

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
ABN 91 092 593 774

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2007

Financial Statements

Provet Holdings Limited and Controlled Entities ABN 91 092 593 774

Directors' Report	1
Income Statement	3
Balance Sheet	4
Statement of Recognised Income and Expense	5
Cash Flow Statement	6
Notes to the Financial Statements	7
1. Corporate Information	7
2. Summary of Significant Accounting Policies	7
3 Revenues and Expenses	8
4. Income Tax	10
5. Cash	10
6. Inventories	10
7. Property Plant and Equipment	10
8. Interest Bearing Loans and Borrowings	11
9. Dividends Paid and Proposed	11
10. Contributed Equity	11
11. Commitments and Contingent Liabilities	12
12. Events Subsequent to Balance Date	12
13. Related Parties	12
Directors' Declaration	13
Independence Declaration from Auditors	14
Auditor's Review Report	15
Company Particulars	17

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the half year ended 31 December 2007. Provet Holdings Limited is a 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 period are:

Dr Robert Leonard Emil Menrath
Dr John Kenneth Maclachlan
Dr Nigel Bruce Nichols
Dr Reginald Roland Roessler Pascoe

Dr Victor Hans Menrath
Dr William Anthony Nicholls
Dr Garth Alexander McGilvray

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

Review and Results of Operations

Veterinary Wholesaling

The financial results for the half year ending 31 December 2007 show strong sales growth over the prior half year period ending December 2006 and total net profit before tax well above last year to date.

Core business wholesale sales have increased by 26% over the prior year to date results, mainly due to the contribution of the newly acquired veterinary wholesaling business in Western Australia and the contributions of both our operations in South Australia and Victoria which are trading very strongly in their respective markets and are well ahead of management's expectations. All of Provet's Australian core wholesaling companies have shown sales growth over the prior year to date in their respective markets.

We are very pleased in particular with the sales growth contributed by our operations in New Zealand which year to date, are well ahead of both prior year to date and budget target sales.

The half year to date net profit before tax for the Provet Group was \$4,115,720 (2006: 3,069,818) which represents a 34% increase over the prior year to date result. It should be noted that last year's result was impacted by two non operational adjustments, an unrealised foreign exchange loss of \$547,590 with an off-setting gain on sale of land and building of \$205,806, compared with a net foreign exchange gain of \$193,463 for the period ending December 2007. However, even after normalising for these adjustments profit growth has been strong. The directors are pleased with the core business profit contribution over the prior year in a market place that has strong competitive pressures, been effected by the Equine Influenza outbreak and the continued drought in many of our service areas. The geographical diversity of our operations has certainly ensured that overall the group is well positioned to maintain growth when certain areas of the market are depressed.

Our potential exposure to future foreign exchange gains or losses caused by fluctuations in the value of the New Zealand dollar to the Australian dollar have been reduced significantly due to the conversion and refinancing of a substantial portion our New Zealand dollar borrowings during this half year reporting period.

Market Differentiation

The value add non core businesses of training and consulting, and more recently practice management software that we have acquired over the last two years, have all now integrated well into the group and are contributing to the service offering for our customers and helping ensure that we continue to remain the preferred partner to our customers' practices. We expect that each of them in time will be profitable in their own right and are providing the strategic benefits expected of them from our initial investment assessment.

DIRECTORS' REPORT Continued

Online Business Activities

The external sales revenue generated from our IT business unit Provet IT are up on last year's levels , a major contributing factor to this has been the revenue stream from product sales and support and maintenance revenue from our Practice Management software. While some of the focus has been redirected from driving our website sales to new customers towards ensuring our new IT businesses are well established and meeting customer expectations, the Petalia website remains a very important part of our offering to the market and an important part of our ongoing future strategy for success. The website continues to receive the same level of support and development expected from our customers.

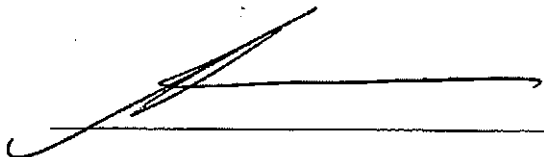
Subsequent Events

On 1st January 2008, Provet Pty Ltd acquired the business of Monsoon Veterinary Supplies, from Monsoon Veterinary Supplies Pty Ltd. The business is the dominant veterinary wholesaler servicing Veterinary practices in the Northern Territory.

Auditor Independence and Non-Audit Services

The directors received a declaration from the auditor of Provet Holdings Limited. This is shown on page 17 of this report. 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 and that auditor independence was not compromised.

Signed in accordance with a resolution of the board of directors.



