

ANNUAL REPORT 2007 ■ HELICON GROUP LIMITED

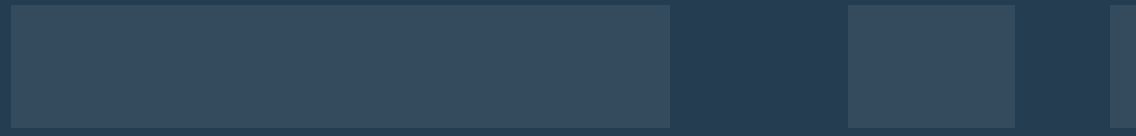


TABLE OF CONTENTS

Corporate Information	1
From the CEO.....	2
Directors' Report	8
Auditor's Independence Declaration.....	26
Income Statement.....	27
Balance Sheet.....	28
Statement of Changes in Equity	29
Cash Flow Statement.....	30
Notes to the Financial Statements.....	31
Directors' Declaration	61
Independent Audit Report	62
ASX Additional Information.....	63

CORPORATE INFORMATION

DIRECTORS

Dr Saliba Sassine
(Non-Executive Chairman)

Mr Peter Abrahamson
(Managing Director and CEO)

Dr Christopher Brown
(Non-executive Director)

Dr Arthur Emmett
(Non-Executive Director)

COMPANY SECRETARY

Mr Graeme Boden
Telephone 08 9321 4606
Facsimile 08 9321 6666
Email gboden@bigpond.net.au

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
PO Box 535, Applecross, WA 6153
Telephone 08 9315 2233
Facsimile 08 9315 2333
Email registrar@securitytransfer.com.au

BANKERS

ANZ Bank, Subiaco Branch
Shop 6, 464 Hay Street, Subiaco, WA 6008

AUDITORS

Stantons International
Level 1, 1 Havelock Street, West Perth WA 6005

Incorporated in Western Australia, February 2004

Listed on the Australian Securities Exchange (ASX)
Home Exchange - Perth
Code - HCG ordinary shares

From the CEO ■ HELICON GROUP LIMITED

WE TAKE PLEASURE IN PRESENTING HELICON GROUP'S ANNUAL REPORT WHERE WE HIGHLIGHT THE COMPANY'S KEY DEVELOPMENTS OVER THE PAST YEAR AND PROVIDE YOU WITH AN INSIGHT INTO THE YEAR AHEAD.

COMPANY OBJECTIVE

Helicon is a speciality pharmaceutical marketing company that takes proven proprietary products and drives their market value growth in China, the world's fastest growing pharmaceutical market.

China's Pharmaceutical Market is valued at US\$14billion is expected to rank in the top 5 globally by 2010 (BCG China Report 2005)

COMPANY STRATEGY

- Helicon is positioned to be the vehicle of choice into top tier hospitals in China and other North Asian markets for small to medium sized Western research driven biomedical companies.
- Helicon identifies poorly met needs in China and obtains exclusive licenses for innovative products, proven and registered in the western jurisdictions.
- Helicon manages the regulatory approvals and distribution and logistics using established blue chip market partners.
- Helicon owns the relationships with key opinion leaders and decision makers through the deployment of its own dedicated sales and marketing team.
- Helicon has an experienced Board and Management with breadth and depth of experience to effectively execute its strategy.

Helicon is the vehicle of choice into top tier hospitals in China and North Asia for Western approved *specialty pharmaceuticals* developed by research driven SME's



BUSINESS DEVELOPMENT

The Company's strategy is to use its inherent knowledge of the market and that of its partners and associates to identify potential niches. It then seeks suitable products that fit that niche and negotiates the exclusive license for the China and potentially other markets.

The segments being targeted include:

- Cosmetic and reconstructive surgery
- Critical care and general surgery
- Post surgical and general infectious diseases
- Oncology

Products undergo a strenuous evaluation process to meet Helicon's stringent requirements. Parameters such as the appeal and significance of the technology, the revenue potential and the competitive intensity in the market are some of the parameters evaluated.

The company is actively seeking innovative new technologies with significant revenue and profit potential in the China market. Helicon is in various stages negotiation with a number of Groups to negotiate exclusive rights to such technologies for the China and other North Asian markets.

It is Helicon's intention to add at least two more significant products to its portfolio by year end.



HELICON'S EXISTING PORTFOLIO:

ReCell® Autologous Skin Harvesting Device:

This exciting new generation tissue engineering technology involves a single use device used to harvest healthy skin for application to areas of damaged skin. The product is intended for enhanced wound healing, encouraging scar free healing and skin re-pigmentation.

Helicon owns the rights to distribute and market this Product in:

- China
- Hong Kong
- Macau

ReCell® has been accepted by the Chinese State Food and Drug Administration (SFDA) for evaluation. Approval to launch to product would typically follow towards the end of the March 2008 quarter. ReCell® has been registered and launched in Hong Kong and Macau.



Volplex® Blood Plasma Substitute:

Volplex® is a sterile solution of chemically-modified gelatin in normal saline. It is given by intravenous infusion to replace the plasma component of blood lost as a result of trauma or surgical procedure.

Helicon owns the rights to:

- China
- South Korea

Volplex® has been accepted for evaluation by the SFDA for evaluation. Approval to launch Volplex® would typically follow towards the end of the March Quarter 2009.



MedWrap Island Wound Dressing with MICROBAN®

A patented new generation wound dressing with a broad spectrum anti bacterial indicated for post surgical care. The dressing is designed to enhance wound healing and reduce hospital stay.

Helicon owns the rights to:

- Greater China
- South East Asia (excl. Thailand)
- Australasia

The regulatory dossiers are being prepared for filing in China and Korea by the end of calendar 2007 and regulatory approval typically follows within 6 – 9 months from filing.

ESTABLISHING A SOLID FOUNDATION FOR THE FUTURE

The major focus over the past year has been to prepare the company for its IPO. With imminent regulatory approvals in China the company has established solid alliances with strategic partners able to support the Company's ability to effectively execute its strategy.

During the year the Board satisfied itself that the company had the structure and in-market capability in place to successfully execute its commercialisation strategy and made the decision to prepare the company for its IPO.

Progress for the year included:

1. FORMALISING OUR CHINA LOGISTIC AND DISTRIBUTION CAPABILITY WITH BLUE CHIP LOGISTICS PARTNER, DKSH(SHANGHAI) LIMITED:

DKSH is a Swiss based multinational providing full scale supply chain management with established warehousing and IT infrastructure and a national network of over 700 distributors.

With this alliance Helicon will be able to leverage DKSH's established infrastructure to promptly respond to demand and rapidly move its products to the large number of hospitals and clinics across this vast market.

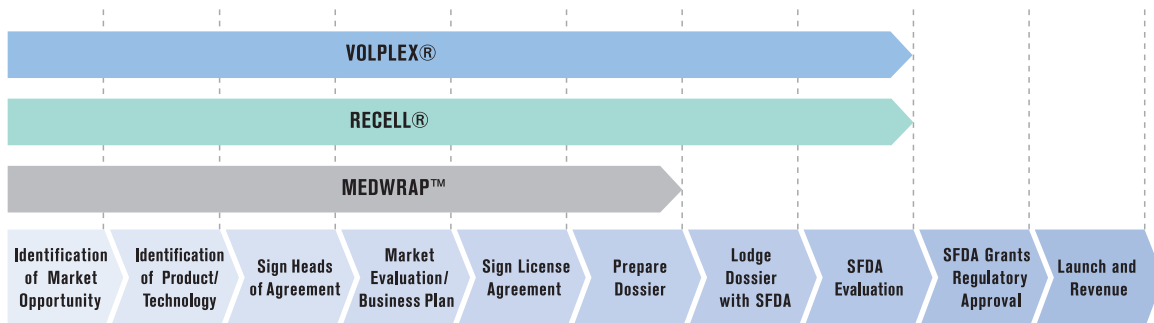
2. APPOINTING HIGHLY EXPERIENCED REGULATORY PARTNER: CHINAGATE

ChinaGate is a highly experienced and well connected in Regulatory and Government affairs providing a full range of services from Regulatory to Scientific and Clinical Affairs to a number of multinationals such as Bayer and J&J Vision-Care.

ChinaGate is responsible for the preparation and submission of Helicon's regulatory dossiers to the Chinese State Food and Drug Administration (SFDA), the negotiation of appropriate product classifications as well as the management of clinical trials should these be necessary in the future.

CHINAGATE HAS BEEN INSTRUMENTAL IN DRIVING OUR REGULATORY PROGRAM:

PROGRESS TO MARKET LAUNCH - CHINA



3. APPOINTING BLUE CHIP LOGISTICS AND MARKETING PARTNER IN HONG KONG: PHARMALINK (HK) LIMITED:

Pharmalink is a joint venture of Interpharma, parent of drug distributor Zuellig Pharma; Temasek Holdings (Private) Ltd; and Quintiles Transnational Corp. Pharmalink with a presence in all major markets in the Asia Pacific Region manages a product portfolio in excess of US\$300 million in 2006. Pharmalink in Hong Kong has been appointed as the marketing partner to companies such as Actelion, GSK, Wyeth, Intendis, Smith & Nephew, Pfizer Consumer and Ocean Healthcare.

As Helicon's partner, Pharmalink HK is responsible for the registration, importation logistics and sales and marketing functions of Helicon's product portfolio. Pharmalink has been licensed the rights to ReCell® for Hong Kong and as further products are added to the portfolio Pharmalink will apply its resources to the commercialisation of such products in this market.

4. LAUNCHING RECELL® IN HONG KONG:

Helicon has the exclusive rights for China, Macau and Hong Kong for this innovative single use autologous skin harvesting device. ReCell® has been shown to be useful in treating small wounds and encouraging scar free healing.

Helicon has launched its first product with the introduction of ReCell® in Hong Kong. An extensive training and product trial process has commenced targeting leading cosmetic surgeons and dermatologists in Hong Kong and interest in the benefits of this technology is strong.

5. ESTABLISHING AN ALLIANCE WITH SPECIALIST MEDICAL DEVICE PARTNER IN KOREA: DAEUN MEDICAL:

South Korea with a population of 48 million has the 12th largest economy in the world ranked by GNI (Gross National Income) and is one of the fastest growing economies in the OECD. The Korean medical device market is valued at approximately US\$ 3 billion. Helicon Group owns the exclusive commercialisation rights for the product for China, South Korea, Taiwan, Hong Kong as well as a number of South East Asian markets.

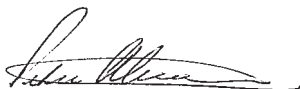
Daeun Medical is a distributor specialising in the promotion and sales of medical devices and wound care products. It is led by professionals with significant experience in these market sectors. Daeun Medical have their own sales staff but also use a network of sub-distributors to ensure their products reach hospitals in all parts of the country. The deal covers Medwrap's Island Wound Dressing with Microban® technology which has already been approved by the US Food and Drug Administration.

THE YEAR AHEAD

The key focus for the year ahead is now very clear. Our highest priority will be the successful launch of our existing portfolio in China immediately upon regulatory approval. We now have the partners, resources and management in place to enable the company to effectively execute its strategy.

Of equal importance will be to extend our portfolio by in- licensing additional unique technologies in line with our portfolio strategy which have met our criteria as having solid commercial potential in the exciting and dynamic China market.

On behalf of the Board of Directors I would like express my sincere thanks to our shareholders, employees and business partners for their commitment and confidence in Helicon as it establishes a foundation to realise the enormous potential presented by the China and North Asian healthcare markets.



Peter Abrahamson
CEO and Managing Director

Directors' Report

HELICON GROUP LIMITED

The directors present their report on the Company together with the financial report for the financial year ended 30 June 2007.

1. DIRECTORS

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

Dr Saliba Sassine
(Aged 54)
BEC (Hons) PhD
Non-executive Chairman

Appointed 24th November 2005. Current term ends November 2008.

