

Telezon Limited

ACN 009 151 277

Consolidated Financial Report

For the year ended 30 June 2014

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CORPORATE PARTICULARS

| | | |
|--------------------------|--|---|
| Directors | Mr Trevor Nye Dr Michelle Carr Ms Elaine Carr | <i>Non-Executive Chairman</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> |
| Company Secretary | Dr Michelle Carr | |
| Registered Office | Telezon Limited Caribbean Business Park 1 Dalmore Drive Scoresby VIC 3179 | |
| Corporate Office | Telezon Limited Caribbean Business Park 1 Dalmore Drive Scoresby VIC 3179 | |
| Mailing Address | PO 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 | |

DIRECTOR'S REPORT

The directors present their financial report on the company and its controlled entity for the financial year ended 30 June 2014.

Directors

The names of directors in office at any time during or since the end of the financial year are:

- 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 consolidated entity's principal activities were development, commercialisation and marketing of polymeric cannular products & technologies (including plastic hypodermic needles).

Operating Results

The operating loss after income tax of the consolidated entity for the year ended 30 June 2014 was \$75,958 (2013: \$151,450).

Review of Operation and R&D activities**SoloFlow®**

- Teleflex and Telezon sign Supply Agreement
- Alternative international suppliers investigated and evaluated
- Delivered 3,000 SoloFlow® sample units to Teleflex
- Alternative primary label (for marketing purposes) prepared for possible use with second packaging supplier
- Design variations prepared for optimised needle tip for improved processing

Blunt SoloFlow®

- Primary and secondary packaging labels revised

CoreIT® Advanced Moulding Technology

- 16-fold mould design refined and optimised – design to 98% complete
- Costing revisions for 16-fold production mould
- External chemical and mechanical testing of SoloFlow® for scientific application as part of technology evaluation
- Needle designs developed for potential scientific sampling needle
- Buckling load calculations conducted for prospective customer needle application

Automation

- Alternative automation quote acquired from local supplier
- Cost for needle lubrication unit established
- Cost for automation system established with alternative needle feeding arrangements

DuoDraw®

- Investigated and evaluated suitable raw-materials for DuoDraw® injection hub

- Sourced high precision tooling components from Germany
- Completed prototype tooling for DuoDraw® injection needle hub
- Commissioned and refined tooling and produced sample volumes of functional prototypes
- Initiated investigation and evaluation of suitable adhesives for needle steel needle bonding

Patent portfolio / Trademarks

- Reviewed and prepared response for first examiner report of composite needle (IP Australia)

Marketing / Commercial

- Attended the international exhibition and conference for European medical device manufacturers, 'Medtec Europe' in Stuttgart, Germany.
- Established new connections with several European special needle manufacturers while at Medtec Europe.

Regulatory affairs

- Sub-contractor renewed ISO 13485 certificate, including the manufacture of non-injection needle, in order to supply SoloFlow®

Financial Position

The net assets of the consolidated entity are \$2,278,617 as at 30 June 2014 (2013:\$2,305,861).

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**

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 |
|------------------|------------------|----------------|---------------------|
| 24 June 2013 | 14 June 2016 | \$0.20 | 2,884,164 |
| 26 July 2013 | 14 June 2016 | \$0.20 | 152,625 |
| 20 December 2013 | 31 December 2016 | \$0.07 | 3,000,000 |
| 2 April 2014 | 31 December 2016 | \$0.07 | 300,000 |

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 2014, no shares have been issued on the exercise of options and no options have been forfeited or cancelled. As at 30 June 2014, 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 9.25% 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.

Directors' and Key Management Personnel Remuneration

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

(a) Key management personnel compensation

| 2014 | 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 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | | |
| Michelle Carr | 40,000 | - | - | 3,700 | - | 15,100 | - | 58,800 |
| Trevor Nye | 40,000 | - | - | 3,700 | - | 15,100 | - | 58,800 |
| Elaine Carr | 40,000 | - | - | 3,700 | - | 15,100 | - | 58,800 |
| Totals | 120,000 | - | - | 11,100 | - | 45,300 | - | 176,400 |

| 2013 | 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 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | | |
| 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)**(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.

