tzlimited

ASX ANNOUNCEMENT

16 March 2006

Manager
Company Announcements Office
Australian Stock Exchange Ltd
Level 4, 20 Bridge Street
Sydney NSW 2000

Half Yearly Financial Statements

The Directors are pleased to attach a copy of the ASX Appendix 4D and Financial Report for the half-year ended 31 December 2005.

The result for the six months of $1,616,621 on revenues of $15,374,688 is particularly pleasing. EBITDA of $2,903,719 is in line with prior published estimates and this augers well for the financial year ended 30 June 2006.

The acquisition of PDT in March 2005 has proven to be very successful and the results of those operations are included in this six months for the first time, with revenue and earnings in excess of their forecast. Chris Kelliher, TZI Group CEO said "Under the leadership of CEO, Mark Schwartz, PDT has delivered on all material aspects of its business plan achieving significant geographic expansion and putting in place the foundations for ongoing growth. Additionally, Telezygology Inc continues to make excellent progress commercialising its proprietary Intelligent Fastening Technology and anticipates having several fastener families in volume production by the end of the fiscal year".

Tony Leibowitz, Chairman commented. "This strong first half performance is a very satisfying result and the Company is now well positioned to move forward with its strategic objectives in US".

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TZLIMITED

and Controlled Entities

ABN 26 073 979 272

ASX Appendix 4D & Financial report for the half-year ended 31 December 2005

ASX Appendix 4D & Financial report for the half-year ended 31 December 2005

Results for announcement to the market

Results				A$
Revenues from ordinary activities	Up	4,057%	to	15,374,688
Profit/(Loss) from ordinary activities after tax attributable to members	Up	n/a	to	1,616,621
Net Profit for the period attributable to members	Up	n/a	to	1,616,621

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Interim dividend declared	-	-
Final dividend paid	-	-
Previous corresponding period		
Interim dividend declared	-	-
Special dividend paid	-	-
Final dividend paid	-	-

Record date for determining entitlements to the dividend,	N/A

For the six months the Company earned a net profit after tax of $1,616,621 (2004: Loss $3,148,983) on revenues of $15,444,369 (2004: $270,059).

The acquisition of PDT in March 2006 has now been fully integrated in the group and PDT contributed $613,288 (2004: nil) to the Company's net profit after tax and $11,719,737 (2004: nil) to revenue.

The Company is continuing to successfully commercialise its intelligent fastening technology with its technology partner, Textron Fastening Systems.

The movements in closing and opening cash balances in the statement of cash flows between each half year are covered by the settlement for the acquisition of PDT during the half year ended 30 June 2005.

Directors' report

The directors of TZ Limited ("Company") submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Tony Leibowitz
Chris Kelliher
John Falconer

Review of Operations

For the six months the Company earned a net profit after tax of $1,616,621 (2004: Loss $3,148,983) on revenues of $15,444,369 (2004: $270,059).

The acquisition of PDT in March 2006 has now been fully integrated in the group and PDT contributed $613,288 (2004: nil) to the Company's net profit after tax and $11,719,737 (2004: nil) to revenue.

The Company is continuing to successfully commercialise its intelligent fastening technology with its technology partner, Textron Fastening Systems.

Subsequent events

Since 31 December 2005 the Company, 175,482 shares were issued as part settlement of the consideration for the purchase of the MQube Design business from MQbd LLC in Texas, USA.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the half-year financial report

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Tony Leibowitz

Sydney, 16 March 2005

CHARTERED ACCOUNTANTS
BUSINESS ADVISORS

TAYLOR
&CO

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF TZ LIMITED FOR THE
HALF YEAR ENDED 31 DECEMBER, 2005**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December, 2005 there have been:-

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

TAYLOR & CO
Chartered Accountants

STEPHEN K. TAYLOR
Partner

Dated: 16 March, 2005

STEPHEN K TAYLOR B.Bus, MBA, ACA
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Consolidated Income statement
For the half-year ended 31 December 2005

