

Telezon Limited

ACN 009 151 277

Half Year Financial Report

For the half-year ended 31 December 2007



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CORPORATE PARTICULARS

Directors	Frank Carr Brian Martin Victor Webb Michelle Marie Carr	Executive Chairman Director Director (Resigned 30 November 2007) Director (Appointed 30 November 2007)
Company Secretary	Bevan A Jaggard	
Registered Office	C/- Lawton Gillon Level 11 16 St George's Terrace Perth WA 6000	
Corporate Office	Level 9 37 St George's Terrace Perth WA 6000	
Mailing Address	GPO Box 2567 Perth WA 6001	
Share Registry	Advanced Share Registry Services 110 Stirling Highway Perth WA 6009	
Auditor	RSM Bird Cameron Partners 8 St Georges Terrace Perth WA 6000	
Solicitor	Lawton Gillon Level 11 16 St George's Terrace Perth WA 6009	

DIRECTORS' REPORT

The Directors of Telezon Limited (the **Company**) present their report together with the consolidated financial report for the half-year ended 31 December 2007 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the half-year are:

Name

Frank Carr

Victor G Webb

Resigned 30 November 2007

Michelle Marie Carr

Appointed 30 November 2007

Brian Martin

Review of Operations

The consolidated entity's loss for the half year ended 31 December 2007 was \$132,072 (2006: \$99,171).

As announced to the Australian Stock Exchange, the Company's current position and activities are:

Tool and Machine Modifications

Since the start of the Project, when the tool was based on blind-hole insert cavities, we have developed simplified, affordable, reliable split cavity tooling. The performance of the patented technique has been proven, and enhanced to the stage where we are now able to mould any shape of needle at will.

At the same time, machine modifications that were carried out to enhance the patent's performance may well be patentable; being uniquely applicable and novel.

Georgia Institute of Technology:

We have continued our testing program through GIT and have received the first official test results. The results indicated the need to make a number of small modifications to the tool, and these have been done.

The process has been fundamentally modified to fully pack the tips and blades prior to gas evacuation to lower penetration forces. This modified process has produced sharper needles that are needed to pass one of the necessary tests required for regulatory approval.

The Testing Program has been extended to complete lubrication tests (with the TriboGlide coating (see reference to Tribofilm Research, Inc. below) and the Dow Silicone coating) to reduce the frictional trauma yet further.

GIT continues to work on the modelling of needle penetration into the skin, which is necessary to model the effect of tip geometry. The tests are important so as to move towards testing for FDA/TGA Approval and the commercialisation of the product.

Dow Corning:

Under an agreement with Dow Corning, Dow has undertaken initial penetration tests which have confirmed the findings from GIT.

Dow has trialled a number of lubricants on the SSB Technology and has identified MDX4 as a potential candidate as a lubricant for plastic needles.

Marketing:

Since our last report further advances have been made regarding the marketing of the process.

- As previously announced, SSB Technology Pty. Ltd. has signed a Heads of Agreement with BMDi Pty. Ltd., a wholly owned subsidiary of IMD Group Limited (ASX code: IML). under which the following opportunities are available for implementation:

DIRECTORS' REPORT contd.

(1) SSB would offer BMDi the exclusive rights to distribute SSB patented needle products to the DCAP (*developing countries*) markets globally. BMDi would offer this product either as a separate device or packaged with BMDi products including its range of NRS (non re-use syringes) including auto-disable, manual retractable and auto-retractable safety syringes.

(2) BMDi will assist SSB in obtaining the necessary regulatory certifications and registrations within the market. SSB would supply the required background technical information and testing reports while BMDi would provide the necessary knowledge, skills and contacts to obtain the required certifications and registrations.

(3) BMDi will act as a supply partner to engage manufacturing partners who have the capability to produce the SSB patented products to the level of quality and price necessary.

As a result of this agreement, SSB is currently in discussion with BMDi for the potential development of the following using the SSB Technology:

1. Reconstitution Needles – 18 – 19 g at 1" in length
2. Needles for the Developing Countries Aid Program.

BMDi has presented the SSB Technology at Medica, the world's largest health & medical equipment trade show in the world. www.medica.de in November 2007.

Apart from Medica, BMDi is also showing our product at WHO, GAVI and Global Fund offices in Geneva, and PATH in the USA.

- **SIGN 2007** – once again the SSB Technology has been shown and presented at the 2007 SIGN Conference in Zurich. As a result of the conference, SSB has been approached by a Danish Syringe Manufacturer, with a view a joint marketing efforts on certain products.
- SSB has also agreed to provide plastic needles to TriboFilm Research Inc. of Raleigh, NC, USA and the Georgia Institute of Technology to assist in developing coating systems for plastic hypodermic mini-needles. SSB has a long standing relationship with Professor Colton and the Georgia Institute of Technology.

SSB has committed to support the SBIR contract proposal that TriboFilm Research is submitting in response to the CDC's Vaccine Technology (VAXTECH) unit of the Immunization Safety Office entitled "Silicone-free Lubrication System for Plastic Hypodermic Needles for Cutaneous Vaccination Delivery." SSB will provide plastic hypodermic needles fabricated from liquid crystal polymer as needed to support the proposed research at the phase 1 level of the project. Depending upon the success of the project SSB is prepared to participate in a potential phase 2 project, where SSB will assist in developing and producing plastic mini-needles for the world market.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 370C of the *Corporations Act 2001* is included in the financial report for the half-year ended 31 December 2007.

Signed in accordance with a resolution of the Directors.