Nigel B. Nichols – Director



William A Nicholls - Director

5th March 2008

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated	
		31 December 2007	31 December 2006
		\$	\$
Revenue	3	130,030,397	102,921,159
Cost of Goods Sold	3	(101,459,700)	(80,585,677)
Employee Benefits Expenses	3	(10,525,093)	(7,806,576)
Depreciation and Amortisation Expenditure	3	(884,780)	(730,923)
Finance costs	3	(2,708,067)	(1,920,453)
Other expenses	3	(10,337,037)	(8,807,712)
Profit before income tax	3	4,115,720	3,069,818
Income tax (expense)/ benefit	4	(1,188,087)	(901,488)
Net Profit attributable to members of Provet Holdings Limited		2,927,633	2,168,330

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	Consolidated	
		31 December 2007	30 June 2007
		\$	\$
Current Assets			
Cash and cash equivalents	5	2,370,212	2,593,552
Trade and other receivables		33,414,543	28,234,089
Derivatives		19,374	136,599
Land and buildings held for sale	7	2,594,384	-
Inventories	6	28,502,334	24,228,573
Other		698,179	828,307
Total Current Assets		67,599,026	56,021,120
Non-Current Assets			
Other financial assets		266,090	286,293
Property, plant and equipment	7	13,864,929	15,980,360
Intangible assets and goodwill		19,956,826	20,188,697
Deferred tax assets		1,248,114	1,379,179
Other		151,729	154,927
Total Non-Current Assets		35,487,688	37,989,456
Total Assets		103,086,714	94,010,576
Current Liabilities			
Trade and other payables		38,252,482	30,839,785
Interest bearing loans and borrowings	8	6,397,688	6,616,890
Revenue received in advance		242,491	274,780
Income tax payable		295,624	364,585
Provisions		1,965,090	1,749,158
Total Current Liabilities		47,153,375	39,845,198
Non-Current Liabilities			
Trade and other payables		186,940	186,946
Interest bearing loans and borrowings	8	18,503,741	20,153,418
Revenue received in advance		10,898	37,896
Provisions		220,456	259,786
Total Non-Current Liabilities		18,922,035	20,638,046
Total Liabilities		66,075,410	60,483,244
Net Assets		37,011,304	33,527,332
Equity			
Contributed Equity	10	21,915,468	19,839,166
Reserves		784,187	1,044,128
Retained Profits		14,311,649	12,644,038
Total Equity		37,011,304	33,527,332

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated	
		31 December 2007	31 December 2006
		\$	\$
Cash Flow Hedge movement taken to Equity		(117,225)	26,991
Foreign Currency Translation		(427,551)	1,112,737
Transaction costs on share issue		(7,455)	1,185
Net unrealised gain on investments		-	531,398
Revaluation of land and buildings		429,547	-
Diminution of listed investments		(22,642)	-
Income Tax on items taken directly to equity		(119,834)	(137,940)
Net Income/(Expense) recognised directly in equity		(265,160)	1,534,371
Profit for the Period		2,927,633	2,168,330
Total recognised income and expense for the period		<u>2,662,473</u>	<u>3,702,701</u>

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated	
		31 December 2007	31 December 2006
		\$	\$
OPERATING ACTIVITIES			
Receipts from customers		138,952,891	110,848,704
Payments to suppliers & employees		(133,423,906)	(108,279,202)
Interest received		171,956	164,554
Interest and costs of finance paid		(2,716,399)	(1,914,376)
Dividends received		5,517	367
Income tax paid		(1,231,597)	(1,615,882)
Net cashflows from / (used in) operating activities		<u>1,758,462</u>	<u>(795,835)</u>
INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		66,374	726,732
Proceeds from sale of investments		4,620	-
Purchase of business net of cash acquired		(14,384)	(659,410)
Purchase of property, plant & equipment		(677,974)	(846,373)
Net cash flows used in investing activities		<u>(621,364)</u>	<u>(779,051)</u>
FINANCING ACTIVITIES			
Repayment of borrowings		(2,117,193)	(1,321,416)
Proceeds from borrowings		533,830	1,150,000
Proceeds from issue of shares		1,839,999	57,578
Transaction costs of issue of shares		(7,455)	-
Principal repayments - finance leases		(327,650)	(502,098)
Dividends paid		(1,260,022)	(1,186,408)
Net cash flows used in financing activities		<u>(1,338,491)</u>	<u>(1,802,344)</u>
Net decrease in cash and cash equivalents		(201,393)	(3,377,230)
Cash and cash equivalents at beginning of period		2,593,552	3,629,638
Effects of exchange rate on cash balances		(21,947)	135,583
Cash and cash equivalents at end of period		<u>2,370,212</u>	<u>387,991</u>

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note 1 – Corporate information

The financial report of Provet Holdings Limited (the Company) for the half year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 5th March 2008.