He is also Chairman of Allegra Capital Pty Limited, a boutique investment bank specialising in the fields of biotechnology and natural resources. Dr Sassine has held positions at Chairman or CEO level in a number of listed and privately held technology and emerging companies and has directed and advised on the activities of a number of 'start up' and early stage enterprises at pre and post IPO. He has served as Chairman of the Western Australian State Branch of the Australia Biotechnology Association (now AusBiotech) and was previously a member of the Board of Directors of AusBiotech. Dr Sassine has also held positions as a senior ministerial and government adviser in Australia and represented the Western Australian Government on a number of state and national advisory boards and committees. Dr Sassine is an Affiliate Member of the Securities Institute of Australia and is a member of the Advisory Board of the Institute of Entrepreneurial Management and Innovation in the Business School at the University of Western Australia.

Listed company directorships held in the last three years are as follows:

COMPANY	STATUS
Visiomed Group Limited	Resigned
Phylogica Limited	Resigned

Dr Christopher Brown
(Aged 50)
BBus MBA DBA
Non-executive Director

Appointed 27th November 2006. Current term ends November 2009.

Dr Brown is Fellow of the Institute of Management Consultants in Australia and a member of the Worldwide Institute of Management Consultants. He is a Certified Practising Accountant in Australia.

Dr Brown is also a director of William Buck (WA) Pty Ltd, Chartered Accountants and Business Advisors. Dr Brown is a founding director of GNS China Ltd, a Beijing based consultancy that advises and assists foreign corporations entering, or doing business, in the China market. Dr Brown has more than 16 years experience consulting in the offshore markets of Asia, North America and Europe.

Dr Brown held no listed company directorships in the last three years.

Dr Arthur Emmett
(Aged 72)
MB BS
Non-executive Director

Appointed 8th May 2006. Current term ends May 2009.

Dr Emmett has over 30 years experience in the pharmaceutical industry in the USA, Asia and Europe with particular recent experience in the China market.

Dr Emmett has held the position of Medical Director of Australian affiliates of G. D. Searle, Park Davis and W. S. Merrell. He spent 20 years with Ciba Geigy (now Novartis). In 1983 Dr Emmett was appointed Business Head North America, UK and the Nordic area based in Switzerland and in 1988 he was made Head of Worldwide Medical Affairs. In 1989 he was appointed Senior Vice President of Medical & Public Affairs, based in the USA. In 1994 Dr Emmett was appointed President and Vice-Chairman of the Board of Beijing Ciba Geigy Pharma Limited. Since 1997 Dr Emmett has periodically acted as a health care consultant in China.

Listed company directorships held in the last three years are as follows:

COMPANY	STATUS
Metabolic Pharmaceuticals Limited	Resigned
Proteome Systems Limited	Resigned

Mr Peter Abrahamson
(Aged 56)
MAICD

**Executive Director and
Chief Executive Officer (CEO)**

Appointed as executive director on 24th November 2005. Current term ends November 2008.

Appointed as Chief Executive Officer on 1st July 2005. This position does not have to seek re-election.

Mr Abrahamson has held the positions of Vice President – Asia Pacific of AMO Asia Ltd (Hong Kong based), Managing Director – East Asia, of Allergan Asia Limited (Hong Kong based), Managing Director of Allergan Australia Pty Ltd, Marketing Director of Allergan Australia Pty Ltd, Director of Business Development – Faulding Pharmaceuticals for FH Faulding Pty Ltd, Director of Sales and Marketing – Faulding Pharmaceuticals for FH Faulding Pty Ltd and Marketing Manager – Prescription Products for Wellcome Australia Limited. Mr Abrahamson has extensive senior management experience in the pharmaceuticals industry in the Asia Pacific region, and in recent years he has also conducted a successful consultancy advising companies on strategic and operational issues. Mr Abrahamson is a member of the Australian Institute of Company Directors (MAICD).

Mr Abrahamson held no listed company directorships in the last three years.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Mr Michael Featherstone was alternate director for Dr Brown but has not acted in that capacity at any time during, or since the end of the financial year. He resigned as alternate director on 30 April 2007.

2. COMPANY SECRETARY

Mr Graeme Boden
(Aged 58)
B.Ec (Hons) FCPA FAICD

Appointed 16th March 2007

Mr. Boden is an experienced business executive with more than 25 years in senior corporate or financial roles, particularly in the planning & evaluation function of the resources industry and in the finance & administration function of a range of industries. He has more than 20 years experience as a Director or Secretary of ASX listed companies.

3. DIRECTORS' MEETINGS

The numbers of directors' meetings attended by each of the Directors during the financial year are:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	A	B	A	B
Dr S Sassine	6	6	-	-
Dr C Brown	6	6	-	-
Dr A Emmett	6	6	-	-
Mr P Abrahamson	6	6	-	-

A = Number of meetings held while in office

B = Meetings attended

4. PRINCIPAL ACTIVITIES

The principal activities of the entity during the financial year were:

- identification and acquisition of marketing and distribution rights for products in the bio-medical field, for China and other Asian markets;
- application for registration of products with the State Food and Drug Administration in China;
- identification and securing of appropriate marketing and distribution channels in China;
- identification and assessment of certain product manufacturing options.

There were no significant changes in the nature of the Company's principal activities during the financial year, other than the process of listing on the Australian Securities Exchange.

5. OPERATING RESULTS

The Consolidated entity's operating loss for the financial year ended 30 June 2007 amounted to \$902,192 (2006: \$534,220). The consolidated entity's net assets at 30 June 2007 were \$299,042 (2006: \$1,193,543)

6. REVIEW OF OPERATIONS, LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Business

The business of Helicon is to commercialise in-licensed, Western specialty pharmaceutical and healthcare products and devices in the markets of China and North Asia.

Business Strategy

The Company identifies specific opportunities in the high-end specialty pharmaceutical and healthcare products segments targeted at disciplines such as emergency care and surgery in Level III and Level II hospitals. Hospitals in China are graded according to size. The Level III hospitals are the larger hospitals providing specialised care. There are approximately 1000 Level III hospitals in China. There are approximately 13,000 Level II hospitals. The Level I hospitals tend to be community based hospitals providing general care. A condition is that the product segment is not crowded with competitors and that an opportunity exists for an innovative and advanced Western product that is difficult to copy or has high barriers to competitors, and where a good profit margin is achievable. Western specialty pharmaceutical and healthcare products that meet a strict set of criteria will be identified and secured.

Position in the Value Chain

Helicon's position in the value chain is to secure the exclusive commercialisation rights for the China and North Asian markets through licensing or distribution agreements.

Helicon's strategy is to derive profits through the commercialisation of the products by managing the regulatory approval process and maintaining control of brand management and promotion through channel partners.

Identifying and Screening Opportunities

Helicon works closely with its channel marketing partners in China to identify specific product opportunities where there is a poorly met need. Helicon then utilises its network in the USA, Europe and Australia to identify small to medium sized pharmaceutical companies with CE Mark or US FDA approved products that can satisfy the unmet needs. A review is conducted of the market opportunity to determine if it is of a sufficient size and having the required margins to satisfy Helicon's hurdle rates and justify an investment in time and funds.

Securing Exclusive Rights

Once an opportunity is confirmed, Helicon works to secure the commercial rights by way of exclusive licence agreements, distribution agreements and/or manufacturing agreements.

Regulatory Approvals

Helicon manages the registration and regulatory approvals process through local market specialist and experienced consultants.

Marketing and Promotions

Helicon will not compete in the "value end" of the market, but will select high end quality Western specialty pharmaceutical and healthcare products that can command and maintain a premium price. In some cases, the Company may seek to have its products listed on the National Essential Drugs List, which represents a guideline for local, provincial and metropolitan lists for re-imburement.

Helicon will focus on promoting the quality and efficacy features of its products, utilising the perception together with published objective clinical evidence that Western medications are seen as superior in almost all categories.

Quality will be the key competitive feature and will be supported by a focused marketing and promotional programme to deliver the message to opinion leaders and the key decision makers in the buying decisions.

The marketing and promotional initiatives will be focused on positively influencing:

- (i) Opinion leaders in targeted disciplines such as surgery, anesthesia, dermatology and emergency medicine,
- (ii) Key decision makers in Level III and Level II hospitals, and
- (iii) Policy makers in health departments responsible for Level III and Level II hospitals.

Helicon appoints its own staff to implement marketing and promotions programs in China and develop important relationships with key opinion leaders.

Helicon's Sales and Marketing team will, in association with local partners, be responsible for:

- Promotional meetings with invited Western medical experts,
- Detailed presentation to senior medical specialists and hospital purchasing committees,
- Educational and training seminars,
- Advertising in the medical press, and
- Attendance and presentations at major biomedical conferences in China.

6. REVIEW OF OPERATIONS, LIKELY DEVELOPMENTS AND EXPECTED RESULTS (CONTINUED)

Sales and Distribution

Helicon will use the established sales teams of its in market partners. Such sales teams cover the top metropolitan centres in China and are responsible for gaining and maintaining distribution of Helicon's products in hospitals and targeted clinics.

In China, Helicon has appointed Edward Keller (Shanghai) Limited ("Edward Keller") as its in market partner for its existing product portfolio. Edward Keller has over 140 years of experience in Asia with consolidated transactional volume exceeding US\$2.7 billion and a compound annual growth rate in the region of 24% over the last 5 years. Edward Keller employs over 8000 people in its healthcare business. In the healthcare segment, Edward Keller has competencies in logistics, warehousing, commercial distribution, supply chain management and contract sales and marketing services. Edward Keller has been operating in China since 1995 and provides critically important services to Helicon from a robust IT platform to a network of 284 sub distributors covering 27 provinces throughout China. In China, Edward Keller represents principals such as Bayer, GE Healthcare, Alcon and St Jude.

HELICON'S PRODUCT SUITE

Volplex®

Helicon owns the exclusive rights to commercialise a generic blood plasma substitute product for the China and South Korean markets. Helicon's rights are extensive and, through an executed agreement with Maelor Pharmaceuticals, the Company has the exclusive manufacturing and marketing rights for succinylated gelatine branded as Volplex®, a new generation blood plasma substitute that the Directors believe has superior performance and qualities to other blood plasma substitute products.

The agreement with Maelor is in force until February 2012 whereupon Helicon has the option to renegotiate the Agreement for a further term.

Volplex® is a sterile solution of chemically-modified gelatine in normal saline. It is given by intravenous infusion to replace the plasma component of blood lost as a result of trauma or surgical procedure.

Volplex® belongs to a class of compounds known as *colloids*. Colloids are large molecules ('macromolecules') that can bind water to themselves. The particles in colloids are large enough to scatter light, yet small enough to remain stable in suspension.

Volplex® is produced from natural collagen from bovine sourced tissue. The complex processing which produces Volplex® is designed to achieve the largest possible structure for the lowest possible *weight*. A close analogy elsewhere in nature would be that of a snow-flake and a hailstone; both may well have the same weight; but the snowflake will occupy the most *space*. This allows Volplex® to meet the prime objective for plasma substitutes, which is to achieve the

greatest possible sustained retention in the blood vessels, but at the lowest possible molecular weight. High molecular weight compounds that are infused directly into the blood vessels can evade the body's protective and excretory mechanisms; this can lead to long-term accumulation in the liver and other tissues. This so-called 'storage phenomenon' is perceived by doctors and regulatory bodies as highly undesirable, since the effect of the stored material cannot be predicted.

There are advantages in using collagen as the primary source material for the production of infusion colloids:

- Collagen is non-species specific – i.e. collagen from any animal tissue is essentially indistinguishable from collagen derived from any other source
- All mammals possess collagenases (enzymes) that are capable of breaking down collagen of any origin. Collagen-derived infusion fluids are therefore easily broken down and eliminated, without the need for the generation of new enzyme systems
- Collagen-derived colloids are excreted in a predictable manner, and are not subject to tissue storage
- Collagen and its derivatives are non-antigenic
- Collagen and its derivatives have no detectable pharmacological effects.