	Note	Half-year ended 31 Dec 2005 $	Half-year ended 31 Dec 2004 $
Revenue		15,374,688	270,059
Cost of sales		(8,206,768)	-
Gross profit/(Loss)		7,167,920	270,059
Other revenue		69,681	101,402
Employee related expenses		(789,129)	(1,249,587)
Occupancy expenses		(89,002)	(97,522)
Communications expenses		(68,946)	(99,187)
Depreciation		(507,450)	(38,645)
Amortisation of Intangibles		(489,797)	(41,650)
Professional and corporate service		(748,893)	(696,069)
Travel & accommodation		(435,106)	(478,264)
Foreign Exchange Losses		(4,770)	(511,417)
Finance costs		(91,075)	(2,888)
Marketing and selling expenses		(495,854)	-
Administration expenses		(1,037,790)	-
Other expenses		(609,710)	(305,215)
Profit/(loss) before income tax expense	2	1,870,079	(3,148,983)
Income tax expense		253,458	-
Profit/(loss) for the period		1,616,621	(3,148,983)
Earnings per share:			
Basic (cents per share)		0.011	(0.023)
Diluted (cents per share)		0.010	(0.023)

Notes to the financial statements are included on pages 10 to 21.

Consolidated balance sheet
As at 31 December 2005

	31 December 2005	30 June 2005
Current assets		
Cash and cash equivalents	5,195,438	5,613,544
Trade and other receivables	9,753,211	9,161,456
Work in Process	203,343	423,812
Total current assets	15,151,992	15,198,842
Non-current assets		
Property, plant and equipment	4,395,640	4,171,410
Intangibles	35,995,942	32,006,796
Deferred tax assets	-	136,025
Total non-current assets	40,391,582	36,314,231
Total assets	55,543,574	51,513,073
Current liabilities		
Trade and other payables	8,240,119	5,632,499
Provisions	78,856	129,191
Interest-bearing liabilities	444,022	424,475
Total current liabilities	8,762,997	6,186,165
Non - Current liabilities		
Interest-bearing liabilities	2,149,383	2,028,010
Deferred tax liabilities	-	9,858
Total non - current liabilities	2,149,383	2,037,868
Total Liabilities	10,912,380	8,224,033
Net assets	44,631,194	43,289,040
Equity		
Issued capital	64,520,812	64,398,396
Reserves	(73,680)	323,203
Retained earnings	(19,815,938)	(21,432,559)
Total equity	44,631,194	43,289,040

Notes to the financial statements are included on pages 10 to 21.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2005

		$	$	$	$	$
		Share Capital	Reserves			
	Note	Ordinary	Equity-based payment	Foreign Currency Translation	Accumulated Losses	Total
Balance at *1.7.2004*		54,565,803	-	-	(26,658,251)	27,907,552
Shares issued during the period		10,540,000	-	-	-	10,540,000
Share issue cost		(661,332)	-	-	-	(661,331)
Write back of amortised goodwill		-	-	-	387,945	387,945
Share – based payment		-	48,000	-	-	48,000
Profit/(Loss) attributable to members of parent entity		-	-	-	(3,148,983)	(3,148,983)
Sub-total		64,444,471	48,000	-	(29,419,289)	35,073,182
Dividends paid or provided for		-	-	-	-	-
Balance at *31.12.2004*		64,444,471	48,000	-	(29,419,289)	35,073,182
Balance at *1.7.2005*		64,398,396	67,663	255,540	(21,432,559)	43,289,040
Shares issued during the period		124,051	-	-	-	124,051
Share issue cost		(1,635)				(1,635)
Currency translation differences		-	-	(407,220)	-	(407,220)
Share – based payment		-	10,337	-	-	10,337
Profit/(Loss) attributable to members of parent entity		-	-	-	1,616,621	1,616,621
Sub-total		64,520,812	78,000	(151,680)	(19,815,938)	44,631,194
Dividends paid or provided for		-	-	-	-	-
Balance at *31.12.2005*		64,520,812	78,000	(151,680)	(19,815,938)	44,631,194

Notes to the financial statements are included on pages 10 to 21.

