

Vet Biotechnology Limited

ABN: 54 105 577 017

**Financial Report For The Year Ended
30 June 2010**

VET BIOTECHNOLOGY LIMITED

ACN: 105 577 017

Financial Report For The Year Ended 30 June 2010

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VET BIOTECHNOLOGY LIMITED ACN: 105 577 017
DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2010.

Principal Activities and Significant Changes in Nature of Activities

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

- veterinary biotechnology marketer

The company discontinued these operations during the financial year. The loss of the company's major supply source caused the company to cease all trading activity and enter into administration, as detailed elsewhere in this report. As at the end of the financial year the company had no major trading activity other than the sourcing and researching of prospective business opportunities.

Operating Results and Review of Operations for the year

Operating Results

The profit of the entity amounted to \$297,796, after providing for income tax and eliminating minority equity interests. The result represents the combination of the trading loss from discontinuing activities, combined with the net benefit the company received as a result of its entering into a deed of company arrangement with its creditors, executed on 21 June 2010. Further discussion of the entity's operations now follows.

Review of Operations

The year under review has been one of re-structure. Despite much promise, due to commercial circumstances beyond the control of the then Directors, the company lost manufacturing rights to certain exciting technologies. As a result the company discontinued all operations and an administrator to the company was appointed.

As detailed elsewhere, a new Board was appointed and they spent much of late 2010 and up until the date of this report, restructuring the company and positioning it for operation in the year commencing 1st July 2011.

I would like to take this opportunity to thank past Directors, particularly my predecessor Chairman, Peter LeMessurier, who undertook the very difficult task of winding the company down and appointing external administrators. Peter's help during the transitional period has been immense and is appreciated. Without his support, the restoration of the company from administration would not have been possible.

The company was advised in August 2009 by Medvet Science Pty Ltd ("Medvet") that they will cease manufacturing of the company's Regenicell and Stembank treatments and terminate the existing agreement with effect on 7 September 2009. This significantly affected the company's ongoing viability and subsequently the company entered into a members' voluntary administration on 30 March 2010.

As a result of this, the company was approached by a group associated with the current Directors, who proposed in the first instance, to meet the costs of the external administration; with shareholder consent, restructure the issued shares; and apply for issued shares in the company, in settlement of all the costs that they underwrote. This began late in the financial year and the proposed changes were finalised early in the next financial year.

Financial Position

As a result of the executed DOCA, the company ended the financial year with net assets of (\$61,000), representing no assets and with one short term liability amount of \$61,000. This short term liability was converted to equity in July 2011. This was a strategy executed by the current Board to effectively give the company a clean slate for its future business activities.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the entity occurred during the financial year:

- The company entered into administration on 30 March 2010.
- A meeting of creditors was held on 11 June 2010 to consider, among other things, a deed of company arrangement pursuant to section 439A of the Corporations Act 2001 (Cth).
- The creditors resolved that the deed of company arrangement be executed pursuant to the terms set out therein.
- The deed was executed on 21 June 2010 and the company was returned to the control of the Directors on that date. New Directors were appointed on that date, as detailed elsewhere in this Report.
- The company discontinued all operations from its veterinary biotechnology marketing activities.

After Balance Date Events

An extraordinary meeting of members was held on 30 July 2010. This meeting considered and resolved to approve, amongst other things;

- That the company change its name to "First Debenture Limited".
- That the company reduce its issued share capital to \$1,101,680 and reduce the number of shares on issue by a factor of 7.195432
- That the company issue 6,100,000 shares to Sui Generis (SA) Pty Ltd acting as trustee for the Vangory Trust, in satisfaction of the short terms funds advanced to secure the execution of the company's deed of company arrangement. This transaction effectively wrote off the company's remaining modest assets and liabilities, to allow the company to start the new financial year afresh.

Environmental Issues

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

Information on Directors in office at year end.