6. REVIEW OF OPERATIONS, LIKELY DEVELOPMENTS AND EXPECTED RESULTS (CONTINUED)

China – A Special Market Situation for Blood Plasma Substitutes

In February 2005, the China Daily newspaper reported that Mr Wang Yu, the Deputy Director of the Ministry of Health announced that China will ban within three years the use of non-donated blood in hospitals. Prior to 1998, most blood used in Chinese hospitals was bought instead of donated. This led to rampant blood sales and resulted in significant increases in the transmission of infectious diseases through blood transfusions.

China's official number of HIV cases reached 840,000 in 2004, the majority of which were caused by illegal blood transactions in the 1990s. In the last three years, the emergence of SARS, Bird Flu Virus, as well as the high incidence of Hepatitis B and Hepatitis C, also focused attention on the central role of blood transfusions as a major cause of disease transmission.

These health market dynamics have created a special market situation for disease-free, high quality and high trust western blood plasma substitutes.

ReCell® – Autologous Skin Harvesting Device

Helicon has secured exclusive rights for China, Hong Kong and Macau for this innovative single use autologous skin harvesting device branded ReCell®.

ReCell® has been shown to be useful in treating small wounds, encouraging scar free healing and also re-pigmentation.

The product was acquired for its market potential, its fit with other products in Helicon's portfolio (i.e. MedWrap) and for its fit with Helicon's high end positioning.

The target market includes plastic reconstruction surgeons, dermatologists, burn surgeons and cosmetic specialists in the Level III and II hospitals as well as larger private hospitals and clinics in the larger metropolitan centres of China. The initial focus will be in the hospital based cosmetic and plastics area in the larger cities targeting the emerging middle class with disposable income. It is estimated that there are 1 million cosmetic clinics in China employing 11 million people although a lot of these are not accredited. The cosmetic and plastics markets in China are growth markets. Estimates put the amount spent in this market annually in the order of US\$2.4bn.

The product has CE Mark and is marketed in most major European markets. It also has approval from the Ministry of Health in Japan, the Therapeutic Goods Administration in Australia and various other markets in South East Asia. Approval in the US is pending a requirement by the US FDA for a comparative clinical trial.

Island Wound Dressing with Microban®

Helicon has secured the exclusive rights to this patented technology (US Patent No. 6,168,800B1 issued on 2nd January 2001) for Greater China, South Korea, South East Asia (excl. Thailand), Australia and New Zealand (11). The Island Wound Dressing with Microban (IWD with Microban®) has been approved by the US FDA and is marketed in the USA.

IWD with Microban® not only provides basic wound protection, but creates an optimal healing environment with respect to moisture and fluid pH to enhance re-epithelialisation with moist but not over saturated edges. This is achieved by trapping wound exudates in a reservoir between the inner and outer layers of the dressing. The reservoir ensures that exudates will not backflow to the incision site, nor will they strike the outer layer, thus preventing contamination outside the dressing. The outer layer is also semi-occlusive to allow escape of gas build-up without permitting the wound to dry. This allows IWD with Microban® to remain on site for twenty-four hours, or more, without need for replacement Microban®, the anti-bacterial agent (triclosan), inhibits bacterial growth of most strains (including Methicillin-Resistant Staphylococcus Aureus (MRSA)) and is impregnated into the wound-side layer of the dressing. Triclosan is effective, long-lasting, and will not dry into the wound site. It demonstrates non cytotoxic potential, and is thus a biocompatible agent.

The dressing stops the proliferation of bacteria which cause odours and pH changes that can affect healing negatively.

6. REVIEW OF OPERATIONS, LIKELY DEVELOPMENTS AND EXPECTED RESULTS (CONTINUED)

The product is approved for the treatment of wounds such as vascular access or peripheral IV sites, orthopaedic external pin sites, wound drain sites, surgical wounds (donor and graft sites, incisions, and partial to full thickness dermal ulcers (Stage I – IV pressure sores, venous stasis ulcers, arterial ulcers, diabetic ulcers)). Helicon sourced this product for its use in the treatment of Surgical Site Infections (SSI's). In the USA, SSI's are the third most frequently reported infection. Of these SSI's, two thirds are confined to the incision, and one third are confined to organs or spaces accessed during the operation. It is estimated that there are more than thirty five (35) million surgical procedures performed each year in hospitals in major cities in China, Korea and Taiwan alone. The incidence of Surgical Site Infections (SSI's) is estimated at 3% to 5% of total surgical procedures performed. This is an estimated incidence of between 1,200,000 to 1,700,000 SSI's annually. There are approximately forty major cities in China. Each city has between ten – thirty top-tier hospitals and twenty – forty second-tier hospitals. The estimated number of surgical procedures for these two levels of hospitals ranges from up to 24,000 in the top tier hospitals to 10,000 in the second tier hospitals per annum.

Product Pipeline

It is the Company's stated objective to secure a portfolio of up to 10 products.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Company incorporated three subsidiaries.

Helicon (China) Pty Limited, incorporated 18 July 2006

Helicon (Korea) Pty Limited, incorporated 18 July 2006

Helicon (Asia) Pty Limited, incorporated 2 August 2006.

All subsidiary companies are wholly owned by Helicon Group Limited and have issued capital of one share.

8. DIVIDENDS

No dividends have been paid or declared for payment by the consolidated entity since the end of the previous financial year.

9. EVENTS SUBSEQUENT TO REPORTING DATE

The company was admitted to the official list of the Australian Securities Exchange on 19th September 2007 and commenced trading on 21st September.

The initial public offering closed with 15,081,500 shares subscribed at \$0.20 fully paid, raising \$3,016,300. The issued capital of the Company upon completion of this raising was 82,277,377 shares.

Contemporaneously with the issue of the new shares, 2,000,000 options, exercisable at \$0.20 within 48 months of ASX quotation, were granted to nominees of the lead broker to the issue.

10. DIRECTORS' INTERESTS

At the date of this report the directors' interests in shares and options of the Company are:

	ORDINARY SHARES	OPTIONS
Dr S Sassine	25,265,000	-
Dr C Brown	10,263,334	-
Dr A Emmett	1,000,000	500,000
Mr P Abrahamson	466,000	4,000,000

11. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

11.1 Indemnifying Officers of Auditor

The Company has not given any indemnities or entered into any agreements to indemnify or paid or agreed to pay insurance premiums in relation thereto, during or since the financial year.

11.2 Directors' and Officers' indemnity

The Company has not given any indemnities or entered into any agreements to indemnify directors and officers. Subsequent to balance date the Company has paid insurance premium for one year cover in respect of directors' and officers' liability insurance contracts for officers of the Company. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

12. NON AUDIT SERVICES

The following non-audit services were provided by Stanton Partners Corporate Pty Ltd, an associate of the Company's auditors, Stantons International. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Stanton Partners Corporate Pty Ltd received the following amount for the provision of non-audit services:

Independent Accountants Report	\$8,000
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13. INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

There are no contracts or proposed contracts with the Company in which any director has an interest, other than contracts of executive employment for Mr P Abrahamson and a service agreement with a firm associated with the chairman, Dr Saliba Sassine.

14. UNISSUED SHARES UNDER OPTION

At the date of this report, the unissued ordinary shares of Helicon Group Limited under option are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
01/07/2005	30/09/2009	\$0-20	4,000,000
01/05/2006	31/10/2008	\$0-20	500,000
01/06/2007	30/09/2009	\$0-20	500,000
12/09/2007	21/09/2011	\$0-20	2,000,000
			7,000,000

On 1 June 2007 the directors ratified the grant of 500,000 options to Dr A Emmett, pursuant to the letter of offer for his appointment as a director of the Company. The options are fully vested at grant date and are exercisable at \$0.20 on or before 30 September 2009.

Subsequent to the end of the reporting period and in conjunction with the ASX listing, 2,000,000 options were granted to nominees of the lead broker to the issue. The options are fully vested at grant date and are exercisable at \$0.20 on or before 21 September 2011, being 24 months after the options are released from ASX escrow.

No options were exercised during, or since, the financial year.

No person entitled to exercise options has or had any right to by virtue of options to participate in any share issue of any other body corporate.

15. ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The consolidated entity is not subject to any significant environmental legislation.

16. 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.

The Company was not a party to any such proceedings during the year.

17. CORPORATE GOVERNANCE STATEMENT

Helicon has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Ten Essential Corporate Governance Principles and Best Practice Recommendations as published by ASX Corporate Governance Council.

The Company has placed the following information on its website:

- Statement of Board and Management Functions.
- Policy and procedure for selection and appointment of new Directors.
- Summary of code of conduct for Directors and key executives.
- Summary of policy on securities trading.
- Audit Committee Charter.
- Policy and procedure for selection of external auditor and rotation of audit engagement partners.
- Summary of policy and procedure for compliance with continuous disclosure requirements.
- Summary of arrangement regarding communication with and participation of shareholders.
- Summary of Company's risk management policy and internal compliance and control system.
- Process for performance evaluation of the Board, Board committees.
- Remuneration Committee Charter.
- Corporate Code of Conduct.

17. CORPORATE GOVERNANCE STATEMENT (CONTINUED)
Explanations for departures from best practice recommendations

Corporate Governance Disclosures

During the Reporting Period the Company has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below.

PRINCIPLE REFERENCE	RECOMMENDATION REFERENCE	NOTIFICATION OF DEPARTURE	EXPLANATION FOR DEPARTURE
2	2.1	Dr Arthur Emmett is the only one of four directors of the Company who is independent in accordance with the test of the Best Practice Recommendations as published by the ASX Corporate Governance Council	The chairman, Dr Saliba Sassine and Dr Chris Brown are defined as non-independent because their shareholdings exceed the substantial shareholding threshold of 5%. The Chief Executive Officer is a director and full time employee. The Board has evolved as the company has developed and will continue to do so and the composition of the Board will be reviewed periodically as the needs of the Company change to meet its circumstances. Notwithstanding the defined lack of independence, the Board considers that all directors act in alignment with the interests of the body of security holders.
2	2.2	The Chairman does not satisfy the Independence Test.	The Board considers Dr Sassine to act in an independent manner, consistent with the interests of security holders.
2	2.4	There is no nomination committee.	The whole Board carries out the duties which would otherwise be undertaken by the nomination committee and each member excludes himself from matters in which he has a material personal interest and otherwise ensures compliance with all aspects of the Corporations Act in relation to related party transactions.
4	4.3	The Audit Committee comprises two members. The chairman, Dr C Brown is not independent and Dr A Emmett, is independent.	The directors consider that the members of the Audit Committee are appropriately qualified to fulfil its responsibilities and that the deliberations of the committee are conducted in the same manner as if all members were independent.
8	8.1	The process for performance evaluation of the board, individual directors or the key executive was not disclosed.	The Company will assess various processes for performance evaluation within the 2008 financial year and will disclose its policy in this regard once an appropriate procedure is identified.

17. CORPORATE GOVERNANCE STATEMENT (CONTINUED)**Skills, experience, expertise and term of office of each director**

A profile of each director containing the applicable information is set out at the beginning of this Directors Report. The Chief Executive Officer has been nominated as the Managing Director and is not required by the Company's constitution to be elected by shareholders. His contract of employment is for three years, ending September 2010, with a further three year term at the Company's election. All other directors have a term of no more than three years and a rotation schedule has been established for directors to face election at annual general meetings.

Identification of independent directors

There is currently only one director who complies with the guideline definitions for independent directors. The Board will consider its composition periodically, including the objective to increase independence.

