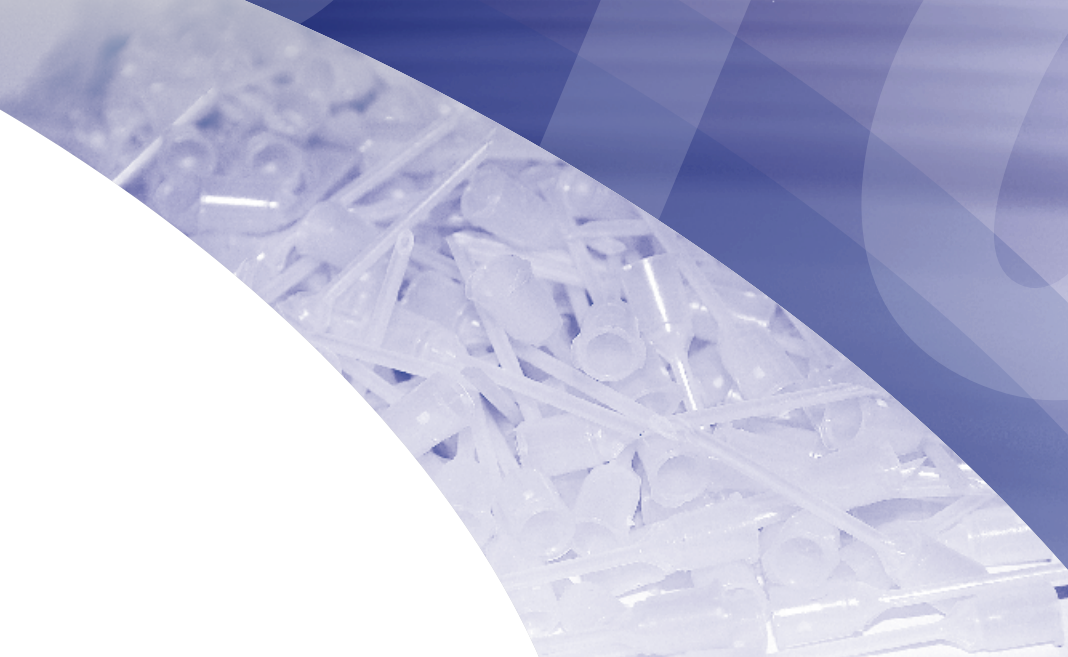


Annual Report **2010**

FOR THE YEAR ENDED 30 JUNE 2010



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Corporate Particulars

Directors

Dr Michelle Carr Executive Director
Mr Trevor Nye..... Executive Director
Mr Ross Gillon..... Non Executive Director

Company Secretary

Dr Michelle Carr

Registered Office

c/- Lawton Gillon
Level 11
16 St George's Terrace
Perth WA 6000

Corporate Office

Level 9
37 St George's Terrace
Perth WA 6000

Mailing Address

GPO Box 2567
Perth WA 6001

Share Registry

Advanced Share Registry Services
150 Stirling Highway
Perth WA 6009

Auditor

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

Solicitor

Lawton Gillon
Level 11
16 St George's Terrace
Perth WA 6000

A Letter from the Directors

Dear Shareholders,

Telezon Ltd. has continued to make notable advancements with their technologies and is excited about the year ahead. The Directors of Telezon Ltd. are very pleased to report on the key milestones achieved towards the commercialisation of its polymer 'draw-up' needle. The Company's unique polymer needles, (draw-up and hypodermic) are based on the technology to produce one-piece units. This exclusive and world-patented technology has enabled the successful prototype production of both needle types in FY2010. Key areas of advancement this year include, but are not limited to:

- engaging a leading medical polymer manufacturer in Switzerland to commence the initial production trials for the Company's draw-up needle
- agreeing timelines for first batch production for the Company's draw-up needle, being March 2011
- finalising ISO certification and international regulatory requirement documentation. initiated preliminary discussions with PATH (Program for Appropriate Technology in Health)
- the progression of five (5) Company patents to the final stages of approval
- initiated preliminary discussions with a US based national distributor for medical products

Although a very productive year for the Company, with another promising year ahead, it is with deep sadness that we report the passing of Telezon's Executive Chairman and CEO, Mr Frank Carr, father of one of our directors, Dr Michelle Carr. Mr Carr left an indelible mark on the Company and his dedication to the Company will always be remembered. He will be greatly missed.

The Company continues to move towards its target of the draw-up needle's commercialisation next year. In the meantime, the Directors would like to thank its shareholders and staff for their continued support and commitment to the Company. We look forward to another successful year and achieving even greater commercial milestones in FY2011.

Sincerely,



Trevor Nye
Director



Ross Gillon
Director

Operational Overview

Key Achievements in 2009/2010

Telezon Ltd has made notable advancements in 2009/2010 in relation to its world-patented technologies; specifically in the design, the development, and the initial market testing of its products, as well as the confirmation of its manufacturer engagement. Details of these activities are outlined below:

Our products - Draw-up needle and cap

The design and development of the Company's draw-up needle has seen significant advancements during the last year. The design has been finalised in compliance with ISO (International Organisation for Standardisation) standards. In addition, the Company moulded needles up to 30mm in length with its current preliminary tool, demonstrating the commercial potential of higher volume production tools.



Fig 1: The Company's draw-up needle & cap

In preparation for testing and potential commercial discussions, a cap mould was also designed and developed for the draw-up needle.



Fig 2: Draw-up needle tip, magnification of 200x

Our products - Advanced Flow Draw-up and Injection System (ADIS)

Since the last report to shareholders, considerable and speedy advancements have been made with respect to the Company's ADIS product and associated technology (as shown below from design to prototype development within the last financial year).

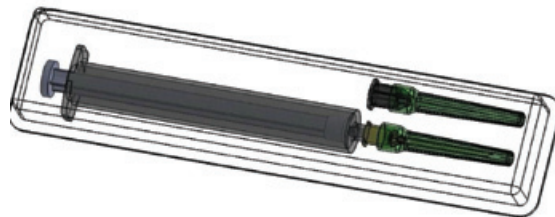


Fig 3a: ADIS/kit design, FY2009

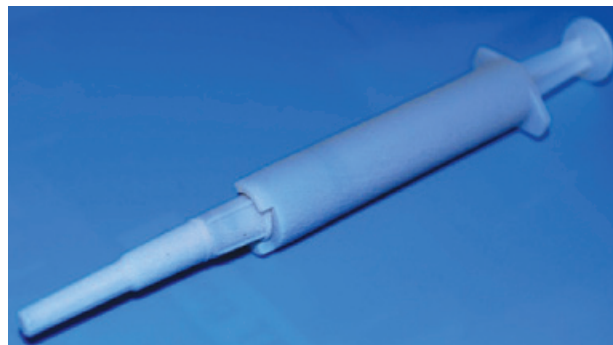


Fig 3b: ADIS prototype, FY2009



Fig 3c: ADIS prototype FY2010

The Company's ADIS offers a drug delivery system that is simple and easy to use, as well as potentially minimising the risk of needle-stick injuries among medical professionals – a costly and serious occupational challenge for the industry.

Operational Overview *(Continued)*

Our technologies

The Company has designed and developed a mould to manufacture its draw-up needles in the first phase of its commercial development. This progress is due to the refinement of the Company's gas assist technology to a more advanced mechanical coring method (Figures 4a & 4b). As a result of this evolution, a multiple (8) cavity mould has been designed in preparation for higher volume production once testing is complete on the preliminary mould.

