

**Telezon Limited**

ACN 009 151 277

## **Consolidated Financial Report**

**For the year ended 30 June 2012**

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## CORPORATE PARTICULARS

<b>Directors</b>	Mr Trevor Nye Dr Michelle Carr Ms Elaine Carr	<i>Non-Executive Chairman</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i>
<b>Company Secretary</b>	Dr Michelle Carr	
<b>Registered Office</b>	Telezon Limited Caribbean Business Park 1 Dalmore Drive Scoresby VIC 3179	
<b>Corporate Office</b>	Telezon Limited Caribbean Business Park 1 Dalmore Drive Scoresby VIC 3179	
<b>Mailing Address</b>	PO Box 485 South Melbourne VIC 3205	
<b>Share Registry</b>	Advanced Share Registry Services Unit 2, 150 Stirling Highway Nedlands WA 6009	
<b>Auditor</b>	RSM Bird Cameron Partners 8 St Georges Terrace Perth WA 6000	

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**DIRECTOR'S REPORT**

The directors present their financial report on the company and its controlled entity for the financial year ended 30 June 2012.

**Directors**

The names of directors in office at any time during or since the end of the financial year are listed here under,

- Mr Trevor Nye
- Dr Michelle Carr
- Ms Elaine Carr

**Information on Directors**

MR TREVOR NYE B.Sc. (Hons), GradDip, MEdAdmin  
Non-Executive Chairman

Mr Nye previously worked in merchant banking with a particular focus on marketing and commercialisation of intellectual property. He has directed the development of the Company's intellectual properties and technologies, such as the Company's plastic hypodermic needle, since their acquisition in 2005. Mr Nye has extensive experience in corporate strategy and administration. He holds a bachelor's degree from Deakin University, and a graduate diploma and a master's degree in educational administration.

*Other Directorships*

None

*Former Directorships*

None

DR MICHELLE CARR B.A. (Jt.Hons), M.I.B., Ph.D.  
Non-Executive Director and Company Secretary

Dr Carr has extensive experience in domestic and international marketing. She has worked in senior executive and account director roles in marketing and market research organisations as well as working as a former university lecturer in international marketing. In these roles, Dr Carr has provided strategic advice to public and private companies to guide their project management, research analysis, organisational development and international marketing departments, across several industries including manufacturing and new product development. 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.

*Other Directorships*

None

*Former Directorships*

None

**DIRECTOR'S REPORT (Cont'd)**

MS ELAINE CARR B.Sc., GradDip, MTeach  
Non-Executive Director

Ms Carr has significant corporate and project management experience across a number of disciplines and industries, as well as in several successful capital raisings and IPO's. Ms Carr brings to the Telezon Board her strong account management, administration and corporate governance skills. She has held directorships and company secretary positions on a number of publicly listed companies. In addition to her corporate management responsibilities, she has an active interest and involvement in not-for-profit ventures. Ms Carr holds a science degree (double major) from Murdoch University, and a graduate diploma and a master's degree in secondary teaching.

*Other Directorships*

None

*Former Directorships*

Carrick Gold Limited, Condor Metals Limited

**Principal Activities**

During the financial year the Company's principal activities were development, commercialisation 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 2012 was 1,091,229 (2011: \$300,273).

**Review of Operations**

Telezon Ltd and SSB Technology Pty Ltd have, again, achieved significant milestones since its last report to shareholders. These are outlined below:

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

- Evaluated and established external supplier for needle cap
- Completed the design verification and validation for the SoloFlow® cannula including:
  - Biological qualification
  - Hygienic qualification
  - Stability studies
  - Sterile packaging validation
- Registered the SoloFlow® cannula with US FDA
- Established 4-fold production line for SoloFlow at German sub-contractor
- Evaluated and established an alternative packaging supplier
- Evaluated and established new needle cap supplier
- Completed the manufacturing & ETO process validation for the SoloFlow® cannula
- Finalised relevant internal product documentation for SoloFlow® cannula

**DIRECTOR'S REPORT (Cont'd)****CoreIT® Technology**

- Refined control mechanisms of CoreIT® technology
- Evaluated systems required for high volume production lines
- Evaluated alternative materials for one component of technology