Frank Carr
Chairman

Dated: 27 February 2008

CONSOLIDATED INCOME STATEMENT
For the half year ended 31 December 2007

	Consolidated	
	31 December 2007 \$	31 December 2006 \$
Revenue from non-operating activities	39,640	68,101
Revenue from ordinary activities	39,640	68,101
Depreciation expenses	4,966	-
Consulting and directors' fees	120,000	121,500
Listing and share registry expenses	8,818	32,631
Other expenses from ordinary activities	37,928	13,141
Loss from ordinary activities before income tax	132,072	99,171
Income tax expense relating to ordinary activities	-	-
Net loss attributable to members of Telezon Limited	132,072	99,171
Loss Per Share		
Basic and diluted loss (cents) per share	0.5	0.4
Diluted loss (cents) per share	0.2	0.2

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Consolidated	
	31 December 2007	30 June 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	1,689,554	1,995,626
Receivables	13,935	7,074
Total current assets	<u>1,703,489</u>	<u>2,002,700</u>
NON-CURRENT ASSETS		
Investments	12,000	-
Intangibles	1,291,503	1,140,381
Plant and equipment	79,619	84,160
Total non-current assets	<u>1,383,122</u>	<u>1,224,541</u>
Total assets	<u>3,086,611</u>	<u>3,227,241</u>
CURRENT LIABILITIES		
Payables	9,668	40,326
Total liabilities	<u>9,668</u>	<u>40,326</u>
Net assets	<u>3,076,943</u>	<u>3,186,915</u>
EQUITY		
Contributed equity	24,198,486	24,176,386
Reserves	585,231	585,231
Accumulated losses	(21,706,774)	(21,574,702)
Total equity	<u>3,076,943</u>	<u>3,186,915</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2007

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
As at 1 July 2006	23,841,471	585,231	(21,396,349)	3,030,353
Loss for the period	-	-	(99,171)	(99,171)
Shares issued for purchase of technology and consultancy services	345,000	-	-	345,000
Transaction costs from issue of shares	(10,085)	-	-	(10,085)
As at 31 December 2006	24,176,386	585,231	(21,495,520)	3,266,097

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
As at 1 July 2007	24,176,386	585,231	(21,574,702)	3,186,915
Loss for the period	-	-	(132,072)	(132,072)
Shares issued upon exercise of options	22,100	-	-	22,100
As at 31 December 2007	24,198,386	585,231	(21,706,774)	3,076,943

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

CONSOLIDATED CASH FLOW STATEMENT
For the half year ended 31 December 2007

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Cash flows from Operating Activities		
Payments to suppliers and employees	(216,265)	(194,821)
Interest received	39,640	68,101
Net cash used in operating activities	<u>(176,625)</u>	<u>(126,720)</u>
Cash flows from Investing Activities		
Payments for plant and equipment	(425)	(2,139)
Payments for research and development expenditures	(151,122)	(118,404)
Net cash used in investing activities	<u>(151,547)</u>	<u>(120,543)</u>
Cash flows from Financing Activities		
Proceeds from issue of shares	22,100	-
Fund raising costs	-	(10,085)
Net cash provided by Financing activities	<u>22,100</u>	<u>(10,085)</u>
Net increase in cash held	(306,072)	(257,348)
Cash at the beginning of the half-year	<u>1,995,626</u>	<u>2,426,574</u>
Cash at the end of the half-year	<u>1,689,554</u>	<u>2,169,226</u>

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

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2007

1. Basis of Preparation

Telezon Limited ("the Company") is a company domiciled in Australia. The consolidated half-year report of the Company as at and for the six month ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: 'Interim Financial Reporting', Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Telezon Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2007 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year financial report has been prepared on an accrual basis and is based on historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

2. Intangibles

	Consolidated	
	December 2007	June 2007
	\$	\$
Patented plastic needle technology development expenditure		
Opening balance	1,140,381	797,256
Development expenditure incurred during the period	151,112	343,125
Closing balance	1,291,503	1,140,381

3. Contributed Equity

a) Paid up capital

28,510,500 (30 June 2007: 28,400,000 ordinary shares) \$

b) Movements

	No of Shares	Paid up Capital
Balance 1 July 2007	28,400,000	24,176,386
Shares issued by exercise of options	110,500	22,100
	28,510,500	24,198,486

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2007**4. Segment Information**

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

5. Events Subsequent to Reporting Date

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

6. Contingent Liabilities

The Company commenced proceedings in the Supreme Court of Western Australia seeking a declaration that the Company is not indebted to a third party, which has a registered charge against the Company. The charge was executed and registered when the Company was the subject of a Deed of Company Arrangement. The funds advanced by a third party or its predecessor, were advanced to the Administrator to enable the Administrator to satisfy the creditors of the Company. At this time, the Company is not able to determine the outcome of the litigation as it is still ongoing.

7. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2007 annual financial report.

8. Dividends

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 9:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
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.

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

Frank Carr
Chairman

Dated: 27 February 2008

RSM Bird Cameron Partners

Chartered Accountants

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Telezon Limited ("the Company") which comprises the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, accompanying notes to the financial statements and the directors' declaration. The consolidated entity comprises both Telezon Limited ("the company") and the entities it controlled during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at [reporting date] 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 Australian professional ethical pronouncements and the *Corporations Act 2001*.

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 company's and consolidated entity's financial position as at 31 December 2007 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*.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 27 February 2008

S C Cubitt
Partner

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
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www.rsmi.com.au

AUDITORS' INDEPENDENCE DECLARATION TO THE BOARD OF DIRECTORS OF TELEZON LTD

As lead audit partner for the audit of the financial report of Telezon Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 27 February 2008

S C Cubitt
Partner