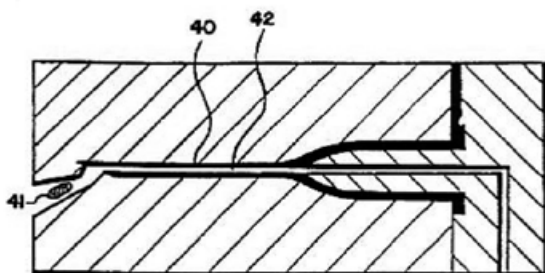


Fig 4a: Gas assist technology

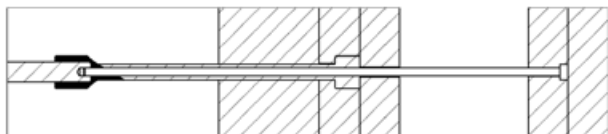


Fig 4b: Mechanical coring technology

Other important developments

In addition to the aforementioned activities, the Company announced to the market a signed letter of intent between Telezon and GEMU, a precision, polymer manufacturer in Switzerland. This document outlined ways in which the two companies could work together for the pre-production of the draw-up needle. This letter of intent involves the mould transfer to our Swiss manufacturer, overseen by our chief engineer. (Figure 4c)



Fig 4c: Our chief engineer at our contract manufacturer's plant in Switzerland Image courtesy of GEMU GmbH

Preliminary discussions have also been initiated with PATH (Program for Appropriate Technology in Health) regarding the possible application of the Company's draw-up needle in developing markets and separate discussions have commenced with potential distributors in the USA.

Furthermore, the Company progressed five of their patents to their final stage of review, while lodging a provisional patent for a new technology (please refer to details on page 6).

The Company continues to be very excited about the immediate future of the company and is pleased about the substantial progress made in the last financial year.

Patents

Patent Group 1 – Method of manufacturing needles

PCT Number	Country	Status
PCT/AU94/00109	Australia	National
	Singapore	National
	Canada	National
	USA	National
	China	National
	Spain	National
	Germany	National
	France	National
	Italy	National
	Ireland	National
	United Kingdom	National
	Switzerland	National

Patent Group 2 – Method and apparatus for manufacturing cannulae

Number	Country	Status
PCT/AU2008/000296	Australia	National
	USA	National
	Japan	National
	China	National
	India	National
	Europe	National

Patent Group 3 – Needle tip

Number	Country	Status
PCT/AU2007/001949	Australia	National
	USA	National
	Japan	National
	China	National
	India	National
	Europe	National

Patent Group 4– Moulding Cannulae and Small Deep Holes

Number	Status
PCT/AU2009/001695	International phase

The Global Market

The global market for syringes has been estimated at 30 billion units per year, with approximately 27% of this volume in the U.S.

(Source: http://www.faqs.org/sec-filings/100517/PROTECTUS-MEDICAL-DEVICES-INC_10-K/ September 2010 from *Global Industry Analysts, Inc. "Syringes (Disposable and Reusable): A Global Strategic Business Report"*). This estimate for the global syringe market potentially equates to **60 billion** needles per year, assuming an average of two needles are used per injection. Based on these figures, the world market has a conservative estimate of **USD\$4 billion**.

Estimated world market sales as well as the Company's recent activity, indicate an encouraging short and long term future for the Company and its technology.

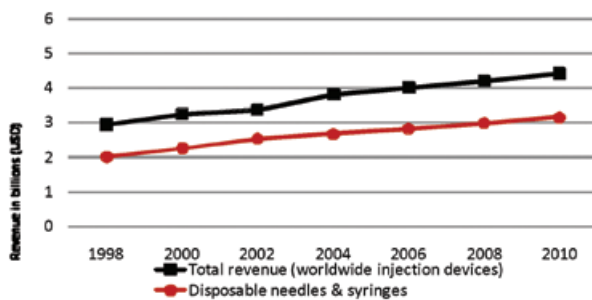


Chart 1: Estimated world market for needles and syringes

- Current estimated worldwide sales of injection devices is approximately US\$4 billion per annum¹ (Chart 1). The World Health Organisation ("WHO") estimates that 16 billion injections per annum are administered in developing countries alone. Furthermore, approximately 80% of all disposable hypodermic needles fall into the 25 to 40 mm x 18g, 21g and 23g size, a worldwide market estimated to be currently valued at approximately US\$2.6 billion per annum. Over two thirds of needles are disposable or single use needles.
- Research conducted for the Company has established that there is no significant seasonal fluctuation in the

use of disposable syringes and hypodermic needles in the world market.

- Factors which could influence the potential usage of disposable syringes/hypodermic needles include major outbreaks of disease and/or virus (e.g. Influenza) and regional vaccination programs carried out by Governments or bodies such as the World Health Organisation.

The vast majority of *hypodermic* needles manufactured today are constructed of stainless steel. Stainless steel needles are, with few exceptions, the principal hypodermic device used throughout the world. Conventional stainless steel disposable hypodermic needles are traditionally formed from more than one component and thus have a very involved manufacturing process. Associated with an involved manufacturing process is a considerable manufacturing expense in producing separate components. The Company believes that a plastic needle fabricated using its patented technology will produce a product that has significant advantages over current steel needles. Key benefits of both the Company's plastic hypodermic and draw-up needles are outlined below:

- have a more efficient manufacturing process, compared to that of the steel needle
- are more affordable and environmentally friendly,
- are easier and cheaper to transport and to dispose of, (the Company has estimated that the steel needle is eight times heavier than its plastic hypodermic needle)
- can be wholly colour coded,
- are non-corrosive, and
- are silicone free, meaning no vaccine/medicine contamination and can be used on all patients (some are allergic to silicone)
- have the ability for transparency for purposes of light, x-rays and ultrasonics
- could dramatically reduce the risk of needle stick injuries, indicated by empirical evidence
- (hypodermic needle only) is ultimately by design: less traumatic and painful to the patient, less damaging to the tissue, and far better at dispersing liquids into body tissue.

¹ *Needles and Syringes (and Catheters): The World Markets. The article examines the global and US markets for needles, syringes and catheters, with some detail for specific categories (urology, cardiology, etc). Medical & Healthcare Marketplace Guide, page I-830 1999*

Products and Technologies

As previously mentioned, the Company has four principle products and three technologies. In the last financial year, significant advancements have been made in both areas of the Company's portfolio. Details of this progress have been provided below.

Draw-up needle and cap

As mentioned previously, the Company has finalised the design and development of both the needle and cap in compliance with the ISO (Figures 5a and 5b). Several lengths have also been produced from the same mould, demonstrating the adaptability of the technology and the computer-assisted program (Figure 6a). Next steps are initial pre-production and testing with our contract manufacturer in Switzerland.



Fig 5a: The Company's draw-up needle



Fig 5b: The Company's draw-up needle & cap



Fig 6a: Various draw-up needle lengths – 19mm, 22mm & 28mm



Fig 6b: Comparison of our draw-up needle and a standard steel hypodermic needle



Fig 6c: Multiple needle production from our mechanical moulding technology

Further penetration force tests were conducted in FY2010 (testing the force of the needle's penetration through a material such as a vial stopper). Refinements made to the design this year have seen a considerable improvement in the penetration force of our polymer draw-up needle, almost comparable to the steel hypodermic needle (Table 1).

Products and Technologies *(Continued)*

Table 1: Comparison of penetration forces

Third party reconstitution needle	43.5N	Lubricated
Penetration force of 18 gauge steel needle	11.5N	Lubricated
FY2009 SSB draw-up needle	17.0N	Lubricated
FY2010 SSB draw-up needle (median)	12.47N	Lubricated With best penetration of 11.38N

Additional activities for draw-up needle & mechanical coring technology

- Proven feasibility of the patented mechanical coring manufacturing method
- Completed preliminary 3D design for 8-fold draw-up needle production mould
- Investigation into suitable surface coatings for high volume production mould
- Engaged overseas toolmaker for minor modifications on mechanical coring mould
- Engaged external party for measuring services on cannula diameter
- Engaged material supplier for inspection of the fluid bore on a moulded draw-up needle (microscopy)
- Established contact with mechanical testing laboratory of draw-up needle
- Finalised an overview of regulatory requirements for the draw-up needle, prepared by external consultant
- Outlined time line for regulatory clearance of draw-up needle

Hypodermic needle

FY2010 has also seen important advancements with respect to the Company's hypodermic needle. In addition to the activities mentioned below, SSB's needles successfully penetrated dead rat skin in several lab tests (unbuckled needle tips following dead rat tests - Figure 7).

