

# **InJet Digital Aerosols Limited**

ABN 26 104 014 379

**HALF-YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**INJET DIGITAL AEROSOLS LIMITED**  
31 December 2006 Half-Year Financial Report

Corporate Information

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**Directors**

Dr Michael Monsour (Chairman)

Mr Stephen Goodall (Non- Executive Director)

Mr Ross Mangelsdorf (Non-Executive Director)

**Company Secretary**

Mr. Ben Graham

**Registered and Principal Office**

Level 1  
85 Brandl St  
EIGHT MILE PLAINS QLD 4113

**Auditors**

Ernst & Young  
1 Eagle Street  
BRISBANE QLD 4000

**Share Registry & Register**

Link Market Services Ltd  
300 Queen Street  
Brisbane QLD 4000  
Ph: (07) 3228 4219

**Web-site**

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**Contact Information**

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## Directors' Report

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Your director's submit their report for the half-year ended 31 December 2006.

### **DIRECTORS**

The names of the directors of the company in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr Michael Monsour (Chairman)  
Mr Stephen Goodall  
Mr Ross Mangelsdorf (Appointed 19 October 2006)  
Mr Bryan Dulhunty (Resigned 19 October 2006)

### **RESULTS AND DIVIDENDS**

The loss after tax of the company for the half-year was \$176,462.

No dividend was proposed or paid.

### **REVIEW OF OPERATIONS**

The activities of the Company during the period under review continue to centre around the maintenance of its intellectual property portfolio, which now includes seven patent families. The Company incurred patent costs during the period of \$67,964 (2005: \$36,760)

InJet has licensed its technology to Canon Inc of Japan, who are developing a device for the delivery by inhalation of drugs using digital aerosol technology.

The Company has remained in contact with Canon and has sought information from Canon relating to the progress of their program involving the licensed InJet technology. To that end, InJet Directors Dr Michael Monsour and Mr Stephen Goodall travelled to Japan to meet with Canon in February 2007. Whilst Canon maintain their high level of confidentiality surrounding their project, the directors are satisfied that Canon's project is progressing and that InJet will realise a royalty in the future, although the timing and quantum of the royalty payment are not yet able to be reliably determined.

In late November, the Company signed a non-binding Heads of Agreement with Analytica Limited with a view to Analytica purchasing all of the issued capital of InJet. Subsequent to the balance date, Analytica withdrew their offer to InJet. Refer to Subsequent Events below for further details.

During the period, the Company settled the last know debt owing to a creditor of InJet Digital Aerosols Inc for \$55,511. The settlement of this debt is the final debt payment expected to be made on behalf of InJet Digital Aerosols Inc and no additional losses are expected. In November 2006, the shareholders of InJet Digital Aerosols Inc voted to wind that company up, a process which is now underway. This does not effect the ongoing operations of InJet Digital Aerosols Limited or the Canon Licensing Agreement.

InJet Directors have also commenced planning a capital raising to meet the ongoing working capital requirements of the Company. The main expense continues to be patent maintenance and these costs will be ongoing for the life of the patents. The portfolio of intellectual property is the

## Directors' Report continued

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subject of the Canon Agreement and the company maintains these patents to potentially realise future royalties under the Canon Agreement and to maintain Company value. It is expected that the capital raising documentation will be mailed to shareholders by May.

### **SUBSEQUENT EVENTS**

In late November 2006, the Company signed a non-binding Heads of Agreement with Analytica Limited with a view to Analytica purchasing all of the issued capital of InJet. Analytica is a listed medical device company who are in the early stages of commercialisation. Subsequent to the balance date, Analytica withdrew their offer to InJet.

Due diligence investigations were commenced by both Analytica and InJet in preparation for a formal takeover offer being made. During the due diligence process and subsequent to the balance date, InJet directors were contacted by a number of shareholders who indicated that they would not support the Analytica takeover of InJet. The independent directors of InJet conveyed this information to Analytica as it was to be a condition of the Analytica offer that holders of 90% of the issued capital in InJet accept the offer for it to proceed. The likely outcome of the takeover was that Analytica would secure less than the 90% acceptance that it required and it subsequently withdrew its offer to InJet.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A statement of independence has been provided by our auditors, Ernst & Young, and is included in the attached financial report.

