tzlimited™

transformation

2005 Annual Report

contents

TZ Limited's proprietary Intelligent Fastening Technology is creating a new standard for the way manufactured products are designed, assembled and serviced.

The company possesses an extensive and growing patent portfolio, a fully integrated product development capability and proven expertise in licensing technology to leading global companies.

TZ Limited has developed a range of Intelligent Fastening solutions using its patented devices and techniques combined with a specially designed proprietary operating system.

Textron Fastening Systems has licensed the exclusive rights to commercialise the technology in all industry sectors globally.

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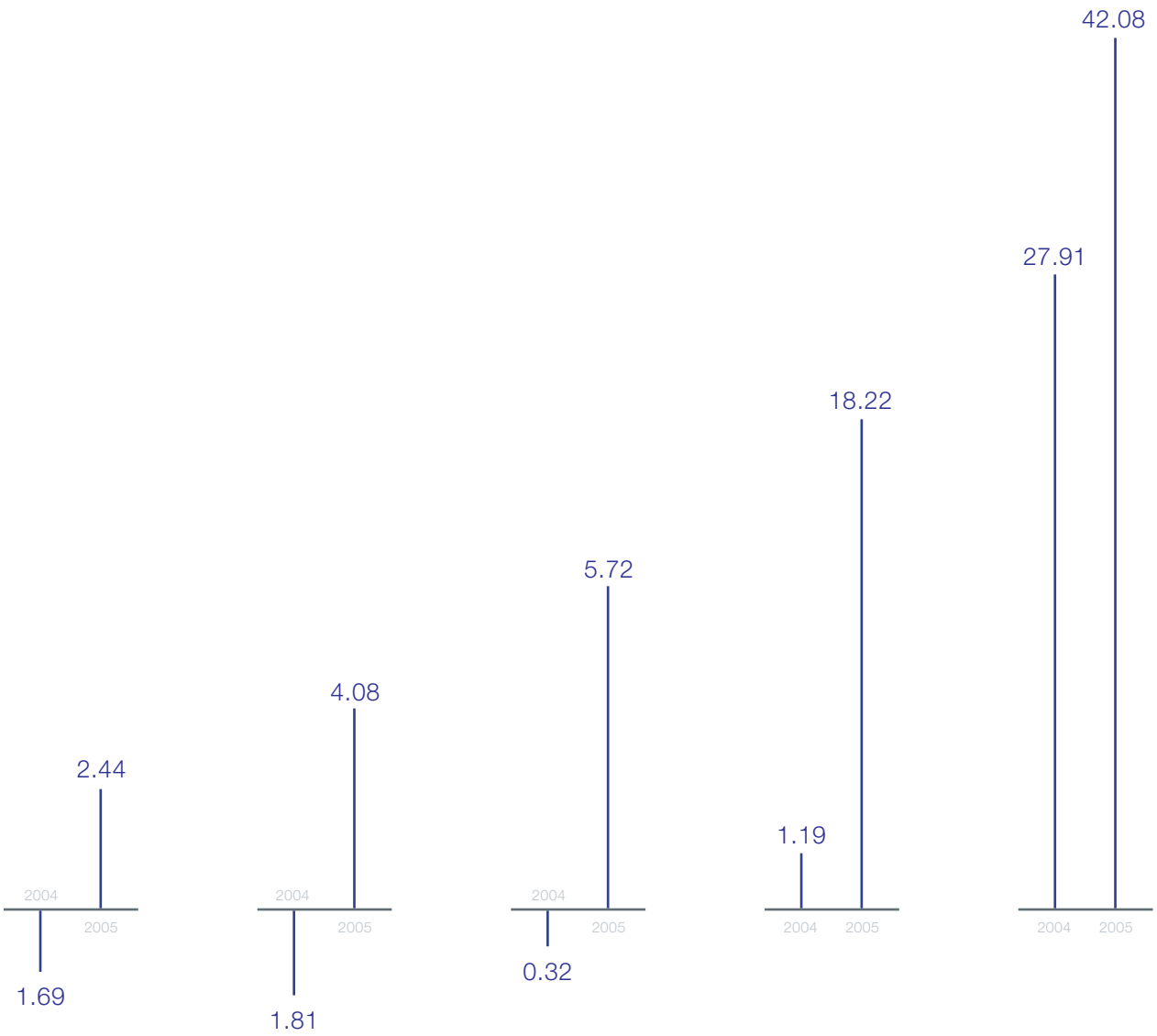
financial highlights



diluted EPS
(in cents)

net profit
(in millions)

EBITDA
(in millions)

revenues
(in millions)

shareholder equity
(in millions)

chairman's letter

I am pleased to report that the 2005 financial year has been a year of transformation, rapid growth and exceeding expectations.