Consolidated cash flow statement
For the half-year ended 31 December 2005

	Half-year ended 30 Dec 2005	Half-year ended 31 Dec 2004
Cash flows from operating activities		
Receipts from customers	13,636,595	85,059
Payments to suppliers and employees	(12,270,511)	(2,808,608)
Income tax paid	(253,458)	-
Interest received	54,682	158,721
Interest and other costs of finance paid	(91,075)	(2,888)
Net cash used in operating activities	1,076,233	(2,567,716)
Cash flows from investing activities		
Acquisition cost for controlled entity	(93,757)	-
Repayment of escrowed deposit on acquisition of controlled entity	132,798	-
Purchased of property, plant & equipment	(585,186)	(116,706)
Proceeds from sale of shares	-	10
Payments for research and development	(1,471,184)	(222,750)
Deposits paid	(5,721)	-
Loans made	-	(54,459)
Repayments of loans	-	200,000
Net cash used in investing activities	(2,023,050)	(193,905)
Cash flows from financing activities		
Proceeds from issues of equity	546,422	7,847,500
Payment for share issue costs	(17,711)	(661,331)
Net cash provided by/(used in) financing activities	528,711	7,186,169
Net increase/(decrease) in cash and cash equivalents	(418,106)	4,424,548
Cash and cash equivalents at the beginning of the half-year	5,613,544	7,410,963
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies at the beginning of the period	-	(516,507)
Cash and cash equivalents at the end of the half-year	5,195,438	11,319,004

Notes to the financial statements are included on pages 10 to 21.

Notes to the financial statements for the half-year ended 31 December 2005

1. Summary of accounting policies

Basis of preparation

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

The financial report of TZ Limited was authorised for issue by the Directors on the 16 March 2006. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by TZ Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

As this is the first interim financial report prepared under Australian equivalents to IFRS (A-IFRS), the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under A - IFRS has been included below. The Company has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB139 Financial Instruments: Recognition and Measurement from 1 July 2005.

A reconciliation of equity and profit and loss between previous GAAP and A - IFRS has been prepared per Note 9.

The half-year report does not include full disclosures of the type normally included in an annual financial report. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Early adoption of standard

The Company has elected to apply the AASB 119 Employee Benefits to the reporting periods beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgments and assumptions 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. Actual results may differ from the estimates.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report:

(a) Principles of Consolidation

A controlled entity is any entity controlled by TZ Limited whereby TZ Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Notes to the financial statements
for the half-year ended 31 December 2005 (cont'd)

1. Summary of accounting policies (cont'd)

(b) Income Tax

The charge for current income tax expense is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet 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 charged to 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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) 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.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

All fixed assets, including capitalised leased assets but excluding freehold land, are depreciated over their estimated useful lives to the Company.

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

Plant and equipment	20% -25%
Office Furniture and equipment	13% - 50%
Leasehold Improvement	30%
Motor Vehicle	37% - 50%

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. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes to the financial statements for the half-year ended 31 December 2005 (cont'd)

1. Summary of accounting policies (cont'd)

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with less than 14 days to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(f) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(g) Goods and services tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

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

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

(h) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

Notes to the financial statements
for the half-year ended 31 December 2005 (cont'd)

1. Summary of accounting policies (cont'd)

(i) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(j) Revenue recognition

<u>Interest</u>

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

<u>Other Revenue</u>

Direct cost recovery revenue comprises revenue earned from the provision of services, the costs of which are directly recoverable from the client as they are incurred

(k) Finance Costs

Borrowing costs are recognised in expenses in the period in which they are incurred.

(l) Comparative Figures

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

(m) Earnings per share

i. Basic earnings per share:

Basic earnings per share is determined by dividing the operating profit/ (loss) after income tax by the weighted average number of ordinary shares outstanding during the financial year.

ii. Diluted earnings per share:

Diluted earnings per share adjusts the figures used in determining earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(n) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Notes to the financial statements
for the half-year ended 31 December 2005 (cont'd)

1. Summary of accounting policies (cont'd)

(o) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill on the acquisition of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each region of operation by each primary reporting segment.

Trademarks and licences

Trademarks and licences have a Indefinite useful life and are carried at cost less any impaired losses.

Research and development

Research expenditure is expensed as incurred.

