statement and Balance sheet of the entities that are members of the 'Closed Group' are as follows:

	Closed Group	
	2009	2008
	\$	\$
<b>Consolidated Income statement</b>		
Profit before income tax	6,229,484	6,082,372
Income tax expense	(1,445,924)	(1,416,534)
Net profit	4,783,560	4,665,838
Retained earnings at the beginning of the period	15,119,868	12,144,094
Transfer from asset revaluation reserve	–	272,448
Dividends provided for or paid	(1,924,793)	(1,962,512)
<b>Retained earnings at the end of the period</b>	<b>17,978,635</b>	<b>15,119,868</b>
<b>Consolidated Balance sheet</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	10,129,409	5,882,963
Trade and other receivables	32,222,289	28,392,103
Derivatives	–	7,366
Inventories	24,119,500	25,361,046
Income tax receivable	80,277	–
Other	633,018	706,855
<b>Total current assets</b>	<b>67,184,493</b>	<b>60,350,333</b>
<b>Non-current assets</b>		
Other financial assets	164,846	175,554
Property, plant and equipment	12,097,547	13,428,500
Intangible assets and goodwill	19,020,056	19,426,168
Deferred tax assets	2,318,373	1,769,264
Other	115,908	156,948
<b>Total Non-current assets</b>	<b>33,716,730</b>	<b>34,956,434</b>
<b>TOTAL ASSETS</b>	<b>100,901,223</b>	<b>95,306,767</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	34,679,512	31,234,662
Interest bearing loans and borrowings	8,415,593	10,490,638
Revenue received in advance	325,107	218,352
Income tax payable	–	81,995
Derivatives	4,207	–
Provisions	2,090,179	1,872,964
<b>Total current liabilities</b>	<b>45,514,598</b>	<b>43,898,611</b>
<b>Non-current liabilities</b>		
Trade and other payables	1,188,480	–
Interest bearing loans and borrowings	14,623,659	14,965,323
Revenue received in advance	28,461	42,182
Provisions	324,579	278,016
<b>Total non-current liabilities</b>	<b>16,165,179</b>	<b>15,285,521</b>
<b>TOTAL LIABILITIES</b>	<b>61,679,777</b>	<b>59,184,132</b>
<b>NET ASSETS</b>	<b>39,221,446</b>	<b>36,122,635</b>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent		
Contributed equity	22,392,266	22,068,019
Reserves	(1,149,455)	(1,065,252)
Retained earnings	17,978,635	15,119,868
<b>TOTAL EQUITY</b>	<b>39,221,446</b>	<b>36,122,635</b>

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## Notes to the financial statements cont.

For the year ended 30 June 2009

### Note 27. Business combinations

#### Current year

There were no acquisitions during the current year.

#### Prior year acquisitions

Acquisition of Monsoon Vet Supplies.

On 1 January 2008, Provet Pty Ltd acquired the business of Monsoon Vet Supplies Pty Ltd, a company who services the veterinary industry in the Northern Territory.

The total cost of the transaction was \$1,214,828, being \$1,106,564 cash consideration for the equity acquired and costs associated with the acquisition of \$108,264.

*The fair value of the identifiable assets and liabilities of Monsoon Vet Supplies Pty Ltd at 1 January 2008 were:*

	Recognised on acquisition	Carrying value
	\$	\$
Property, plant and equipment	45,960	45,960
Deferred tax asset	6,053	6,053
Cash and cash equivalents	250	250
Trade and other receivables	228,282	228,282
Inventories	330,299	330,299
	<u>610,844</u>	<u>610,844</u>
Trade and other payables	197,202	197,202
Employee Benefits	20,178	20,178
Other Liabilities	8,664	8,664
	<u>226,044</u>	<u>226,044</u>
Fair Value of net identifiable assets/liabilities	384,800	384,800
Goodwill arising on acquisition	830,028	
	<u>1,214,828</u>	
Cost of the combination		
Cash paid	1,106,564	
Costs associated with the acquisition	108,264	
	<u>1,214,828</u>	
The cash outflow on acquisition is		
Net Cash acquired with the subsidiary	250	
Cash paid	(1,106,564)	
Costs associated with the acquisition	(108,264)	
	<u>(1,214,578)</u>	

From the date of acquisition to 30 June 2008 the new entity contributed \$117,490 to the net profit after tax of the Group.

If the combination had taken place at the beginning of the prior reporting period, it is expected that the contribution to profit would be approximately \$200,000 for the prior reporting period.