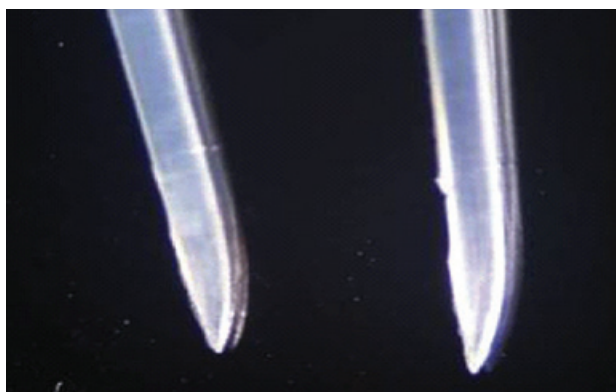


Fig 7: Needle tip of hypodermic needles successfully tested on dead rats. Image courtesy of DowCorning Corporation

Additional activities for the hypodermic needle

- Alternative hypodermic needle materials have been tested with very consistent penetration force results
- Latest penetration force test at DowCorning returned an average penetration force of 1.6N
- Prepared alternative hypodermic needle designs to further refine effectiveness of cannula and tip

Advanced Flow Draw-up and Injection System (ADIS)

The advanced draw-up and injection system, as mentioned in last years' report, has the potential to revolutionise the standard injection process through simplifying and making the process safer (Figures 8a & 8b). This product concept provides the world market with an improved, financially viable technology, beyond its existing manufacturing technology.

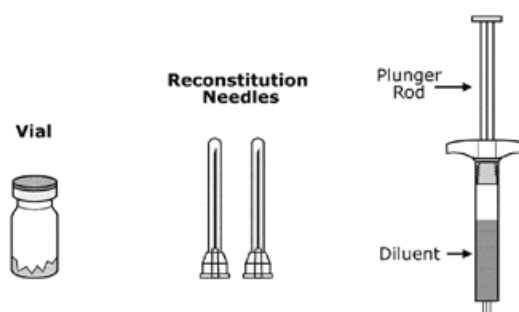


Fig 8a: Current draw-up and injection process using two needles, a steel draw-up (or reconstitution) needle and a hypodermic needle



Fig 8b: SSB's draw-up and injection process using its advanced flow draw-up and injection system (FY2010)

Products and Technologies *(Continued)*

Initial prototypes were developed last year to assess its application and value among medical professionals (Figure 9). Preliminary feedback was very positive.

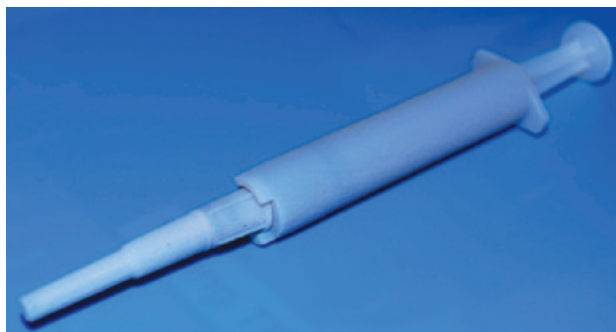


Fig 9: Prototype of the advanced flow draw-up and injection system (FY2009)

As mentioned previously (in Key Achievements), the Company has produced new prototypes with several innovative features not currently available in the market (Figure 10). Further details are withheld at this stage due to the current period of patent registration.



Fig 10: Prototype of the advanced flow draw-up and injection system (FY2010)

Our technologies

Further to last year's activities, refinements and advancements have been made to our patented mechanical coring method. Key benefits of the Company's mechanical coring technology over gas technology are:

- no trimming of any material overflow required (minimise waste and additional labour)
- high precision on internal cannula diameter
- potential ability to manufacture multiple needle lengths with same tool (Chart 2)
- higher process repeatability equates to increased yield rate. (the ability to consistently reproduce needles to the same quality and specifications)

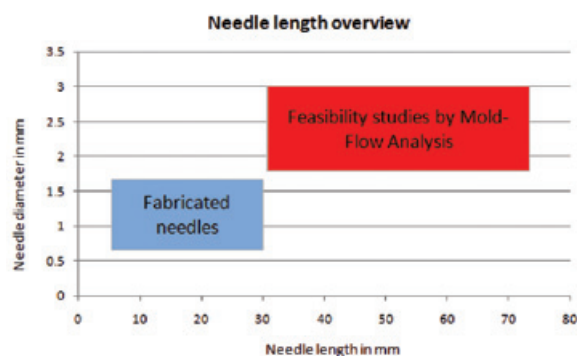


Chart 2: Illustration of actual needle lengths manufactured with our technology and its potential ability

As mentioned before, this technology will be further complemented by the machinery and facilities of our contract manufacturer. (Figure 11)



Fig 11: Our contract manufacturer's clean room facilities in Switzerland. Image courtesy of GEMU GmbH

Additional activities related to technologies and patents

- Preparation of pre-production costs on draw-up and hypodermic needle
- Finalised preliminary design for reconstitution system
- Fabrication of prototypes
- Completed testing of hot-runner system for high cavitations mould
- Commenced evaluation of potential contract moulder and toolmaker for the high cavitations moulds (Figure 11)
- Agreed on timelines for pilot production, production mould manufacture and first production batch delivery
- Preparation and lodging of PCT application of mechanical coring manufacturing method
- Design, preparation and lodging of a provisional patent for a new technology

Proposed Activities for FY2011

Products	R&D	Prototype/ ISO/PQS application	Market testing/ presentation	Go-to-market
Dynamic sleeve manufacturing concept	COMPLETE	October 2010 – pre-market samples production and testing	October 2010 – January 2011 – final testing for shelf life/sterilisation	January 2011 - production tool complete
Draw-up needle	September 2010 – design for production tool complete	October 2010 – pre-market samples testing including needle, cap and packaging January 2011 – tool manufacture process validated for PQS standards	October 2010 – January 2011 – final testing for shelf life/sterilisation	January 2011 – production tool complete March 2011 – product ready for market
Advanced flow draw-up & injection system	September -December 2010 – product design and manufacture of prototype tools		January 2011 – product testing, focus groups, field test	Mid 2011 (estimation only, depending on target market segment and related regulations)
Hypodermic needle	September 2010 - June 2011 – materials testing		June 2011 – pre-market samples manufactured for focus groups	Mid 2012 (estimation only, depending on materials, testing, target market segment and related regulations)

Corporate Information

SSB Technology Pty Ltd (SSB) ABN 23 116 630 516 is a wholly owned subsidiary of Telezon Limited. SSB was set up to develop the intellectual property (the SSB Technology) "Method of Manufacturing Needles". This technology was purchased by Telezon Limited in 2005.

SSB is located within the miniFAB complex situated at 1 Dalmore Drive, Caribbean Business Park, Scoresby, Victoria, 3179. Within the complex, SSB has an office, workshop and access to a full range of business support structures and amenities.

Contact Details

Head Office: Telezon Limited, Level 9, 37 St George's Terrace, Perth WA 6000, AUSTRALIA

Postal Address: GPO Box 2567, Perth, WA 6001, AUSTRALIA

Telephone: +61 8 9225 5544

Facsimile: +61 8 9225 5533

Website: www.telezon.com

ABN: 33 009 151 277

ASX Code: TLZ

Director's Report

The directors present their financial report on the company and its controlled entity for the financial year ended 30 June 2010.

Directors

The names of directors in office at any time during or since the end of the financial year are listed hereunder. Directors were in office for the entire period under review.

- Michelle Carr
- Trevor Nye
- Frank Carr (deceased 6 June 2010)
- Ross Gillon (appointed director 9 June 2010)

Information on Directors

MICHELLE CARR B.A. (Jt.Hons), M.I.B., Ph.D.

Executive Director and appointed Company Secretary
10 June 2010

A former university lecturer in international marketing, Dr Carr has for several years worked as a senior executive and account director in marketing and market research organisations in which roles she has advised major companies both in the public and private sectors on matters of project management, research analysis, organisational development and international marketing. Dr Carr holds a B.A. (Jt.Hons.) (NUI), a master's degree in International Business (Murd.), and a doctorate in International Marketing from the University of Western Australia.