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge his responsibility as a director then, provided the director first obtains approval for incurring such expense from the chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Names and qualifications of audit committee members

The directors who are members of the Audit Committee are Dr Christopher Brown and Dr Arthur Emmett. Dr Brown is the chairperson of the Committee and is not defined as independent.

Number of audit committee meetings and names of attendees

The committee was established in preparation for ASX listing and did not meet during the financial year.

Confirmation of whether performance evaluation of the board and its members have taken place and how conducted

During the reporting period an evaluation of the Board and its members was not performed.

Remuneration committee

The Company has a Remuneration Committee, comprised of Dr Saliba Sassine (chairperson) and Dr Arthur Emmett. The committee considers the CEO's remuneration and the allocation of the payment of fees to individual non-executive directors from the aggregate annual amount of \$200,000 approved by shareholders.

17. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Company's remuneration policies

The non-executive directors of the Company receive director's fees.

The chief executive officer receives a fixed salary, reimbursement of expenses and a bonus. The bonus comprises a cash payment on achievement of certain milestones.

The executive director's remuneration package contains the following benefits:

1. TERM	A period of three years commencing on 21 September 2007 with an option to extend the term for an additional period of three years by mutual agreement.
2. PACKAGE	Gross salary of \$250,000 per annum plus superannuation contributions at the rate of 9% per annum.
3. SHARES	Upon completion of each year of the contract, the CEO will be allotted 500,000 shares through an interest free non-recourse loan, repayable only from the proceeds of the sale of the shares. The shares will be issued at the Volume Weighted Average Price of the previous 30 days. Payment of this incentive is subject to shareholder approval.

Existence and terms of any schemes for retirement benefits for non-executive directors

There are no termination and retirement benefits for non-executive directors.

18. REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Helicon Group Limited (the "company").

18.1 Principles of Compensation

The Board's policies for determining the amount and nature of compensation of key management personnel of the Company are as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, specific experience of the individual, the individual's performance and contribution to the Company, and the overall performance of the Company.

The compensation structure of individual key management personnel is embodied in individual service contracts that include incentives designed to reward key management personnel for results achieved and to retain their services. The incentives in the CEO contract in force during the reporting year took the form of fixed dollar amount cash bonuses for each new product licence agreements entered into by the Company, percentage based cash bonuses linked to net profit before tax hurdles and the grant of share options in the Company with specific staged vesting dates. In a new agreement, commencing upon ASX quotation, the long term incentive takes the form of 500,000 shares to be allotted at the end of each year of the contract, by way of a non-recourse, interest free loan, repayable only from the proceeds of the sale of the shares.

18. REMUNERATION REPORT (CONTINUED)**18.2 Fixed Remuneration**

Fixed compensation consists of a base salary (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual and company achievement.

18.3 Performance linked remuneration

Performance linked compensation includes short term incentives (STI), in the form of cash bonuses paid only upon the achievement of predetermined Key Performance Indicators (KPI), and long term incentives (LTI) provided are options over ordinary shares in the Company or loans to fund purchase of shares in the Company.

18.4 Short term incentive Bonus (STI)

Under his previous contract the CEO is entitled to performance based cash bonuses of \$7,500 for each new product licence entered into by the Company and an annual bonus of \$10,000 for each \$1,000,000 of before tax profit earned by the Company. The product licence bonus was reduced to \$3,500 for each of two licences already under consideration at the commencement of Mr Abrahamson's employment and the annual profit based bonus is capped at a maximum of \$300,000.

18.5 Long term incentives (LTI)

The CEO's contract provided for a one off grant of 4,000,000 share options exercisable at 20 cents each. These options were granted 01 July 2005 and expire 30 September 2009. Of this allocation 1,333,333 vested on 01 July 2005 and 1,333,333 vested on 01 July 2006 and the remainder on 01 July 2007.

The LTI under the new contract with the CEO will not accrue until the 2009 financial year and will be a non-recourse loan for the purchase of 500,000 shares.

18.6 Service agreements

The Company may terminate the CEO's contract without cause by giving not less than three months notice. If the Company so terminates the contract it is required to pay the CEO a termination payment equal to the salary payable for the relevant period of notice. The CEO may terminate the contract at any time giving at least three months notice.

The Company has contracted with Sassine & Associates Pty Ltd for the part time management services of Dr Sassine, at an agreed fixed fee of \$2,083 per month.

The Company contracts the services of Mr Graeme Boden from Boden Corporate Services on a fee for service basis, on arms length commercial terms and at rates Boden Corporate Services normally charges for its clients for similar services.

18.7 Non-executive Directors

The base fee for a director is presently \$35,000 pa and for the chairman \$50,000 pa. The Company makes contributions at the statutory minimum rate to superannuation funds nominated by directors, in addition to the base fee. The inception of these fees was 1 June 2007.

Directors' fees cover all main board activities and committee memberships.

18. REMUNERATION REPORT (CONTINUED)

18.8 Equity Instruments

All options refer to options over ordinary shares of Helicon Group Limited which are exercisable on a one for one basis.

(a) Options and rights over equity instruments granted as compensation

During the reporting period 500,000 options over ordinary shares in the Company were granted as compensation to Dr A Emmett. This was in accordance to his letter of offer to become a director of the Company.

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

DIRECTOR	GRANT DATE	VALUE OF OPTION AT GRANT DATE (\$)	EXERCISE PRICE PER OPTION (\$)	FIRST EXERCISE DATE	EXPIRY DATE	VESTED NUMBER
P Abrahamson	01/07/2005	0.04	0.20	01/07/2005	30/09/2009	1,333,333
	01/07/2005	0.02	0.20	01/07/2006	30/09/2009	1,333,333
	01/07/2005	0.02	0.20	01/07/2007	30/09/2009	-
A Emmett	01/06/2007	0.006	0.20	01/06/2007	30/09/2009	500,000

No options have been granted since the end of the year. Options granted in fiscal 2007 were provided at no cost to the recipient.

(b) Exercise of options granted as compensation

During the reporting period, no options previously granted as compensation were exercised.

(c) Analysis of Movements in options

There were no movements during the reporting period of options over ordinary shares in the Company held by each Company director and other key management personnel.

(d) Payments to persons before taking office

During the reporting period 500,000 options were granted to Dr A Emmett as consideration for him agreeing to hold office.

18. REMUNERATION REPORT (CONTINUED)
(e) Directors' and executive officers remuneration

YEAR	SHORT TERM EMPLOYEE BENEFITS		POST EMPLOYMENT BENEFITS		SHARE BASED PAYMENTS		PROPORTION OF REMUNERATION PERFORMANCE RELATED		VALUE OF OPTIONS AS PROPORTION OF REMUNERATION	
	SALARY & FEES	STI CASH BONUSES	SUPER ANNUATION	VALUE OF OPTIONS	TOTAL	PROPORTION OF REMUNERATION PERFORMANCE RELATED	VALUE OF OPTIONS AS PROPORTION OF REMUNERATION			
	\$	\$	\$	\$	\$	%	%			
Directors:										
Non-executive										
Dr S Sassine	2007	76,167	-	375	76,542	-	-			
	2006	72,000	-	-	72,000	-	-			
Dr C Brown	2007	2,917	-	263	3,180	-	-			
	2006	-	-	-	-	-	-			
Dr A Emmett	2007	2,917	-	263	3,158	-	49.83			
	2006	-	-	-	-	-	-			
Executive										
Mr P Abrahamson	2007	155,000	-	13,500	4,533	173,033	-	2.62		
	2006	143,587	7,000	11,239	9,973	171,799	4.08	5.81		
Total Directors & Executive Officers	2007	237,001	-	14,401	7,691	259,093	-	2.97		
	2006	215,587	7,000	11,239	9,973	243,799	2.88	4.10		
Secretary										
Mr G Boden (Appointed 16/03/07)	2007	19,200	-	-	-	19,200	-	-		
	2006	-	-	-	-	-	-	-		
Mr M Featherstone (Resigned 16/03/07)	2007	115,986	-	-	-	115,986	-	-		
	2006	181,044	-	-	-	181,044	-	-		

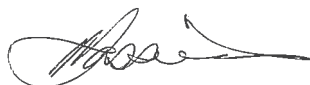
A new contract has been signed with the CEO, Mr P Abrahamson, effective from the date of quotation on the Australian Securities Exchange which was 21 September 2007. The contract details include:

- The contract is for a period of three years commencing on 21 September 2007 with an option to extend the term for an additional period of three years by mutual agreement.
- Gross salary of \$250,000 per annum plus superannuation contributions at the rate of 9% per annum.
- Upon completion of each year of the contract, the CEO will be allotted 500,000 shares through an interest free non-recourse loan, repayable only from the proceeds of the sale of the shares. The shares will be issued at the Volume Weighted Average Price of the previous 30 days. Payment of this incentive is subject to shareholder approval.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 26 of this financial report.

Director



Dr Saliba Sassine

Dated this 29th day of October 2007.

Auditor's Independence Declaration ■ HELICON GROUP LIMITED

Stantons International

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005
AUSTRALIA

ABN 41 103 088 697

29 October 2007

Board of Directors
Helicon Group Limited
Level 1 173 Mounts Bay Road
PERTH WA 6000

Dear Directors

Re: Helicon Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Helicon Group Limited.

As Audit Director for the audit of the financial statements of Helicon Group Limited for the year ended 30 June 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.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director

Income Statement FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	CONSOLIDATED		PARENT	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	2	41,856	–	41,856	45,904
Employee benefits expense		(183,804)	–	(183,804)	(184,848)
Depreciation and amortisation expense	2	(1,369)	–	(1,369)	(49)
Sales and marketing		(182,804)	–	(21,473)	–
Accounting and secretarial services	2	(126,769)	–	(126,769)	(182,530)
Travel and accommodation		(158,113)	–	(158,113)	(64,207)
Consulting fees	2	(132,898)	–	(130,630)	(104,501)
Other expenses		(158,291)	–	(98,996)	(42,862)
Finance costs	2	–	–	–	(1,127)
Provision for non recovery of loans	11	–	–	(259,258)	–
Profit/(loss) before income tax		(902,192)	–	(938,556)	(534,220)
Income tax expense	3	–	–	–	–
Profit/(loss) for the year		(902,192)	–	(938,556)	(534,220)
Basic earnings per share (cents)	5	(1.34)	–	–	–
Dividends per share (cents)		–	–	–	–

The accompanying notes form part of these financial statements.