Adam Fahim	—	Chief Executive Officer
Qualifications	—	BEngCivil(Hons), DipEngPrac
Experience	—	Various Company Directorships
Interest in Shares and Options	—	Nil
Carey McDowell	—	Deputy Chairman, Non Executive
Qualifications	—	LLB, BEcon, ASIA, Cert Bus (R/E), SDIA
Experience	—	Various Company Directorships
Interest in Shares and Options	—	Nil
Directorships	—	Patersons Securities Limited
Robert Rowlands	—	Director, Non Executive
Qualifications	—	FAP
Experience	—	Various Company Directorships
Interest in Shares and Options	—	Nil
Richard Licardy	—	Director
Qualifications	—	SAB, Solicitor
Experience	—	Various Company Directorships
Interest in Shares and Options	—	Nil
Jeffrey Dawson	—	Chairman, Non Executive
Experience	—	Various Company Directorships
Interest in Shares and Options	—	Nil
Salvatore Arcuri	—	Director
Experience	—	Various Company Directorships
Interest in Shares and Options	—	Nil

Company Secretary

The following person held the position of company secretary at the end of the financial year:
Michael Unicomb - BCom ATMA JP

Meetings of Directors

During the financial year, 9 meetings of directors (including committees of directors) were held.
Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Douglas Peter LeMessurier	9	9
Michael Derin	9	9
Ian David Brown	9	9
Patrick Mervin Cook	2	2
Adam Fahim	2	2
Carey McDowell	2	2
Robert Rowlands	2	2
Richard Licardy	2	2
Salvatore Arcuri	2	2
Jeffrey Dawson	2	2

Options

At the date of this report, the unissued ordinary shares of VET BIOTECHNOLOGY LIMITED under option are as follows

Grant Date	Date of expiry	Exercise price	Number under option
10/09/2003	30/06/2011	\$0.30	54,000
15/09/2003	30/06/2011	\$0.30	5,346,000
12/11/2003	30/06/2011	\$0.30	1,173,333
18/12/2003	30/06/2011	\$0.30	100,000
11/03/2004	30/06/2011	\$0.30	282,333
31/03/2004	30/06/2011	\$0.30	68,334
21/06/2004	30/06/2011	\$0.30	68,000
24/06/2004	30/06/2011	\$0.30	154,000
30/06/2004	30/06/2011	\$0.30	172,427
11/08/2004	30/06/2011	\$0.30	760,000
17/12/2004	30/06/2011	\$0.30	1,214,333
29/03/2005	30/06/2011	\$0.30	500,000
17/01/2008	Options exercised		(200,000)
VBLO (Listed)			<u>9,692,760</u>
23/03/2007	30/06/2011	\$0.20	2,250,000
VBLOB (Unlisted)			<u>2,250,000</u>
8/05/2007	30/06/2013	\$0.20	3,173,514
VBLOC (Listed)			<u>3,173,514</u>
31/05/2007	30/06/2013	\$0.20	200,000
6/11/2007	30/06/2013	\$0.20	451,118
2/07/2008	30/06/2013	\$0.20	375,000
5/08/2008	30/06/2013	\$0.20	30,000
VBLOD (Listed)			<u>1,056,118</u>
31/05/2007	30/06/2011	\$0.20	625,000
VBLOE (Unlisted)			<u>625,000</u>

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

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

At the time of the signing of the directors' report, all options except VBLOC and VBLOD options had expired. As anticipated, none of the expired options were exercised, due to being underwater options, where the strike price of the options exceeded the market value of the underlying shares to be purchased. The value of the option reserve will be adjusted accordingly and transferred to retained earnings on the day subsequent to each options expiry.

Proceedings on Behalf of Company

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

The company was not a party to any such proceedings during the year.

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found following the Directors Report.

Remuneration Policy

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

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

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

Employment Details of Members of Key Management Personnel and Other Executives

	Position Held as at 30 June 2010 and any change during the year	Contract details (duration & termination)
Key Management Personnel		
David Brigland	General Manager (resigned Feb 2010)	Consultancy and external management services
	Proportions of elements of remuneration related to performance	Proportions of elements of remuneration not related to performance
	Non-salary cash based incentives	Shares/ Units
	%	%
	Options/ Rights	Fixed Salary/Fees
	%	%
Key Management Personnel		
David Brigland	-	-
	-	-
	-	-
	17.812	17.812

Douglas Peter LeMessurier (resigned 21/6/2010)
Michael Derin (resigned 22/3/2010)
Ian David Brown (resigned 5/2/2010)
Patrick Mervin Cook (resigned 21/6/2010)
Adam Fahim (appointed 21 June 2010)
Carey McDowell (appointed 21 June 2010)
Robert Rowlands (appointed 21 June 2010)
Richard Licardy (appointed 21 June 2010)
Jeffrey Dawson (appointed 21 June 2010)
Salvatore Arcuri (appointed 21 June 2010)