TREVOR NYE B.Sc. (Hons), GradDip, MEdAdmin

Executive Director

Mr Nye has directed the development of the Company's plastic hypodermic needle technology since the Company acquired the technology in 2005. Having previously worked in the field of merchant banking Mr. Nye has many years experience in the marketing and commercialisation of intellectual property and associated activities. He holds a bachelor's degree from Deakin University, and a graduate diploma and a master's degree in educational administration

ROSS GILLON

Non Executive Director (appointed 9 June 2010)

Mr. Gillon, principal of the legal firm of Lawton Gillon, has been in legal practice for 30 years and has been legal advisor for Telezon Limited for several years. He has been a director of many public companies and is currently on the Boards of Millennium Minerals Limited, Carrick Gold Limited and Red River Resources Limited.

FRANK CARR M.B.A., M.Phil., FAIM, FIOD.

Former CEO and Executive Chairman
(Deceased 6 June 2010)

Mr Carr was engaged in company management and direction for over thirty years. He has extensive experience in corporate advisory and business recovery activities, and has held many public company directorships. He has successfully directed many initial public offerings and stock exchange listings in Australia, New Zealand and the USA and he and his companies have received numerous technical, export achievement, management, and marketing awards. He is a recipient of the Australian Entrepreneur of the Year Award, holds master's degrees in both business administration and economics and is a Fellow of the Australian Institute of Management and of the Institute of Directors (U.K.).

Principal Activities

During the financial year the Company's principal activities were development, manufacture and marketing of polymeric cannular products (including plastic hypodermic needles).

Operating Results

The operating loss after income tax of the Company for the year ended 30 June 2010 was \$389,131 (2009: \$448,074).

Director's Report *(Continued)*

Review of Operations

Telezon Ltd and SSB Technology Pty Ltd have, again, achieved significant milestones since its last report to shareholders, specifically:

Draw-up needle / Mechanical coring

- Fabrication of 2-fold pre-production mould to manufacture draw-up needles by using the patented mechanical coring method
- Commissioned newly fabricated mechanical coring mould and moulded draw-up needles with up to 28mm length
- Refined the moulding of draw-up needles and its related manufacturing method for higher volume production
- Proven feasibility of the patented mechanical coring manufacturing method
- Finalised the design of the generic draw-up needle to comply with all relevant ISO standards
- Completed preliminary 3D design for 8-fold draw-up needle production mould
- Investigation into suitable surface coatings for high volume production mould
- Engaged external party for measuring services on cannula diameter
- Engaged material supplier for inspection of the fluid bore on a moulded draw-up needle (microscopy)
- Established contact with mechanical testing laboratory of draw-up needle
- Finalised an overview of regulatory requirements for the draw-up needle, prepared by external consultant
- Outlined time line for regulatory clearance of draw-up needle

Hypodermic needle

- Alternative hypodermic needle materials have been tested with very consistent penetration force results
- Latest penetration force test at DowCorning returned an average penetration force of 1.6N
- Trials for hypodermic needles materials were successfully tested on rat skin
- Prepared alternative hypodermic needle designs to further refine effectiveness of cannula and tip

Other activities

- Preparation and lodging of PCT application of mechanical coring manufacturing method
- Design, preparation and lodging of a provisional patent for a new technology
- Preparation of pre-production costs on draw-up and hypodermic needle
- Finalised preliminary design for reconstitution system
- Fabrication of prototypes
- Designed and specified a needle cap and fabricated 1-fold mould
- Initiated preliminary discussions with PATH (Program for Appropriate Technology in Health)
- Completed testing of hot-runner system for high cavitations mould
- Commenced evaluation of potential contract moulder and toolmaker for the high cavitation moulds
- Appointed and engaged European manufacturer for pre-production, through initial letter of intent (announced to ASX)
- Agreed on timelines for pilot production, production mould manufacture and first production batch delivery
- Progressed a total of five company patents to national stage

The Company is very excited about the immediate future of the company and pleased about the substantial process made in the last financial year.

Financial Position

The net assets of the Company are \$2,462,721 as at 30 June 2010 (2009:\$2,610,352)

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the Company occurred during the financial year other than as stated herein.

Director's Report *(Continued)*

Dividends Paid or Recommended

The directors do not recommend the payment of a dividend and no dividends have been paid or declared since the end of the last financial year.

Significant Events after Balance Date

No matters or circumstances besides those disclosed in Note 22 have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely Developments and Expected Results

The Company expects to maintain the present status and level of operation and hence there are no likely unwarranted developments in the entity's operations.

Environmental Issues

The Company is subject to licences and regulations under environmental laws that apply in the jurisdiction of its operations. These licences specify limits and regulate the management of its proposed manufacture of hypodermic needles.

The Company aims to ensure the appropriate standard of environmental care is achieved and, in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

Indemnification of Officers and Insurance Premiums

There are no insurance policies in place during the year, to indemnify officers of the company.

Proceedings on Behalf of Company

In 2005, the Company commenced proceedings in the Supreme Court of Western Australia seeking a declaration that the Company is not indebted to Friedman Capital Pty Ltd, which company has a registered Charge against the Company. The Charge was executed and registered when the Company was the subject of a Deed of Company Arrangement. The funds advanced by Friedman Capital Pty Ltd were advanced to the Administrator to enable the Administrator to satisfy the creditors of the Company. At this time the Company is not able to determine the outcome of the litigation.

Share Options

At the date of this report the outstanding options over unissued ordinary shares are:

Grant Date	Date of Expiry	Exercise Price	Number under Option
2 December 2008	31 December 2013	\$0.20	1,000,000

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

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report. During or since the year ended 30 June 2010, no shares have been issued on the exercise of options and no options have been forfeited or cancelled.

Risk Management

The Board is responsible for ensuring that risks and opportunities are identified in a timely manner and that activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include Board approval of a strategic plan which encompasses strategy statements designed to meet stakeholders needs and manage business risk, and implementation of Board approved operating plans and budgets and the monitoring thereof.

Remuneration Report Audited

This report outlines the remuneration arrangements in place for directors and executives of the Company.

Remuneration Policy

The remuneration policy of Telezon Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's ability to attract and retain the best executives and directors to run and manage the economic entity.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

The remuneration policy setting out the terms and conditions for the executive directors and other senior executives was developed by the Board. All executives receive a base salary (which is based on factors such as the length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the economic entity's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses, and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government which is currently 9% and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board 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 in general meeting (currently \$240,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholders interests, the directors are encouraged to hold shares in the Company and are able to participate in employee option plans.

Performance-based Remuneration

The Company currently has no performance-based remuneration component built into director and executive remuneration packages.

Director's Report *(Continued)*

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives.

(a) Key management personnel compensation

2010	Short-term benefits			Post-employment benefits		Share-based payment		
Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super Annuation \$	Retirement benefits \$	Options \$	Others \$	Total \$
Directors								
Frank Carr	119,099	-	-	-	-	-	80,000+	199,099
Michelle Carr	40,000	-	-	-	-	-	26,000#	66,000
Trevor Nye	40,000	-	-	-	-	-	24,006#	64,006
Ross Gillon	-	-	-	-	-	-	-	-
Totals	199,099	-	-	-	-	-	130,006	329,105

2009	Short-term benefits			Post-employment benefits		Share-based payment		
Name	Restated cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super Annuation \$	Retirement benefits \$	Options \$	Others \$	Restated Total \$
Directors								
Frank Carr	156,931	-	-	-	-	-	80,000+	236,931
Brian Martin	40,000	-	-	-	-	-	-	40,000
Michelle Carr	40,000	-	-	-	-	8,189	-	48,189
Trevor Nye	-	-	-	-	-	6,142^	24,000#	30,142
Totals	236,931	-	-	-	-	14,331	104,000	355,262

+Fees paid in the normal course of business for management and administration services totalling \$80,000 (2009: \$80,000) paid to Noble Pacific Pty. Ltd., a company of which Mr Frank Carr is a director.