Balance Sheet ■ FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	CONSOLIDATED		PARENT	
		2007 \$	2006 \$	2007 \$	2006 \$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	222,896	–	222,896	1,221,867
Trade and other receivables	7	27,196	–	17,770	15,524
Inventory	9	27,577	–	–	–
Other current assets	8	155,558	–	155,558	31,347
TOTAL CURRENT ASSETS		433,227	–	396,224	1,268,738
NON-CURRENT ASSETS					
Property, plant and equipment	10	1,792	–	1,792	2,688
Financial Assets	11	–	–	3	–
TOTAL NON-CURRENT ASSETS		1,792	–	1,795	2,688
TOTAL ASSETS		435,019	–	398,019	1,271,426
CURRENT LIABILITIES					
Trade and other payables	13	118,160	–	117,524	64,834
Provisions	14	17,817	–	17,817	13,049
TOTAL CURRENT LIABILITIES		135,977	–	135,341	77,883
TOTAL LIABILITIES		135,977	–	135,341	77,883
NET ASSETS		299,042	–	262,678	1,193,543
EQUITY					
Issued capital	15	1,927,070	–	1,927,070	1,927,070
Reserves	15	25,866	–	25,866	18,175
Accumulated losses	15	(1,653,894)	–	(1,690,258)	(751,702)
TOTAL EQUITY		299,042	–	262,678	1,193,543

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2007

CONSOLIDATED	NOTE	ORDINARY SHARES	ACCUMULATED LOSSES	OPTION RESERVE	TOTAL
		\$	\$	\$	\$
Balance at 1 July 2005		-	-	-	-
Shares issued during the year	15	-	-	-	-
Transaction costs		-	-	-	-
Share-based payments		-	-	-	-
Profit/(loss) for the year		-	-	-	-
Balance at 30 June 2006		-	-	-	-
Opening balance as a result of incorporation of subsidiaries		1,927,070	(751,702)	18,175	1,193,543
Shares issued during the year	15	-	-	-	-
Share capital transaction costs	15	-	-	-	-
Share-based payments	15	-	-	7,691	7,691
Profit/(loss) for the year		-	(902,192)	-	(902,192)
Balance at 30 June 2007		1,927,070	(1,653,894)	25,866	299,042

PARENT	NOTE	ORDINARY SHARES	ACCUMULATED LOSSES	OPTION RESERVE	TOTAL
		\$	\$	\$	\$
Balance at 1 July 2005		110	(217,482)	-	(217,372)
Shares issued during the year	15	2,348,680	-	-	2,348,680
Share capital transaction costs	15	(421,720)	-	-	(421,720)
Share-based payments		-	-	18,175	18,175
Profit/(loss) for the year		-	(534,220)	-	(534,220)
Balance at 30 June 2006		1,927,070	(751,702)	18,175	1,193,543
Shares issued during the year	15	-	-	-	-
Share capital transaction costs	15	-	-	-	-
Share-based payments	15	-	-	7,691	7,691
Profit/(loss) for the year		-	(938,556)	-	(938,556)
Balance at 30 June 2007		1,927,070	(1,690,258)	25,866	262,678

The accompanying notes form part of these financial statements.

Cash Flows ■ FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(995,113)	–	(735,852)	(592,511)
Interest received		41,856	–	41,856	45,904
Finance costs		–	–	–	(1,127)
Net cash from / (used in) operating activities	6	(953,257)	–	(693,996)	(547,734)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(473)	–	(473)	(2,737)
Payments under product licence		–	–	–	(27,124)
Payment for subsidiaries		–	–	(3)	–
Net cash from / (used in) investing activities	6	(473)	–	(476)	(29,861)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		–	–	–	1,037,550
Loans to subsidiaries		–	–	(259,258)	–
Cost of share capital raising in progress		(45,241)	–	(45,241)	–
Share capital transaction costs		–	–	–	(63,340)
Repayment of borrowings		–	–	–	(132,735)
Net cash from / (used in) financing activities		(45,241)	–	(304,499)	841,475
Net (decrease)/increase in cash and cash equivalents held		(998,971)	–	(998,971)	263,880
Cash and cash equivalents at beginning of financial year	6	1,221,867	–	1,221,867	957,987
Cash and cash equivalents at 30 June 2007	6	222,896	–	222,896	1,221,867

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

Helicon Group Limited, became a listed public company on 21 September 2007. Helicon Group Limited is incorporated and domiciled in Australia.

The accounting policies set out below have been consistently applied to all years presented. The financial report has been prepared on an accruals basis and is based on historical costs.

(b) Adoption of new and revised standards

In the year ended 30 June 2007, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group's accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 29 October 2007.

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

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Helicon Group Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(e) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity or group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Computer equipment

Computer equipment is measured on the cost basis less depreciation and impairment losses. The carrying amount of computer 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 asset's employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a reducing/diminishing balance over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Computer Equipment	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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 income statement.

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments

Recognition

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These are investments with fixed maturities and where it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost comprising original debt less principal payments and amortisation.

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 arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group 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 impairment has arisen.

Impairment losses are recognised in the income statement.

(h) Impairment of Assets

At each reporting date, the Group 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 assets carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangibles

Intangible assets that meet the recognition criteria of AASB138 Intangible Assets are capitalized at cost at the date of acquisition. Expenditure on intangible assets that does not meet the recognition criteria is charged against profits in the year in which the expenditure is incurred. Following initial recognition the cost model is applied to intangible asset classes. The useful life of intangible assets is assessed as either finite or infinite. Amortisation of intangible assets with finite useful lives is charged against profits in the income statement. The costs of intangible assets with an infinite life are not amortised. Intangible assets are tested for impairment where an indicator or impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level.

Marketing, Distribution and Manufacturing Rights

The company acquires the rights to market, distribute and manufacture specific products in specified geographic locations from the owners of patented products. These rights are acquired under a licence agreement, or similar, for a specified period which typically can be extended.

Product Registration

These products require registration and approval of the designated statutory drug or therapeutic goods administration authority in each country the Group intends to market, distribute to manufacture the products. Where the Group acquires the product registration in its own name it represents a separately identifiable intangible asset of the Group. Provided registration fees are paid with prescribed time periods and product is sold, the registrations have indefinite lives.

Where such registrations are granted to the patented owner, or some other party, the registration must be assigned or sub-licensed to the Group and any costs related to registration will usually form part of the cost of the market, distribution and manufacturing rights acquired.

To date costs associated with Marketing, Distribution and Manufacturing Rights and Product Registration have been charged against profit in the year the costs were incurred on the basis that at the present stage of the Company's development the recognition criteria cannot be met with the degree of certainty required by AASB 138.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

A summary of the Group's policies in relation to intangible assets:

	MARKETING, DISTRIBUTION & MANUFACTURING RIGHTS	PRODUCT REGISTRATION
Useful Lives	Finite	Indefinite
Method Used	Straight line – initial licence period	Not amortised or revalued
Impairment test/recoverable amount testing	Amortisation method reviewed at the end of each financial year; Reviewed annually for indicators of impairment	Annually and where an indicator of impairment exists

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign Currency Transaction and Balances

Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate.

Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group companies

The subsidiaries reporting/functional currency is Australian Dollars.

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year are measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, they are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(l) Share-Based Payment Transactions

The Company provides benefits to its employees and members of its Expert Advisory Panel (EAP) in the form of share-based payment transactions, whereby employees and EAP members render services in exchange for options over share ('equity-settled transactions').

The Company does not currently conduct any formal share-based compensation plans and all equity-settled transactions entered into by the Company are done so, on an individual transaction basis, at the discretion of the Company's board of directors.

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Share-Based Payment Transactions (continued)

The cost of these equity-settled transactions with employees and members of the EAP is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the Company using the Black-Scholes option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the market value of shares of Helicon Group Limited ('market conditions') if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period ending on the date when the employee or EAP member becomes fully entitled to the award ('vesting date'). The cumulative expense recognised for equity based transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of the fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, a minimum expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(m) Provisions

Provisions are recognised when the Group 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.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(o) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

(p) Borrowing Costs

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

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Comparative Figures

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

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Critical Accounting estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report 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 Company.

Key Estimates – Share-based Payments

The value attributed to share options issued during the year is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares.

Key Estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(t) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(u) Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 2 REVENUES AND EXPENSES					
	NOTES	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenues					
Operating activities					
- Interest received	2(a)	41,856	-	41,856	45,904
Total revenue		41,856	-	41,856	45,904
Note to revenue disclosure					
(a) Interest revenue from:					
- banks		41,856	-	41,856	45,904
Total interest revenue		41,856	-	41,856	45,904
Expenses					
Interest		-	-	-	1,127
Consulting, outsource and professional fees (i)		259,667	-	257,399	296,015
Depreciation of non-current assets		1,369	-	1,369	49
Share based payments		7,691	-	7,691	18,175

(i) These fees are in relation to accounting and secretarial, bookkeeping, legal, management, office administration, expert biomedical product evaluation and expert foreign market services. These fees do not include audit fees which are disclosed separately at Note 20.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 3 INCOME TAX EXPENSE

The Group has not commenced trading. At its current stage of operational development the Group is not yet in a position to satisfy the accounting criteria of AASB112: Income Taxes to bring to account the benefit of its tax losses. Accordingly no current or deferred income tax benefits have yet been brought to account.

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
Accounting loss before tax	(902,192)	–	(938,556)	(534,220)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2006: 30%)	(270,658)	–	(281,567)	(160,266)
Tax effect of:				
– Non-deductible expenses	12,134	–	89,911	15,750
	(258,524)	–	(191,656)	(144,516)
Add:				
– Capital allowances	(3,911)	–	(3,800)	(3,800)
	(262,435)	–	(195,456)	(148,316)
Less:				
– income tax benefit not brought to account	262,435	–	195,456	148,316
	–	–	–	–
The applicable weighted average effective tax rates:	0%	–	0%	0%
Current income tax benefit not brought to account relates to items credited or charged to:				
– Income statement	258,524	–	191,656	(144,516)
– Statement of changes in equity	3,911	–	3,800	(3,800)
	262,435	–	195,456	148,316

The Group has tax losses arising in Australia of \$1,447,140 (2006: \$572,354) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

Note 3 INCOME TAX EXPENSE (CONTINUED)

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$

Deferred tax assets and liabilities have not been brought to account as the Company is not yet in a position to satisfy the probability criteria of AASB: 112 Income Tax for future taxable profits being available to utilise against temporary differences and tax losses.

Deferred tax assets and liabilities that will only be brought to account if conditions set out in Note 1(e) are satisfied, are as follows:

(a) Deferred tax assets				
Temporary differences	23,872	–	101,207	22,231
Undeducted tax losses [operating losses]	434,142	–	367,162	171,706
	458,014	–	468,369	193,937

The Company has no capital losses for income tax purposes and the undeducted tax losses referred to above are wholly comprised of operating losses.

The amount of tax assets relating to items that have been charged or credited to equity:

Charged to share capital; transaction costs	–	–	–	7,600
(b) Deferred tax liability				
Temporary differences	–	–	–	1,340

No amount of tax liability relates to items that have been charged or credited to equity.

Note 4 SEGMENT REPORTING

The Group has not yet commenced trading operations and it currently operates predominately in Australia in one business segment, being the bio medical field.

Note 5 EARNINGS PER SHARE

(a) Reconciliation of earnings to profit or loss:				
Profit/(loss) after tax	(902,192)	–	(938,556)	(534,220)
Earnings used to calculate basic EPS	(902,192)	–	(938,556)	(534,220)
(b) Weighted average number of ordinary shares outstanding during the year used to calculate basic EPS				
basic EPS	67,195,877	–	67,195,877	60,086,432
Weighted average number of options outstanding	5,000,000	–	5,000,000	4,083,562
(c) Diluted earnings per share is not disclosed as the result is anti-dilutive in nature.				

Note 6 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and in hand	222,896	-	222,896	1,221,867

Cash at bank earns interest at floating rates based on daily bank deposit rates. The effective interest rate was 5.1% (2006: 4.87%).

(i) Reconciliation to Cash Flow Statement:

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank.