Remuneration Details for the Year Ended 30 June 2010

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

Table of Benefits and Payments for the year ended 30 June 2010

	Short-term benefits				Post Employment Benefits	
	Salary, Fees and Leave \$	Profit Share and bonuses \$	Non-monetary \$	Other \$	Pension and superannuation	Other \$
2010 Key Management Personnel						
David Brigland	17,812					
	17,812	-	-	-	-	-

	Short-term benefits				Post Employment Benefits	
	Salary, Fees and Leave \$	Profit Share and bonuses \$	Non-monetary \$	Other \$	Pension and superannuation	Other \$
2009 Key Management Personnel						
David Brigland	74,143					
	74,143	-	-	-	-	-

Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

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



 Jeffrey Dawson, Chairman
 Dated: 26 March 2012, Sydney



Chartered accountants since 2003

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FIRST DEBENTURE LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

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

BCS ASSURANCE PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'Hanoze Udachia', with a horizontal line underneath.

HANOZE UDACHIA
Director

Sydney, 26 March 2012

BCS Assurance P/L ABN 98 124 334 363

Liability is limited by the Accountants
Scheme approved under the Professional
Standards Act 1994 (NSW)

A small handwritten signature in blue ink, appearing to read 'Hanoze Udachia', located at the bottom right of the page.

VET BIOTECHNOLOGY LIMITED ACN: 105 577 017
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		\$	\$
Revenue	2	50	283,639
Other income	2	393,169	-
Employee benefits expense		-	(74,143)
Cost of Sales		-	(114,927)
Finance costs		-	(13,637)
Depreciation and amortisation expense		-	(40,420)
Impairment of property plant and equipment		-	(197,395)
Other expenses		-	(107,803)
Profit before income tax		393,219	(264,686)
Income tax expense	4	-	-
Profit after income tax		393,219	(264,686)
Profit from discontinuing operations	5	(95,424)	-
Profit for the year	3	297,795	(264,686)
Other comprehensive income:		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		297,795	(264,686)
Earnings per share			
From continuing and discontinued operations			
Basic earnings per share (cents per share)	8	0.007	(0.008)
Diluted earnings per share (cents per share)	8	0.007	(0.008)

VET BIOTECHNOLOGY LIMITED ACN: 105 577 017
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010 \$	2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	-	5,362
Trade and other receivables	10	-	20,878
Other assets	12	-	8,146
TOTAL CURRENT ASSETS		<u>-</u>	<u>34,386</u>
NON-CURRENT ASSETS			
Property, plant and equipment	11	-	1,477
TOTAL NON-CURRENT ASSETS		<u>-</u>	<u>1,477</u>
TOTAL ASSETS		<u>-</u>	<u>35,863</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	-	82,579
Borrowings	14	61,000	8,101
TOTAL CURRENT LIABILITIES		<u>61,000</u>	<u>90,680</u>
NON-CURRENT LIABILITIES			
Borrowings	14	-	391,000
TOTAL NON-CURRENT LIABILITIES		<u>-</u>	<u>391,000</u>
TOTAL LIABILITIES		<u>61,000</u>	<u>481,680</u>
NET ASSETS		<u>(61,000)</u>	<u>(445,817)</u>
EQUITY			
Issued capital	15	2,225,246	2,138,224
Reserves	20	134,728	134,728
Retained earnings		(2,420,974)	(2,718,769)
TOTAL EQUITY		<u>(61,000)</u>	<u>(445,817)</u>

The accompanying notes form part of these financial statements.

VET BIOTECHNOLOGY LIMITED ACN: 105 577 017
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Ordinary	Retained	Option	Total
	\$	Earnings	Reserve	\$
Balance at 1 July 2008	2,019,911	(2,454,083)	134,728	(299,444)
Profit attributable to members of entity	-	(264,686)	-	(264,686)
Shares issued during the year	133,100	-	-	133,100
Capital raising costs	(14,787)	-	-	(14,787)
Sub-total	2,138,224	(2,718,769)	134,728	(445,817)
Balance at 30 June 2009	2,138,224	(2,718,769)	134,728	(445,817)
Profit attributable to members of entity	-	297,795	-	297,795
Shares issued during the year	87,022	-	-	87,022
Balance at 30 June 2010	2,225,246	(2,420,974)	134,728	(61,000)

The accompanying notes form part of these financial statements.