^ Mr Trevor Nye was issued 300,000 options on 2 December 2008. This date was prior to his appointment as director of the Company which happened on 23 June 2009. As he still holds these options, their fair value have been included as part of the key management personnel remuneration disclosures above.

Fees paid in the normal course of business for services relating to the development of technology paid to Samarra Pty Ltd totalling \$24,006 (2009: \$24,000) and Melbourne Marketing Consultants Pty Ltd totalling \$26,000 (2009: \$nil). Samarra Pty Ltd is a company which Trevor Nye is a director and Melbourne Marketing Consultants Pty Ltd is a company which Michelle Carr is a director.

Director's Report *(Continued)*

(b) Employee Related Share-based compensation

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of Directors and Employees of a high calibre, the Company has a policy of issuing options that are exercisable in future at a certain fixed price.

No options were granted to directors or executives during the year ended 30 June 2010.

During the year ended 30 June 2009, a total of 700,000 options were granted to directors and key management personnel for nil consideration. The options were granted on 2 December 2008 and vest immediately. The options can be exercised at any time after being vested and before their expiry date of 31 December 2013 at an exercise price of \$0.20. The fair value of the options using a Black and Scholes pricing model is recognised as an expense in the financial year the options were issued. The amount recognised as share based payment expense during the year ended 30 June 2009 was \$14,331.

The terms and conditions of each share affecting reported remuneration in the previous, this or future reporting periods are:

Grant date	Expiry date	Exercise price	Value per option at grant date	First exercise date/ vest date	Last exercise date
2/12/2009	31/12/2013	\$0.20	\$0.020474	2/12/2009	31/12/2013
	Options issued for the year ended 30-Jun-09	Options vested during the year ended 30-Jun-09	Value per option at grant date	Share based payment expense at 30-Jun-10	
Key Management Personnel (Directors)					
Michelle Carr		400,000	500,000	\$0.23086	8,189
Trevor Nye		300,000	1,000,000	\$0.23086	6,142
					14,331

Fair values at issue date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the share price at issue date and the expected price volatility of the underlying share, and the risk free rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

- (a) options are granted for nil consideration and vest immediately
- (b) exercise price of \$0.20 on or before 31 December 2013
- (c) expected price volatility of 40%
- (d) risk-free interest rate of 4.50%
- (e) spot price at date of valuation - \$0.10
- (f) issue date – 2 December 2008
- (g) expiry date – 31 December 2013

Director's Report *(Continued)*

Directors' relevant interests

The relevant interest of each director in the capital of the company at the date of this report is as follows:

Director	No of Ordinary Shares	No of Options over Ordinary Shares
Michelle Carr	160,000	400,000
Trevor Nye	96,273	300,000
Ross Gillon	323,400	-

Meetings of Directors

During the financial year, 3 meetings of directors were held. There were no committees of directors during the year. Attendances by each director during the year were as follows:-

	Number of meetings eligible to attend	Number attended
Frank Carr	2	2
Trevor Nye	3	3
Michelle Carr	3	3

Non-Audit Services

Any non audit services that may have been provided by the entity's auditor, RSM Bird Cameron Partners, is shown at Note 14. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's Independence Declaration

We have obtained an Auditor's Independence Declaration. Please refer to "Auditor's Independence Declaration" included within the financial statements.

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



MICHELLE CARR
Executive Director

Dated at Perth this 13th day of September 2010

Corporate Governance Statement

Corporate Governance Principles

To the extent that they are applicable, and given its circumstances, the Company adopts the Eight Essential Corporate Governance Principles and Best Practice Recommendations ('Recommendations') published by the Corporate Governance Council of the ASX.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be afforded further consideration.

The Board sets out below its 'If not, why not?' report in relation to matters of corporate governance in which the Company's practices depart from the Recommendations.

(a) Principle 1 Recommendation 1.1

Notification of Departure

Telezon Limited has not formally disclosed the functions reserved to the Board and those delegated to management. The appointment of non-executive directors to the Board is not formalised in writing by way of a letter or other agreement.

Explanation for Departure:

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The Board has established an informal framework for the management of the Company and the roles and responsibilities of the Board and management. Due to the small size of the Board and the Company, the Board do not think that it is necessary to formally document the roles of Board and management as it believes that these roles are being carried out in practice and are clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that Shareholder value is increased

(b) Principle 2 Recommendations 2.1

Notification of departure

The Company does not have a majority of independent directors.

Explanation for departure

The Board considers that the current composition of

the Board is adequate for the Company's current size and operations and includes an appropriate mix of skills and expertise relevant of the Company's business. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by the Directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operation evolve, and may appoint independent directors as it deems appropriate.

(c) Principle 2 Recommendation 2.4 and Principle 4 Recommendation 4.1

Notification of Departure

Separate audit and nomination committees have not been formed.

Explanation for Departure

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of separate or special committees is justified at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and ensure that it adheres to appropriate ethical standards.

In particular, the Board as a whole considers those matters that would usually be the responsibility of an audit committee and a nomination committee. The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee or a separate nomination committee.

d) Principle 2 Recommendation 2.5

Notification of Departure

Telezon Limited does not have in place a formal process for evaluation of the Board, its committees, individual directors and key executives.

Exploration for Departure

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as an when the level of operations of the Company justifies this.

Corporate Governance Statement *(Continued)*

(e) Principle 3 Recommendation 3.1

Notification of Departure

Telezon Limited has not established a formal code of conduct.

Explanation for Departure

The Board considers that its business practices, as determined by the Board and key executives, are the equivalent of a code of conduct.

(f) Principle 5 Recommendation 5.1

Notification of Departure

Telezon Limited has not established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance.

Explanation for Departure

The Directors have a long history of involvement with public listed companies and are familiar with the disclosure requirements of the ASX listing rules.

The Company has in place informal procedures that it believes are sufficient for ensuring compliance with ASX Listing Rule disclosure requirements and accountability for compliance. The Board has nominated the Managing Director and the Company Secretary as being responsible for all matters relating to disclosure.

(g) Principle 6 Recommendation 6.1

Notification of Departure

Telezon Limited has not established a formal Shareholder communication strategy.

Explanation for Departure

While the Company has not established a formal Shareholder communication strategy, it actively communicates with its Shareholders in order to identify their expectations and actively promotes Shareholder involvement in the Company. It achieves this by posting on its websites copies of all information lodged with the ASX. Shareholders with internet access are encouraged to provide their email addresses in order to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company are available on request.

(h) Principle 7 Recommendation 7.1

Notification of Departure

Telezon Limited has an informal risk oversight and management policy and internal compliance and control system.

Explanation for Departure

The Board does not currently have formal procedures in place but is aware of the various risks that affect the Company and its particular business. As the Company develops, the Board will develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

(i) Principle 8 Recommendation 8.1

Notification of Departure

Telezon Limited does not have a formal remuneration policy and has not established a separate remuneration committee. Non-executive directors may receive options or shares.

Explanation for Departure

The current remuneration of the Directors is disclosed in the Directors' Report. Non-executive Directors receive a fixed fee for their services and may also receive options or shares. The issue of options or shares to non-executive Directors may be an appropriate method of providing sufficient incentive and reward while maintaining cash reserves.

Due to the Company's early stage of development and small size, it does not consider that a separate remuneration committee would add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board believes it is more appropriate to set aside time at specified Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with regulatory requirements, especially in respect of related party transactions; that is, none of the Directors will participate in any deliberations regarding their own remuneration or related issues.