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	222,896	-	222,896	1,221,867
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(ii) Reconciliation of loss for the year to net cash flows from operating activities

Profit/(loss) for the year	(902,192)	-	(938,556)	(534,220)
Cash flows excluded from loss attributable to operating activities				
Non-cash flows in loss:				
Foreign exchange loss	-	-	-	242
Depreciation	1,369	-	1,369	49
Share option expenses	7,691	-	7,691	18,175
Provision for non recovery of loans	-	-	259,258	-
Change in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Other receivables	(11,672)	-	(2,246)	(15,524)
Prepayments	(78,969)	-	(78,969)	(4,465)
Current inventories	(27,577)	-	-	-
Increase/(decrease) in liabilities:				
Current payables and accruals	53,325	-	52,689	(25,040)
Current provisions	4,768	-	4,768	13,049
Net cash from / (used in) operating activities	(953,257)	-	(693,996)	(547,734)

(iii) Non-cash financing and investing activities

During the year there were nil (2006: 778,533) fully paid ordinary shares issued as payment of transaction costs for share capital raisings

	-	-	-	58,390
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Note 7 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current				
Other receivables	9,426	–	–	–
GST recoverable	17,770	–	17,770	15,524
	27,196	–	17,770	15,524

Note 8 OTHER CURRENT ASSETS

CURRENT				
Prepayments				
Purchases	54,621	–	54,621	26,882
Capital raising costs	45,241	–	45,241	–
Other	55,696	–	55,696	4,465
	155,558	–	155,558	31,347

Note 9 INVENTORY

Inventory at cost	29,975	–	–	–
Samples written off	(2,398)	–	–	–
	27,577	–	–	–

Note 10 PROPERTY, PLANT AND EQUIPMENT

PLANT AND EQUIPMENT				
Computer equipment				
At cost	3,210	–	3,210	2,737
Accumulated depreciation	(1,418)	–	(1,418)	(49)
Total computer equipment	1,792	–	1,792	2,688
Total Property, Plant and Equipment	1,792	–	1,792	2,688
<i>Movement in Carrying Amount</i>				
Computer equipment				
Carrying amount at the beginning of the year	2737	–	2737	–
Additions	473	–	473	2,737
Depreciation	(1,418)	–	(1,418)	(49)
Carrying amount at the end of the year	1,792	–	1,792	2,688

Note 11 FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
Investments in subsidiaries(i)	-	-	3	-
Loans to subsidiaries (i)	-	-	259,258	-
Provision for non recovery of loans	-	-	(259,258)	-
	-	-	3	-

(I) NAME OF ENTITY	COUNTRY OF INCORPORATION	INVESTMENT		OWNERSHIP INTEREST		LOANS	
		2007	2006	2007	2006	2007	2006
		\$	\$	%	%	\$	\$
Helicon (Korea) Pty Ltd	Australia	1	-	100	-	22,896	-
Helicon (Asia) Pty Ltd	Australia	1	-	100	-	81,686	-
Helicon (China) Pty Ltd	Australia	1	-	100	-	154,676	-
Total		3	-			259,258	-

Note 12 SHARE BASED PAYMENTS

a) Options

The following share-based payment arrangements involving share options existed at 30 June 2007.

On 1 July 2005, 4,000,000 share options were granted to Pejogama Investments Pty Limited, a company controlled by the Company's CEO, Mr Peter Abrahamson, under a contract of employment between Mr Abrahamson and the Company. These share options vest in equal instalments on each of 1 July 2005, 1 July 2006 and 1 July 2007 and entitle the option holder to take up ordinary shares in the Company at an exercise price of \$0.20 each, on or before 30 September 2009. The options hold no voting or dividend rights and are not transferable. At balance date, no share options had been exercised.

On 1 May 2006, 250,000 share options were granted to each of the two members of the Company's Expert Advisory Panel, Mr J Greenbaum and Dr Y Huang (or their specified nominee), pursuant to the terms of their appointment by the Company. These share options vested immediately and entitle the option holder to take up ordinary shares at an exercise price of \$0.20 each on or before 31 October 2008. The options hold no voting or dividend rights and are not transferable. At balance date, no share options had been exercised.

On 1 June 2007 the directors ratified the grant of 500,000 options to Dr A Emmett, pursuant to the letter of offer for his appointment as a director of the Company. The options are fully vested at grant and are exercisable at \$0.20 on or before 30 September 2009.

All options granted to key management personnel and members of the Expert Advisory Panel are for ordinary shares in Helicon Group Limited and confer a right of one ordinary share for every option held.

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 15

Note 12 SHARE BASED PAYMENTS (CONTINUED)

a) Options (continued)

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	2007		2006	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
	No.	\$	No.	\$
Outstanding at the beginning of the year	4,500,000	0.20	–	–
Granted	500,000	0.20	4,500,000	0.20
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
Outstanding at year-end	5,000,000	0.20	4,500,000	0.20
Exercisable at year-end	3,666,666	0.20	1,833,333	0.20

There were no options exercised during the year ended 30 June 2007.

All options outstanding at 30 June 2007 had an exercise price of \$0.20 and a weighted average remaining contractual life of 2.15 years.

The weighted average fair value of the options granted during the year was \$7,691. This price was calculated by using the Black – Scholes option pricing model applying the following inputs:

	DIRECTORS' OPTIONS		EMPLOYEES' OPTIONS		EAP MEMBERS' OPTIONS	
	2007	2006	2007	2006	2007	2006
Weighted average exercise price	\$0.20	–	\$0.20	\$0.20	\$0.20	\$0.20
Weighted average life of the option	852 days	–	1,552 days	1,552 days	914 days	914 days
Underlying share price (at grant date)	\$0.125	–	\$0.075	\$0.075	\$0.125	\$0.125
Expected share price volatility	30%	–	30%	30%	30%	30%
Risk free interest rate	5.75%	–	5.75%	5.75%	5.75%	5.75%

The expected share price volatility was based on the assumptions that the Company would list on the Australian Securities Exchange, the Company's share price at listing would reflect the minimum required price for listing, there was little or no trading in shares already issued prior to listing and that upon listing the historical performance of shares of Health and Bio-technology companies included in the ASX/S&P 300 Index during the year ended 30 June 2007 would be indicative of the volatility of the Company's shares. However, these assumptions may not eventuate.

The life of the options is based on the assumption that all options will be exercised close to their expiry date, which may not eventuate in the future.

Included in the Income Statement under employee benefits expense is \$7,691 (2006: \$9,973) and under other expenses (consultants costs) is nil (2006: \$8,202) which relates, in full, to equity-settled share-based payment transactions (ie these options).

Note 13 TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
Current	\$	\$	\$	\$
Trade and other payables (i)	34,687	–	34,263	15,334
Accruals	40,092	–	39,880	–
Related party payables (ii)	43,381	–	43,381	49,500
	118,160	–	117,524	64,834

- (i) Trade and other payables are non-interest bearing and are normally settled on 30-day terms
(ii) For terms and conditions relating to related party payables refer to note 19

Note 14 PROVISIONS

Current

Employee Benefits

At 1 July	13,049	–	13,049	–
Arising during the year	19,547	–	19,547	13,049
Utilised	(13,269)	–	(13,269)	–
Unused amounts reversed	(1,510)	–	(1,510)	–
At 30 June	17,817	–	17,817	13,049

Note 15 ISSUED CAPITAL AND RESERVES

67,195,877 (2006: 67,195,877) Ordinary shares issued and fully paid	2,348,790	–	2,348,790	2,348,790
Cost of share capital raising	(421,720)	–	(421,720)	(421,720)
	1,927,070	–	1,927,070	1,927,070

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At all shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 15 ISSUED CAPITAL AND RESERVES (CONTINUED)

	2007	2007	2006	2006
(a) Ordinary Shares	No.	\$	No.	\$
At 1 July	67,195,877	1,927,070	44,000,000	300,100
Shares issued during the 2006 financial year				
– 28/07/2005 @ \$0.075			15,570,678	1,167,800
– 16/08/2005 @ \$0.075			778,533	58,390
– 21/09/2005 @ \$0.075			400,000	30,000
– 20/12/2005 @ \$0.075			266,666	20,000
– 13/02/2006 @ \$0.125			700,000	87,500
– 13/06/2006 @ \$0.125			5,480,000	685,000
Less: Costs of capital raising	–	–	–	(421,720)
At 30 June	67,195,877	1,927,070	67,195,877	1,927,070

Share options

The company has made share based payments through grant of options to subscribe for the Company's shares to P Abrahamson, A Emmett and two members of the Expert Advisory Panel (See note 12)

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
(b) Accumulated losses	\$	\$	\$	\$
Movements in accumulated losses were as follows:				
Balance at 1 July	(751,702)	–	(751,702)	(217,482)
Net loss for the year	(902,192)	–	(938,556)	(534,220)
Balance at 30 June	(1,653,894)	–	(1,690,258)	(751,702)
(c) Reserves				
Movements in reserves were as follows:				
Balance at 1 July	18,175	–	18,175	–
Share based payments	7,691	–	7,691	18,175
Balance at 30 June	25,866	–	25,866	18,175

This reserve is used to record the value of equity benefits provided to the CEO, the Directors and Expert Advisory Panel(EAP) as part of their remuneration. Refer to note 12 for further details of these plans.

Note 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has not commenced trading operations and since 28 July 2005 it has funded its activities from the proceeds of ordinary share capital raisings. Prior to that date the Company was funded by loan funds from a director related entity. Consequently the Group's financial instruments are limited to cash at bank, sundry receivables and payables.

(i) Financial Management

The Chief Executive Officer ('CEO') approves and monitors actual and budgeted expenditure on an ongoing basis. The Board are provided with monthly financial reports and the Board meets regularly to consider the Group's financial affairs.

Financial modelling of the Group's future trading operations is an important prospective financial management tool used by the Group for the identification and assessment of potential future financial risks and the development of mitigation strategies.

(ii) Financial Risks

The main risks the Group is exposed to through its financial instruments are liquidity risk and interest rate risk but neither are considered to represent material risk exposures to the Group.

Interest rate risk

In the context of the Group's financial instruments, interest rate risk is limited to a potential opportunity cost in relation to returns on cash deposits and is managed by the monitoring of short term deposit rates offered by banks. The Group has no borrowings.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash deposits with banks can be accessed as required.

Other risk

The Group does not have any material credit risk exposure in relation to its receivables and exposure to potential foreign exchange risk is considered to be minimal in relation to current operations.

Note 17 FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

Market values have been used to determine the fair value of financial assets and financial liabilities.

No financial assets or financial liabilities of the Group are readily traded on organised markets in standardised form.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	CARRYING AMOUNT		FAIR VALUE	
	2007	2006	2007	2006
CONSOLIDATED	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	222,896	–	222,896	–
Trade and other receivables	81,817	–	81,817	–
	<u>304,713</u>	<u>–</u>	<u>304,713</u>	<u>–</u>
Financial Liabilities:				
Trade and other payables	118,160	–	118,160	–
	<u>118,160</u>	<u>–</u>	<u>118,160</u>	<u>–</u>

PARENT				
Financial Assets				
Cash and cash equivalents	222,896	1,221,867	222,896	1,221,867
Trade and other receivables	72,391	42,406	72,391	42,406
	<u>295,287</u>	<u>1,264,273</u>	<u>295,287</u>	<u>1,264,273</u>
Financial Liabilities:				
Trade and other payables	117,524	64,834	117,524	64,834
	<u>117,524</u>	<u>64,834</u>	<u>117,524</u>	<u>64,834</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 17 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	FLOATING INTEREST RATE	1 YEAR OR LESS	OVER 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	NON INTEREST BEARING	TOTAL
	2007	2007	2007	2007	2007	2007	2007
CONSOLIDATED	%	\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash and cash equivalents	5.10	222,896	-	-	-	-	222,896
Trade and other receivables		-	-	-	-	81,817	81,817
Total Financial Assets		222,896	-	-	-	81,817	304,713
Financial Liabilities:							
Trade and other payables		-	-	-	-	74,779	74,779
Amounts payable to related parties		-	-	-	-	43,381	43,381
Total Financial Liabilities		-	-	-	-	118,160	118,160
Net Financial Assets/ (Liabilities)		222,896	-	-	-	(36,343)	186,553

	2006	2006	2006	2006	2006	2006	2006
CONSOLIDATED	%	\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
Trade and other receivables		-	-	-	-	-	-
Total Financial Assets		-	-	-	-	-	-
Financial Liabilities:							
Trade and other payables		-	-	-	-	-	-
Amounts payable to related parties		-	-	-	-	-	-
Total Financial Liabilities		-	-	-	-	-	-
Net Financial Assets/ (Liabilities)		-	-	-	-	-	-

Note 17 FINANCIAL INSTRUMENTS (CONTINUED)

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	FLOATING INTEREST RATE	1 YEAR OR LESS	OVER 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	NON INTEREST BEARING	TOTAL
	2007	2007	2007	2007	2007	2007	2007
PARENT	%	\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash and cash equivalents	5.10	222,896	–	–	–	–	222,896
Trade and other receivables		–	–	–	–	72,391	72,391
Total Financial Assets		222,896	–	–	–	72,391	295,287
Financial Liabilities:							
Trade and other payables		–	–	–	–	74,143	74,143
Amounts payable to related parties		–	–	–	–	43,381	43,381
Total Financial Liabilities		–	–	–	–	117,524	117,524
Net Financial Assets/ (Liabilities)		222,896	–	–	–	(45,133)	177,763

	2006	2006	2006	2006	2006	2006	2006
PARENT	%	\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash and cash equivalents	4.87	1,221,867	–	–	–	–	1,221,867
Trade and other receivables		–	–	–	–	42,406	42,406
Total Financial Assets		1,221,867	–	–	–	42,406	1,264,273
Financial Liabilities:							
Trade and other payables		–	–	–	–	15,334	15,334
Amounts payable to related parties		–	–	–	–	49,500	49,500
Total Financial Liabilities		–	–	–	–	64,834	64,834
Net Financial Assets/ (Liabilities)		1,221,867	–	–	–	(22,428)	1,199,439

Note 18 COMMITMENTS AND CONTINGENCIES

The Group has entered into agreements with third parties for marketing and distribution of products in specified regions outside Australia. These agreements have given rise to certain expenditures commitments, liabilities and assets of the Group that are contingent upon successful registration of the products in the specified jurisdictions.

