

Telezon Limited and Controlled Entities

ACN 009 151 277

Half Year Financial Report

For the half-year ended 31 December 2013



CORPORATE PARTICULARS

Directors	Mr Trevor Nye Dr Michelle Carr Ms Elaine Carr	Chairman 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 150 Stirling Highway Perth 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") submit the financial report of the Company and its controlled entity for the half-year ended 31 December 2013.

Directors

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

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

Review of Operations

The operating profit after income tax of the consolidated entity for the half-year ended 31 December 2013 was \$71,856 (2012: Loss of \$17,218). No dividends were paid or declared payable during or since the half-year.

Operations and R&D*SoloFlow® Non-Injection Needle*

- Delivered remaining 315,000 units to Serum Institute of India
- Delivered small volume of bulk packaged SoloFlow® to potential international customer
- Developed packaging material for bulk shipping configuration
- Completed needle hub modification to meet packaging supplier specification

Blunt SoloFlow® Cannula

- Produced 5,000 samples of 19mm length Blunt SoloFlow®
- Produced 5,000 samples of 30mm length Blunt SoloFlow®
- Primary and secondary labelling and packaging refined

CoreIT® Advanced Moulding Technology

- 16-fold mould design has been refined and optimised - design 90% completed
- Investigated more cost effective components for 16-fold mould

Automation

- Developed alternative automation cell concept for single machine automation
- Continued evaluation of competitive automation suppliers

DuoDraw® Transfer and Injection Unit

- Awarded a State Government Grant via Technology Development Voucher
- Prototype tool design for DuoDraw completed
- Initiated DuoDraw® Transfer and Injection Unit prototype tooling
- Developed concept for advanced DuoDraw® system

Patent portfolio / Trademarks

- Standard patents granted by IP Australia for two of SSB/Telezon's patent families
 - Explored IP strategy for advanced DuoDraw system
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Marketing / Commercial

- Developed interest for SoloFlow® in US market, with lead generation
- Initiated exploratory work between SSB/Telezon and potential customers for use of CoreIT® Advanced Moulding Technology
- Developed interest for SoloFlow® in Australian Market, with lead generation
- Attended annual general meeting of the Diabetes Resources, Warrnambool VIC
- Attended World Diabetes congress , Melbourne VIC
- Established contact and generated interest with potential international customer for plastic dispensing devices

Regulatory affairs

- Completed registration of device with TGA - device now included in ARTG

Auditor's Independence Declaration

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

This directors' report is signed in accordance with a resolution of the Board of Directors



Mr Trevor Nye
Chairman

Dated at Perth this 12th day of March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2013

	Note	Consolidated	
		31 December 2013	31 December 2012
		\$	\$
Revenue	2	281,893	211,629
Depreciation expenses		(1,119)	(1,119)
Consulting and directors' fees		(77,345)	(74,945)
Finance costs		(37,325)	(8,283)
Listing and share registry expenses		(4,975)	(6,473)
Other expenses from ordinary activities		(89,273)	(138,027)
Profit/(loss) before income tax		71,856	(17,218)
Income tax expenses		-	-
Profit /(loss) after income tax		71,856	(17,218)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in fair value of available for sale investments		-	(22,060)
Income tax relating to the components of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	(22,060)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		71,856	(39,278)
Basic and diluted earnings/ (loss) per share (cents per share)		0.141	(0.036)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

		Consolidated	
	Note	31 December 2013	30 June 2013
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		294,986	299,530
Trade and other receivable		9,005	7,570
Other assets		-	3,010
Financial assets		1,560	1,560
Total Current Assets		305,551	311,670
Non-Current Assets			
Intangible assets	3	3,286,887	3,111,915
Property, plant and equipment		7,061	8,180
Total Non-Current Assets		3,293,948	3,120,095
Total Assets		3,599,499	3,431,765
Liabilities			
Current Liabilities			
Trade and other payables		342,518	541,291
Provisions		4,133	4,133
Borrowings		817,805	580,480
Total Current Liabilities		1,164,456	1,125,904
Total Liabilities		1,164,456	1,125,904
Net Assets		2,435,043	2,305,861
Equity			
Issued capital	4	25,936,004	25,923,978
Reserves		651,005	605,705
Accumulated losses		(24,151,966)	(24,223,822)
Total Equity		2,435,043	2,305,861

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 2013

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)
Other comprehensive income for the period	-	(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 2013	25,923,978	-	605,705	(24,223,822)	2,305,861
Profit for the period	-	-	-	71,856	71,856
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	71,856	71,856
Shares issued during the period	12,974	-	-	-	12,974
Share based payment	-	-	45,300	-	45,300
Transaction costs	(948)	-	-	-	(948)
Balance at 31 December 2013	25,936,004	-	651,005	(24,151,966)	2,435,043