An intangible asset arising from development expenditure is only recognised when all recognition criteria can be demonstrated. The recognition criteria for development activity are:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- whether the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development cost are carried at cost less accumulated amortisation and impaired losses. Where recognition criteria are not met development costs are recognised in the income statement as incurred.

A summary of the amortisation policies applied to the consolidated entities intangible assets is as follows:

	Patents and Licences	Development Cost
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	20 year – Straight line
Internally generated / Acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each reporting period; Reviewed at each reporting period for indicator of impairment

Notes to the financial statements
for the half-year ended 31 December 2005 (cont'd)

2. Unusual transactions
None to report during the period.

3. Revisions of accounting estimates
None to report during the period.

4. Subsequent events
On the 10 March 2006 the Company acquired the MQube Design business from MQbd LLC a company incorporated in Texas, USA, for a total consideration of USD$121,064 which consist of USD33,898 paid by the way cash and the balance issued by the way of share in the Company at an implied issue price of $0.65.

No other matter or circumstance has arisen since the end of the financial year which has not been dealt with in the financial statements that has significantly affected or may significantly effect:

(i) the operations of the Company;
(ii) the results of those operations; or
(iii) the state of affairs of the Company.

5. Dividends

	Half-year ended 31 December 2005		Half-year ended 31 December 2004	
	Cents per share	Total $	Cents per share	Total $
Recognised amounts				
Fully paid ordinary shares				
Final dividend	-	-	-	-

6. Segment information

	31 December 2005	31 December 2004
	$	$
Segment Revenue		
Engineering and design	15,374,688	270,059
Investments	54,682	101,402
Total of all segments	15,429,370	371,461
Unallocated	14,999	-
Consolidated	15,444,369	371,461

(i)All Sales were to customers outside the consolidated entity

Notes to the financial statements for the half-year ended 31 December 2005 (cont'd)

6. SEGMENT INFORMATION (cont'd)

Segment Results

Engineering and design	1,800,398	(2,429,570)
Investments	54,682	101,402
Total of all segments	1,855,080	(2,328,168)
Eliminations	-	-
Unallocated	14,999	(820,815)
Profit from ordinary activities before income tax expense	1,870,079	(3,148,983)
Income tax expense relating to ordinary activities	253,458	-
Profit from ordinary activities after related income tax expense	1,616,621	(3,148,983)
Extraordinary items	-	-
Net profit	1,616,621	(3,148,983)

	Assets		Liabilities	
Segment Assets and Liabilities	2005 $	2004 $	2005 $	2004 $
Engineering and design	33,411,694	20,503,713	6,714,670	548,010
Investments	22,131,880	13,319,004	4,197,710	-
Total of all segments	55,543,574	33,822,717	10,912,380	548,010
Unallocated	-	1,807,532	-	9,057
Consolidated	55,543,574	35,630,249	10,912,380	557,067

7. Contingent liabilities and contingent assets

As of the 31 December 2005 there were no contingent assets (2004:nil) and no contingent liabilities (2004:nil).

8. Issuances, repurchases and repayments of securities

On the 3 August 2005 the Company issued 120,000 fully paid ordinary share on the exercise of 120,000 options at 40 cents per share.

Notes to the financial statements for the half-year ended 31 December 2005 (cont'd)

9. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the consolidated balance sheet as at 1 July 2004

	Superseded policies* $	Effect of transition to A-IFRS $	A-IFRS $
Current assets			
Cash and cash equivalents	7,410,963	-	7,410,963
Trade and other receivables	3,295,161	-	3,295,161
Other	-	-	-
Total current assets	10,706,124	-	10,706,124
Non-current assets			
Investments	10	-	10
Property, plant and equipment	90,997	-	90,997
Intangibles	19,934,669	-	19,934,669
Total non-current assets	20,025,676	-	20,025,676
Total assets	30,731,800	-	30,731,800
Current liabilities			
Trade and other payables	2,751,113	-	2,751,113
Provisions	73,135	-	73,135
Total current liabilities	2,824,248	-	2,824,248
Total liabilities	2,824,248	-	2,824,248
Net assets	27,907,552	-	27,907,552
Equity			
Share capital	54,565,803	-	54,565,803
Reserves	-	-	-
Retained earnings	(26,658,251)	-	(26,658,251)
Total equity	27,907,552	-	27,907,552

