

Telezon Limited and Controlled Entities

ACN 009 151 277

Half Year Financial Report

For the half-year ended 31 December 2010



CORPORATE PARTICULARS

Directors	Dr Michelle Carr Mr Trevor Nye Ms Elaine Carr	Director Director Director
Company Secretary	Dr Michelle Carr	
Registered Office	c/- Lawton Gillon Level 11 16 St George's Terrace Perth WA 6000	
Corporate Office	Caribbean Business Park 1 Dalmore Drive Scoresby VIC 3197	
Mailing Address	P.O. Box 485 South Melbourne VIC 3205	
Share Registry	Advanced Share Registry Services 150 Stirling Highway Perth WA 6009	
Auditor	RSM Bird Cameron Partners 8 St George's Terrace Perth WA 6000	
Solicitor	Lawton Gillon Level 11 16 St George's Terrace Perth WA 6000	

DIRECTORS' REPORT

The Directors of Telezon Limited ("the Company") present their financial report on the Company and the controlled entity for the half-year ended 31 December 2010.

Directors

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

- Michelle Carr
- Trevor Nye
- Elaine Carr (Appointed 22 November 2010)
- Ross Gillon (Resigned 22 November 2010)

Review of Operations

Loss attributable to members of Telezon Limited for the half year ended 31 December 2010 was \$145,170 (2009: \$193,694). No dividends were paid or declared payable during or since the half-year.

Product and Process development

- The needle hub has been modified to comply with ISO 594 and alterations on the needle mould have been executed accordingly.
- The needle mould and related needle point quality have been further refined by improving the tooling precision.
- Minor alterations have been carried out on the needle cap mould. The development of the needle cap has been completed and the pre-production mould has been qualified and is now ready for validation.
- The packaging supplier and contractor has been evaluated and selected for the small volume needle production.
- Prototypes have been fabricated for the *DuoDraw™* System. The prototypes have been used to create an animated product presentation.

Patent portfolio / Trademarks

- The SSB patent – 'Advanced-flow Draw-up and Injection System' - has been expanded with additional functionality and a PCT application has been lodged.
- Trademark applications have been lodged for the plastic draw-up needle (*SingleDraw™*), Attachable draw-up and Injection Unit (*DuoDraw™*) and for the advance moulding technology (*CoreIT™*) which is utilised for producing the *SingleDraw™* needle.

Relocation of CoreIT™ technology

- The needle mould and needle cap mould have been transferred to GEMU GmbH, Switzerland.
- In collaboration with GEMU, one of the moulding machines in their clean room facilities has been customised to enable the successful installation of the needle mould.
- Trials on an all-electric machine at GEMU have realised a more precise and stable moulding process, compared to the SSB in-house prototype machine.

Regulatory affairs

- A Quality Manual System has been completed in respect to complying with FDA regulations. The Quality Manual has been approved internally and is currently being implemented.
- A Product Requirement Specification for the *SingleDraw™* was compiled and signed by SSB and the contract manufacturer, GEMU, Switzerland.
- A technical leaflet on how to operate the needle mould has been completed and submitted to the contract manufacturer.

Events Subsequent to Reporting Date

Subsequent to the end of the half year, the Company issued 5,835,987 ordinary shares, raising \$291,799. These were shortfall shares pursuant to the December 2010 rights issue exercise.

Other than the above, 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.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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

Signed in accordance with a resolution of the Directors.



Michelle Carr
Director

Dated at Perth this 24 day of February 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2010

	Consolidated Group	
	31 December 2010	31 December 2009
	\$	\$
Revenue from non-operating activities	3,404	742
Depreciation expenses	(4,109)	(9,931)
Consulting and directors' fees	(96,962)	(120,000)
Listing and share registry expenses	(15,336)	(24,582)
Other expenses from ordinary activities	(32,167)	(39,923)
Loss before income tax	(145,170)	(193,694)
Income tax expenses	-	-
Loss after income tax	(145,170)	(193,694)
Other comprehensive income		
Movement in fair value of available for sale investments	18,400	-
Income tax relating to the components of other comprehensive income	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	18,400	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(126,770)	(193,694)
Basic loss per share (cents per share)	(0.46)	(0.67)
Diluted loss per share (cents per share)	(0.46)	(0.67)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Note	Consolidated Group	
		31 December 2010	30 June 2010
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		356,060	484,100
Trade and other receivable		64,650	7,812
Other assets		-	1,802
Financial assets		44,300	25,900
Total Current Assets		<u>465,010</u>	<u>519,614</u>
Non-Current Assets			
Intangibles	2	2,175,564	2,037,224
Plant and equipment		50,683	54,792
Total Non-Current Assets		<u>2,226,247</u>	<u>2,092,016</u>
Total Assets		<u>2,691,257</u>	<u>2,611,630</u>
Liabilities			
Current Liabilities			
Trade and other payables		127,839	148,909
Total Current Liabilities		<u>127,839</u>	<u>148,909</u>
Total Liabilities		<u>127,839</u>	<u>148,909</u>
Net Assets		<u>2,563,418</u>	<u>2,462,721</u>
Equity			
Issued capital	3	24,751,853	24,524,386
Reserves		637,605	619,205
Accumulated losses		(22,826,040)	(22,680,870)
Total Equity		<u>2,563,418</u>	<u>2,462,721</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2010

