

# Telezon Limited and Controlled Entities

ACN 009 151 277

## Half Year Financial Report

For the half-year ended 31 December 2011



## CORPORATE PARTICULARS

|                          |   |                                  |
|--------------------------|---|----------------------------------|
| <b>Directors</b>         | Mr Trevor Nye<br>Dr Michelle Carr<br>Ms Elaine Carr                             | Director<br>Director<br>Director |
| <b>Company Secretary</b> | Dr Michelle Carr  |                                  |
| <b>Registered Office</b> | Caribbean Business Park<br>1 Dalmore Drive<br>Scoresby VIC 3179                 |                                  |
| <b>Corporate Office</b>  | Caribbean Business Park<br>1 Dalmore Drive<br>Scoresby VIC 3179                 |                                  |
| <b>Mailing Address</b>   | P.O. Box 485<br>South Melbourne VIC 3205  |                                  |
| <b>Share Registry</b>    | Advanced Share Registry Services<br>150 Stirling Highway<br>Perth WA 6009       |                                  |
| <b>Auditor</b>           | RSM Bird Cameron Partners<br>8 St Georges Terrace<br>Perth WA 6000              |                                  |
| <b>Solicitor</b>         | Baker & McKenzie<br>Level 27, AMP Centre<br>50 Bridge Street<br>Sydney NSW 2000 |                                  |

**DIRECTORS' REPORT**

The Directors of Telezon Limited ("the Company") present their financial report on the Company and the controlled entity for the half-year ended 31 December 2011.

**Directors**

The names of directors who held office during or since the end of the half year were:

- Michelle Carr
- Trevor Nye
- Elaine Carr

**Review of Operations**

Loss attributable to members of Telezon Limited for the half-year ended 31 December 2011 was \$195,382 (2010: \$145,170). No dividends were paid or declared payable during or since the half-year.

**Product and Process development****SoloFlow®**

- Completed the fabrication of a 4-fold production mould (SoloFlow®)
- Refined the 4-fold production mould and its moulding process in order to produce the SoloFlow® cannula at required quality levels
- Established a semi automated small volume production line for the SoloFlow® cannula at OK
- Produced an initial lot of 45,000 SoloFlow® cannula
- Finalised the packaging layout for the SoloFlow® cannula
- Sourced needle caps from KDL for SoloFlow® production
- Completed the 5 year accelerated shelf-life studies for the SoloFlow® cannula
- Completed the transport validation and simulation for the SoloFlow® cannula
- Completed the primary packaging validation and simulation for the SoloFlow® cannula
- Completed Biological evaluation of SingleDraw™
- Prepared requirement specification for high volume production cell
- Evaluated suppliers for high volume production cell

**Hypodermic Needle**

- Established new design for composite hypodermic needle
- Evaluated medical tubing suppliers for composite hypodermic needle

**DuoDraw®**

- Established injection needle design for DuoDraw® Transfer and Injection Unit
- Established preliminary DuoDraw® safety syringe design

**Patent portfolio / Trademarks**

- Lodged new patent for composite hypodermic needle (SSB5 – composite cannula)
- Received international trademark certificate for CoreIT®
- Received international trademark certificate for DuoDraw®
- Patent application for the "Needle Tip" invention has been accepted by IP Australia

**Marketing**

- Created CoreIT® marketing video
- Created DuoDraw® safety syringe video

**Regulatory affairs**

- Successfully registered the SoloFlow® cannula with FDA
- Started to compile regulatory and device folders for the SoloFlow® cannula

**Events Subsequent to Reporting Date**

Subsequent to the end of the half year, the Company has received a further \$4,400 as part of its share placement to issue a maximum of 6,256,000 fully paid ordinary shares at an issue price of 11 cents per share to raise a maximum of \$688,160 before expenses with \$308,100 being received as at 31 December 2011.

Other than the above, there has not arisen since the end of the half-year any item, transaction or event of a material and unusual nature likely in the opinion of the Directors of the Company, to affect substantially the operations of the Company and consolidated entity in subsequent financial periods.

**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration under s307C of the *Corporations Act 2001* is included in this financial report.