Signed in accordance with a resolution of directors

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Dr M Monsour  
Chairman

12 March 2007

## Condensed Income Statement

for the half-year ended 31 December 2006

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<b>Continuing Operations</b>	<b>Notes</b>	<b>December 2006 \$</b>	<b>December 2005 \$</b>
<b>Revenues from Ordinary Activities</b>			
Interest from other persons/corporations		6,019	4,289
		<u>6,019</u>	<u>4,289</u>
<b>Expenses from Ordinary Activities</b>			
Administration expenses		(2,713)	(12,662)
Compliance expenses		(56,293)	(42,219)
Patent costs		(67,964)	(36,760)
Doubtful debt expense	7	(55,511)	(5,092)
Directors remuneration & consulting	8	-	(37,158)
		<u>(176,462)</u>	<u>(129,602)</u>
<b>Loss before income tax</b>			
Income tax expense		-	-
		<u>(176,462)</u>	<u>(129,602)</u>
<b>Loss for the period</b>			
		<u>(176,462)</u>	<u>(129,602)</u>
<b>Earnings per share (cents per share)</b>			
Basic/Diluted		(\$0.0004)	(\$0.0003)

## Condensed Balance Sheet

31 December 2006

	Notes	31 December 2006 \$	30 June 2006 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	108,580	123,484
Trade and other receivables		5,266	28,075
<b>Total current assets</b>		113,846	151,559
<b>TOTAL ASSETS</b>		113,846	151,559
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		31,383	149,848
Shares to be allotted		-	72,059
<b>Total current liabilities</b>		31,383	221,907
<b>TOTAL LIABILITIES</b>		31,383	221,907
<b>NET ASSETS/(DEFICIENCY)</b>		82,463	(70,348)
<b>EQUITY</b>			
Contributed Equity	3	1,329,273	1,000,000
Accumulated losses		(1,246,810)	(1,070,348)
<b>TOTAL EQUITY/(DEFICIENCY)</b>		82,463	(70,348)

## Condensed Cash Flow Statement

for the half-year ended 31 December 2006

	December 2006 \$	December 2005 \$
	<b>Notes</b>	
<b>Cash flows from/(used in) operating activities</b>		
Payments to suppliers and employees	(62,907)	(61,476)
Patent Costs	(159,719)	(54,779)
Interest received	6,019	4,288
InJet Inc creditors paid on assignment of debt	(55,511)	-
Repayment of loan	-	10,577
<b>Net cash used in operating activities</b>	<u>(272,118)</u>	<u>(101,390)</u>
<b>Cash flows from/(used in) investing activities</b>		
Purchase of Plant and equipment	-	-
<b>Net cash used in investing activities</b>	<u>-</u>	<u>-</u>
<b>Cash flows from/(used in) financing activities</b>		
Proceeds from issue of shares	286,676	-
Share issue costs	(29,462)	-
<b>Net cash provided by/(used in) financing activities</b>	<u>257,214</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>	(14,904)	(101,390)
<b>Cash at beginning of the financial period</b>	<u>123,484</u>	<u>244,333</u>
<b>Cash at the end of the financial period</b>	<u>2</u> 108,580	<u>142,943</u>

## Condensed Statement in Changes in Equity

for the half-year ended 31 December 2006

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	Note	\$ Share Capital	\$ Retained Profits	\$ Total
<b>Balance at 1-7-2005</b>		1,000,000	(773,396)	226,604
Loss for period		-	(129,602)	(129,602)
<b>Balance at 31-12-2005</b>		1,000,000	(902,998)	97,002
<b>Balance at 1-7-2006</b>		1,000,000	(1,070,348)	(70,348)
Loss for period		-	(176,462)	(176,462)
Share issue		358,735	-	358,735
Share issue costs		(29,462)	-	(29,462)
<b>Balance at 31-12-2006</b>		1,329,273	(1,246,810)	82,463

## Notes to the financial statements

for the half-year ended 31 December 2006 continued

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Preparation of the Half-Year Financial Report**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of InJet Digital Aerosols Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by InJet Digital Aerosols Limited during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

#### **a) Basis of Accounting**

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost basis.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. The financial report is presented in Australian Dollars.