Consolidated Statement Of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 \$	Restated 2009 \$
Revenue	2	4,558	43,593
Depreciation expense		(9,931)	(9,931)
Impairment of available for sale investments		(720)	(10,880)
Management fees		(80,000)	(80,000)
Listing and share registry expenses		(31,603)	(22,976)
Share-based payment		-	(20,474)
Directors' fee		(199,099)	(236,931)
Other expenses		(72,336)	(110,475)
Loss before income tax		(389,131)	(448,074)
Income tax expense	3	-	-
Loss after income tax		(389,131)	(448,074)
Other comprehensive income			
Movement in fair value of available for sale investments	=	13,500	-
Income tax relating to the components of other comprehensive income		-	-
Other comprehensive income for the year		13,500	-
Total comprehensive loss		(375,631)	(448,074)
Basic and diluted loss (cents) per share	15	(1.31)	(1.54)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement Of Financial Position

As at 30 June 2010

	Note	2010 \$	Restated 2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	17(b)	484,100	872,828
Trade and other receivables	5	7,812	8,289
Other assets	6	1,802	-
Financial assets	7	25,900	13,120
Total Current Assets		<u>519,614</u>	<u>894,237</u>
Non-Current Assets			
Intangibles	8	2,037,224	1,743,256
Plant and equipment	9	54,792	64,723
Total Non-Current Assets		<u>2,092,016</u>	<u>1,807,979</u>
TOTAL ASSETS		<u>2,611,630</u>	<u>2,702,216</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	10	<u>148,909</u>	<u>91,864</u>
TOTAL LIABILITIES		<u>148,909</u>	<u>91,864</u>
NET ASSETS		<u>2,462,721</u>	<u>2,610,352</u>
EQUITY			
Issued capital	11	24,524,386	24,296,386
Reserves		619,205	605,705
Accumulated losses		(22,680,870)	(22,291,739)
TOTAL EQUITY		<u>2,462,721</u>	<u>2,610,352</u>

The accompanying notes form an integral part of these financial statements.

Consolidated Statement Of Changes in Equity

For the year ended 30 June 2010

	Issued Capital \$	Financial Assets Reserve \$	Share Payment Reserve \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2008	24,296,386	-	585,231	(21,843,665)	3,037,952
Loss for the year	-	-	-	(371,143)	(371,143)
Correction of prior year error	-	-	-	(76,931)	(76,931)
Restated total comprehensive loss for the year	-	-	-	(448,074)	(448,074)
Share-based payment	-	-	20,474	-	20,474
Restated Balance as at 30 June 2009	24,296,386	-	605,705	(22,291,739)	2,610,352
Balance as at 1 July 2009	24,296,386	-	605,705	(22,291,739)	2,610,352
Loss for the year	-	-	-	(389,131)	(389,131)
Movement in fair value of available for sale investments	-	13,500	-	-	13,500
Total comprehensive income (loss) for the year	-	13,500	-	(389,131)	(375,631)
Share issued during the year	228,000	-	-	-	228,000
Balance as at 30 June 2010	24,524,386	13,500	605,705	(22,680,870)	2,462,721

The accompanying notes form an integral part of these financial statements.

Consolidated Statement Of Cash Flows

For the year ended 30 June 2010

	Consolidated		
	Note	2010	2009
Cash flows from Operating Activities			
Payments to suppliers and employees		(327,318)	(360,349)
Interest received		3,183	42,343
Net cash used in operating activities	17(a)	(324,135)	(318,006)
Cash flows from Investing Activities			
Dividends received		1,375	1,250
Payments for research and development expenditures		(293,968)	(335,038)
Net cash used in investing activities		(292,593)	(333,788)
Cash flows from Financing Activities			
Proceeds from issue of shares		228,000	-
Net cash provided by financing activities		228,000	-
Net decrease in cash held		(388,728)	(651,794)
Cash and cash equivalents at the beginning of the financial period		872,828	1,524,622
Cash and cash equivalents at the end of the financial year	17(b)	484,100	872,828

The accompanying notes form an integral part of these financial statements.

Notes To The Financial Statements

For the year ended 30 June 2010

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, 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 preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual 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.

The financial report was authorised for issue on 13 September 2010 by the Board of Directors.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company and consolidated entity incurred losses of \$389,131 (2009: \$448,074) and \$389,134 (2009: \$448,074) respectively and the consolidated entity had net cash outflows from operating activities of \$324,135 (2009: \$318,006) for the year ended 30 June 2010. As at that date the company and consolidated entity had net current assets of \$370,705 and \$2,462,721 respectively and net assets of \$2,462,721.

The Directors believe that it is reasonably foreseeable that the company and consolidated entity will continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report, after consideration of the following factors:

- The ability of the company to issue additional shares under the Corporations Act 2001, as occurred during the year as disclosed in the Consolidated Statement of Changes in Equity;
- The possible commercial exploitation of the consolidated entity's patented plastic hypodermic needle technology (Note 8), at amounts sufficient to meet proposed expenditure commitments; and
- The consolidated entity has the ability to scale down its research and development operations to conserve cash, in the event that the commercialisation of its patented plastic

hypodermic needle technology or capital raisings, are delayed or insufficient to meet expenditure commitments.

Adoption of new and revised accounting standards

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current financial year. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

(i) Presentation of financial statements

The consolidated entity has applied the revised AASB 101 Presentation of Financial Statements (2007) from 1 January 2009. The revision of this standard now requires the consolidated entity to present all non-owner changes to equity ('comprehensive income') in the statement of comprehensive income. The consolidated entity has presented the income statement and non-owner changes in equity in one statement of comprehensive income. All owner changes in equity are presented separately in the statement of changes in equity.

The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised AASB 101.

(ii) Segment reporting

The consolidated entity has applied AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the consolidated entity, the chief operating decision maker is the Board of Directors. Operating segments now represent the basis on which the Company reports its segment information to the Board on a monthly basis. The change in policy has not resulted in a change to the disclosure presented.

(iii) Business combinations and consolidation procedures

Revised AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements apply prospectively from 1 July 2009. Changes introduced by these standards which are expected to affect the Company, include the following:

- Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation;
- Any non-controlling interest (previously known as minority interest) in an acquiree is measured at either fair value or as the non-controlling interest's proportionate share of net identifiable assets of the acquiree;
- The acquirer is prohibited from recognising contingent

Notes To The Financial Statements *(Continued)*

For the year ended 30 June 2010

liabilities of the acquiree at acquisition date that do not meet the definition of a liability;

- Consideration for the acquisition, including contingent consideration, must be measured at fair value at acquisition date. Subsequent changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments but are rather recognised in accordance with other Australian Accounting Standards as appropriate;
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity; and
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

Accounting Policies

a) Principles of Consolidation

A controlled entity is any entity Telezon Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 19 to the financial statements. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changes where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/ excluded from the date control was obtained or until the date the control ceased.

b) Income Tax

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

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

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss

when the tax related 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 substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

Current tax assets and liabilities are offset where a largely 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 related 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.

c) Revenue Recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

d) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have

Notes To The Financial Statements *(Continued)*

For the year ended 30 June 2010

been measured at the present value of the estimated future cash outflows to be made for those benefits.

e) Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 assets 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 income statement during the financial period in which they are incurred.

e) Plant and Equipment (cont'd)

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the useful lives to the consolidated group commencing from the time the asset is held ready for use.

Plant and equipment is depreciated over a useful life of 10 years.

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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

f) Intangible Assets

Patents, trademarks and licences

Patents, trademarks and licences are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where non internally-generated intangible assets can be recognised, development expenditure is recognised as an expense in the period incurred. An intangible asset arising from development is recognised if, and only if, all of the following are demonstrated:

- a. The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b. The intention to complete the intangible asset or use or sell it;
- c. The ability to use or sell the intangible asset;
- d. How the intangible asset will generate probable future economic benefits;
- e. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f. The ability to measure reliably the expenditure attributable to the intangible asset during its development.

g) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

h) Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes To The Financial Statements *(Continued)*

For the year ended 30 June 2010

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Cash and cash equivalents

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

j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

k) Share-Based Payment Transactions

The company provides benefits to employees (including senior executives) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The company does not provide cash settled share based payments.

The cost of equity settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the market price of the company's shares on the Australian Stock Exchange.

The cost of equity settled transactions are recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the company's best estimate of the number of equity

instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period. No cumulative expense is recognised for awards that ultimately do not vest (in respect of non-market vesting conditions).

l) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

m) Earnings Per Share

(i) Basic Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

n) Financial Instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between

Notes To The Financial Statements *(Continued)*

For the year ended 30 June 2010

the carrying value of the financial liability extinguished or transferred to another party and their fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designed as such to avoid an accounting mismatch or to enable performance evaluation where a group or financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether

there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

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

o) Critical accounting estimates and other accounting judgements

The Directors evaluate estimates and judgements 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 group.