Signed in accordance with a resolution of the Directors



**Dr Michelle Carr**  
Director

Dated at Perth this 27th day of February 2012

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the half-year ended 31 December 2011**

|   | <b>Consolidated Group</b>   |                             |
|---|-----------------------------|-----------------------------|
|   | <b>31 December<br/>2011</b> | <b>31 December<br/>2010</b> |
|   | <b>\$</b>                   | <b>\$</b>                   |
| Revenue from non-operating activities                               | 5,667                       | 3,404                       |
| Depreciation expenses   | (2,010)                     | (4,109)                     |
| Consulting and directors' fees                                      | (73,562)                    | (96,962)                    |
| Listing and share registry expenses                                 | (16,955)                    | (15,336)                    |
| Other expenses from ordinary activities                             | (108,522)                   | (32,167)                    |
| <b>Loss before income tax</b>                                       | <b>(195,382)</b>            | <b>(145,170)</b>            |
| Income tax expenses   | -                           | -                           |
| <b>Loss after income tax</b>  | <b>(195,382)</b>            | <b>(145,170)</b>            |
| Other comprehensive income  |                             |                             |
| Movement in fair value of available for sale investments            | (6,050)                     | 18,400                      |
| Income tax relating to the components of other comprehensive income | -                           | -                           |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>                    | <b>(6,050)</b>              | <b>18,400</b>               |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>                      | <b>(201,432)</b>            | <b>(126,770)</b>            |
| Basic loss per share (cents per share)                              | (0.47)                      | (0.46)                      |
| Diluted loss per share (cents per share)                            | (0.47)                      | (0.46)                      |

*The accompanying notes form an integral part of this half-year financial report.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 December 2011

|                                  |      | Consolidated Group  |                  |
|----------------------------------|------|---------------------|------------------|
|                                  | Note | 31 December<br>2011 | 30 June<br>2011  |
|                                  |      | \$                  | \$               |
| <b>Assets</b>                    |      |                     |                  |
| <b>Current Assets</b>            |      |                     |                  |
| Cash and cash equivalents        |      | 350,658             | 424,039          |
| Trade and other receivable       |      | 8,874               | 6,530            |
| Other assets                     |      | -                   | 11,893           |
| Financial assets                 |      | 36,270              | 42,320           |
| <b>Total Current Assets</b>      |      | <u>395,802</u>      | <u>484,782</u>   |
| <b>Non-Current Assets</b>        |      |                     |                  |
| Intangibles                      | 2    | 2,568,531           | 2,299,228        |
| Plant and equipment              |      | 11,501              | 44,860           |
| <b>Total Non-Current Assets</b>  |      | <u>2,580,032</u>    | <u>2,344,088</u> |
| <b>Total Assets</b>              |      | <u>2,975,834</u>    | <u>2,828,870</u> |
| <b>Liabilities</b>               |      |                     |                  |
| <b>Current Liabilities</b>       |      |                     |                  |
| Trade and other payables         |      | 162,936             | 130,698          |
| Share application monies         |      | 308,100             | -                |
| Provisions                       |      | 8,058               | -                |
| <b>Total Current Liabilities</b> |      | <u>479,094</u>      | <u>130,698</u>   |
| <b>Total Liabilities</b>         |      | <u>479,094</u>      | <u>130,698</u>   |
| <b>Net Assets</b>                |      | <u>2,496,740</u>    | <u>2,698,172</u> |
| <b>Equity</b>                    |      |                     |                  |
| Issued capital                   | 3    | 25,043,690          | 25,043,690       |
| Reserves                         |      | 629,575             | 635,625          |
| Accumulated losses               |      | (23,176,525)        | (22,981,143)     |
| <b>Total Equity</b>              |      | <u>2,496,740</u>    | <u>2,698,172</u> |