**Blunt SoloFlow®**

- Produced initial market samples for Blunt SoloFlow® cannula
- Developed interest for Australian market
- Finalised engineering drawings for blunt cannula

**PolyDermic® Injection Needle**

- Refined alternative design for PolyDermic® needle
- Sourced production quotes for 2-fold pre-production mould

**DuoDraw®**

- Created marketing material for DuoDraw® system
- Established a manufacturing design for DuoDraw® unit
- Established a preliminary design for a safety syringe with the DuoDraw® system
- Explored DuoDraw® Reconstitution System opportunity
- Created initial prototypes of DuoDraw® safety syringe

**Patent portfolio / Trademarks**

- Registered trademarks for:
  - Telezon®
  - SoloFlow®
  - DuoDraw®
  - CoreIT®
  - PolyDermic®
- Progressed several SSB patents through varied stages of national phase
- Lodged new patent for alternative hypodermic needle design (PolyDermic®)
- Several patents granted by IP Australia

**Regulatory affairs**

- External audit conducted on SoloFlow® documentation
- Finalised requirement specification for high volume production cell (SoloFlow®)
- Serum Institute of India initiated a trial with one of their vaccines, using the SoloFlow®
- Completed an initial document for 4-fold automation requirement specification
- Developed timeline for CE mark certification for SoloFlow® and Blunt SoloFlow®

**DIRECTOR'S REPORT (Cont'd)****Commercial affairs et al.**

- Successfully moved from ASX to SIM Venture Securities Exchange
- Second commercial order placed for SoloFlow® from Serum Institute of India
- Completed & delivered first commercial batch of SoloFlow® cannula
- Signed memorandum of understanding with Hindustan Syringes and Medical Devices Ltd
- Sold SSB's plastic injection moulding machine
- German sub-contractor agreement signed and decommissioned Australian workshop
- Published technical article in plastic injection moulding magazine
- Developed interest for the SoloFlow® range in and for the Australian market
- Explored business opportunities with several parties - domestic and international

The Company is pleased about the advancements made in the last financial year and look forward to continued success in the coming year.

**Financial Position**

The net assets of the Company are \$2,234,217 as at 30 June 2012 (2011:\$2,698,172).

**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.

**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 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 of Operations**

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 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 were no insurance policies in place during the year to indemnify officers of the company.

**DIRECTOR'S REPORT (Cont'd)****Proceedings on Behalf of Company**

Telezon and Friedman Capital Pty Ltd ("Friedman Capital") reached a negotiated settlement and the proceedings against Friedman Capital have been discontinued.

In a mutually agreed commercial arrangement, Telezon has agreed to pay Friedman Capital an amount to settle the proceedings which is an amount less than the sum plus accrued interest that was claimed by Friedman Capital.

The 'charge' held by Friedman Capital is now formally discharged, released and de-registered. This negotiated settlement is not an admission by Telezon of the debt claimed by Friedman Capital, but rather an avoidance of the costs and uncertainty of continued litigation.

Other than the above, no person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

**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.

During or since the year ended 30 June 2012, no shares have been issued on the exercise of options and no options have been forfeited or cancelled. As at 30 June 2012, all options have vested.

**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 consolidated entity's ability to attract and retain the best executives and directors to run and manage the consolidated entity.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated 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.

**DIRECTOR'S REPORT (Cont'd)**

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 Directors do not have any employment contracts with the Company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders in general meeting (currently \$160,000). 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.

**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**

2012	Short-term benefits			Post-employment benefits		Share-based payment options	Others	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super annuation	Retirement benefits			
Name	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>								
Michelle Carr	40,000	-	-	3,600	-	-	-	43,600
Trevor Nye	40,000	-	-	3,600	-	-	-	43,600
Elaine Carr	40,000	-	-	3,600	-	-	-	43,600
Totals	120,000	-	-	10,800	-	-	-	130,800

## DIRECTOR'S REPORT (Cont'd)

2011 Name	Short-term benefits			Post-employment benefits		Share-based payment options \$	Others \$	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super annuation \$	Retirement benefits \$			
<b>Directors</b>								
Michelle Carr	40,000	-	-	3,600	-	-	12,000#	55,600
Trevor Nye	40,000	-	-	3,600	-	-	10,000^	53,600
Elaine Carr	24,286	-	-	2,186	-	-	-	26,472
Ross Gillon	-	-	-	-	-	-	17,958*	17,958
<b>Totals</b>	<b>104,286</b>	<b>-</b>	<b>-</b>	<b>9,386</b>	<b>-</b>	<b>-</b>	<b>39,958</b>	<b>153,630</b>

# Fees paid in the normal course of business for services relating to the development of technology to Melbourne Marketing Consultants Pty Ltd, a company in which Michelle Carr is a director, totalling \$12,000 in 2011.