#### **b) Statement of Compliance**

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereon, complies with International Financial Reporting Standards ('IFRS').

There are no AIFRS standards issued but not yet effected that are expected to impact the position and performance of the group.

#### **c) Going Concern**

The financial report for the half-year ended 31 December 2006 is prepared on a going concern basis. The directors believe that the going concern basis is appropriate due to past capital raising history and discussions with Canon in February 2007. The company incurred an operating loss after income tax of (\$176,462) (2005: \$129,602).

## Notes to the financial statements

for the half-year ended 31 December 2006 continued

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### **c) Going Concern continued**

The company's forward cash-flow projections currently anticipate an excess of cash outflows over inflows and currently available cash, from operating activities. The directors intend to undertake a capital raising of approximately \$2 million prior to the end of June 2007. This additional funding will enable the company to continue to meet patent and administration costs. The directors expect to continue to receive the support of shareholders and creditors. Should this fund raising not be successful and alternative funds not be available, the company may not be able to continue as a going concern.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

### **d) Cash**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts

### **e) Trade and Other Receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less a provision for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### **f) Recoverable Amount of Assets**

At each reporting date the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## Notes to the financial statements

for the half-year ended 31 December 2006 continued

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### **f) Recoverable Amount of Assets continued**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

### **g) Trade and Other Payables**

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

### **h) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

**Sale of Goods Revenue:** Revenue is recognised when significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

**Rendering of Services:** Revenue from the rendering of a service is recognised upon the delivery of services.

**Interest Revenue:** Interest is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**Dividend Revenue:** Dividends are recognised when the right to receive a dividend has been established.

### **i) Income Taxes**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

## Notes to the financial statements

for the half-year ended 31 December 2006 continued

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### **i) Income Taxes continued**

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

### **j) Other taxes**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense as applicable ; or
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## Notes to the financial statements

for the half-year ended 31 December 2006 continued

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### k) Cash flows

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### l) Comparative Figures

Where required by Accounting Standards comparative information has been adjusted to confirm with changes in presentation for the current year.

	December 2006 \$	June 2006 \$
<b>2. CASH</b>		
Cash at bank	108,580	123,484
	<u>108,580</u>	<u>123,484</u>
<b>3. ISSUED CAPITAL</b>		
Ordinary Shares - Issued and fully paid	<u>1,329,273</u>	<u>1,000,000</u>
Movements in ordinary shares on issue	<b>Number</b>	<b>\$</b>
At 1 July 2006	451,078,391	1,000,000
Issued during the period	2,391,669	358,735
Share issue costs	-	<u>(29,462)</u>
At 31 December 2006	<u>453,470,060</u>	<u>1,329,273</u>

### 4. SEGMENT INFORMATION

The company operates solely as a biotechnology development company in Australia, holding rights to patents throughout the world.

### 5. EVENTS AFTER THE BALANCE SHEET DATE

In late November 2006, the Company signed a non-binding Heads of Agreement with Analytica Limited with a view to Analytica purchasing all of the issued capital of InJet. Analytica is a listed

## Notes to the financial statements

for the half-year ended 31 December 2006 continued

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### **5. EVENTS AFTER THE BALANCE SHEET DATE continued**

medical device company who are in the early stages of commercialisation. Subsequent to the balance date, Analytica withdrew their offer to InJet.

Due diligence investigations were commenced by both Analytica and InJet in preparation for a formal takeover offer being made. During the due diligence process and subsequent to the balance date, InJet directors were contacted by a number of shareholders who indicated that they would not support the Analytica takeover of InJet. The independent directors of InJet conveyed this information to Analytica as it was to be a condition of the Analytica offer that holders of 90% of the issued capital in InJet accept the offer for it to proceed. The likely outcome of the takeover was that Analytica would secure less than the 90% acceptance that it required and it subsequently withdrew its offer to InJet.