*The accompanying notes form an integral part of this half-year financial report.*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the half-year ended 31 December 2011

|   | Issued<br>Capital<br>\$ | Financial<br>Assets<br>Reserve<br>\$ | Share<br>Based<br>Payment<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total Equity<br>\$ |
|---|-------------------------|--------------------------------------|--|-----------------------------|--------------------|
| <b>Balance at 1 July 2010</b>                               | 24,524,386              | 13,500                               | 605,705                                    | (22,680,870)                | 2,462,721          |
| Loss for the period   | -                       | -                                    | -  | (145,170)                   | (145,170)          |
| Movement in fair value of<br>available for sale investments | -                       | 18,400                               | -  | -                           | 18,400             |
| Total comprehensive<br>income for the period                | -                       | 18,400                               | -  | (145,170)                   | (126,770)          |
| Shares issued during<br>the period                          | 229,534                 | -                                    | -  | -                           | 229,534            |
| Transaction costs   | (2,067)                 | -                                    | -  | -                           | (2,067)            |
| <b>Balance at 31 December 2010</b>                          | 24,751,853              | 31,900                               | 605,705                                    | (22,826,040)                | 2,563,418          |
| <b>Balance at 1 July 2011</b>                               | 25,043,690              | 29,920                               | 605,705                                    | (22,981,143)                | 2,698,172          |
| Loss for the period   | -                       | -                                    | -  | (195,382)                   | (195,382)          |
| Movement in fair value of<br>available for sale investments | -                       | (6,050)                              | -  | -                           | (6,050)            |
| Total comprehensive income for<br>the period                | -                       | (6,050)                              | -  | (195,382)                   | (201,432)          |
| Shares issued during<br>the period                          | -                       | -                                    | -  | -                           | -                  |
| Transaction costs   | -                       | -                                    | -  | -                           | -                  |
| <b>Balance at 31 December 2011</b>                          | 25,043,690              | 23,870                               | 605,705                                    | (23,176,525)                | 2,496,740          |

*The accompanying notes form an integral part of this half-year financial report.*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the half year ended 31 December 2011

|   | Consolidated Group    |                       |
|---|-----------------------|-----------------------|
|   | 31 December<br>2011   | 31 December<br>2010   |
|   | \$                    | \$                    |
| <b>Cash flows from Operating Activities</b>                 |                       |                       |
| Payments to suppliers and employees                         | (144,900)             | (173,521)             |
| Interest and other income received                          | 5,667                 | 3,404                 |
| Net cash (used in) operating activities                     | <u>(139,233)</u>      | <u>(170,117)</u>      |
| <b>Cash flows from Investing Activities</b>                 |                       |                       |
| Proceeds from disposal of plant and equipment               | 27,055                | -                     |
| Payments for research and development expenditures          | (269,303)             | (120,739)             |
| Net cash (used in) investing activities                     | <u>(242,248)</u>      | <u>(120,739)</u>      |
| <b>Cash flows from Financing Activities</b>                 |                       |                       |
| Proceeds from capital raising                               | 308,100               | 162,816               |
| Net cash provided by financing activities                   | <u>308,100</u>        | <u>162,816</u>        |
| Net decrease in cash held                                   | (73,381)              | (128,040)             |
| Cash and cash equivalent at the beginning of the half-year  | <u>424,039</u>        | <u>484,100</u>        |
| <b>Cash and cash equivalent at the end of the half-year</b> | <u><u>350,658</u></u> | <u><u>356,060</u></u> |

*The accompanying notes form an integral part of the half-year financial report.*

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2011****1. Basis of Preparation**

This half-year financial report covers the consolidated entity of Telezon Limited and its controlled entities. Telezon Limited is a listed public company incorporated and domiciled in Australia.

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Telezon Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*. For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The financial statements have also been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted in the annual financial report for the year ended 30 June 2011, except as set out below:

**New and Revised Accounting Standards**

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

**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 consolidated entity incurred a loss of \$195,382 and net cash outflows from operating activities of \$139,233 for the half-year ended 31 December 2011 and had net current liabilities of \$83,292 as at 31 December 2011.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern 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 in prior periods;
- The company has a share placement to issue a maximum of 6,256,000 fully paid ordinary shares at an issue price of 11 cents per share to raise a maximum of \$688,160 before expenses. As at 31 December 2011, \$308,100 has been received and classified under share application monies. This amount, together with any amounts to be received subsequent to half-year end, will be converted into equity. The \$308,100, classified as a current liability as at 31 December 2011, will be reclassified to be issued capital when the shares are issued subsequent to the half-year end. Thus, the company has net current assets of \$224,808 as at 31 December 2011 excluding the share application monies;
- The possible commercial exploitation of the consolidated entity's patented plastic hypodermic needle technology (Note 2), 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the half year ended 31 December 2011