VET BIOTECHNOLOGY LIMITED ACN: 105 577 017
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		39,760	189,150
Payments to suppliers and employees		(205,169)	(321,411)
Interest received		50	80
Net cash provided by/(used in) operating activities	16	<u>(165,359)</u>	<u>(132,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(1,262)
Purchase of intangible assets		-	(559)
Net cash provided by/(used in) investing activities		<u>-</u>	<u>(1,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		87,021	118,314
Proceeds from borrowings		72,976	-
Net cash provided by/(used in) financing activities		<u>159,997</u>	<u>118,314</u>
Net increase/(decrease) in cash held		<u>(5,362)</u>	<u>(15,688)</u>
Cash and cash equivalents at beginning of financial year	9	5,362	21,050
Cash and cash equivalents at end of financial year	9	<u>-</u>	<u>5,362</u>

The accompanying notes form part of these financial statements.

This financial report includes the financial statements and notes of VET BIOTECHNOLOGY LIMITED.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

(a) Income Tax

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

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

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

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

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

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

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

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

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

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Refer to Note 1(aa) for further details on changes in accounting policy.

(c) Property, Plant and Equipment

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

Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

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

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

(i) Financial Liabilities

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

(e) Impairment of Assets

At each the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

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

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(g) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

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

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

(h) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the entity during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(i) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(j) Goods and Services Tax (GST)

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

Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(k) Government Grants

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

(l) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(m) Employee Benefits

Equity-settled compensation

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

(aa) Critical Accounting Estimates and Judgments

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

Key Estimates

(a) Impairment

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

(ad) Adoption of new and revised accounting standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of VET BIOTECHNOLOGY LIMITED.

AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the entity's financial statements.

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The entity's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(ae) Going Concern

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

As at 30 June 2010, Vet Biotechnology Ltd had net assets of (\$61,000) (2009: (\$445,817)). Accordingly, there remains uncertainty about Vet Biotechnology's ability to continue as a going concern.

Subsequent to 30 June 2010, the company had converted its sole liability to equity by the issuance of 6,100,000 shares at an issue price of \$0.01. This transaction effectively zeroed out the company's net asset position for it to begin fresh.

The company is under new management and control from 21 June 2010, following the successful execution of the Deed of Company Arrangement. Subsequently the company is now in rebuild phase as the new management team seeks out and appraises new financial opportunities available to the company.

The new directors have undertaken to financially support the company through this rebuild phase by guaranteeing an ongoing contribution of funds to the company as and when needed to ensure that the company remains able to pay its debts as and when they fall due.

For this reason they continue to adopt the going concern basis in preparation of the accounts.

Note 2 Revenue and Other Income

	Note	2010 \$	2009 \$
Revenue from Continuing Operations			
Sales Revenue			
— sale of goods		-	283,553
Total Sales Revenue		-	283,639
Other Revenue			
— interest received	2(a)	50	86
Total Other Revenue		50	86
Total Sales Revenue and Other Revenue		50	283,639
Other Income			
— Net DOCA Benefit		393,169	-
— Revenue from discontinued operations	5	38,268	-
Total Other Income		431,437	-
(a) Interest revenue from:			
— other corporations		50	86
Total interest revenue on financial assets not at fair value through profit or loss		50	86
(b) Income from continuing and discontinuing operations		431,487	283,639

Note 3 Profit for the Year

	Note	2010 \$	2009 \$
(a) Expenses			
Cost of sales		-	114,927
Interest expense on financial liabilities not at fair value through profit or loss:			
— Director related entities		-	13,637
Total interest expense		-	13,637
Bad and doubtful debts:			
— trade receivables		-	7,571
Total bad and doubtful debts		-	7,571

Note 4 Income Tax Expense

		2010 \$	2009 \$
(a) The components of tax expense			
Current tax		-	-
Deferred tax		-	-
(b) before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)		89,339	(79,406)
		89,339	(79,406)
Add:			
Tax effect of:			
— other non-allowable items		-	76,916
— Other deductions		28,612	(23,007)
		117,951	(25,497)
Less:			
Tax effect of:			
— DOCA benefit not subject to income tax		117,951	-
Recoupment of prior year tax losses not previously brought to account		-	(25,497)
Income tax attributable to entity		-	-