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Note 28. Cash flows information</b>				
<b>a. Reconciliation of cash</b>				
Cash at the end of the financial year as shown in the Cash flow Statement is reconciled to the related items in the Balance sheet as follows:				
Cash on hand	6,727,509	3,248,350	1,774,463	1,695,574
<b>b. Reconciliation of cash flow from operations with operating profit from ordinary activities after income tax</b>				
Operating profit after income tax	4,525,827	4,447,684	2,252,071	5,083,305
Non-cash flows in operating profit:				
Depreciation and amortisation	1,951,967	1,816,619	–	–
Loss/(profit) on sale of non-current assets	127,080	16,860	–	–
Net foreign currency gains/(losses)	86,859	(815,172)	–	–
Share based payments	162,049	75,173	59,951	75,173
Changes in provisions:				
Employee benefits	382,201	347,235	–	–
Deferred income taxes	(555,417)	(707,286)	(22,075)	57,740
Income tax	(162,273)	(282,590)	(213,330)	(353,635)
Other Provisions	(2,946)	(23,075)	–	–
(Decrease)/increase inter-co loans (non-cash)	–	–	(3,881,050)	(7,336,954)
Changes in assets and liabilities:				
Decrease/(increase) in trade debtors and other debtors	(4,010,319)	(533,836)	–	–
Decrease/(increase) in prepayments	(149,771)	287,024	–	–
Decrease/(increase) in inventories	997,777	(1,716,521)	–	–
(Decrease)/increase in trade creditors and other creditors	4,872,781	(356,513)	–	1,490
<b>Net cash provided by operating activities</b>	<b>8,225,815</b>	<b>2,555,602</b>	<b>(1,804,433)</b>	<b>(2,472,881)</b>

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## Directors' declaration

For the year ended 30 June 2009

The Directors of the company declare that:

1. The Financial statements and Notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standards and the *Corporations Regulations 2001*; and
  - b. giving a true and fair view of the financial position as at 30 June 2009 and of the performance for the financial year ended on that date of the company and consolidated entity, and
2. 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.
3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 26 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

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



**Nigel Nichols**  
Director

10th September 2009

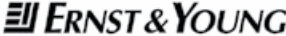


**John Maclachlan**  
Director

10th September 2009

# Independent audit report to the members

For the year ended 30 June 2009



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## Independent auditor's report to the members of Provet Holdings Limited

### *Report on the Financial Report*

We have audited the accompanying financial report of Provet Holdings Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

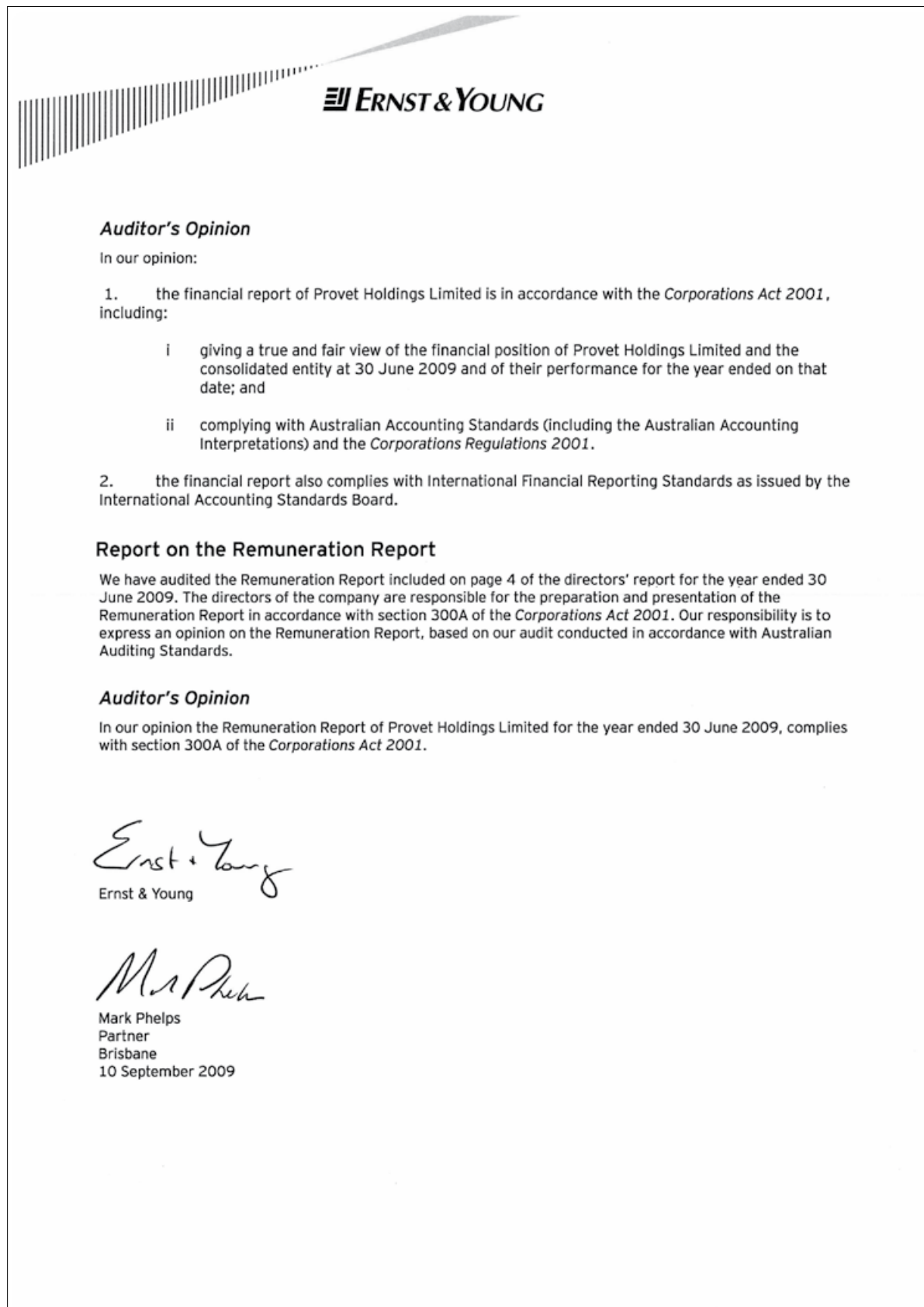
### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, [a copy of which is included in the directors' report.