* Reported financial position for the financial year ended 30 June 2004

Notes to the financial statements
for the half-year ended 31 December 2005 (cont'd)

9. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont)

Effect of A-IFRS on the consolidated income statement for the half-year ended 31 December 2004 and the financial year ended 30 June 2005

		Half-year ended 31 December 2004			Financial year ended 30 June 2005		
	Note	**Superseded policies* $**	**Effect of transition to A-IFRS $**	**A-IFRS $**	**Superseded policies* $**	**Effect of transition to A-IFRS $**	**A-IFRS $**
Revenue		270,059	-	270,059	18,218,464	-	18,218,464
Cost of sales		(41,650)	41,650	-	(6,147,119)	-	(6,147,119)
Gross Profit/(Loss)		228,409	-	228,409	12,071,345	-	12,071,345
Other Revenue		101,402	-	101,402	225,442	-	225,442
Employee related expenses	a	(1,201,587)	(48,000)	(1,249,587)	(2,683,690)	(67,663)	(2,751,353)
Occupancy expenses		(97,522)	-	(97,522)	(298,048)	-	(298,048)
Communications expenses		(99,187)	-	(99,187)	(181,304)	-	(181,304)
Depreciation		(38,645)	-	(38,645)	(420,957)	-	(420,957)
Amortisation of intangibles	b	(387,945)	346,295	(41,650)	(1,140,928)	822,468	(318,460)
Professional and corporate service		(696,069)	-	(696,069)	(1,194,445)	-	(1,194,445)
Travel and accommodation		(478,284)	-	(478,284)	(1,204,134)	-	(1,204,134)
Foreign exchange losses		(511,417)	-	(511,417)	-	-	-
Interest paid		(2,888)	-	(2,888)	(79,215)	-	(79,215)
Other expenses		(305,215)	-	(305,215)	(800,548)	-	(800,548)
Profit before income tax expense		(3,488,928)	339,945	(3,148,983)	4,293,518	754,805	5,048,323
Income tax expense		-	-	-	210,608	-	210,608
Profit for the period		(3,488,928)	339,945	(3,148,983)	4,082,910	754,805	4,837,715
Profit attributable to members of the parent entity		(3,488,928)	339,945	(3,148,983)	4,082,910	754,805	4,837,715

* Reported financial results under previous Australian GAAP.

Notes to the financial statements
for the half-year ended 31 December 2005 (cont'd)

9. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

Effect of A-IFRS on the consolidated balance sheet as at 30 June 2005 and 31 December 2004

	Note	31 December 2004 Superseded policies* $	31 December 2004 Effect of transition to A-IFRS $	31 December 2004 A-IFRS $	30 June 2005 Superseded policies* $	30 June 2005 Effect of transition to A-IFRS $	30 June 2005 A-IFRS $
Current assets							
Cash and cash equivalents		11,319,004	-	11,319,004	5,613,544	-	5,613,544
Trade & other receivables		3,638,474	-	3,638,474	9,161,456	-	9,161,456
Work in process		-	-	-	423,812	-	423,812
Total current assets		14,957,478		14,957,478	15,198,812	-	15,198,812
Non-current assets							
Property, plant and equipment		169,058	-	169,058	4,171,410	-	4,171,410
Intangibles	b	19,727,823	775,890	20,503,713	30,796,382	1,210,414	32,006,796
Deferred tax assets		-	-	-	136,025	-	136,025
Total non-current assets		19,896,881	775,890	20,672,771	35,103,817	1,210,414	36,314,231
Total assets		34,854,359	775,890	35,630,249	50,302,629	1,210,414	51,513,043
Current liabilities							
Trade & other payables		492,937	-	492,937	5,632,499	-	5,632,499
Provisions		64,130	-	64,130	129,191	-	129,191
Interest-bearing liabilities		-	-	-	424,475	-	424,475
Total current liabilities		557,067	-	557,067	6,186,165	-	6,186,165
Non - current liabilities							
Interest-bearing liabilities		-	-	-	2,028,010	-	2,028,010
Deferred tax liabilities		-	-	-	9,858	-	9,858
Total non - current liabilities		-	-	-	2,037,868	-	2,037,868
Total liabilities		557,067	-	557,067	8,224,033	-	8,224,033
Net assets		34,297,292	775,890	35,073,182	42,078,596	1,210,414	43,289,010
Equity							
Share capital		64,444,471	-	64,444,471	64,398,396	-	64,398,396
Reserve	a	-	48,000	48,000	255,540	67,663	323,203
Retained earnings	b,d	(30,147,179)	727,890	(29,419,289)	(22,575,340)	1,142,781	(21,432,559)
Total equity		34,297,292	775,890	35,073,182	42,078,596	1,210,414	43,289,010