During the year ended 30 June 2014, a total of 3,000,000 options were granted to directors and key management personnel for nil consideration. The options were granted on 20 December 2013 and vest immediately. The options can be exercised at any time after being vested and before their expiry date of 31 December 2016 at an exercise price of \$0.07. The fair value per option at grant date is \$0.0151.

(c) Directors and Key Management Personnel Shareholding

The number of shares in the company held during the financial year by each director of the consolidated entity is set out below:

| | Balance 1 July 2013 | Received as Remuneration | Options Exercised | Net Change Other | Balance 30 June 2014 |
|---------------|------------------------|-----------------------------|----------------------|---------------------|-------------------------|
| Directors | | | | | |
| Michelle Carr | 2,752,425 | - | - | - | 2,752,425 |
| Trevor Nye | 337,455 | - | - | - | 337,455 |
| Elaine Carr | 2,752,425 | - | - | - | 2,752,425 |
| Total | 5,842,305 | - | - | - | 5,842,305 |

(d) Directors and Key Management Personnel Option Holding

| | Balance 1 July 2013 | Received as Remuneration | Options Exercised | Options Lapsed during the Year | Balance 30 June 2014 |
|---------------|------------------------|-----------------------------|----------------------|-----------------------------------|-------------------------|
| Directors | | | | | |
| Michelle Carr | 400,000 | 1,000,000 | - | (400,000) | 1,000,000 |
| Trevor Nye | 300,000 | 1,000,000 | - | (300,000) | 1,000,000 |
| Elaine Carr | - | 1,000,000 | - | - | 1,000,000 |
| Totals | 700,000 | 3,000,000 | - | (700,000) | 3,000,000 |

(e) Other transactions with directors and their related parties

2014 **2013**
\$ \$

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

| | | |
|--|---------|---------|
| Interest charged by Michelle Carr for loans advanced | 39,392 | 15,265 |
| Interest charged by Elaine Carr for loans advanced | 39,388 | 15,215 |
| Loans advanced by Michelle Carr | 100,000 | 275,000 |
| Loans advanced by Elaine Carr | 100,000 | 275,000 |

[END OF REMUNERATION REPORT]**Directors' relevant interests**

The relevant interest of each director in the capital of the parent entity 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 | 1,000,000 |
| Trevor Nye | 337,455 | 1,000,000 |
| Elaine Carr | 2,752,425 | 1,000,000 |

DIRECTOR'S REPORT (Cont'd)**Meetings of Directors**

During the financial year, thirteen 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 | 13 | 13 |
| Michelle Carr | 13 | 13 |
| Elaine Carr | 13 | 13 |

Non-Audit Service

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 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.