	Issued Capital \$	Financial Assets Reserve \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2009	24,296,386	-	605,705	(22,214,808)	2,687,283
Loss for the period	-	-	-	(193,694)	(193,694)
Total comprehensive income for the period	-	-	-	(193,694)	(193,694)
Balance at 31 December 2009	24,296,386	-	605,705	(22,408,502)	2,493,589
Balance at 1 July 2010	24,524,386	13,500	605,705	(22,680,870)	2,462,721
Loss for the period	-	-	-	(145,170)	(145,170)
Movement in fair value of available for sale investments	-	18,400	-	-	18,400
Total comprehensive income for the period	-	18,400	-	(145,170)	(126,770)
Shares issued during the period	229,534	-	-	-	229,534
Transaction costs	(2,067)	-	-	-	(2,067)
Balance at 31 December 2010	24,751,853	31,900	605,705	(22,826,040)	2,563,418

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2010

	Consolidated Group	
	31 December 2010	31 December 2009
	\$	\$
	Inflows/(Outflows)	
Cash flows from Operating Activities		
Payments to suppliers and employees	(173,521)	(184,455)
Interest and dividends received	3,404	742
Net cash (used in) operating activities	<u>(170,117)</u>	<u>(183,713)</u>
Cash flows from Investing Activities		
Payments for research and development expenditures	<u>(120,739)</u>	<u>(173,161)</u>
Net cash provided (used in) investing activities	<u>(120,739)</u>	<u>(173,161)</u>
Cash flows from Financing Activities		
Proceeds from issue of shares	<u>162,816</u>	<u>-</u>
Net cash provided by financing activities	<u>162,816</u>	<u>-</u>
Net decrease in cash held	(128,040)	(356,874)
Cash and cash equivalent at the beginning of the half-year	<u>484,100</u>	<u>872,828</u>
Cash and cash equivalent at the end of the half-year	<u><u>356,060</u></u>	<u><u>515,954</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2010**1. Basis of Preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including *AASB 134 Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Telezon Limited and its controlled entities ("the consolidated entity"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim half-year financial report as were applied in the most recent annual financial statements.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$145,170 and net cash outflows from operating activities of \$170,117 for the half-year ended 31 December 2010.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The ability of the company to issue additional shares under the Corporations Act 2001, as occurred during the half year as disclosed in the condensed consolidated statement of changes in equity, of which a further \$291,799 was raised subsequent to the half year ended 31 December 2010 (refer to Note 6);
- The possible commercial exploitation of the consolidated entity's patented plastic hypodermic needle technology (Note 2), at amounts sufficient to meet proposed expenditure commitments; and
- The consolidated entity has the ability to scale down its research and development operations to conserve cash, in the event that the commercialisation of its patented plastic hypodermic needle technology or capital raisings, are delayed or insufficient to meet expenditure commitments.

Reporting Basis and Conventions

The half-year report has been prepared on an accrual basis and is based on historical cost, except for available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2010

2. Intangibles

	Consolidated	
	December 2010 \$	June 2010 \$
Patented plastic needle technology development expenditure		
Patented plastic hypodermic needle technology – at acquisition cost	613,401	613,401
Development expenditure incurred since acquisition	1,562,163	1,423,823
Balance at end of the period	2,175,564	2,037,224

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

3. Issued Capital

	No. of Shares	\$
Ordinary shares		
Issued and fully paid	35,870,680	24,751,853
Movement in fully paid ordinary shares:		
Balance at 1 July 2010	31,280,000	24,524,386
Shares issued during the period	4,590,680	229,534
Transaction costs	-	(2,067)
Balance at 31 December 2010	35,870,680	24,751,853

4. Dividends

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

5. Segment Information

The Directors have considered the requirements of *AASB 8 Operating Segments* and the internal reports that are reviewed by the Board in allocating resources and have concluded that at this time there are no separately identifiable segments.

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

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2010**6. Events Subsequent to Reporting Date**

Subsequent to the end of the half year, the Company issued 5,835,987 ordinary shares, raising \$291,799. These were shortfall shares pursuant to the December 2010 rights issue exercise.

Other than the above, 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.

7. 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 in 2001. 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.

8. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2010 annual financial report.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes as set out within this financial report:
 - (a) comply with Accounting Standard AASB 134 *"Interim Financial Reporting"* and the *Corporations Act 2001*; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 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.



Michelle Carr
Director

Dated: 24 FEBRUARY 2011

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 condensed consolidated statement of financial position as at 31 December 2010, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of 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 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Telezon Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

RSM Bird Cameron Partners

Chartered Accountants

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Telezon Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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

RSM BIRD CAMERON PARTNERS
Chartered Accountants



D J WALL
Partner

Perth, WA

Dated: 24 FEBRUARY 2011

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

As lead audit partner for the review of the financial report of Telezon Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall

D J WALL
Partner

Perth, WA

Dated: *24 FEBRUARY 2011*