The financial report covers the economic entity of Provet Holdings Limited and its controlled entities. Provet Holdings Limited is a non-listed 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

The half-year financial report does not include all notes of the type normally included within the financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Provet Holdings Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Provet Holdings Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

a) Basis of Preparation

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except for land and buildings, derivative financial instruments and available-for-sale investments that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting principles as used in the annual financial statements for the year ended 30 June 2007.

c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Provet Holdings Limited and its controlled entities as at 31 December 2007.

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Note 3 – Revenues and Expenses		
(a) Revenue		
Sale of goods	128,539,027	101,764,912
Settlement discount	339,976	264,907
Interest	171,956	187,525
Dividends:		
Other corporations	5,517	367
Net Gain on Sale of Land and Building	-	205,806
Net Gain on Sale of Investment	2,823	-
Net Foreign Currency Gain	193,463	-
Other	777,635	497,642
	<hr/>	<hr/>
Total revenue from ordinary activities	130,030,397	102,921,159
(b) Expenses		
Cost of goods sold	101,459,700	80,585,677
Employee Benefits' expenses:		
- Salaries & Wages	8,301,596	6,109,679
- Employee leave provisions	176,605	161,071
- Other employee related costs	2,046,892	1,535,826
	<hr/>	<hr/>
	10,525,093	7,806,576
	<hr/>	<hr/>
Depreciation and amortisation expenses		
Depreciation		
- Buildings, Plant and Equipment	496,246	378,005
- Provet Plus Program	11,260	11,260
	<hr/>	<hr/>
	507,506	389,265
	<hr/>	<hr/>

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Note 3 – Revenues and Expenses (Continued)		
Amortisation		
Goodwill and intangible assets	34,470	19,531
Plant and equipment under finance leases	342,804	322,127
	377,274	341,658
Total depreciation and amortisation expenditure	884,780	730,923
Finance Costs		
Merchant Fees and other costs	1,755,388	1,379,288
Interest and finance charges paid/payable		
- Bank loan and overdraft	824,081	393,436
- Lease finance charges	128,598	147,729
	2,708,067	1,920,453
Other expenses		
Administrative Expenses	4,608,629	3,457,159
Freight and Cartage	2,369,818	1,732,785
Provet Plus	2,087,575	1,762,220
Operating lease rentals	1,190,649	1,124,007
Bad and doubtful debts	74,815	81,949
Net loss on disposal of Property, plant & equipment	5,551	101,330
Net foreign currency loss	-	548,262
	10,337,037	8,807,712

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Note 4 - Income Tax		
The major components of income tax expense are:		
Consolidated Income Statement		
<i>Current income tax</i>		
Current income tax charge	1,206,125	1,089,753
Adjustments in respect of current income tax of previous years	63,743	-
<i>Deferred Income Tax</i>		
Relating to the origination and reversal of temporary differences	(81,781)	(188,265)
Income tax expense reported in the consolidated income statement	1,188,087	901,488

Note	Consolidated	
	31 December 2007	30 June 2007
	\$	\$
Note 5 - Cash		
Cash at bank and in hand	2,370,212	2,593,552
Note 6 - Inventories		
Stock on hand - at cost	28,513,334	24,239,573
Provision for obsolescence	(11,000)	(11,000)
	28,502,334	24,228,573

Note 7 - Property, Plant and Equipment

Acquisitions and disposals

During the half-year ended 31 December 2007, the Group acquired assets with a cost of \$677,974 (2006: \$846,373).

Assets with a net book value of \$71,911 were disposed of by the Group during the half-year ended 31 December 2007 (2006: \$625,402), resulting in a loss on disposal of \$5,551 (2006: Gain on disposal \$104,476).

Land and buildings held for sale

A contract has been signed for the sale of the land and building asset held at 13 Gibbard Road, Balcatta, WA, it is expected the contract will be completed by the end of March 2008. The sale proceeds are expected to be \$2,594,384.

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note 8 – Interest Bearing Loans and Borrowings

During the half year the Group recorded:

- net repayment of both short and long term borrowings of \$1,583,363 (2006: \$171,416)
- foreign exchange gain on \$NZD short and long term borrowing of \$196,961 (2006: loss \$547,590)
- net increase in lease financing of \$88,555 (2006: \$449,651)

	Consolidated	
Note 9 – Dividends Paid and Proposed	31 December 2007	31 December 2006
	\$	\$
a) Dividends declared and paid during the half-year on ordinary shares.		
Final franked dividend for the financial year 30 June 2007: 18.27cents (2006: 18.27cents)	1,260,022	1,186,408