^ Fees paid in the normal course of business for services relating to the development of technology to Samarra Pty Ltd, a company in which Trevor Nye is a director, totalling \$10,000 in 2011.

\*Fees paid in the normal course of business for legal services to Legal West Pty Ltd, a company in which Ross Gillon is a director, totalling \$17,958 in 2011.

## (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 2012.

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.

**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	2,752,425	400,000
Trevor Nye	337,455	300,000
Elaine Carr	2,752,425	-

**Meetings of Directors**

During the financial year, twelve 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
Trevor Nye	12	12
Michelle Carr	12	12
Elaine Carr	12	12

**Non-Audit Service**

No non-audit services were provided to the company by the company's external auditor during the financial year.

**DIRECTOR'S REPORT (Cont'd)**

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found within this financial report.

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

  
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Mr Trevor Nye  
Non-Executive Chairman

Dated at Perth this 13<sup>th</sup> day of September 2012

**CORPORATE GOVERNANCE STATEMENT****Corporate Governance Principles**

To the extent that they are applicable, and given its circumstances (i.e. previously listed on the ASX), the Company continues to adopt 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 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 operations 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.

**CORPORATE GOVERNANCE STATEMENT (Cont'd)****(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.

*Explanation 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 and when the level of operations of the Company justifies this.

**(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 set out in the Company's Constitution and as determined by the Board and key executives (where appropriate), 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 SIM/VSE Listing Rule disclosure requirements and accountability for compliance.

*Explanation for Departure*

The Directors are familiar with the disclosure requirements of the SIM/VSE Listing Rules.

The Company has in place informal procedures that it believes are sufficient for ensuring compliance with SIM/VSE Listing Rules disclosure requirements and accountability for compliance. The Board has nominated 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 SIM/VSE. Shareholders with internet access are encouraged to provide their email addresses in order to receive electronic copies of information distributed by the Company and can submit comments/queries via the Company's website. Alternatively, hard copies of information distributed by the Company are available on request.

**CORPORATE GOVERNANCE STATEMENT (Cont'd)****(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*

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. The current remuneration of the Directors is disclosed in the Directors' Report.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	20,470	7,947
Depreciation expense		(3,111)	(9,931)
Management fees		-	(20,000)
Listing and share registry expenses		(16,635)	(27,709)
Directors' fee		(120,000)	(122,244)
Legal settlement		(800,000)	-
Other expenses	10	(171,953)	(128,336)
<b>Loss before income tax</b>		<u>(1,091,229)</u>	<u>(300,273)</u>
Income tax expense	3	-	-
<b>Loss after income tax</b>		<u>(1,091,229)</u>	<u>(300,273)</u>
<b>Other comprehensive income</b>			
Movement in fair value of available for sale investments		(7,860)	16,420
Income tax relating to the components of other comprehensive income		-	-
<b>Other comprehensive income for the year</b>		<u>(7,860)</u>	<u>(16,420)</u>
<b>Total comprehensive loss</b>		<u>(1,099,089)</u>	<u>(283,853)</u>
Basic and diluted loss (cents) per share	15	(2.49)	(0.84)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2012

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	17(a)	186,993	424,039
Trade and other receivables	5	5,581	6,530
Other assets	6	3,002	11,893
Financial assets	7	34,460	42,320
<b>Total Current Assets</b>		<u>230,036</u>	<u>484,782</u>
<b>Non-Current Assets</b>			
Intangibles	8	2,698,816	2,299,228
Plant and equipment	9	10,400	44,860
<b>Total Non-Current Assets</b>		<u>2,709,216</u>	<u>2,344,088</u>
<b>TOTAL ASSETS</b>		<u>2,939,252</u>	<u>2,828,870</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	698,873	130,698
Provisions		6,162	-
<b>TOTAL LIABILITIES</b>		<u>705,035</u>	<u>130,698</u>
<b>NET ASSETS</b>		<u>2,234,217</u>	<u>2,698,172</u>
<b>EQUITY</b>			
Issued capital	11	25,678,824	25,043,690
Reserves		627,765	635,625
Accumulated losses		<u>(24,072,372)</u>	<u>(22,981,143)</u>
<b>TOTAL EQUITY</b>		<u>2,234,217</u>	<u>2,698,172</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2012