(a) Medwrap Corporation

Contingent Expenditure Commitment

Under an agreement with Medwrap Corporation for the exclusive marketing and distribution rights of its Island Wound Dressing product in China and other Asian and Australasian markets the Company is committed to minimum purchase order amounts. The following details the Australian dollar equivalent of the contractual amounts in US dollars at the year end exchange rate of 1AUD = USD 0.848.

	MINIMUM PURCHASE RANGE	
	A\$	USD
Year 1	5,896	5,000
Year 2	176,887	150,000
Year 3	353,774	300,000
Year 4	589,623	500,000
Year 5	884,434	750,000
Total	2,010,614	1,705,000

Contingent Liability

Under this agreement the Group is also required to prepay the first year's minimum purchase order amount in instalments on the basis of US\$10,000 on signing of the agreement (21 November 2005) and US\$5,000 every 3 months thereafter until the sooner of regulatory approval being obtained in China or US\$50,000 is paid. Once regulatory approval in China is obtained the prepayment arrangements cease, normal trading arrangements will commence and the prepaid amounts at that point in time will be applied against purchase orders.

Contingent Asset

In addition to the right to offset prepaid amounts against future purchase orders the agreement grants the Company the right to be refunded the amounts prepaid should, through no fault of the Company, the agreement terminate or expire prior to regulatory approval being obtained.

Note 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Maelor Pharmaceuticals Ltd

Contingent Expenditure Commitment

Under the agreement with Maelor Pharmaceuticals Ltd for the marketing and distribution of its product, Volpex[®], in China and South Korea, but subject to successful registration of Volpex[®] with the SFDA in China, the Company is committed to minimum annual purchase order quantities for the first five years. The minimum order quantities in any one year fall into a range depending upon the specifications of the product ordered. Detailed below is the Australian dollar equivalent of the minimum purchase order value range at the initial Euro contract prices.

	MINIMUM PURCHASE RANGE			
	A\$	A\$		
Year 1	378,500	785,600	238,500	495,000
Year 2	630,800	1,310,000	397,500	825,000
Year 3	883,200	2,619,000	556,500	1,650,000
Year 4	883,200	2,619,000	556,500	1,650,000
Year 5	883,200	2,619,000	556,500	1,650,000
Total	3,658,900	9,952,600	2,305,500	6,270,000

Contingent Liability

Under the agreement with Maelor Pharmaceutical Ltd the Company has been granted certain rights in relation to registering Volpex[®] in the Company's name and for the use of trade marks and other intellectual property, owned by Maelor Pharmaceuticals Ltd. The granting of these rights is contingent upon the successful registration of the product with the SFDA in China. The company made the required payment of Euro 45,000 (A\$ 77,042), prior to 30 March 2004.

(c) Clinical Cell Culture

Contingent Expenditure Commitment

Under the agreement with C3 Operations Pty Ltd the Company was committed to a minimum purchase target, at current prices, amounting to \$420,000 in the first year post the registration of the ReCell[®] Autologous Harvesting Device by the SFDA for distribution in China. Pursuant to the agreement, minimum purchase targets would also have applied to subsequent years but these target amounts had not yet been determined. These minimum purchase commitments became the responsibility of the Company's wholly owned subsidiary company, Helicon (China) Pty Ltd from the time of incorporation in July 2006.

(d) Other

On 20 May 2006 the Company entered into a short term sub-lease monthly tenancy rental agreement for a small serviced office at Level 1, 173 Mounts Bay Road, Perth, Western Australia. The tenancy may be terminated by either party on service of one month's notice. A termination could potentially give rise to a liability to the Company equal to one months rent (\$446) plus the Company's share of any outstanding variable outgoings and shared costs.

A new contract has been signed with the CEO, Mr P Abrahamson. The contract is for a period of three years commencing on 21 September 2007 with an option to extend the term for an additional period of three years by mutual agreement. The Company may terminate the CEO's contract without cause by giving not less than three months notice. If the Company so terminates the contract it is required to pay the CEO a termination payment equal to the salary payable for the relevant period of notice. The CEO may terminate the contract at any time giving at least three months notice. Further CEO compensation details are disclosed in note 21.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 19 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Helicon Group Limited and the subsidiaries listed in the following table.

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST %		INVESTMENT \$	
		2007	2006	2007	2006
Helicon (Asia) Pty Ltd	Australia	100	-	1	-
Helicon (China) Pty Ltd	Australia	100	-	1	-
Helicon (Korea) Pty Ltd	Australia	100	-	1	-

Helicon (China) and Helicon (Korea) were incorporated on 18 July 2006 and Helicon (Asia) on the 2 August 2006.

Helicon Group Limited is the ultimate Australian parent entity and ultimate parent of the Group.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 13.):

	YEAR	TRANSACTIONS WITH RELATED PARTIES	
		Consolidated	Parent
Related Parties			
Sassine & Associates (i)	2007	76,542	76,542
	2006	-	71,400
William Buck (ii)	2007	115,986	115,986
	2006	-	181,044

(i) Sassine & Associates Pty Ltd, a company associated with Dr Saliba Sassine, provides the Company with management consulting and administrative services at an agreed rate of \$6,000 per month. He is also paid a fee for his role as Chairman of \$50,000 per annum plus the statutory minimum rate of superannuation to his nominated fund. The inception of this fee was 1 June 2007.

Included in the 2006 figures is an amount of \$1,127 for interest on a loan from Sassine & Associates Pty Ltd at a rate of 10% per annum. (ii) The Company has engaged William Buck (WA) Pty Ltd, Chartered Accountants, a Company in which Dr Christopher Brown is a Director to provide accounting, taxation, company secretarial and corporate and business advisory services on a normal commercial fee for services basis. These services include the services of Mr Featherstone as Chief Financial Officer and Company Secretary. Mr Featherstone resigned from this role on 16 March 2007. Christopher Brown is paid a fee for his role as Director of \$35,000 per annum plus the statutory minimum rate of superannuation. The inception of this fee was 1 June 2007.

Transactions with director related entities are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

Note 20 AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>The auditors for Helicon Group Limited are Stantons International</i>				
An audit or review of the financial report of the entity and any other entity in the consolidated group	10,000	–	10,000	5,000
Other services in relation to the entity and any other entity in the consolidated group:				
Independent Accountants Report	8,000	–	8,000	–
	18,000	–	18,000	5,000

Note 21 KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

i) Directors

Dr Saliba Sassine	Chairman (non-executive)
Mr Peter Abrahamson	Executive Director and Chief Executive Officer
Dr Christopher Brown	Director (non-executive) (appointed 27 November 2006)
Dr Arthur Emmett	Director (non-executive) (appointed 8 May 2006)

ii) Executives

Mr Graeme Boden	Company Secretary and Chief Financial Officer (appointed 16 March 2007)
Mr Michael Featherstone	Company Secretary and Chief Financial Officer (resigned 16 March 2007)

There were no changes to the key management personnel after reporting date and the date the financial report was authorised for issue.

b) Compensation of Key Management Personnel

The Board's policies for determining the amount and nature of compensation of key management personnel of the Group are as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, specific experience of the individual, the individual's performance and contribution to the Group, and the overall performance of the Group.

The compensation structure of individual key management personnel is embodied in individual service contracts that include incentives designed to reward key management personnel for results achieved and to retain their services. Currently incentives take the form of fixed dollar amount cash bonuses for each new product licence agreements entered into by the Group, percentage based cash bonuses linked to net profit before tax hurdles and the grant of share options in the Company with specific staged vesting dates.

On 13 June 2007, the Group entered into an employment agreement with Mr Peter Abrahamson for the position of Managing Director and Chief Executive Officer. The term of the Agreement is for an initial period of three years with an option to extend for a further 3 years. The commencement date will be the date of official quotation on ASX. The Agreement provides for a base salary of A\$250,000. Mr Abrahamson will also receive work related allowances and contributions of \$22,500 to a superannuation fund. The Group will also make available to the CEO, on each anniversary of commencement of the contract, a non-recourse interest free loan to buy 500,000 shares in the Group subject to shareholders approval at the next general meeting of the Company. The remuneration shares are to be issued at an issue price per share equal to the volume-weighted-average-price of the fully paid ordinary shares in the Company as traded on the Australian Securities Exchange for the 30 days prior to their date of issue.

Under his previous contract, the CEO is entitled to performance based cash bonuses of \$7,500 for each new product licence entered into by the Group and an annual bonus of \$10,000 for each \$1,000,000 of before tax profit earned by the Group. The product licence bonus was reduced to \$3,500 for each of two

Note 21 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

b) Compensation of Key Management Personnel (continued)

licences already under consideration at the commencement of Mr Abrahamson's employment and the annual profit based bonus is capped at a maximum of \$300,000. The CEO's contract also provided for a one off grant of 4,000,000 share options exercisable at 20 cents each.

Under the predecessor agreement, the Company has also granted Mr Abrahamson 4,000,000 options in the Company, convertible into fully paid ordinary shares at an exercise price of A\$0.20. Two thirds of the options have vested and the remaining one third will vest on 1 July 2007. The Company or Mr Abrahamson may terminate the CEO Employment Agreement without cause by giving the other party notice of three months in writing.

The Company contracts the services of Mr Graeme Boden from Boden Corporate Services Pty Ltd on a fee for service basis, on arms length commercial terms and at rates Boden Corporate Services Pty Ltd normally charges for its other clients for similar services.

The Company has contracted with Sassine & Associates Pty Ltd for the part time management services of Dr Sassine, at an agreed fixed fee of \$6,000 per month. He is also paid a fee for his role as Chairman of \$50,000 per annum plus the statutory minimum rate of superannuation to his nominated fund. The inception of this fee was 1 June 2007.

Mr Christopher Brown is paid a fee for his role as Director of \$35,000 per annum plus the statutory minimum rate of superannuation. The inception of this fee was 1 June 2007.

Dr Arthur Emmett is paid a fee for his role as Director of \$35,000 per annum plus the statutory minimum rate of superannuation. The inception of this fee was 1 June 2007.

The Board determines or approves the nature and amount of compensation of all key management personnel. Affected directors are excluded from participation in any aspect of the Board's deliberation and decision making on these matters.

Principles of Compensation

The Board's policies for determining the amount and nature of compensation of key management personnel of the Company are as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, specific experience of the individual, the individual's performance and contribution to the Company, and the overall performance of the Company.