Mr Trevor Nye
Non-Executive Chairman

Dated at Perth this 11th day of September 2014

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 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|--|------|-----------------|------------------|
| Revenue | 2 | 285,939 | 242,867 |
| Depreciation expense | | (2,220) | (2,220) |
| Listing and share registry expenses | | (8,352) | (20,836) |
| Employee benefits expense | 3 | (187,725) | (142,500) |
| Finance costs | 3 | (78,779) | (30,480) |
| Other expenses | 3 | (84,821) | (198,281) |
| Loss before income tax | | <u>(75,958)</u> | <u>(151,450)</u> |
| Income tax expense | 4 | - | - |
| Loss after income tax | | <u>(75,958)</u> | <u>(151,450)</u> |
| 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 year | | <u>-</u> | <u>(22,060)</u> |
| Total Comprehensive Income attributable to the members of Telezon Limited | | <u>(75,958)</u> | <u>(173,510)</u> |
| Basic and diluted loss (cents) per share | 16 | (0.15) | (0.32) |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|---------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 18(a) | 159,239 | 299,530 |
| Trade and other receivables | 5 | 10,657 | 7,570 |
| Other assets | 6 | 3,497 | 3,010 |
| Financial assets | 7 | 1,380 | 1,560 |
| Total Current Assets | | <u>174,773</u> | <u>311,670</u> |
| Non-Current Assets | | | |
| Intangibles | 8 | 3,365,874 | 3,111,915 |
| Plant and equipment | 9 | 5,960 | 8,180 |
| Total Non-Current Assets | | <u>3,371,834</u> | <u>3,120,095</u> |
| TOTAL ASSETS | | 3,546,607 | 3,431,765 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 10 | 408,731 | 541,291 |
| Provisions | | - | 4,133 |
| Interest bearing liabilities | 11 | 859,259 | 580,480 |
| TOTAL LIABILITIES | | 1,267,990 | 1,125,904 |
| NET ASSETS | | 2,278,617 | 2,305,861 |
| EQUITY | | | |
| Issued capital | 12 | 25,927,392 | 25,923,978 |
| Reserves | | 651,005 | 605,705 |
| Accumulated losses | | (24,299,780) | (24,223,822) |
| TOTAL EQUITY | | <u>2,278,617</u> | <u>2,305,861</u> |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

| | Issued Capital | Financial Assets Reserve | Share Based Payment Reserve | Accumulated Losses | Total Equity |
|--|-------------------|--------------------------------|-----------------------------------|-----------------------|--------------|
| | \$ | | \$ | \$ | \$ |
| Balance as at 1 July 2012 | 25,678,824 | 22,060 | 605,705 | (24,072,372) | 2,234,217 |
| Loss for the year | - | - | - | (151,450) | (151,450) |
| Movement in fair value of available for sale investments | - | (22,060) | - | - | (22,060) |
| Total comprehensive income for the year | - | (22,060) | - | (151,450) | (173,510) |
| Share issued during the year | 245,154 | - | - | - | 245,154 |
| Balance as at 30 June 2013 | 25,923,978 | - | 605,705 | (24,223,822) | 2,305,861 |
| Balance as at 1 July 2013 | 25,923,978 | - | 605,705 | (24,223,822) | 2,305,861 |
| Loss for the year | - | - | - | (75,958) | (75,958) |
| Total comprehensive income for the year | - | - | - | (75,958) | (75,958) |
| Share issued during the year | 12,974 | - | - | - | 12,974 |
| Share based payment | - | - | 45,300 | - | 45,300 |
| Transaction costs | (9,560) | - | - | - | (9,560) |
| Balance as at 30 June 2014 | 25,927,392 | - | 651,005 | (24,299,780) | 2,278,617 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

| | Note | Consolidated 2014 \$ | 2013 \$ |
|---|-------|----------------------------|------------------|
| Cash flows from Operating Activities | | | |
| Receipts from customers | | 6,793 | 5,087 |
| Payments to suppliers and employees | | (394,748) | (649,241) |
| Interest received | | 6,650 | 6,816 |
| Other receipts | | 272,496 | 205,507 |
| Net cash used in operating activities | 18(b) | <u>(108,809)</u> | <u>(431,831)</u> |
| Cash flows from Investing Activities | | | |
| Dividends received | | - | 925 |
| Payments for research and development expenditures | | (234,895) | (287,081) |
| Proceeds from sale of assets | | - | 35,370 |
| Net cash used in investing activities | | <u>(234,895)</u> | <u>(250,786)</u> |
| Cash flows from Financing Activities | | | |
| Proceeds from issue of shares | | 12,974 | 245,154 |
| Transaction costs | | (9,561) | - |
| Proceeds received from loans | | 200,000 | 550,000 |
| Net cash provided by financing activities | | <u>203,415</u> | <u>795,154</u> |
| Net increase/(decrease) in cash held | | (140,291) | 112,537 |
| Cash and cash equivalents at the beginning of the financial year | | <u>299,530</u> | <u>186,993</u> |
| Cash and cash equivalents at the end of the financial year | 18(a) | <u>159,239</u> | <u>299,530</u> |