Note 5 Discontinued Operations

	2010 \$	2009 \$
On 30/3/2010, the entity entered into a members voluntary administration, thereby discontinuing its entire operations in veterinary biotechnology marketing.		
Financial information relating to the discontinued operation to the date of discontinuance is set out below		
The financial performance of the discontinued operation to the date of sale which is included in profit/(loss) from discontinued operations per the statement of comprehensive income is as follows:		
Revenue	38,268	-
Expenses	(133,692)	-
Profit before income tax	(95,424)	-
Income tax expense	-	-
Total profit after tax attributable to the discontinued operations	(95,424)	-
□ The net cash flows of the discontinuing division which have been incorporated into the statement of cash flows are as follows:		
Net cash inflow/(outflow) from operating activities	(100,336)	-
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	98,998	-
Net cash increase in cash generated by the discontinuing operation	(1,338)	-

Note 6 Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the entity's key management personnel for the year ended 30 June 2010.

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

	2010 \$	2009 \$
Short-term employee benefits	17,812	74,143
	<u>17,812</u>	<u>74,143</u>

KMP Options and Rights Holdings

The number of options over ordinary shares in VET BIOTECHNOLOGY LIMITED held during the financial year by each KMP of the entity is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable	Vested and unexercisable
30 June 2010								
Douglas Peter	3,700,000	-	-	-	3,700,000	-	3,700,000	-
Michael Derin	750,000	-	-	-	750,000	-	750,000	-
David Brigland	504,514	-	-	-	504,514	-	504,514	-
	<u>4,954,514</u>	-	-	-	<u>4,954,514</u>	-	<u>4,954,514</u>	-
30 June 2009								
Douglas Peter	3,700,000	-	-	-	3,700,000	-	3,700,000	-
Michael Derin	750,000	-	-	-	750,000	-	750,000	-
David Bridland	504,514	-	-	-	504,514	-	504,514	-
	<u>4,954,514</u>	-	-	-	<u>4,954,514</u>	-	<u>4,954,514</u>	-

KMP Shareholdings

The number of ordinary shares in VET BIOTECHNOLOGY LIMITED held during the financial year by each KMP of the entity is as follows:-

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
30 June 2010					
Douglas Peter LeMessurier	6,610,000	-	-	-	6,610,000
David Brigland	8,577	-	-	-	8,577
	<u>6,618,577</u>	-	-	-	<u>6,618,577</u>
30 June 2009					
Douglas Peter LeMessurier	6,610,000	-	-	-	6,610,000
David Brigland	8,577	-	-	-	8,577
	<u>6,618,577</u>	-	-	-	<u>6,618,577</u>

Other KMP Transactions

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

Note 7 Auditors' Remuneration

	2010 \$	2009 \$
Remuneration of the auditor of the entity for:		
— auditing or reviewing the financial report	4,000	11,000

Note 8 Earnings per Share

	2010 \$	2009 \$
(a) Reconciliation of earnings to profit or loss		
Profit	297,796	(264,686)
Profit attributable to minority equity interest	-	-
Redeemable and converting preference share	-	-
Earnings used to calculate basic EPS	<u>297,796</u>	<u>(264,686)</u>
Dividends on converting preference shares	-	-
Earnings used in the calculation of dilutive EPS	<u>297,796</u>	<u>(264,686)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	-	-
Weighted average number of dilutive options outstanding	-	-
Weighted average number of dilutive converting preference shares on issue	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>40,795,854</u>	<u>32,811,842</u>

Note 9 Cash and Cash Equivalents

	2010 \$	2009 \$
Cash at bank and in hand	-	5,362
Short-term bank deposits	-	-
	<u>-</u>	<u>5,362</u>

Note 10 Trade and Other Receivables

	Note	2010 \$	2009 \$
CURRENT			
Trade receivables	9a	-	9,063
Provision for impairment of receivables		-	(7,571)
		-	1,492
Amounts receivable from:			
— Australian Taxation Office (GST)		-	19,386
Total current trade and other receivables		-	20,878

(a) Provision For Impairment of Receivables

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

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

	Opening Balance	Charge for the Year	Amounts Written Off	Closing Balance 30 June
	1 July 2008			2009
	\$	\$	\$	\$
(i) Current trade receivables	1,350	7,571	(1,350)	7,571
	1,350	7,571	(1,350)	7,571
	Opening Balance	Charge for the Year	Amounts Written Off	Closing Balance 30 June
	1 July 2009			2010
	\$	\$	\$	\$
(i) Current trade receivables	7,571	-	(7,571)	-
	7,571	-	(7,571)	-