	Issued Capital	Financial Assets Reserve	Share Based Payment Reserve	Accumulated Losses	Total Equity
	\$		\$	\$	\$
<b>Balance as at 1 July 2011</b>	24,524,386	13,500	605,705	(22,680,870)	2,462,721
Loss for the year	-	-	-	(300,273)	(300,273)
Movement in fair value of available for sale investments	-	16,420	-	-	16,420
<b>Total comprehensive income (loss) for the year</b>	-	16,420	-	(300,273)	(283,853)
Share issued during the year	521,371	-	-	-	521,371
Transaction costs	(2,067)	-	-	-	(2,067)
<b>Balance as at 30 June 2011</b>	25,043,690	29,920	605,705	(22,981,143)	2,698,172
<b>Balance as at 1 July 2011</b>	25,043,690	29,920	605,705	(22,981,143)	2,698,172
Loss for the year	-	-	-	(1,091,229)	(1,091,229)
Movement in fair value of available for sale investments	-	(7,860)	-	-	(7,860)
<b>Total comprehensive income (loss) for the year</b>	-	(7,860)	-	(1,091,229)	1,099,089
Share issued during the year	688,160	-	-	-	688,160
Transaction costs	(53,026)	-	-	-	(53,026)
<b>Balance as at 30 June 2012</b>	25,678,824	22,060	605,705	(24,072,372)	2,234,217

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2012

	Note	Consolidated 2012 \$	2011 \$
<b>Cash flows from Operating Activities</b>			
Receipts from customers		7,805	-
Payments to suppliers and employees		(509,118)	(325,309)
Interest received		10,740	6,097
Net cash used in operating activities	17(b)	<u>(490,573)</u>	<u>(319,212)</u>
<b>Cash flows from Investing Activities</b>			
Dividends received		1,925	1,850
Payments for research and development expenditures		(399,588)	(262,003)
Proceeds from sale of non-current assets		27,056	-
Net cash used in investing activities		<u>(370,607)</u>	<u>(260,153)</u>
<b>Cash flows from Financing Activities</b>			
Proceeds from issue of shares		677,160	521,371
Transaction costs		(53,026)	(2,067)
Net cash provided by financing activities		<u>624,134</u>	<u>519,304</u>
Net decrease in cash held		(237,046)	(60,061)
Cash and cash equivalents at the beginning of the financial year		<u>424,039</u>	<u>484,100</u>
<b>Cash and cash equivalents at the end of the financial year</b>	17(a)	<u>186,993</u>	<u>424,039</u>

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

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2012**

These consolidated financial statements and notes represent those of Telezon Limited and its controlled entity ("the consolidated entity"). The separate financial statements of the parent entity, Telezon Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on XX September 2012 by the Board of Directors.

**Note 1: Summary of Significant Accounting Policies****Basis of Preparation**

The financial statements are general purpose financial statements that have 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 financial statements 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 these financial statements are presented below and have been consistently applied unless otherwise stated.

In the year ended 30 June 2012, the company has reviewed all of the new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accrual 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.

**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 \$1,091,229 (2011: \$300,273) and \$1,091,229 (2011: \$300,273) respectively and the consolidated entity and the company had net cash outflows from operating activities of \$490,573 (2011: \$319,212) for the year ended 30 June 2012. As at that date both the company and consolidated entity had net current liabilities of \$474,999 (2011: net current assets of \$354,084).

While the above factors indicate significant uncertainty as to whether the consolidated entity and the company will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements, there are reasonable grounds to believe that the consolidated entity and the company will be able to continue as going concerns, 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 polymer 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 polymer needle technology or capital raisings, are delayed or insufficient to meet expenditure commitments.