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

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 consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements were authorised for issue on 11 September 2014 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 the Corporations Act 2001, Australian Accounting Standards, Interpretations of the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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, both the consolidated entity and company incurred losses of \$75,958 (2013: \$151,450) and the consolidated entity had net cash outflows from operating activities of \$108,809 (2013: \$431,831) for the year ended 30 June 2014. As at that date, both the consolidated entity and company had net current liabilities of \$1,093,217 (2013: \$814,234). The ability of the company to continue as a going concern is dependent on a combination of a number of factors, the most significant of which is the ability of the company to raise additional funds in the following 12 months.

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:

- As disclosed in the Statement of Financial Position, the consolidated entity has loans from directors of \$859,259 (Note 11) and director related payables of \$369,325 (Note 10), which are classified as current liabilities at 30 June 2014. The directors believe they will be able to favourably negotiate the repayment terms when they become due and payable and pursue additional funding if required;
- The possible commercial exploitation of the consolidated entity's patented polymer needle technology (Note 8) at amounts sufficient to complete the development of the technology, that based on the company's business strategy, will include forecasted net licensing cash inflows;
- The ability of the company to issue additional shares under the *Corporations Act 2001*, as occurred in previous years; and
- The consolidated entity's ability to scale down its research and development expenditures, which amounted to \$234,895 during the current financial year (2013: \$287,081), 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 the 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 2014**Note 1: Summary of Significant Accounting Policies (cont'd)****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 consolidated entity's obligation for short-term employee benefits. Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the obligation is settled. The consolidated entity's obligations for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The consolidated entity's obligations for short-term employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**Note 1: Summary 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 2014**Note 1: Summary 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 2014**Note 1: Summary 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 2014**Note 1: Summary 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. *Available-for-sale financial 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.

vi. *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.

vii. *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 2014**Note 1: Summary of Significant Accounting Policies (cont'd)****r) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantively ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

s) Grants

Grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

t) 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.

u) Comparative Figures

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

v) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**Note 1: Summary of Significant Accounting Policies (cont'd)****New Accounting Standards for Application in Future Periods (Continued)**

The key changes made to the Standard that may affect the consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

The adoption of this standard will not have a material impact on the consolidated entity.

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the consolidated entity's financial statements.

Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the consolidated entity's financial statements.

AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the consolidated entity's financial statements.

AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the consolidated entity's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

| | 2014 | 2013 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Note 2 Revenue | | |
| Dividends received | - | 925 |
| Grants and incentives | 272,476 | 205,587 |
| Interest received | 6,650 | 6,817 |
| Other income | 20 | 24,577 |
| SoloFlow ® sales | 6,793 | 4,961 |
| | <hr/> | <hr/> |
| Total revenue | 285,939 | 242,867 |

Note 3 Loss for the year

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

| | | |
|------------------------------------|--------|--------|
| Interest Expense – related parties | 78,779 | 30,480 |
| Share based payments | 45,300 | - |
| Travel and accommodation | 852 | 43,940 |

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 | (75,958) | (151,450) |
| Income tax benefit at 30% (2013: 30%) | (22,787) | (45,435) |
| Tax effect of: | | |
| Non-deductible expenses | 36,328 | 41,218 |
| Research and development tax grant | (66,785) | (52,848) |
| Rebateable fully franked dividend | - | (396) |
| Deferred tax asset not recognised | 53,244 | 57,461 |
| | <hr/> | <hr/> |
| Income tax expense | - | - |

(c) Unrecognised deferred tax balances

| | | |
|--|-----------|-----------|
| Tax losses available to members of the group – revenue | 3,263,613 | 3,040,225 |
| | <hr/> | <hr/> |
| Potential tax benefit at 30% | 979,084 | 912,068 |