Credit risk - Trade and Other Receivables

The entity has no significant concentration of credit risk with respect to any single counterparty or entity of counterparties other than those

The following table details the entity's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with

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

	Gross Amount \$	Past due and impaired \$	Past due but not impaired				Within initial trade terms \$
			<30 \$	31-60 \$	61-90 \$	>90 \$	
2010							
Trade and term receivables	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
	Gross Amount \$	Past due and impaired \$	<30 \$	31-60 \$	61-90 \$	>90 \$	Within initial trade terms \$
2009							
Trade and term receivables	1,492	(7,571)	512	969	347	7,235	19,386
Other receivables	19,386						
Total	20,878	(7,571)	512	969	347	7,235	19,386

Neither the group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or

	Note	2010 \$	2009 \$
(b) Financial Assets classified as loans and receivables			
Trade and other Receivables			
— Total Current		-	20,878
Financial Assets		-	20,878

Note 11 Property, Plant and Equipment

	2010 \$	2009 \$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	-	14,709
Accumulated depreciation	-	(13,232)
Accumulated impairment losses	-	-
	-	1,477

(a) **Movements in Carrying Amounts**

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

	Plant and Equipment \$	Total \$
Balance at 1 July 2008	1,855	1,855
Additions	1,262	1,262
Depreciation expense	(1,640)	(1,640)
Capitalised borrowing costs and depreciation	-	-
Balance at 30 June 2009	<u>1,477</u>	<u>1,477</u>
Assets Written Off	(1,072)	(1,072)
Depreciation expense	(405)	(405)
Balance at 30 June 2010	<u>-</u>	<u>-</u>

Note 12 Other Assets

	2010 \$	2009 \$
CURRENT		
Prepayments	-	8,146

Note 13 Trade and Other Payables

	Note	2010 \$	2009 \$
CURRENT			
Unsecured liabilities		-	71,579
Trade payables		-	11,000
Sundry payables and accrued expenses	24	<u>-</u>	<u>82,579</u>

Note 14 Borrowings

	Note	2010 \$	2009 \$
CURRENT			
Unsecured short term borrowings		61,000	8,101
Total current borrowings		<u>61,000</u>	<u>8,101</u>
NON-CURRENT			
Unsecured liabilities		-	391,000
Unsecured long term borrowings		-	391,000
Total non current borrowings		<u>-</u>	<u>391,000</u>
Total borrowings		<u>61,000</u>	<u>399,101</u>

Note 15 Issued Capital

	2010 \$	2009 \$
40,795,854 (2009: 36,579,801) fully paid ordinary shares	2,464,256	2,377,234
Less: Cost Associates with capital raising	<u>(239,010)</u>	<u>(239,010)</u>
	<u>2,225,246</u>	<u>2,138,224</u>

(a) **Ordinary Shares**

	2010 No.	2009 No.
At the beginning of reporting period	36,579,801	31,324,801
Shares issued during year		5,255,000
— 2/12/2009	3,055,522	-
— 16/03/2010	1,160,531	-
Shares bought back during year	-	-
At the end of the reporting period	<u>40,795,854</u>	<u>36,579,801</u>

(b) **Capital Management**

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

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

There are no externally imposed capital requirements.

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

Note 16 Cash Flow Information

	2010 \$	2009 \$
(a) Reconciliation of Cash Flow from Operations after Income Tax		
Profit after income tax	297,795	(264,686)
Cash flows excluded from profit attributable to operating activities		
Finance costs on debentures		
Non-cash flows in profit		
Amortisation		38,780
Depreciation	405	1,640
DOCA Benefit	(458,192)	
Bad debt expense (recovery)		6,221
Impairment loss		197,395
Other non-cash items	25,464	(50,799)
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	1,492	24,660
(Increase)/decrease in prepayments	7,725	1,460
Increase/(decrease) in trade payables	(40,048)	(86,852)
Cash flow from operations	<u>(165,359)</u>	<u>(132,181)</u>

Note 17 Events After the Reporting Period

Details of matters or circumstances which have arisen since the end of the financial year which significantly affected or may significantly affect the company's operations, the results of those operations or the state of affairs of the company in subsequent financial years are as follows;

An extraordinary meeting of members was held on 30 July 2010. This meeting considered and resolved to approve, amongst other things;

- That the company change its name to "First Debenture Limited".
- That the company reduce its issued share capital to \$1,101,680 and reduce the number of shares on issue by a factor of 7.195432.
- That the company issue 6,100,000 shares to Sui Generis (SA) Pty Ltd in satisfaction of the short terms funds (\$61,000) advanced to secure the execution of the company's deed of company arrangement.