Accordingly, the Directors believe that the company and consolidated entity will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company and consolidated entity do not continue as going concerns.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2012**

These consolidated financial statements and notes represent those of Telezon Limited and its controlled entity ("the consolidated entity"). The separate financial statements of the parent entity, Telezon Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on XX September 2012 by the Board of Directors.

**Note 1: Summary of Significant Accounting Policies****Basis of Preparation**

The financial statements are general purpose financial statements that have 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 financial statements 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 these financial statements are presented below and have been consistently applied unless otherwise stated.

In the year ended 30 June 2012, the company has reviewed all of the new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accrual 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.

**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 \$1,091,229 (2011: \$300,273) and \$1,091,229 (2011: \$300,273) respectively and the consolidated entity and the company had net cash outflows from operating activities of \$490,573 (2011: \$319,212) for the year ended 30 June 2012. As at that date both the company and consolidated entity had net current liabilities of \$474,999 (2011: net current assets of \$354,084).

While the above factors indicate significant uncertainty as to whether the company and consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements, there are reasonable grounds to believe that the consolidated entity and the company will be able to continue as going concerns, 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 polymer 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 polymer needle technology or capital raisings, are delayed or insufficient to meet expenditure commitments.

Accordingly, the Directors believe that the company and consolidated entity will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company and consolidated entity do not continue as going concerns.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2012

**Note 1: Statement of Significant Accounting Policies (cont'd)****Accounting Policies****a) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Telezon Limited at the end of the reporting period. A controlled entity is any entity over which Telezon Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

**b) Income Tax**

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at 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 (revenue) is charged or credited outside profit or loss when the tax related to items that are recognised outside 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. 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 using the effective interest rate method.

**d) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting 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 has been measured at the present value of the estimated future cash outflows to be made for those benefits, plus related on-costs.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2012**Note 1: Statement of Significant Accounting Policies (cont'd)****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 statement of comprehensive income during the financial period in which they are incurred.

*Depreciation*

The depreciable amount of all fixed assets 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 statement of comprehensive income.

**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 during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. 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.

Development costs capitalised are assessed annually for impairment.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2012

**Note 1: Statement of Significant Accounting Policies (cont'd)****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 transferred to the consolidated 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 consolidated entity 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.

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.

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

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

**k) 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 SIM/VSE.

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).

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2012

**Note 1: Statement of Significant Accounting Policies (cont'd)****l) Share-Based Payment Transactions (cont'd)**

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).

**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 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 of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

*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. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2012**Note 1: Statement of Significant Accounting Policies (cont'd)****n) Financial Instruments (Cont'd)**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. Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting periods. All other investments are classified as current assets.

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 the end of each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

**o) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**p) Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

**q) Trade and Other Payables**

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2012

**Note 1: Statement of Significant Accounting Policies (cont'd)****r) Critical accounting estimates and other accounting judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements 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 consolidated entity.

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

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 these financial statements.

*Impairment of Intangible Assets*

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. The future recoverability of the intangible asset is dependent on a number of factors, including the successful commercialisation of the hypodermic needle technology.

**s) 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 2012**

	2012	2011
	\$	\$
<b>Note 2 Revenue</b>		
Dividends received	1,925	1,850
Interest received	10,740	6,097
Other income	5,845	-
Royalties	760	-
SoloFlow ® sales	1,200	-
	<hr/>	<hr/>
Total revenue	20,470	7,947

**Note 3 Loss for the year**

The following significant revenue and expense items are relevant in explaining the financial performance:

Legal settlement	800,000	-
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The legal settlement sum represents the Friedman Capital Pty Ltd negotiated settlement of \$800,000. This was reached during the financial year to settle proceedings with respect to funds advanced by Friedman Capital Pty Ltd when the Company was previously the subject of a Deed of Company Arrangement.

