

Telezon Limited and Controlled Entities

ACN 009 151 277

Half Year Financial Report

For the half-year ended 31 December 2012



CORPORATE PARTICULARS

Directors	Mr Trevor Nye Dr Michelle Carr Ms Elaine Carr	Director Director Director
Company Secretary	Dr Michelle Carr	
Registered Office	Caribbean Business Park 1 Dalmore Drive Scoresby VIC 3179	
Corporate Office	Caribbean Business Park 1 Dalmore Drive Scoresby VIC 3179	
Mailing Address	P.O. Box 485 South Melbourne VIC 3205	
Share Registry	Advanced Share Registry Services Unit 2, 150 Stirling Highway Nedlands WA 6009	
Auditor	RSM Bird Cameron Partners 8 St Georges Terrace Perth WA 6000	
Solicitor	Baker & McKenzie Level 27, AMP Centre 50 Bridge Street 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 2012.

Directors

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

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

Review of Operations

Loss attributable to members of Telezon Limited for the half-year ended 31 December 2012 was \$17,218 (2011: \$195,382). No dividends were paid or declared payable during or since the half-year.

Operations and R&D Activities

Product and Process Development

SoloFlow®

- Completed CE Mark certification
- Completed moulding process re-validation with superior needle material
- Produced 100,000 commercial SoloFlow® Non Injection Needles for the delivery to Serum Institute of India
- Improved design of needle point in order to minimise coring and particle generation during needle use
- Completed CAE (Computer-Aided Engineering) analysis on breaking of needle
- Successfully completed transition to new low-cost packaging and sterilisation and needle cap supplier which included;
 - Finalising new product requirement specification to reflect new production process
 - Developing new packaging material
 - Completing sterilisation and packaging validation at new supplier
 - Repeating biocompatibility studies
 - Drug compatibility testing
 - Transportation stimulation
 - Risk assessment of entire manufacturing process and needle application
 - Repeating hygienic product evaluation
 - Creation of "Instructions For Use" information

Blunt SoloFlow®

- Produced samples of the Blunt SoloFlow® cannula with alternative material
- Prepared budget for regulatory clearances with alternative material

CoreIT® Advanced Moulding Technology

- Completed evaluation new system for 16-fold mould
- Initiated feasibility studies for other product configurations
- Completed extensive mould performance run with alternative raw-material

Automation

- Continued evaluation of automation suppliers
- Visited several automation suppliers in Germany

Patent portfolio / Trademarks

- PCT application for the "Composite Cannula" has been lodged
- Japanese Patent Office has granted patents for SSB Technology's patent application for "Methods and Apparatus for Moulding Cannulae"

Marketing

- Presented the Company's technology portfolio at Medical Grade Polymer conference in Boston, USA, September 2012
- Presented at several marketing and investor conferences/seminars globally
- Launch and commencement of the Company's brand and marketing strategy for FY2013, globally including USA, China, Europe and Hong Kong

Regulatory affairs

- Completed CE Mark certification
- Requirements for TGA approval of SoloFlow® have been outlined in a working document

Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the half 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.

Auditor's Declaration

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

Signed in accordance with a resolution of the Directors



Mr Trevor Nye
Director

Dated at Perth this 25th day of February 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2012

	Note	Consolidated	
		31 December 2012	31 December 2011
		\$	\$
Revenue	2	211,629	5,667
Depreciation expenses		(1,119)	(2,010)
Consulting and directors' fees		(74,945)	(73,562)
Listing and share registry expenses		(6,473)	(16,955)
Other expenses from ordinary activities		(146,310)	(108,522)
Loss before income tax		(17,218)	(195,382)
Income tax expenses		-	-
Loss after income tax		(17,218)	(195,382)
Other comprehensive income			
<i>Items that may be reclassified subsequently to operating result</i>			
Movement in fair value of available for sale investments		(22,060)	(6,050)
Income tax relating to the components of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		(22,060)	(6,050)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(39,278)	(201,432)
Basic and diluted loss per share (cents per share)		(0.036)	(0.47)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

		Consolidated	
	Note	31 December 2012	30 June 2012
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		211,208	186,993
Trade and other receivable		6,946	5,581
Other assets		6,251	3,002
Financial assets		180	34,460
Total Current Assets		<u>224,585</u>	<u>230,036</u>
Non-Current Assets			
Intangibles	3	2,838,423	2,698,816
Plant and equipment		9,281	10,400
Total Non-Current Assets		<u>2,847,704</u>	<u>2,709,216</u>
Total Assets		<u>3,072,289</u>	<u>2,939,252</u>
Liabilities			
Current Liabilities			
Trade and other payables		563,379	698,873
Borrowings		308,283	-
Provisions		5,688	6,162
Total Current Liabilities		<u>877,350</u>	<u>705,035</u>
Total Liabilities		<u>877,350</u>	<u>705,035</u>
Net Assets		<u>2,194,939</u>	<u>2,234,217</u>
Equity			
Issued capital		25,678,824	25,678,824
Reserves		605,705	627,765
Accumulated losses		<u>(24,089,590)</u>	<u>(24,072,372)</u>
Total Equity		<u>2,194,939</u>	<u>2,234,217</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2012