Note 18 Related Party Transactions

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

	2010 \$
Opening Balance Related Party Loans	
Brought forward	391,000
Loan from Kytron Pty Ltd issued during the year	7,511
Loan from Palpet Pty Ltd issued during the year	3,000
Closing Balance upon entering administration	<u>401,511</u>
Debts discharged under DOCA	<u>401,511</u>
Closing Balance at end of year	<u>-</u>

As at the date of the company entering into administration, the company had unsecured related party loans totalling \$401,511. Under the terms of the Deed of Company Arrangement (DOCA) executed on 21 June 2010, the company was discharged of all liabilities, including related party loans. The related parties were to be excluded from any dividend payment that may arise under the administration.

Note 19 Financial Risk Management

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

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

	Note	2010 \$	2009 \$
Financial Assets			
Cash and cash equivalents	9	-	5,362
Loans and receivables	10	-	20,878
Total Financial Assets		<u>-</u>	<u>26,240</u>
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	13	-	82,579
— Borrowings	14	61,000	399,101
Total Financial Liabilities		<u>61,000</u>	<u>481,680</u>

Specific Financial Risk Exposures and Management

The main risk the entity is exposed to through its financial instruments is credit risk.

a. Credit risk

Credit Risk Exposures

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

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

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Bank overdrafts and	61,000	8,101	-	391,000	-	-	61,000	399,101
Trade and other		82,579	-	-	-	-	-	82,579
Total contractual outflows	61,000	90,680	-	391,000	-	-	61,000	481,680
Less bank overdrafts								-
Total expected outflows	61,000	90,680	-	391,000	-	-	61,000	481,680
	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets - cash flows realisable								
Cash and cash		5,362	-	-	-	-	-	5,362
Trade, term and loans		20,878	-	-	-	-	-	20,878
Total anticipated inflows	-	26,240	-	-	-	-	-	26,240
Net (outflow) / inflow on	(61,000)	(64,440)	-	(391,000)	-	-	(61,000)	(455,440)

Net Fair Values

Fair value estimation

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

	Footnote	2010		2009	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	(i)	-	-	5,362	5,362
Trade and other receivables	(i)	-	-	20,878	20,878
Total financial assets		-	-	26,240	26,240
Financial liabilities					
Trade and other payables	(i)	-	-	82,579	82,579
Borrowings	(i)	61,000	61,000	399,101	399,101
Total financial liabilities		61,000	61,000	481,680	481,680

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

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

Note 20 Reserves

a. Option Reserve

	2010	2009
	\$	\$
As at the beginning of the reporting period	134,728	134,728
Options Issued	-	-
At Reporting Date	134,728	134,728
	No.	No.
VBLO - \$0.30 Options expiring 30/6/2011	9,692,760	9,692,760
VBLOC- \$0.20 Options expiring 30/6/2013	3,173,514	3,173,514
VBLOD- \$0.20 Options expiring 30/6/2013	1,056,118	1,056,118
VBLOB- \$0.20 Options expiring 30/6/2011	2,250,000	2,250,000
VBLOE- \$0.20 Options expiring 30-6-2011	625,000	625,000
	16,797,392	16,797,392

At the time of the signing of the directors' report, all options except VBLOC and VBLOD options had expired. As anticipated, none of the expired options were exercised, due to being underwater options, where the strike price of the options exceeded the market value of the underlying shares to be purchased. The value of the option reserve will be adjusted accordingly and transferred to retained earnings on the day subsequent to each options expiry.