There have been no judgements, apart from those involving estimation, in applying accounting policies that have a significant effect on the amounts recognised in this financial report.

Following is a summary of the key assumptions concerning the future and other key sources of estimation at reporting date that have not been disclosed elsewhere in this financial report.

Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to an impairment. Where an indicator of impairment exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates as discussed in Note 1(h).

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuation using a Binomial or Black-Scholes option pricing model, using the assumptions detailed in Note 21(a).

p) Comparative Figures

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

Notes To The Financial Statements

For the year ended 30 June 2010

	2010 \$	2009 \$
Note 2 Revenue		
Dividends received	1,375	1,250
Interest received	3,183	42,343
Total revenue	4,558	43,593
Note 3 Income Tax		
(a) Income tax recognised in profit		
No income tax is payable by the parent or consolidated entity as they both recorded losses for income tax purposes for the year.		
(b) Numerical reconciliation between income tax expense and the loss before income tax		
Loss before income tax	(389,131)	(448,074)
Income tax benefit at 30% (2009: 30%)	(116,739)	(134,422)
Tax effect of:		
Non deductible expenses	(22,689)	(16,404)
Deferred tax asset not recognised	139,428	150,826
Income tax expense	-	-
(c) Unrecognised deferred tax balances		
Tax losses available to members of the group – revenue	1,842,856	1,378,097
Potential tax benefit at 30%	552,857	413,429

A deferred tax asset attributable to income tax losses has not been recognised at balance date as the probability criteria disclosed in Note 1(b) is not satisfied and such benefit will only be available if the conditions of deductibility, also disclosed in Note 1(b), are satisfied.

For the purposes of taxation, Telezon Limited and its 100% owned Australian subsidiary are not a tax consolidated group.

Note 4 Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Note 5 Trade and other receivables (current)

Goods and services tax	7,812	8,289
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Note 6 Other assets

Prepayments	1,802	-
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Note 7 Financial assets

Available-for-sale financial assets		
Investment in listed entities		
At fair value	25,900	13,120

Notes To The Financial Statements

For the year ended 30 June 2010

	2010 \$	2009 \$
Note 8 Intangibles		
Patented plastic hypodermic needle technology – at acquisition cost	613,401	613,401
Development expenditure incurred since acquisition	1,423,823	1,129,855
	2,037,224	1,743,256
Note 9 Plant and Equipment		
Plant and equipment		
At cost	99,310	99,310
Accumulated depreciation	(44,518)	(34,587)
	54,792	64,723
(a) Movements in carrying amounts		
Balance at the beginning of year	64,723	74,654
Depreciation expense	(9,931)	(9,931)
Balance at the end of year	54,792	64,723
Note 10 Trade and other payables (current)		
Trade creditors	148,909	91,864
Note 11 Issued Capital		
a) Paid up capital		
31,280,000 ordinary shares (30 June 2009: 29,000,000)	24,524,386	24,296,386
b) Movements in shares on issue	No of Shares	Paid up Capital \$
Balance 1 July 2008	29,000,000	24,296,386
Shares issued during the period	-	-
Balance 30 June 2009	29,000,000	24,296,386
Shares issued during the period	2,280,000	228,000
Balance 30 June 2010	31,280,000	24,524,386
c) Movements in options on issue		
Balance 1 July 2008	-	-
Options issued during the period to directors	700,000	-
Options issued during the period to consultants and employees	300,000	-
Balance 30 June 2009	1,000,000	-
Options issued during the period to directors	-	-
Balance 30 June 2010	1,000,000	-
d) Ordinary shares		
Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.		

Notes To The Financial Statements

For the year ended 30 June 2010

Note 12 Reserves

a) Options Reserve

The option reserve records items recognised as expenses on valuation of share options

b) Financial Assets Reserve

The financial assets reserve records revaluation of financial assets

Note 13 Interests of Key Management Personnel

a) Key management personnel compensation

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

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

	2010 \$	2009 \$
Short-term employee benefits	199,099	236,931
Share-based payments	-	14,331
	199,099	251,262

b) Key management personnel shareholdings

The number of ordinary shares in Telezon Limited held by each key management personnel of the Company during the financial year is as follows:

	Balance 1 July 2009	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2010
Directors					
Frank Carr	7,675,000	-	-	1,175,000	8,850,000
Michelle Carr	-	-	-	160,000	160,000
Trevor Nye	96,273	-	-	-	96,273
Ross Gillon	-	-	-	323,400	323,400
Totals	7,771,273	-	-	1,658,400	9,429,673

	Balance 1 July 2009	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2009
Directors					
Frank Carr	7,025,000	-	-	650,000	7,675,000
Michelle Carr	-	-	-	-	-
Trevor Nye	-	-	-	96,273	96,273
Totals	7,025,000	-	-	746,273	7,771,273

Notes To The Financial Statements

For the year ended 30 June 2010

Note 13 Interests of Key Management Personnel (Cont'd)

(c) Option holdings of directors and other key management personnel

	Balance 1 July 2009	Received as Remuneration	Options Exercised	Options Lapsed during the Year	Balance 30 June 2010
Directors					
Frank Carr	-	-	-	-	-
Michelle Carr	400,000	-	-	-	400,000
Trevor Nye	300,000	-	-	-	300,000
Ross Gillon	-	-	-	-	-
Totals	700,000	-	-	-	700,000

	Balance 1 July 2009	Received as Remuneration	Options Exercised	Options Lapsed during the Year	Balance 30 June 2009
Directors					
Frank Carr	-	-	-	-	-
Michelle Carr	-	400,000	-	-	400,000
Trevor Nye	-	300,000	-	-	300,000
Totals	-	700,000	-	-	700,000

(d) Other transactions with key management personnel

The Company has entered into a service agreement with Noble Pacific Pty. Ltd., a director related entity, which commenced 1 January 2006 at the rate of \$20,000 per quarter for management and administration of the Company. The agreement is renewable by negotiation and mutual consent.

During the financial year, consultancy fees amounting to \$80,000 (2009: \$80,000) were paid to Noble Pacific Pty. Ltd. for management and administration services as described above and Mr Frank Carr is a director of this company.

Fees paid in the normal course of business for services relating to the development of technology paid to Samarra Pty Ltd totalling \$24,006 (2009: \$24,000) and Melbourne Marketing Consultants Pty Ltd totalling \$26,000 (2009: \$nil). Samarra Pty Ltd is a company which Trevor Nye is a director and Melbourne Marketing Consultants Pty Ltd is a company which Michelle Carr is a director.

2010
\$ **2009**
\$

Note 14 Auditor's Remuneration

Remuneration of the auditor for:

- Auditing and reviewing of financial reports	18,975	19,600
- Taxation compliance services	-	2,450
	18,975	22,050

Note 15 Loss Per Share

(a) Basic Loss Per Share

Loss used in calculating basic loss per share	(389,131)	(448,074)
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Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic loss per share

29,743,342	29,000,000
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Basic loss (cents) per share	(1.31)	(1.54)
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Notes To The Financial Statements

For the year ended 30 June 2010

Note 16 Segment Information

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity operates as a single segment which is development, manufacture and marketing of polymeric cannular products within Australia.

The consolidated entity is domiciled in Australia. All revenue from external parties is generated from Australia only. Segment revenues are allocated based on the country in which the party is located.

Operating revenues of approximately Nil (2009 - Nil) are derived from a single external party.

All the assets are located in Australia only. Segment assets are allocated to countries based on where the assets are located.