* Reported financial position under previous Australian GAAP.

Effect of A-IFRS on the cash flow statement for the financial year ended 31 December 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity

(a) Share-based payments

For the half-year ended 31 December 2004 and the financial year ended 30 June 2005, share-based payments of $48,000 and $67,663 respectively (included in 'employee benefit expenses') which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve.

Notes to the financial statements
for the half-year ended 31 December 2005 (cont'd)

9. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (cont'd)

(b) Goodwill on consolidation

Under AASB 3: Business Combinations, goodwill is capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is prohibited. However, goodwill was amortised under the superseded policies on a straight-line basis over a period of 20 years. The previously amortised goodwill of $387,945, and $822,469 will, therefore, be reversed resulting in a corresponding increase of $387,945 and $822,469 in accumulated losses at 1 July 2004 and for the year ended 30 June 2005 respectively.

(c) Impairment of assets

AASB 136 Impairment of assets, assets held by the Company are required to be tested for impairment in the event that any indicators of impairment are present. Impairment of assets has been reviewed at 1 July 2004, 31 December 2004 and 30 June 2005 and there is considered to be no impact.

(d) Income tax

The Company currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which gives rise to 'permanent' and 'timing' differences. Pursuant to AASB 112 Income Taxes, deferred taxes are measured by reference to the temporary differences determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the statement of financial position.

The controlling Company has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria of current Australian Generally Accepted Accounting Principles (GAAP). Pursuant to AASB 112, tax losses may be more readily recognised as deferred tax assets as the 'probable' recognition criteria is less stringent than the 'virtually certain' test of Australian GAAP. However, these have not been brought to account as recovery is not considered to meet the probable test at this time.

(d) Accumulated losses

The effect of the above adjustments on retained earnings is as follows:

	Note	1 July 2004 $	31 December 2004 $	30 June 2005 $
Expensing share-based payments	a	-	(48,000)	(67,663)
Write-back of goodwill amortisation	b	387,945	775,890	1,210,414
Total adjustment to retained earnings		387,945	727,890	1,142,751

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Directors:

A. H. Leibowitz

Tony Leibowitz

Sydney, 16 March 2005

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF TZ LIMITED FOR THE HALF YER ENDED 31 DECEMBER, 2005

Scope

We have reviewed the attached financial report of TZ Limited for the half year ended 31 December, 2005 as set out on pages 7 to 20. The Company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to meet its obligations to lodge the financial report with the Australian Securities & Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's declaration set out on page 3 of the financial reports has not changed as at the date of providing our review opinion.

Statement

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

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December, 2005 and of its performance for the half-year ended on that date;

- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

TAYLOR & CO
Chartered Accountants

STEPHEN K. TAYLOR
Partner

Dated: 16 March, 2005

Other information required to be given to ASX under listing rule 4.2A.3

Net tangible assets per security	Current period	Previous corresponding period
Net tangible assets per security	5.85 cents¢	9.88 cents¢

Details of entities over which control has been gained or lost during the period

Name of entity	Date of gain or loss of control	Contribution to reporting entity's profit
N/A		

Details of associates and joint venture entities

Name of entity	**Percentage of ownership interest held at end of period**		**Aggregate share of net profit (loss) contributed to the reporting entity**	
	Current period	Previous corresponding period	Current period $A	Previous corresponding period $A
N/A				
Total				