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 | 10,657 | 7,570 |
| | <hr/> | <hr/> |

Note 6 Other assets

| | | |
|-------------|-------|-------|
| Prepayments | 3,497 | 3,010 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

| | 2014 \$ | 2013 \$ |
|---|------------|------------|
| Note 7 Financial assets | | |
| Available-for-sale financial assets | | |
| Investment in listed entities | | |
| At fair value | 1,380 | 1,560 |
| Note 8 Intangibles | | |
| Patented plastic hypodermic needle technology – at acquisition cost | 613,041 | 613,041 |
| Development expenditure incurred since acquisition | 2,752,833 | 2,498,874 |
| | 3,365,874 | 3,111,915 |
| Balance at the beginning of year | 3,111,915 | 2,698,816 |
| Addition | 253,959 | 413,099 |
| Balance at the end of year | 3,365,874 | 3,111,915 |
| Note 9 Plant and Equipment | | |
| Plant and equipment | | |
| At cost | 25,196 | 25,196 |
| Accumulated depreciation | (19,236) | (17,016) |
| | 5,960 | 8,180 |
| (a) Movements in carrying amounts | | |
| Balance at the beginning of year | 8,180 | 10,400 |
| Depreciation expense | (2,220) | (2,220) |
| Balance at the end of year | 5,960 | 8,180 |
| Note 10 Payables | | |
| Payables | 408,731 | 541,291 |
| Related party balances of \$369,325 (2013: \$239,231) are included in payables. | | |
| Note 11 Interest bearing liabilities | | |
| Loans from directors | 859,259 | 580,480 |

The loans from directors are secured and provided on an arm's length basis. Interest is charged at 10% per annum and is payable in arrears. The loans are repayable by 15 November 2014.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 12 Issued Capital

| | 2014 \$ | 2013 \$ |
|---|---------------------|-------------------------------|
| a) Ordinary Shares on Issue | | |
| 50,999,456 ordinary shares (30 June 2013: 50,846,831) | 25,927,391 | 25,923,978 |
| b) Movements in shares on issue | No of Shares | Paid up Capital \$ |
| Balance 1 July 2012 | 47,962,667 | 25,678,824 |
| Shares issued during the year (rights issue) | 2,884,164 | 245,154 |
| Balance 30 June 2013 | 50,846,831 | 25,923,978 |
| Shares issued during the year | 152,625 | 12,974 |
| Transaction costs | - | (9,560) |
| Balance 30 June 2014 | 50,999,456 | 25,927,392 |
| c) Movements in options on issue | | |
| Balance 1 July 2012 | 1,000,000 | - |
| Options issued during the year | 2,884,164 | - |
| Balance 30 June 2013 | 3,884,164 | - |
| Options issued during the year | 3,452,625 | - |
| Options lapsed during the year | (1,000,000) | - |
| Balance 30 June 2014 | 6,336,789 | - |

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 13 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 14 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 directors and key management personnel for the year ended 30 June 2014.

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

| | 2014 \$ | 2013 \$ |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 120,000 | 120,000 |
| Superannuation | 11,000 | 10,800 |
| | <u>131,000</u> | <u>130,800</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 14 Interests of Directors and Key Management Personnel (Cont'd)