	2010	2009
	\$	\$

Note 17 Cash Flow Information

(a) Reconciliation of the net loss after income tax to the net cash flows from operating activities

Net loss for the year	(389,131)	(448,074)
Non cash items		
Depreciation on non-current assets	9,931	9,931
Impairment of available for sale investments	720	10,880
Share options expense	-	20,474
Changes in assets and liabilities		
Decrease in trade and other receivables	(848)	9,759
Increase in other assets	(1,802)	-
Increase in trade and other creditors	57,045	79,024
	<hr/>	<hr/>
Net cash outflow from operating activities	(324,135)	(318,006)

(b) Reconciliation of cash

Cash balance comprises:

- cash assets	484,100	872,828
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Note 18 Expenditure Commitments

Not later than one year	20,804	160,000
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The Company has certain development expenditure commitments in relation to the technology to manufacture an integrated one-piece plastic hypodermic needle.

Note 19 Controlled Entity

Name	Country of incorporation	Percentage interests held		Cost of parent entity's investment	
		2010	2009	2010	2009
SSB Technology Pty Ltd	Australia	100%	100%	-	-

Notes To The Financial Statements

For the year ended 30 June 2010

Note 20 Financial Instruments

(a) Interest Rate Risk

The Company's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

	Weighted Average	Floating Interest Rate	Fixed Interest Maturing	Fixed	Non-Interest Bearing	Total
	Interest Rate	\$	1 Year or Less \$	1 to 5 \$	\$	\$
30 June 2010						
<i>Financial Assets</i>						
Cash assets	3.30%	484,100	-	-	-	484,100
Receivables		-	-	-	7,812	7,812
Asset Available for Sale investments		-	-	-	25,900	25,900
		484,100	-	-	33,712	517,812
<i>Financial Liabilities</i>						
Payables		-	-	-	(148,909)	(148,909)
<i>Net financial assets/ (liabilities)</i>	484,100	-	-	(115,197)	368,903	
30 June 2009						
<i>Financial Assets</i>						
Cash assets	3.30%	872,828	-	-	-	872,828
Receivables		-	-	-	8,289	8,289
Asset Available for Sale Investments		-	-	-	13,120	13,120
		872,828	-	-	21,409	894,237
<i>Financial Liabilities</i>						
Payables		-	-	-	(91,864)	(91,864)
<i>Net financial assets/ (liabilities)</i>	872,828	-	-		70,455	802,373

Interest rate sensitivity analysis

The effect of interest rate movements on the profit for the year is not significant.

(b) Credit Risk

The maximum exposure to credit risk at balance date on financial assets of the Company is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and Notes to the financial statements.

Notes To The Financial Statements

For the year ended 30 June 2010

(c) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows. The remaining contractual maturities of the Company's financial liabilities are:

	2010 \$	2009 \$
6 months or less (payables)	148,909	91,864

(d) Net Fair Value of Financial Assets and Liabilities

The carrying amounts of financial instruments included in the balance sheet approximate their fair values due to their short terms of maturity.

Note 21 Share Based Payments

(a) Options issued

The Company issued options to a director and to third party contractors as part of its policy to continue to retain directors of high calibre and maintain on-going commercial relationships with the contractors.

Set out below is a summary of options issued as at 30 June 2010:

Issue date	Expiry date	Balance at start of year	Number issued during year	Number expired during year	Balance at end of year	Number exercisable at end of year
2/12/2008	31/12/2013	1,000,000	-	-	1,000,000	1,000,000

The details of the options issued to key management personnel are as per disclosures in the Directors' Report.

Fair value of director and employee shares issued:

The fair value at issue date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the share price at issue date and expected price volatility of the underlying share, and the risk free interest rate for the term of the loan.

The model inputs for options granted during the year ended 30 June 2010 included:

- (a) options are granted for no consideration and vest from issue date to 31 December 2013.
- (b) exercise price - \$0.20.
- (c) issue date - 2 December 2008.
- (d) expiry date - 31 December 2013.
- (e) expected price volatility of the Company's shares: 40%.
- (f) risk-free interest rate: 4.5%.
- (g) spot price at date of valuation: \$0.10.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2010 \$	2009 \$
Expenses related to options issued to directors	-	14,331
Expenses related to options issued to consultants	-	6,143
	-	20,474

Notes To The Financial Statements

For the year ended 30 June 2010

Note 22 Events Subsequent to Reporting Date

There were no events of significance subsequent to 30 June 2010.

Note 23 Contingent Liabilities

The company commenced proceedings in the Supreme Court of Western Australia in 2005, seeking a declaration that the company is not indebted to a third party, which has a registered charge against the company. The charge was executed and registered when the company was the subject of a Deed of Company Arrangement. The funds advanced by a third party or its predecessor were advanced to the Administrator to enable the Administrator to satisfy the creditors of the company. At this time, the Company is not able to determine the outcome of the litigation as it is still on going.

Note 24 Parent Information

	2010 \$	2009 \$
<i>Financial Position</i>		
Assets		
Current assets	2,611,630	2,702,216
Total assets	<u>2,611,630</u>	<u>2,702,216</u>
Liabilities		
Current liabilities	148,909	91,864
Total liabilities	<u>148,909</u>	<u>91,864</u>
Equity		
Issued capital	24,524,386	24,296,386
Accumulated Losses	619,205	605,705
Reserves	(22,680,870)	(22,291,739)
Total equity	<u>2,462,721</u>	<u>2,610,352</u>
<i>Financial Performance</i>		
Loss for the year	(389,134)	(448,074)
Other comprehensive income	13,500	-
Total comprehensive income	<u>375,634</u>	<u>(448,074)</u>

Notes To The Financial Statements

For the year ended 30 June 2010

Note 25 New accounting standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may impact the consolidated entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136, 139]	Amends a number of standards as a result of the annual improvements project.	1 January 2010
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011
2009-11	Amendments to Australian Accounting Standards arising from AASB 9	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2013
2009-12	Amendments to Australian Accounting Standards	Amends AASB 8 Operating Segments as a result of the revised AASB 124. Amends AASB 5, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052 as a result of the annual improvement project.	1 January 2011
2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Amends AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139 as a result of the annual improvements project.	1 July 2010
2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Further amends AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13 as a result of the annual improvements project.	1 January 2010

The expected impact on the Company of the above standards and interpretations are currently being assessed by management. A final assessment has not been made on the expected impact of these standards and interpretations, however, it is expected that there will be no significant changes to the accounting policies of the Company.

Notes To The Financial Statements

For the year ended 30 June 2010

Note 26 Correction of error

An error in the remuneration of the former director, Mr Frank Carr occurred during the year ended 30 June 2009 and certain balances were incorrectly stated in the 30 June 2009 financial statements.

The error was that PAYG tax was not withheld from his executive remuneration sum. In addition, it was determined that Mr Carr was entitled to annual leave as part of his remuneration.

The error had the effect as follows:

	Per 2009 Accounts \$	Correction of Error \$	Restated 2009 \$
Statement of financial position			
Trade and other payables	14,933	76,931	91,864
Accumulated losses	(22,214,808)	(76,931)	(22,291,739)
Statement of comprehensive income			
Management and directors' fees	160,000	76,931	236,931
Loss after income tax	(371,143)	(76,931)	(448,074)
Remuneration Report			
Short-term benefits (Frank Carr)	80,000	76,931	156,931
Total (Frank Carr)	160,000	76,931	236,931

The error has been corrected by restating the 2009 comparative financial statement line items.

The error and the reclassification had no impact on cash flows.

Note 27 Company Details

The principal place of business of the Company is:

Telezon Limited
Level 9
37 St George's Terrace
Perth WA 6000
Australia

Director's Declaration

The directors of the company declare that, in the opinion of the directors:

- (a) the financial statements and notes thereto are 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 their performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;
- (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors:



MICHELLE CARR
Executive Director

Dated at Perth this 13th day of September 2010

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Telezon Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C Cubitt

Perth, WA
Dated: 13 September 2010

S C CUBITT
Partner

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
TELEZON LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Telezon Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, 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 opinions.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

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

Report on the Remuneration Report

We have audited the Remuneration Report which is included within the directors' report for the financial year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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 Telezon Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.


RSM BIRD CAMERON PARTNERS
Chartered Accountants


S C CUBITT
Partner

Perth, WA
Dated: 13 September 2010



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