### **6. INVESTMENT IN SUBSIDIARY COMPANIES**

The Company owns 100% of Ponwell Enterprises Limited, a company incorporated in the British Virgin Islands. Ponwell Enterprises Limited has no assets or liabilities and has not traded.

Ponwell Enterprises Limited is in the process of being wound up, therefore the Company has not prepared consolidated financial statements.

### **7. SETTLEMENT OF INJET DIGITAL AEROSOLS INC CREDITORS**

During the period ended 31 December 2006 the Company settled a debt of Injet Digital Aerosols Inc in the amount of \$55,511. The directors determined on settlement of the amount that no recovery would be received from Injet Digital Aerosols Inc, given the company is in the process of being liquidated and accordingly the amount was written off in the period.

The settlement of this debt is the final debt payment expected to be made on behalf of Injet Digital Aerosols Inc and no additional losses are expected.

### **8. DIRECTORS FEES**

During the period ended 31 December 2006 the directors sought no fees for services provided. Fees for the current and prior periods will not be paid retrospectively in a future period.

### **9. CONTINGENT ASSETS AND LIABILITIES**

On 27 August 2003, the Company signed a licence agreement with Canon Inc of Japan. The licence granted is worldwide and relates to the Company's patent portfolio that cover inhaled drug delivery based on the inkjet technology. Under the terms of the licence agreement Canon will further develop and commercialise the inhaled drug technology.

The consideration for the Company was an upfront payment of US\$1 million and royalties on sales of the commercial product.

## Notes to the financial statements

for the half-year ended 31 December 2006 continued

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### **9. CONTINGENT ASSETS AND LIABILITIES continued**

Whilst the Company expects to receive a royalty stream from Canon in the future, the exact timing and amount of the royalty cannot yet be reliably determined.

In November 2006, the shareholders of InJet Digital Aerosols Inc voted to wind the company up. The costs relating to the wind up of the company will be met by InJet Digital Aerosols Limited. These costs are expected to total no more than USD\$10,000 and it is expected that they will be incurred prior to the end of the current financial year.

### **10. CORPORATE INFORMATION**

Injet Digital Aerosols Limited is a company incorporated in Australia and limited by shares. The nature of the operations and principal activities of the group are contained in Note 4.

## Directors' Declaration

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In accordance with a resolution of the directors of InJet Digital Aerosols Limited, I state that::

In the opinion of the directors:

- (a) the financial statements and notes of the company:
  - (i) give a true and fair view of the company's financial position as at 31 December 2006 and the performance for the half-year ended on that date; and
  - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) Subject to the inherent uncertainty regarding the continuation as a going concern as expressed in Note 1 to the financial report, that is, the ability of the company to pay its debts as and when they fall due, there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Dr Michael Monsour  
Chairman  
12 March 2007

## Independent Review Report

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Australia

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Fax 61 7 3011 3100

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### **Independent review report to members of Injet Digital Aerosols Limited**

#### **Scope**

##### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Injet Digital Aerosols Limited (the company), for the half year ended 31 December 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards AASB 134 *Interim Financial Reporting*, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

## Independent Review Report

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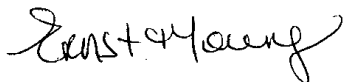
**ERNST & YOUNG**  
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Injet Digital Aerosols Limited is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Injet Digital Aerosols Limited at 31 December 2006 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

### **Inherent Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the statement expressed above, attention is drawn to the following matter. As described in Note 1 (c) "Going Concern" to the financial report there is significant uncertainty whether the company will be able to continue as a going concern and, therefore, whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the entity not be able to continue as a going concern.



Ernst & Young



Winna Brown  
Partner  
Brisbane

13 March 2007

## Auditor's Independence Declaration

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Australia

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Brisbane QLD 4001

### **Auditor's Independence Declaration to the Directors of Injet Digital Aerosols Limited**

In relation to our review of the financial report of Injet Digital Aerosols Limited for the half year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Winna Brown'.

Winna Brown  
Partner  
12 March 2007