Our Group recorded earnings substantially in excess of our estimates; $5.719M EBITDA compared to a loss of $319,992 for the previous year.

The year ended 30 June 2005 was the first full year of operations in which Teleyzygology, Inc. (TZ Inc) operated as a wholly owned subsidiary of TZ Limited. Revenue for TZ Inc was $9,828,186. In March 2005, the Illinois-based Product Development Technology Holdings, Inc. and associated companies comprising the PDT Group (PDT) was acquired and revenue included in the consolidated entity from the date of acquisition to 30 June 2005 was $8,390,277. Consolidated Group revenue for the year for TZ Limited was $18,218,463.

The board considers excellent progress is being made in line with our stated objectives and the decision to relocate the primary operations of TZ Limited to the U.S. and expand our capability through acquisition appears to be the right one. Significant steps forward have been taken towards the commercialisation of our Intelligent Fastening Technology (IFT) and the Directors are particularly pleased with the spirit of cooperation and shared commitment evident in the new relationship with Textron Fastening Systems (TFS). All-in-all we view these as positive developments to support sustained shareholder value creation.

The board is delighted with its strategic acquisition of PDT – a tremendous company highly respected within the U.S. design community. It has been a very positive addition to the Group and I would like to take this opportunity to welcome the PDT team on board.

TZ Limited has undergone a dramatic transformation during the year, from a small visionary team to a full-scale profitable product development and intellectual property (IP) licensing company with 145 people around the world.

Transformations like this do not occur without the committed focus of directors, management and team contributors at every level. Good companies become great companies by attracting and developing the best people and talent – this is a philosophy consistent in our planning and evident in our execution.

We recently announced a restructure of TZ Limited management. Chris Kelliher has been appointed Group CEO, to oversee the growing number of entities in the Group. In this expanded role he has already recruited some excellent new management into the company. I would like to thank Chris and his diligent team of John Wilson, Dickory Rudduck and now Mark Schwartz, through the acquisition of PDT, for leading the company through this exciting year of transition to be the company we are today.

I invite you to read on about the exciting progress made during the year, and if you are a shareholder, thank you for your support. If you are thinking of becoming a shareholder please read on about a great example of an Australian company taking on the world.

Tony Leibowitz
Chairman

leadership group

expanding our executive capacity to meet expected growth

Pictured left to right; Mark Schwartz, Noel Gewarges, Bernard Perrine, Chris Kelliher, John Wilson and Dickory Rudduck

Bernard Perrine
TZ Inc CEO

Chris Kelliher
TZ Group CEO and
TZ Limited Executive Director

Noel Gewarges
TZ Group CFO

John Wilson
TZ Inc COO

Mark Schwartz
PDT Inc CEO

Dickory Rudduck
TZ Inc CTO

ceo's report

a year of change and rapid growth

In this year of transition, we have moved our technology from concept to commercial reality.

We started the year as a company of eleven people in Sydney, new to life in a public company and with an expanding horizon of opportunity.

In the first fiscal quarter we focused our commercial priorities on securing applications for our Intelligent Fastening Technology and converting the subsequent market validation into an expanded agreement with our partner, Textron Fastening Systems aimed at increasing their commitment to commercialise IFT globally across multiple industry segments. We executed the new agreement late in 2004, and in so doing set the course for the realisation of our vision to create a new fastening standard based on our protected intellectual property. In April 2005, through a global promotional and media campaign, TFS formally launched Intevia™ based exclusively on our Intelligent Fastening Technology and received broad industry recognition.