Consolidated	Issued Capital \$	Financial Assets Reserve \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2012	25,678,824	22,060	605,705	(24,072,372)	2,234,217
Loss for the period	-	-	-	(17,218)	(17,218)
Movement in fair value of available for sale investments	-	(22,060)	-	-	(22,060)
Total comprehensive income for the period	-	(22,060)	-	(17,218)	(39,278)
Shares issued during the period	-	-	-	-	-
Transaction costs	-	-	-	-	-
Balance at 31 December 2012	25,678,824	-	605,705	(24,089,590)	2,194,939
Balance at 1 July 2011	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 available for sale investments	-	(6,050)	-	-	(6,050)
Total comprehensive income for the period	-	(6,050)	-	(195,382)	(201,432)
Shares issued during the period	-	-	-	-	-
Transaction costs	-	-	-	-	-
Balance at 31 December 2011	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.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2012

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
Cash flows from Operating Activities		
Receipts from customers	7,800	-
Payments to suppliers and employees	(368,310)	(144,900)
Interest and other income received	3,590	5,667
Other receipts	176,217	-
Net cash (used in) operating activities	<u>(180,703)</u>	<u>(139,233)</u>
Cash flows from Investing Activities		
Dividends received	925	-
Proceeds from disposal of plant and equipment/financial assets	-	27,055
Proceeds from disposal of available for sale financial assets	35,317	-
Payments for research and development expenditures	(139,607)	(269,303)
Net cash (used in) investing activities	<u>(103,365)</u>	<u>(242,248)</u>
Cash flows from Financing Activities		
Proceeds from capital raising	-	308,100
Proceeds from borrowings	308,283	-
Net cash provided by financing activities	<u>308,283</u>	<u>308,100</u>
Net decrease in cash held	24,215	(73,381)
Cash and cash equivalent at the beginning of the half-year	<u>186,993</u>	<u>424,039</u>
Cash and cash equivalent at the end of the half-year	<u>211,208</u>	<u>350,658</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 2012**1. Basis of Preparation**

The half-year financial report is 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 2012 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*.

The half-year financial report has also been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. 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 2012, except as set out below:

New and Revised Accounting Standards and Interpretations

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

Going concern

The financial report has 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 report, the consolidated entity incurred a loss of \$17,218 (2011: \$195,382) and had net cash outflows from operating activities of \$180,703 (2011: \$139,233) for the half-year ended 31 December 2012. As at that date, the consolidated entity had net current liabilities of \$652,765 (30 June 2012: \$474,999).

While the above factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report, there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The ability of the consolidated entity to issue additional shares;
- As disclosed in the statement of financial position, the consolidated entity has borrowings of \$308,283 and director related payables of \$186,706 which are classified as current liabilities at 31 December 2012. The directors believe that the consolidated entity will be able to negotiate the repayment terms of these debts in its favour when they become due and payable;
- The possible commercial exploitation of the consolidated entity's patented plastic needles and technologies (Note 3) 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 needles and technologies or if capital raisings are delayed or insufficient to meet expenditure commitments.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern 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 consolidated entity does not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2012

2. Revenue

	Consolidated	
	December 2012 \$	December 2011 \$
SoloFlow® sales	7,800	-
Dividends received	925	1,000
Interest received	3,591	3,656
Research and development tax refund	176,156	-
Other revenue	23,157	1,011
	211,629	5,667

3. Intangibles

Patented plastic needles & technologies development expenditure

	Consolidated	
	December 2012 \$	June 2012 \$
Patented plastic needles & technologies – at acquisition cost	613,041	613,041
Development expenditure incurred since acquisition	2,225,382	2,080,221
Balance at end of the period	2,838,423	2,693,261

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

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 consolidated entity operates in only one industry segment being development of plastic needles & related technologies in Australia.

6. Events Subsequent to Reporting Date

There have been no significant events subsequent to the end of the half-year.

7. Contingent Liabilities

There are no contingent liabilities as at 31 December 2012.

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 2012 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.



Mr Trevor Nye
Director

Dated at Perth this 25th day of February 2013

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 consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 end or from time to time during 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 internal 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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.

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 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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$17,218 and had net cash outflows from operating activities of \$180,703 for the half-year ended 31 December 2012. As at that date, the consolidated entity's current liabilities exceeded its current assets by \$652,765. These conditions, as set out in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

David Wall

DAVID WALL
Partner

Perth, WA

Dated: 25 February 2013

AUDITOR'S INDEPENDENCE DECLARATION

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

David Wall

DAVID WALL
Partner

Perth, WA
Dated: 25 February 2013