**Note 4 Income Tax**

(a) Income tax recognised in profit

No income tax is payable by the consolidated entity as if 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	(1,091,299)	(300,273)
Income tax benefit at 30% (2011: 30%)	(327,390)	(90,082)
Tax effect of:		
Non-deductible expenses	27,578	9,954
Under-provision for income tax in prior year	-	12,590
Rebateable fully franked dividend	(825)	(554)
Deferred tax asset not recognised	300,637	68,092
	<hr/>	<hr/>
Income tax expense	-	-

(c) Unrecognised deferred tax balances

Tax losses available to members of the group – revenue	<hr/>	<hr/>
	3,134,377	2,069,828
Potential tax benefit at 30%	<hr/>	<hr/>
	940,313	620,948

A deferred tax asset attributable to income tax losses has not been recognised at reporting 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 5 Trade and other receivables**

Goods and services tax	<hr/>	<hr/>
	5,581	6,530

**Note 6 Other assets**

Prepayments	<hr/>	<hr/>
	3,001	11,893

**Note 7 Financial assets**

Available-for-sale financial assets		
Investment in listed entities		
At fair value	<hr/>	<hr/>
	34,460	42,320

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2012

	2012 \$	2011 \$
<b>Note 8 Intangibles</b>		
Patented plastic hypodermic needle technology – at acquisition cost	613,041	613,041
Development expenditure incurred since acquisition	2,085,775	1,686,187
	<u>2,698,816</u>	<u>2,299,228</u>
Balance at the beginning of year	2,299,228	2,037,224
Addition	399,588	262,004
	<u>2,698,816</u>	<u>2,299,228</u>
<b>Note 9 Plant and Equipment</b>		
Plant and equipment		
At cost	25,196	99,310
Accumulated depreciation	(14,796)	(54,450)
	<u>10,400</u>	<u>44,860</u>
(a) Movements in carrying amounts		
Balance at the beginning of year	44,860	54,792
Less: Disposals	(31,349)	-
Depreciation expense	(3,111)	(9,931)
	<u>10,400</u>	<u>44,860</u>
<b>Note 10 Payables</b>		
Payables	<u>698,873</u>	<u>130,698</u>
<b>Note 11 Issued Capital</b>		
a) Ordinary Shares on Issue		
47,962,667 ordinary shares (30 June 2011: 41,706,667)	<u>25,678,824</u>	<u>25,043,690</u>
b) Movements in shares on issue		
	<b>No of Shares</b>	<b>Paid up Capital \$</b>
Balance 1 July 2010	31,280,000	24,524,386
Shares issued during the year	10,426,667	521,371
Transaction costs	-	(2,067)
Balance 30 June 2011	<u>41,706,667</u>	<u>25,043,690</u>
Shares issued during the year	6,156,000	677,160
Shares issued in consideration for services	100,000	11,000
Transaction costs	-	(53,064)
Balance 30 June 2012	<u>47,962,667</u>	<u>25,678,786</u>
c) Movements in options on issue		
Balance 1 July 2010	1,000,000	1,000,000
Options issued during the year	-	-
Balance 30 June 2011	<u>1,000,000</u>	<u>1,000,000</u>
Options issued during the year	-	-
Balance 30 June 2012	<u>1,000,000</u>	<u>1,000,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

## Note 11 Issued Capital (Cont'd)

## d) Ordinary shares' rights

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.

## Note 12 Reserves

a) *Share Based Payment 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 Directors and 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 2012.

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

	2012	2011
	\$	\$
Short-term employee benefits	120,000	104,286
Superannuation	10,800	9,386
Other entitlements	-	39,958
	<u>130,800</u>	<u>153,630</u>

## b) Directors' shareholdings

Shareholdings of directors and other key management personnel

	Balance 1 July 2011	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2012
Directors					
Michelle Carr	213,334	-	-	2,539,091	2,752,425
Trevor Nye	328,364	-	-	9,091	337,455
Elaine Carr	213,334	-	-	2,539,091	2,752,425
Totals	755,032	-	-	5,087,273	5,842,305

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

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

## b) Directors' shareholdings (Cont'd)

	Balance 1 July 2010	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2011
Directors					
Michelle Carr	160,000	-	-	53,334	213,334
Trevor Nye	96,273	-	-	232,091	328,364
Elaine Carr	-	-	-	213,334 <sup>^</sup>	213,334
Ross Gillon	323,400	-	-	(323,400)*	-
Totals	579,673	-	-	175,359	755,032

<sup>^</sup> Ms Elaine Carr was appointed as a director on 22 November 2010. The movement in the number of shares held is reflective of 160,000 shares held on appointment and 53,334 shares purchased after becoming a director.

\*Mr Ross Gillon resigned as a director on 22 November 2010. The movement in the number of shares held is related to his resignation as a director.