Note 21 Company Details

The registered office of the company is:
VET BIOTECHNOLOGY LIMITED
3/19 MITCHELL DRIVE
EAST MAITLAND NSW 2323

The principal place of business is:
VET BIOTECHNOLOGY LIMITED
Lvl 9 123 Epping Road
North Ryde NSW 2113

VET BIOTECHNOLOGY LIMITED ACN: 105 577 017
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 7 to 19, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company;
2. the Directors have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director

Jeffrey Dawson

Dated this

day of

2011


VET BIOTECHNOLOGY LIMITED ACN: 105 577 017
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 7 to 19, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company;
2. the Directors have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director



Jeffrey Dawson

Dated this

26th

day of

March

2012



Chartered accountants since 2003

T 612 9248 2500

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Level 2 / 1 23 Clarence Street

Sydney NSW 2000 Australia

GPO Box 3789 Sydney NSW 2001

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST DEBENTURE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of First Debenture Limited (the company) which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the entity.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those 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 the auditor's 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, the auditor considers internal control 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 control. 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 complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of First Debenture Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

BCS Assurance P/L ABN 98 124 334 363

Liability is limited by the Accountants
Scheme approved under the Professional
Standards Act 1994 (NSW)

A handwritten signature in blue ink, appearing to read 'H. Malachuk'.



Chartered accountants since 2003

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Sydney NSW 2000 Australia

GPO Box 3789 Sydney NSW 2001

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST DEBENTURE LIMITED (Cont'd)

Auditor's Opinion

In our opinion:

- a. the financial report of First Debenture Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Going Concern

Without qualification to the opinion expressed above, we draw attention to the disclosure made in Note 1 to the interim financial statements for the year ended 30 June 2010 concerning the preparation of the financial statements on a going concern basis. The ability of the entity to continue to trade as a going concern is dependent on the entity being able to obtain additional funding either from trading profitability or from continued support of its directors. If the entity is unable to obtain such funding, they may be required to realise assets and extinguish liabilities and commitments other than in the ordinary course of business and at amounts which are different from those currently stated in the financial statements.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of First Debenture Limited for the year ended 30 June 2010 complies with s300A of the Corporations Act 2001.

BCS ASSURANCE PTY LTD
Chartered Accountants

HANOZE UDACHIA
Director

Sydney, 26 March 2012

BCS Assurance P/L ABN 98 124 334 363

Liability is limited by the Accountants
Scheme approved under the Professional
Standards Act 1994 (NSW)

VET BIOTECHNOLOGY LIMITED ACN: 105 577 017
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number	
	Ordinary	Redeemable
1 – 1,000	-	
1,001 – 5,000	-	
5,001 – 10,000	8,577	
10,001 – 100,000	1,098,828	
100,001 – and over	39,688,449	
	<u>40,795,854</u>	<u>-</u>

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

c. The names of the substantial shareholders listed in the holding company's register as at 30 June 2010 are:

Shareholder	Number	
	Ordinary	Preference
MRS DIANA MARY O'HALLORAN EVANS	4,551,718	-

d. Voting Rights

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

Ordinary shares

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

e. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. MRS DIANA MARY O'HALLORAN EVANS	4,551,718	11%
2. MR NICHOLAS GREENAWAY MILLS	2,838,031	7%
3. MEDVET SCIENCE PTY LTD	2,460,495	6%
4. MR JOHN COOK	2,290,000	6%
5. PALPET PTY LTD	2,050,000	5%
6. MR NICHOLAS GREENAWAY MILLS	1,897,500	5%
7. MR DOUGLAS PETER LEMESSURIER	1,805,000	4%
8. FIRST AVENUE INVESTMENTS PTY LTD	1,710,000	4%
9. MR JOHN PATRICK MERVYN COOK	1,630,000	4%
10. MARTIN PLACE SECURITIES NOMINEES PTY LTD	1,292,500	3%
11. EMU CARDS PTY LTD	1,140,000	3%
12. MR RAYMOND GEORGE PANK	955,700	2%
13. HUGH BERKLEY GUTHRIE & LUSIA HALINA GUTHRIE	950,000	2%
14. MR HUGO FREDERICK LEMESSURIER	950,000	2%
15. BRENTWOOD PTY LTD	950,000	2%
16. PAUL LAWRENCE KERR	950,000	2%
17. KYTRON PTY LTD	845,522	2%
18. JOHN P M COOK	669,612	2%
19. MRS JANE MARY LEMESSURIER	665,000	2%
20. FOA PTY LTD <ADRIAN PORTER FAMILY A/C>	646,000	2%
	<u>31,247,078</u>	<u>77%</u>

2. The name of the company secretary is Michael Unicom

3. The address of the principal registered office in Australia is 3/19 Mitchell Drive GREEN HILLS NSW 2323.

4. Registers of securities are held at the following addresses
Registries Limited Level 7, 207 Kent Street
 SYDNEY NSW 2000

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian National Stock Exchange Limited.