The compensation structure of individual key management personnel is embodied in individual service contracts that include incentives designed to reward key management personnel for results achieved and to retain their services. Under previous agreements, incentives took the form of fixed dollar amount cash bonuses for each new product licence agreements entered into by the Company, percentage based cash bonuses linked to net profit before tax hurdles and the grant of share options in the Company with specific staged vesting dates.

Note 21 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

b) Compensation of Key Management Personnel (continued)

Fixed Remuneration

Fixed compensation consists of a base salary (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual and Company achievement.

Performance linked remuneration

Performance linked compensation includes short term incentives (STI), in the form of cash bonuses paid only upon the achievement of predetermined Key Performance Indicators (KPI), and long term incentives (LTI) provided as options over ordinary shares in the Company.

Short term incentive Bonus (STI)

Under his previous contract, the CEO is entitled to performance based cash bonuses of \$7,500 for each new product licence entered into by the Group and an annual bonus of \$10,000 for each \$1,000,000 of before tax profit earned by the Group. The product licence bonus was reduced to \$3,500 for each of two licences already under consideration at the commencement of Mr Abrahamson's employment and the annual profit based bonus is capped at a maximum of \$300,000.

Long term incentives (LTI)

The CEO's contract provided for a one off grant of 4,000,000 share options exercisable at 20 cents each. These options were granted 1 July 2005 and expire 30 September 2009. Of this allocation 1,333,333 vested on 1 July 2005, 1,333,333 vested on 1 July 2006 and 1,333,333 vested on 1 July 2007.

Service agreements

The Company may terminate the CEO's contract without cause by giving not less than three months notice. If the Company so terminates the contract it is required to pay the CEO a termination payment equal to the salary payable for the relevant period of notice. The CEO may terminate the contract at any time giving at least three months notice.

The Company has contracted with Sassine & Associates Pty Ltd for the part time management services of Dr Sassine, at an agreed fixed fee of \$2,083 per month.

The Company contracts the services of Mr Graeme Boden from Boden Corporate Services Pty Ltd on a fee for service basis, on arms length commercial terms and at rates Boden Corporate Services Pty Ltd normally charges for its other clients for similar services.

Non-executive Directors

The base fee for a director is presently \$35,000 per annum and for the chairman \$50,000 per annum. The Company makes contributions at the statutory minimum rate to superannuation funds nominated by directors, in addition to the base fee. The inception of this fee was 01 June 2007.

Note 21 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Directors' fees cover all main board activities and committee memberships.

2007	CASH, SALARY, ALLOWANCES & DIRECTORS FEES	CASH BONUSES	SUPER- ANNUATION	RETIREMENT BENEFITS	OPTIONS	OTHER BENEFITS	TOTAL	PERFORMANCE RELATED	PERCENTAGE OF TOTAL REMUNERATION THAT CONSISTS OF OPTIONS
	\$	\$	\$	\$	\$	\$	\$	%	
Directors:									
Dr S Sassine	76,167	-	375	-	-	-	76,542	-	-
Mr P Abrahamson	155,000	-	13,500	-	4,533	-	173,033	-	2.62
Dr C Brown	2,917	-	263	-	-	-	3,180	-	-
Dr A Emmett	2,917	-	263	-	3,158	-	6,338	-	49.83
Total	237,001	-	14,401	-	7,691	-	259,093	-	-
Company Secretary									
Mr G Boden	19,200	-	-	-	-	-	19,200	-	-
Mr M Featherstone	115,986	-	-	-	-	-	115,986	-	-
Total	372,187	-	14,401	-	7,691	-	394,279	-	-
2006									
Directors:									
Dr S Sassine	72,000	-	-	-	-	-	72,000	-	-
Mr P Abrahamson	143,587	7,000	11,239	-	9,973	-	171,799	4.08	5.81
Dr C Brown	-	-	-	-	-	-	-	-	-
Dr A Emmett	-	-	-	-	-	-	-	-	-
Total	215,587	7,000	11,239	-	9,973	-	243,799	-	-
Company Secretary:									
Mr M Featherstone	181,044	-	-	-	-	-	181,044	-	-
Total	396,631	7,000	11,239	-	9,973	-	424,843	-	-

Note 21 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

(c) Compensation options: Granted and vested during the year

	VESTED NO.	GRANTED NO.	GRANT DATE	VALUE PER OPTION AT GRANT DATE	TERMS & CONDITIONS FOR EACH GRANT			
					EXERCISE PRICE	FIRST EXERCISE DATE	LAST EXERCISE DATE	EXERCISE DATE
				\$	\$			
Mr P Abrahamson	1,333,333	1,333,333	1/07/2005	0.004	0.20	1/07/2005	30/09/2009	
	1,333,333	1,333,333	1/07/2005	0.002	0.20	1/07/2006	30/09/2009	
	-	1,333,334	1/07/2005	0.002	0.20	1/07/2007	30/09/2009	
Dr A Emmett	500,000	500,000	1/06/2007	0.006	0.20	1/06/2007	30/09/2009	
	3,166,666	4,500,000						

(d) Shares issued on Exercise of Compensation Options

No options were exercised in the current or previous financial years.

(e) Number of Options Held by Key Management Personnel (Consolidated)

	BALANCE 30/06/2006	GRANTED AS COMPENSATION	OPTIONS EXERCISED*	NET CHANGE OTHER*	BALANCE 30/06/2007	TOTALS AT 30/6/07	
						VESTED	EXERCISABLE
						EXERCISABLE	NOT EXERCISABLE
Dr S Sassine	-	-	-	-	-	-	-
Mr P Abrahamson	4,000,000	-	-	-	4,000,000	2,666,666	1,333,334
Dr C Brown	-	-	-	-	-	-	-
Dr A Emmett	-	500,000	-	-	500,000	500,000	-
Mr M Featherstone	-	-	-	-	-	-	-
	4,000,000	500,000	-	-	4,500,000	3,166,666	1,333,334

* The net change other column above includes those options that have been forfeited by holders as well as options issued during the year under review.

Note 21 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

(f) Shareholdings of Key Management Personnel (Consolidated)

	BALANCE 30/06/2006	RECEIVED AS COMPENSATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE 30/06/2007
Dr S Sassine	25,500,000	–	–	(2,350,000)	23,150,000
Mr P Abrahamson	400,000	–	–	–	400,000
Dr C Brown	6,000,000	–	–	3,083,334	9,083,334
Dr A Emmett	–	–	–	–	–
	31,900,000	–	–	733,334	32,633,334

* *Net Change Other* refers to shares purchased or sold during the financial year.

All transactions with directors and other executives, other than those arising from the exercise of remuneration options, are entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arms length.

(g) Loans to Key Management Personnel (Consolidated)

There were no loans to Key Management Personnel.

Note 22 SUBSEQUENT EVENTS

The company was admitted to the official list of the Australian Securities Exchange on 19th September 2007 and commenced trading on 21st September.

The initial public offering closed with 15,081,500 shares subscribed at \$0.20 fully paid, raising \$3,016,300. The issued capital of the Company upon completion of this raising was 82,277,377 shares.

Contemporaneously with the issue of the new shares, 2,000,000 options, exercisable at \$0.20 within 48 months of ASX quotation, were granted to nominees of the lead broker to the issue.

Mr Jeremy Sargent who provides legal advice to the Company on a regular basis was allotted 150,000 shares. This pre-payment amount of \$30,000 will have 50% of future invoices offset until the prepayment is absorbed.

Directors' Declaration ■ HELICON GROUP LIMITED

The directors of the Company declare that:

1. the financial statements and notes, as set out on page 27 to 60, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance of the for the year ended on that date of the company and 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.

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

Director



Dr Saliba Sassine

Dated this 29th day of October 2007.

Independent Audit Report ■ TO THE MEMBERS OF HELICON GROUP LIMITED

Stantons International

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005
AUSTRALIA

ABN 41 103 088 697

Report on the Financial Report

We have audited the accompanying financial report of Helicon Group Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the 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 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. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies 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 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.

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF HELICON GROUP LIMITED

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

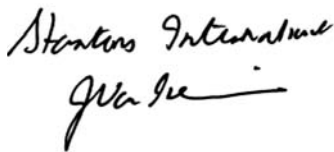
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

1. In our opinion:

- (a) the financial report of Helicon Group Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

STANTONS INTERNATIONAL
(An Authorised Audit Company)



J P Van Dieren
Director

West Perth, Western Australia
29 October 2007

ASX Additional Information ■ HELICON GROUP LIMITED

1. ORDINARY SHARES

The security holders information set out below was applicable as at 21 September 2007.

(i) Distribution of Security Numbers

CATEGORY (SIZE OF HOLDING)	ORDINARY SHARES	
	SHARE-HOLDERS	SHARES
1 – 1,000	–	–
1,001 – 5,000	–	–
5,001 – 10,000	207	2,070,000
10,001 – 100,000	146	7,419,834
100,001 and over	89	72,787,543
Total	442	82,277,377

(ii) Voting Rights

On a show of hands every person present who is a member or a proxy, attorney or representative of a member has one vote and upon a poll every person present who is a member or a proxy, attorney or representative of a member shall have one vote for each share held.

(iii) Twenty Largest Security Holders

The names of the twenty largest holders of ordinary shares are listed below:

NAME	NUMBER OF ORDINARY SHARES	% OF ISSUED CAPITAL
Sassine & Associates P/L	8,000,000	9.72
ASEA Consulting & Capital P/L	7,050,000	8.57
China Market Equities Ltd	6,000,000	7.29
Interview Holdings P/L	4,500,000	5.47
Trabulus Investments P/L	4,000,000	4.86
Saliba Sassine	3,600,000	4.38
Item Holdings P/L	2,800,000	3.40
Ridgelea Enterprises P/L	2,389,267	2.90
Australian Heritage Group P/L	2,389,266	2.90
Cobra Bio-health Services International	2,000,000	2.43
Sassine & Associates P/L	1,930,000	2.35
Fitel Nominees Limited	1,400,000	1.70
Australian Heritage Group PL	1,333,334	1.62
Garry Ralston	1,110,000	1.35
FATS P/L	1,000,000	1.22
Arthur Emmett	1,000,000	1.22
Cygnnet Capital P/L	1,000,000	1.22
Wanton Holdings P/L	760,000	0.92
Fitel Nominees Limited	750,000	0.91
Lo Grace Cheng Tsui Chin	700,000	0.85
Total	53,711,867	65.28

1. ORDINARY SHARES (CONTINUED)**(iv) Substantial Shareholders**

The names of the substantial shareholders listed in the Company's share register as at 23 September 2007 were:

NAME	NUMBER OF ORDINARY SHARES	% OF ISSUED CAPITAL
Saliba Sassine & Associates	25,160,000	30.58
Christopher Brown & Associates	10,263,334	12.49
Interview Holdings Pty Ltd	4,500,000	5.47
Total	39,923,334	48.54

(v) On market buy back

There is no on-market buy-back scheme in operation for the company's listed shares.

2. UNQUOTED OPTION HOLDER INFORMATION

The information on quoted option holders set out below was applicable as at 23 September 2007.

(i) Distribution of unquoted option holder numbers

CATEGORY (SIZE OF HOLDING)	NO. OF OPTION HOLDERS	NO. OF OPTIONS
100,001 and over	5	7,000,000
Total	5	7,000,000

(ii) Voting Rights

Unlisted options do not entitle the holder to any voting rights.

(iii) Holders of more than 20% of unquoted options

	NO. OF OPTIONS	%
Pejogoma Investments Pty Ltd ATFT Abrahamson Family Trust	4,000,000	57.14
John Leslie MacFarlane & Catherine Hilda MacFarlane <Aust Pacific Inv S/F A/C>	2,000,000	28.57
	6,000,000	85.71



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