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

	Balance 1 July 2011	Received as Remuneration	Options Exercised	Options Lapsed during the Year	Balance 30 June 2012
Directors					
Michelle Carr	400,000	-	-	-	400,000
Trevor Nye	300,000	-	-	-	300,000
Elaine Carr	-	-	-	-	-
Ross Gillon	-	-	-	-	-
Totals	700,000	-	-	-	700,000

	Balance 1 July 2010	Received as Remuneration	Options Exercised	Options Lapsed during the Year	Balance 30 June 2011
Directors					
Frank Carr	-	-	-	-	-
Michelle Carr	400,000	-	-	-	400,000
Trevor Nye	300,000	-	-	-	300,000
Ross Gillon	-	-	-	-	-
Totals	700,000	-	-	-	700,000

2012  
\$2011  
\$

## (d) Director and Key Management Personnel Transactions

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

Fees paid to Melbourne Marketing Consultants Pty Ltd, a company of which Michelle Carr is a director, relating to the development of technology	-	12,000
Fees paid to Samarra Pty Ltd, a company of which Trevor Nye is a director, relating to the development of technology	-	10,000
Fees paid to Legal West Pty Ltd, a company of which Ross Gillon is a director, for legal consultation	-	17,958
Fees paid to Noble Pacific Pty Ltd, a company of which Frank Carr was a director, for management and administration services	-	20,000

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2012**

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

(e) Director and Key Management Personnel Balances

	2012 \$	2011 \$
Amounts owing to Melbourne Marketing Consultants Pty Ltd, a company of which Michelle Carr is a director, relating to the development of technology	8,800	8,800
Amounts owing to Michelle Carr for directors' fees	30,000	14,826
Amounts owing to Trevor Nye for director's fees	30,000	
Amounts owing to Elaine Carr for directors' fees	30,000	18,932
Amounts owing to the Estate of Frank Carr - annual leave entitlements	20,431	40,431

**Note 14 Auditor's Remuneration**

Remuneration of the auditor for:

- Auditing and reviewing of financial reports	20,000	18,250
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**Note 15 Loss Per Share**

Basic and Diluted Loss Per Share

Loss used in calculating basic loss per share	(1,091,299)	(300,273)
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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	43,797,714	35,759,545
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Basic and diluted loss (cents) per share	(2.49)	(0.84)
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**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, commercialisation 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 (2011 - 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2012

**Note 17 Notes to the statement of cash flows**

	2012 \$	2011 \$
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks		
Cash balance comprises:		
- cash assets	186,993	424,039
(b) Reconciliation of the net loss after income tax to the net cash flows from operating activities		
Net loss for the year	(1,091,229)	(300,273)
<i>Cash flows excluded from net loss attributable to operating activities</i>		
Dividends	(1,925)	(1,850)
<i>Adjustment for non-cash items</i>		
Depreciation on non-current assets	3,111	9,931
Share-based payment	11,000	
Loss on sales of non-current asset	4,294	-
<i>Changes in assets and liabilities</i>		
Decrease in trade and other receivables	9,840	(8,811)
(Decrease)/increase in trade and other creditors	574,336	(18,209)
Net cash outflow from operating activities	(490,573)	(319,212)

**Note 18 Expenditure Commitments**

There were no expenditure commitments as at 30 June 2012 (2011: \$NIL).

**Note 19 Controlled Entity**

Name	Country of incorporation	Percentage interests held		Cost of parent entity's investment	
		2012	2011	2012	2011
SSB Technology Pty Ltd	Australia	100%	100%	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2012

**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 Interest Rate	Floating Interest Rate \$	Fixed Interest Maturing 1 Year or Less \$	Fixed Interest Maturing 1 to 5 Years \$	Non- Interest Bearing \$	Total \$
<b>30 June 2012</b>						
<i>Financial Assets</i>						
Cash assets	4.00%	154,397	32,596	-	-	186,993
Receivables		-	-	-	5,581	5,581
Asset Available for Sale investments		-	-	-	34,460	34,460
		154,397	32,596	-	40,041	227,034
<i>Financial Liabilities</i>						
Payables		-	-	-	(698,873)	(698,873)
<i>Net financial assets/(liabilities)</i>		154,397	32,596	-	(658,832)	(471,839)
<b>30 June 2011</b>						
<i>Financial Assets</i>						
Cash assets	1.43%	424,039	-	-	-	424,039
Receivables		-	-	-	6,530	6,530
Asset Available for Sale investments		-	-	-	42,320	42,320
		424,039	-	-	48,850	472,889
<i>Financial Liabilities</i>						
Payables		-	-	-	(130,698)	(130,698)
<i>Net financial assets/(liabilities)</i>		424,039	-	-	(81,848)	342,191