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 2013

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
Cash flows from Operating Activities		
Receipts from customers	6,091	7,800
Payments to suppliers and employees	(343,277)	(368,310)
Interest received	3,326	3,590
Other receipts	272,476	176,217
Net cash used in operating activities	<u>(61,384)</u>	<u>(180,703)</u>
Cash flows from Investing Activities		
Dividends received	-	925
Proceeds from disposal of available for sale financial assets	-	35,317
Payments for research and development expenditures	(150,712)	(139,607)
Net cash used in investing activities	<u>(150,712)</u>	<u>(103,365)</u>
Cash flows from Financing Activities		
Net proceeds from issue of shares	7,552	-
Proceeds from borrowings	200,000	308,283
Net cash provided by financing activities	<u>207,552</u>	<u>308,283</u>
Net (decrease)/ increase in cash held	(4,544)	24,215
Cash and cash equivalent at beginning of period	<u>299,530</u>	<u>186,993</u>
Cash and cash equivalent at end of period	<u>294,986</u>	<u>211,208</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 2013**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 half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 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 under the historical cost convention, modified by the revaluation of to fair value for certain classes of assets. The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial report, except in relation to the matters disclosed 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 half-year 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 half-year financial report, the consolidated entity had net cash outflows from operating activities of \$61,384 (2012: \$180,703) for the half year ended 31 December 2013. As at that date, the consolidated entity had net current liabilities of \$858,905 (2012: \$652,765).

These 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 half-year financial report. The Directors believe that there are reasonable grounds for the consolidated entity to continue as a going concern, after consideration of the following factors:

- As disclosed in the statement of financial position, the consolidated entity has borrowings of \$817,805, that are loans from directors and trade and other payables of \$342,518 which include director related payables of \$303,775, which are classified as current liabilities as at 31 December 2013. The directors believe the consolidated entity will be able to negotiate the repayment terms of these director related loans and payables, in its favour when they become due and payable;
- The consolidated entity will continue to pursue alternative funding as required, which has proven to be successful in the past;
- The possible long term commercial exploitation of the consolidated entity's patented polymer needle technology (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 polymer needle technology or 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 half-year financial report.

The half-year 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 2013

2. Revenue

	Consolidated	
	December 2013 \$	December 2012 \$
SoloFlow ® sales	6,091	7,800
Dividends received	-	925
Interest received	3,326	3,591
Research and development tax refund	222,615	176,156
Other revenue	49,861	23,157
	281,893	211,629

3. Intangible assets

	Consolidated	
	December 2013 \$	June 2013 \$
Patented plastic needle technology development expenditure		
Patented plastic needle technology – at acquisition cost	613,041	613,041
Development expenditure incurred since acquisition	2,673,846	2,498,874
Balance at end of the period	3,286,887	3,111,915

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

4. Issued capital

a) Ordinary Shares on Issue

50,999,456 ordinary shares (30 June 2013: 50,846,831)	25,936,004	25,923,978
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b) Movements in shares on issue

	No of Shares	Paid up Capital \$
Balance 1 July 2013	50,846,831	25,923,978
Shares issued during the half year	152,625	12,974
Transaction costs	-	(948)
Balance 31 December 2013	50,999,456	25,936,004

c) Movements in options on issue

Balance 1 July 2013	3,884,164	-
Options issued during the half year	3,152,625	-
Options expired during the half year	(1,000,000)	-
Balance 31 December 2013	6,036,789	-

5. Dividends

No dividends were paid or declared payable during or since the half-year ended 31 December 2013 (2012 Nil).

6. 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 technology in Australia.

7. Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the half year which significantly affect or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in future financial reporting periods.

8. Contingent Liabilities

Since the last annual reporting date, there have been no material changes to any contingent liabilities or contingent assets.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out in this half-year financial report:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2013 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
Chairman

Dated at Perth this 12th day of March 2014

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 2013, 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 2013 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.

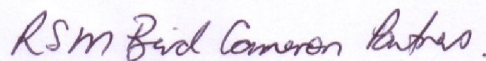
Conclusion

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 2013 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 half-year financial report, which indicates that the consolidated entity had net cash outflows from operating activities of \$61,384 for the half year ended 31 December 2013. As at that date, the consolidated entity had net current liabilities of \$858,905. 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



Perth, WA
Dated: 12 March 2014

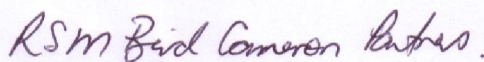
D J WALL
Partner

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Telezon Limited for the half year ended 31 December 2013, 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



D J WALL
Partner

Perth, WA
Dated: 12 March 2014