Liability limited by a scheme approved under Professional Standards Legislation

## Independent audit report to the members cont.

For the year ended 30 June 2009



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## Corporate directory

### Australia

www.provet.com.au

#### New South Wales

**Provet (NSW) Pty Ltd**  
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Castle Hill  
New South Wales 2154  
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Fax 02 9899 6931

**Provet IT Pty Ltd**  
Unit 3, 14 Anella Avenue  
Castle Hill  
New South Wales 2154  
Ph 02 9894 2066 or  
1300 650 468  
Fax 02 9894 5298

**Vetcare/Viva VPM**  
Unit 3, 14 Anella Avenue  
Castle Hill  
New South Wales 2154  
Ph 02 9894 2066 or  
1300 650 468  
Fax 02 9894 5298

**Provet VMS Pty Ltd**  
39 Stenhouse Drive  
Cameron Park  
New South Wales 2286  
Ph 02 4955 4488  
Fax 02 4955 4555

**Provet Riverina Pty Ltd**  
12 Blaxland Road  
Wagga Wagga  
New South Wales 2650  
Ph 02 6921 4799  
Fax 02 6921 9725

#### Queensland

**Provet Pty Ltd**  
48 Bell-Are Avenue  
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Queensland 4013  
Ph 07 3621 6000  
Fax 07 3621 6099

**Provet Queensland Pty Ltd**  
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Ph 07 3621 6000  
Fax 07 3621 6099

#### Provet North Queensland

57-61 Toll Street  
Bohle  
Queensland 4818  
Ph 07 4729 3200  
Fax 07 4774 7270

**Cramton Consulting Group (CCG)**  
14-16 Main Street  
Samford  
Queensland 4520  
Ph 07 3289 1900  
Fax 07 3289 2005

#### Northern Territory

**Provet NT**  
55 Raphael Road  
Winnellie  
Northern Territory 0820  
Ph 08 8947 3226  
Fax 08 8947 3227

#### South Australia

**Provet SA Pty Ltd**  
Unit C, 5 Butler Boulevard  
Burbridge Business Park  
Adelaide Airport  
South Australia 5950  
Ph 08 8154 5455  
Fax 08 8234 3672

#### Tasmania

**Provet Tasmania**  
Unit 1, 1 Stanton Place  
Cambridge  
Tasmania 7170

#### Victoria

**Provet Victoria Pty Ltd**  
27 Sunmore Close  
Heatherston  
Victoria 3202  
Ph 03 9540 5700  
Fax 03 9540 5777

#### Western Australia

**Provet WA Pty Ltd**  
1936 Beach Road  
Malaga  
Western Australia 6059  
Ph 08 9241 8400  
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### New Zealand

www.provet.co.nz

#### North Island

**Provet NZ Pty Limited**  
8 Kordel Place  
East Tamaki, Auckland  
New Zealand  
Ph 09 920 4440  
Fax 09 920 4459

**Provet NZ Pty Limited**  
51 Bennett Street  
Palmerston North  
New Zealand  
Ph 06 355 5454  
Fax 06 355 5014

**VisionVPM**  
www.visionvpm.com  
Unit 2, 319 Cameron Road  
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Ph 07 927 5760  
Fax 07 927 5740

#### South Island

**Provet NZ Pty Limited**  
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Middleton, Christchurch  
New Zealand  
Ph 03 338 7400  
Fax 03 338 3088

### Company particulars

#### Principal place of business

**Provet Holdings Limited**  
48 Bell-Are Avenue  
Northgate, Brisbane  
Queensland 4013

#### Company secretary

**Chris Lowndes**  
Chief Financial Officer

#### Share register

**Link Market Services**  
324 Queen Street  
Brisbane  
Queensland 4000

#### Auditor

**Ernst & Young**  
1 Eagle Street  
Waterfront Place  
Brisbane  
Queensland 4000

#### Solicitors

**McCullough Robertson**  
Level 11  
Central Plaza Two  
66 Eagle Street  
Brisbane  
Queensland 4000

#### Bank

**Commonwealth Bank of Australia**  
Queen Street  
Brisbane 4000

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[www.provet.com.au](http://www.provet.com.au)  
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