| | 2014 \$ | 2013 \$ |
|---|------------|------------|
| (b) 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: | | |
| Interest charged by Michelle Carr for loans advanced | 39,392 | 15,265 |
| Interest charged by Elaine Carr for loans advanced | 39,388 | 15,215 |
| Loans advanced by Michelle Carr | 100,000 | 275,000 |
| Loans advanced by Elaine Carr | 100,000 | 275,000 |
| (c) Director and Key Management Personnel Balances | | |
| 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 and superannuation | 120,175 | 76,475 |
| Amounts owing to Trevor Nye for director's fees and superannuation | 120,175 | 76,475 |
| Amounts owing to Elaine Carr for directors' fees and superannuation | 120,175 | 76,475 |
| Amounts owing to the Estate of Frank Carr | | |
| - annual leave entitlements | - | 20,431 |
| Loans advanced and interest charged from Michelle Carr+ | 429,657 | 290,265 |
| Loans advanced and interest charged from Elaine Carr+ | 429,602 | 290,215 |
| + Refer to Note 11 for terms of the loan. | | |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

| | 2014 \$ | 2013 \$ |
|---|------------|------------|
| Note 15 Auditor's Remuneration | | |
| Remuneration of the auditor for: | | |
| - Auditing and reviewing of financial reports | 23,000 | 22,000 |
| Note 16 Loss Per Share | | |
| Basic and Diluted Loss Per Share | | |
| Loss used in calculating basic loss per share | (75,958) | (151,450) |
| Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic loss per share | 50,986,493 | 48,017,980 |
| Basic and diluted loss (cents) per share | (0.15) | (0.32) |

Note 17 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 (2013 - 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 2014

Note 18 Notes to the statement of cash flows

| | 2014 \$ | 2013 \$ |
|--|------------|------------|
| (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 | 159,239 | 299,530 |
| (b) Reconciliation of the net loss after income tax to the net cash flows from operating activities | | |
| Net loss for the year | (75,958) | (151,450) |
| <i>Cash flows excluded from net loss attributable to operating activities</i> | | |
| Dividends | - | (925) |
| <i>Adjustment for non-cash items</i> | | |
| Depreciation on non-current assets | 2,220 | 2,220 |
| Share-based payment | 45,300 | - |
| Gain on sales of non-current asset | - | (24,530) |
| Finance costs | 78,779 | 30,480 |
| <i>Changes in assets and liabilities</i> | | |
| (Increase) in trade and other receivables | (3,394) | (1,997) |
| (Decrease) in trade and other creditors | (155,756) | (285,629) |
| Net cash outflow used in operating activities | (108,809) | (431,831) |

Note 19 Expenditure Commitments

There were no expenditure commitments as at 30 June 2014 (2013: \$NIL).

Note 20 Controlled Entity

| Name | Country of incorporation | Percentage interests held | | Cost of parent entity's investment | |
|------------------------|--------------------------|---------------------------|------|------------------------------------|------|
| | | 2014 | 2013 | 2014 | 2013 |
| SSB Technology Pty Ltd | Australia | 100% | 100% | - | - |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 21 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 \$ |
|---|---|------------------------------------|--|--|-----------------------------------|--------------------|
| 30 June 2014 | | | | | | |
| <i>Financial Assets</i> | | | | | | |
| Cash assets | 2.87% | 152,464 | 6,775 | - | - | 159,239 |
| Receivables | | - | - | - | 10,657 | 10,657 |
| Financial assets | | - | - | - | 1,380 | 1,380 |
| | | <u>152,464</u> | <u>6,775</u> | <u>-</u> | <u>12,037</u> | <u>171,276</u> |
| <i>Financial Liabilities</i> | | | | | | |
| Payables | | - | - | - | (408,731) | (408,731) |
| Interest bearing loans | 10.00 % | - | (859,259) | - | - | (859,259) |
| | | <u>-</u> | <u>(859,259)</u> | <u>-</u> | <u>(408,731)</u> | <u>(1,267,990)</u> |
| <i>Net financial assets/(liabilities)</i> | | <u>152,464</u> | <u>(852,484)</u> | <u>-</u> | <u>(396,694)</u> | <u>1,096,714</u> |
| 30 June 2013 | | | | | | |
| <i>Financial Assets</i> | | | | | | |
| Cash assets | 2.77% | 293,043 | 6,487 | - | - | 299,530 |
| Receivables | | - | - | - | 7,570 | 7,570 |
| Financial assets | | - | - | - | 1,560 | 1,560 |
| | | <u>293,043</u> | <u>6,487</u> | <u>-</u> | <u>9,130</u> | <u>308,660</u> |
| <i>Financial Liabilities</i> | | | | | | |
| Payables | | - | - | - | (541,291) | (541,291) |
| Interest bearing loans | 10.00 % | - | (580,480) | - | - | (580,480) |
| | | <u>-</u> | <u>(580,480)</u> | <u>-</u> | <u>(541,291)</u> | <u>(1,121,771)</u> |
| <i>Net financial assets/(liabilities)</i> | | <u>293,043</u> | <u>(573,993)</u> | <u>-</u> | <u>(532,161)</u> | <u>(813,111)</u> |