**2. Intangibles**

|   | Consolidated           |                    |
|---|------------------------|--------------------|
|   | December<br>2011<br>\$ | June<br>2011<br>\$ |
| Patented plastic needle technology development expenditure          |                        |                    |
| Patented plastic hypodermic needle technology – at acquisition cost | 613,041                | 613,041            |
| Development expenditure incurred since acquisition                  | 1,955,490              | 1,686,187          |
| Balance at end of the period  | 2,568,531              | 2,299,228          |

Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production of the product.

**3. Issued Capital**

|   | No. of Shares | \$         |
|---|---------------|------------|
| <b>Ordinary shares</b>                  |               |            |
| Issued and fully paid                   | 41,706,667    | 25,043,690 |
| Movement in fully paid ordinary shares: |               |            |
| Balance at 1 July 2011                  | 41,706,667    | 25,043,690 |
| Balance at 31 December 2011             | 41,706,667    | 25,043,690 |

**4. Dividends**

No dividends were paid or declared payable during or since the half-year.

**5. Segment Information**

The Directors have considered the requirements of *AASB 8 Operating Segments* and the internal reports that are reviewed by the Board in allocating resources and have concluded that at this time there are no separately identifiable segments.

The economic entity operates in only one industry segment being development of hypodermic plastic needles in Australia.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2011**6. Events Subsequent to Reporting Date**

Subsequent to the end of the half year, the Company has received a further \$4,400 as part of its share placement to issue a maximum of 6,256,000 fully paid ordinary shares at an issue price of 11 cents per share to raise a maximum of \$688,160 before expenses with \$308,100 being received as at 31 December 2011.

Other than the above, there has not arisen since the end of the half-year any item, transaction or event of a material and unusual nature likely in the opinion of the Directors of the Company, to affect substantially the operations of the Company and consolidated entity in subsequent financial periods.

**7. Contingent Liabilities**

In 2005, the Company commenced proceedings in the Supreme Court of Western Australia against Friedman Capital Pty Ltd seeking a declaration that the Company is not indebted to Friedman Capital Pty Ltd. The Charge was executed and registered by Friedman Capital Pty Ltd 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.

Friedman Capital Pty Ltd claims the sum of \$520,000 plus interest at 15% per annum from May 2002 is owing by Telezon Limited and that such debt is secured by the registered charge. Telezon Limited disputes that Friedman Capital Pty Ltd is entitled to have a charge registered and further denies that there is any amount owing by the Company to Friedman Capital Pty Ltd.

Telezon Limited commenced the Supreme Court action seeking a declaration that there is no amount owing to Friedman Capital Pty Ltd and that the charge be removed. The Directors of Telezon Limited cannot determine with any certainty the outcome of the Supreme Court proceedings as it is still on-going.

Other than disclosed above, the Company does not have any material contingent liabilities and assets.

**8. Related Parties**

Arrangements with related parties disclosed in the 30 June 2011 annual financial report are no longer in place. This pertains to Melbourne Marketing Consultants Pty Ltd, Samarra Pty Ltd, Legal West Pty Ltd and Noble Pacific Pty Ltd.

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out in this half-year financial report, are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Dr Michelle Carr**  
Director

Dated: 27 February 2012

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TELEZON LIMITED

### *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Telezon Limited which comprises the condensed consolidated statement of financial position as at 31 December 2011, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Telezon Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

# RSM Bird Cameron Partners

Chartered Accountants

## *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Telezon Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Telezon Limited is not in accordance with *the Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*David Wall*

DAVID WALL  
Partner

Perth, WA  
Dated: 27 February 2012

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Telezon Limited for the half-year ended 31 December 2011, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*David Wall*

DAVID WALL  
Partner

Perth, WA  
Dated: 27 February 2012