	Note	Consolidated	
		31 December 2007	30 June 2007
		\$	\$
Note 10 – Contributed Equity			
a) Issued Capital			
Ordinary shares fully paid up		21,915,468	19,839,166
b) Movements Issued and Paid-up Ordinary Shares (\$)			
At the beginning of the reporting period		19,839,166	16,897,676
Shares issued during the period	10 d,e,f	2,081,520	2,922,070
Transaction costs on share issue		(5,218)	19,420
At reporting date		21,915,468	19,839,166
c) Movements in number of Ordinary Shares on Issue			
Shares at the beginning of the reporting period		7,022,801	6,491,174
Shares issued during the year	10 d,e,f	349,038	531,627
Shares at the reporting date		7,371,839	7,022,801

d) During the period 2,372 shares were issued to employees at \$5.70 as part of their remuneration package.

e) During the period the company issued 40,000 new shares at \$5.70 as placements, in accordance with the Corporations Act.

f) During the period the company issued 306,666 new shares at \$6.00 as placements, in accordance with the Corporations Act.

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note 11 - Commitments and Contingent Liabilities

Since 30 June 2007 the Group has entered into a new operating lease for a rental premise. The rental payable for the new lease is \$114,700 per annum.

The consolidated entity has at 31 December 2007 a total of \$511,902 (30 June 2007:\$569,593) bank guarantees in place representing security deposits over the rental payments for various building leases.

Note 12 - Events Subsequent to Balance Date

On 1 January 2008, Provet Pty Ltd acquired the business of Monsoon Vet Supplies Pty Ltd, a company who operates as a wholesaler of veterinary products primarily in the Northern Territory market.

The total consideration paid was \$1,106,564. The components of the cost of acquisition were debtors, stock, plant and equipment, goodwill and employee benefits. The financial effect of this acquisition has not been recorded in these accounts.

Note 13 - Related Parties

All Directors are registered Veterinarians and as such may have a financial interest in a Veterinary practice. Such practices trade on normal commercial terms and conditions with the Provet Group.

Sales to related parties:

2007: \$814,859

2006: \$1,753,855

Amounts owed by related parties:

31 December 2007: \$339,346

30 June 2007: \$458,633

a) Other Related Parties:

Certain shareholders have purchased inventory from the economic entity at normal commercial terms and conditions.

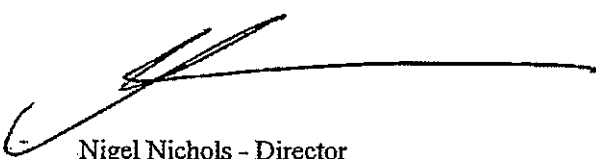
PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

The directors of the company declare that:

1. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position as at 31 December 2007 and of the performance for the financial period ended on that date of the 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.

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



Nigel Nichols - Director



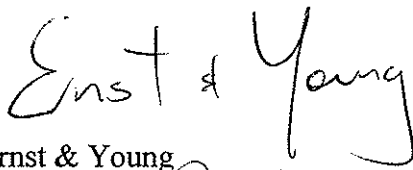
William A Nicholls - Director

Brisbane

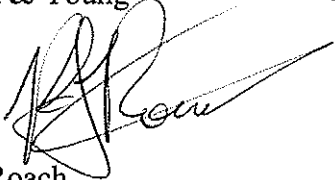
5th March 2008

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

In relation to our review of the financial report of Provet Holdings Limited for the half year ended 31 December 2007, 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



Ric Roach

Partner

5 March 2008

To the members of Provet Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Provet Holdings Limited and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the 31 December 2007 Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 31 December 2007 financial report in accordance with 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 31 December 2007 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 31 December 2007 financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Provet Holdings Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 31 December 2007 financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

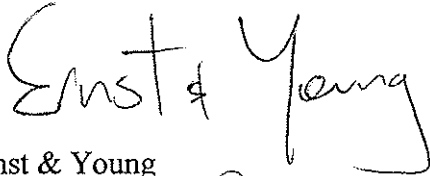
Independence

In conducting our review, we have complied with 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.

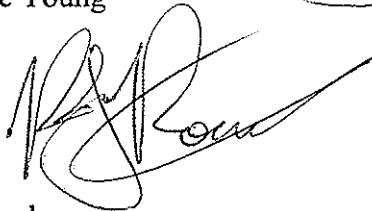
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Provet Holdings Limited and the entities it controlled during the half year ended 31 December 2007 is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Ric Roach

Partner

Brisbane

5 March 2008

PROVET HOLDINGS LIMITED AND CONTROLLED ENTITIES
A.B.N. 91 092 593 774

COMPANY PARTICULARS

Principal Place of Business

Provet House
48 Bell-Are Avenue
Northgate,
Brisbane Queensland 4013

Company Secretary

Chris Lowndes (Chief Financial Officer)

Share Register

Link Market Services

Level 12
300 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

Bankers

Commonwealth Bank of Australia
Queen Street
Brisbane Queensland 4000