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:

| | 2014 \$ | 2013 \$ |
|------------------------------|------------------|------------------|
| 12 months or less (payables) | <u>1,267,990</u> | <u>1,121,771</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 20 Financial Instruments (Cont'd)

(d) Net Fair Value of Financial Assets and Liabilities

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

Note 21 Fair Value Measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using at three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|-------------------------------|---------------|---------------|---------------|-------------|
| Consolidated - 2014 | | | | |
| Assets | | | | |
| Investment in listed entities | 1,380 | - | - | 1,380 |
| Total assets | 1,380 | - | - | 1,380 |
| Consolidated – 2013 | | | | |
| Assets | | | | |
| Investment in listed entities | 1,560 | - | - | 1,560 |
| Total assets | 1,560 | - | - | 1,560 |

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 22 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 23 Contingent Liabilities and Assets

There are no contingent liabilities as at 30 June 2014 (2013: \$NIL).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 24 Parent Entity Disclosures

| | 2014 | 2013 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| <i>Financial Position</i> | | |
| Assets | | |
| Current assets | 174,773 | 311,670 |
| Non-current assets | 3,371,834 | 3,120,095 |
| Total assets | <u>3,546,607</u> | <u>3,431,765</u> |
| Liabilities | | |
| Current liabilities | 1,267,990 | 1,125,904 |
| Total liabilities | <u>1,267,990</u> | <u>1,125,904</u> |
| Equity | | |
| Issued capital | 25,927,392 | 25,923,978 |
| Reserves | 651,005 | 605,705 |
| Accumulated Losses | (24,299,780) | (24,223,822) |
| Total equity | <u>2,278,617</u> | <u>2,305,861</u> |
| <i>Financial Performance</i> | | |
| Loss for the year | (75,958) | (151,450) |
| Other comprehensive income | - | (22,060) |
| Total comprehensive income | <u>(75,958)</u> | <u>(173,510)</u> |

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 compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;
2. 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; and
3. the directors have been given the declarations required by s295A of the *Corporations Act 2001*.

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



Mr Trevor Nye
Non-Executive Chairman

Dated at Perth this 11th day of September 2014

**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 2014, and the consolidated statement of profit or loss and other 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 2014 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

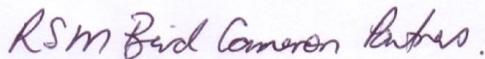
Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company and consolidated entity incurred net losses of \$75,958 and the consolidated entity had net cash outflows from operating activities of \$108,809 during the year ended 30 June 2014. As of that date, the company's and consolidated entity's current liabilities exceeded current assets by \$1,093,217. These conditions, along with other matters as set forth 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 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 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.



RSM BIRD CAMERON PARTNERS



DAVID WALL
Partner

Perth, WA
Dated: 11 September 2014

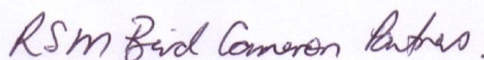
RSM Bird Cameron Partners

8 St George's Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Telezon Limited for the year ended 30 June 2014, 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



DAVID WALL
Partner

Perth, WA
Dated: 11 September 2014