*Interest rate sensitivity analysis*

The effect of interest rate movements on the loss 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 impairment of those assets, as disclosed in the consolidated statement of comprehensive income and notes to the financial statements.

(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:

	2012 \$	2011 \$
6 months or less (payables)	698,873	130,698

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2012

**Note 20 Financial Instruments (Cont'd)**

(d) Net Fair Value of Financial Assets and Liabilities

The carrying amounts of financial instruments included in the consolidated statement of financial position approximate their fair values due to their short terms of maturity with the exception of available for sale investments. Available for sale investments are investments in ASX listed securities at fair value based on quoted market prices.

**Note 21 Events Subsequent to Balance Date**

Since the end of the financial year, the Directors are not aware of any matters or circumstances not otherwise dealt with in this report or the consolidated financial statements that have significantly affected or may affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

**Note 22 Contingent Liabilities and Assets**

There are no contingent liabilities as at 30 June 2012. The contingent liability disclosed in the financial report for 30 June 2011 was settled during this financial year. Refer to Note 2(b).

**Note 23 Parent Entity Disclosures**

	2012 \$	2011 \$
<i>Financial Position</i>		
Assets		
Current assets	230,035	484,782
Non-current assets	2,709,216	2,344,088
Total assets	<u>2,939,252</u>	<u>2,828,870</u>
Liabilities		
Current liabilities	705,034	130,698
Total liabilities	<u>705,034</u>	<u>130,698</u>
Equity		
Issued capital	25,678,824	25,043,690
Reserves	627,765	635,625
Accumulated Losses	(24,072,371)	(22,981,143)
Total equity	<u>2,234,218</u>	<u>2,698,172</u>
<i>Financial Performance</i>		
Loss for the year	(1,091,229)	(300,273)
Other comprehensive income	(7,860)	16,420
Total comprehensive income	<u>(1,099,089)</u>	<u>(283,853)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2012

**Note 24 New accounting standards applicable for future periods**

**New accounting standards applicable for future periods**

At the date of this financial report, the following standards and interpretations have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)
AASB 9	<i>Financial Instruments</i>	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 (likely to be extended to 2015 by ED 215)
AASB 10	<i>Consolidated Financial Statements</i>	Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.	1 January 2013
AASB 127	<i>Separate Financial Statements</i>	Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013
AASB 13	<i>Fair Value Measurement</i>	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013
AASB 119	<i>Employee Benefits</i>	Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.	1 January 2013

The Company has decided not to early adopt any of these standards and interpretations. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**Note 25 Company Details**

The principal place of business of the Company is:

Telezon Limited  
Caribbean Business Park  
1 Dalmore Drive  
Scoresby VIC 3179

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes, as set out in the financial report, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity;
2. the directors have been given the declarations required by s295A of the *Corporations Act 2001*; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Mr Trevor Nye  
Non-Executive Chairman

Dated at Perth this 13<sup>th</sup> day of September 2012

## **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 consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *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 about 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.

### *Independence*

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

### *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 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company and consolidated entity incurred net losses of \$1,091,229 and the company and consolidated entity had net cash outflows from operating activities of \$490,573 during the year ended 30 June 2012. As at that date, the company's and the consolidated entity's current liabilities exceeded their current assets by \$474,999. These conditions, as set out in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and, therefore, the company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

### **Report on the Remuneration Report**

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2012. 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.

### *Opinion*

In our opinion the Remuneration Report of Telezon Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



RSM BIRD CAMERON PARTNERS  
Chartered Accountants



DAVID WALL  
Partner

Perth, WA

Dated: 13 September 2012

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Telezon Limited for the year ended 30 June 2012, 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  
Chartered Accountants



DAVID WALL  
Partner

Perth, WA  
Dated: 13 September 2012