Our technical priority centred on implementing a systematic approach to testing and validating fastener and smart material actuator designs and commencing a multi-year Technology Development Plan that will deliver industrial grade verified fastener designs supported within a common electronics and software architecture. Early in 2005 we commissioned a state-of-the-art test and verification facility in Chicago that is proving invaluable, not just in testing, but also in optimising fastener design and developing proprietary software control algorithms. Our deepened knowledge of smart materials and how to harness them represents significant know-how.

As anticipated, providing commercial, technical and relationship support from Australia to the growing momentum in the United States and Europe became increasingly difficult, in late 2004 the decision was made to accelerate the move to the U.S. and relocate the whole TZ team, several with young families, to Chicago to be closer to our partners, their customers and the market.

Chris Kelliher, TZ Group CEO

To the TZ team who accepted the challenge and moved from a Sydney summer to a Midwest winter, I applaud your commitment and belief in yourselves and our shared vision.

In March 2005 we completed the acquisition of PDT – a move that dramatically increased our ability to develop commercial applications and the underlying Intelligent Fasteners, software and electronics. The PDT and TZ teams have integrated well and our collective capability now covers all aspects of product development from innovation of concept through to manufactured product – a broad capability fundamental to our future success. PDT, under Marks Schwartz's direction, has proven to be an impressive organisation. Anticipated synergies are materialising and PDT is on track to achieve its full year objectives.

To the outstanding PDT team, thank you for easing our transition and making us welcome.

Throughout the year IFT continued to receive recognition as a commercially significant technology and in April 2005 TFS introduced the first commercial aerospace applications, receiving strong interest and commercial orders from leading companies in the sector. We anticipate a similar response to the next two commercial applications due to be released by the end of the year, with another two to follow in the new calendar year.

In the past year we worked hard to win validation and market acceptance. This required us to develop unique solutions for diverse customer problems, each one requiring a special fastener design. This is appropriate to "bootstrap" and validate the technology however it does not provide the leverage to engage hundreds or even thousands of customers. A critical factor as we go forward is to focus our efforts on the core technology of IFT; smart materials actuation, fastener concepts, software and proprietary electronics. Future applications will be built on this platform. Our top priority is to complete the series of fully tested fastener families with commercial grade software and a documented Application Programming Interface (API) and Evaluation Kit. This will transition the proliferation of the technology, volume manufacturing and customer engagement to our partner, Textron Fastening Systems. This is the fundamental intention of the new agreement and the past years work augers well this planned shift in focus.

Our stated objective is to create an industry standard based on our Intelligent Fastening Technology and TZ operating system. Industry standards are powerful forces that can endure for decades. A well recognised example is the Microsoft Windows™ operating system. Today tens of thousands of companies create software for literally millions of application needs. This success was a combination of Microsoft's unwavering long term focus, sustained improvement of the technology over many years (from MS-DOS to Windows XP) and encouraging more companies to use the technology as a platform on which to build software products and systems.

For Microsoft the initiating force in their success was IBM's industry leadership; a company with an imperative to gain competitive advantage in an emerging market (the Personal Computer) that was threatening its core business, (the MainFrame Computer).

Our relationship with Textron Fastening Systems draws on these obvious lessons and references the many parallels. Leveraging an industry leader's credibility, access to markets and their need for competitive differentiation, we believe will lead to broad acceptance of our underlying game changing platform and by progressively improving it over time, hundreds of companies can integrate it into their product strategies leading ultimately to its commoditisation and adoption as an industry standard.

Consistent to delivering this goal we are bringing management into the company with the relevant background and experience. I am pleased to welcome to the company Bernard Perrine who, until accepting our offer, was the general manager of marketing for the Windows Mobile and Embedded Devices Division at Microsoft. Bernard will join us in late October as the CEO of TZ Inc and will be a valuable addition to an already strong leadership team.

To John, Dickory and Mark and your outstanding teams I thank you for a job brilliantly done in this year of transformation.

And to our shareholders, I thank you for your ongoing support and for your foresight investing in a small Australian company with high aspirations. In so doing you have allowed us to make the transformation evident in the past year. Rest assured you have a committed and talented team of results oriented people building a company we can all be proud of.

Chris Kelliher
TZ Group CEO

the TZ group structure

augmenting our operations

telezygology, inc.

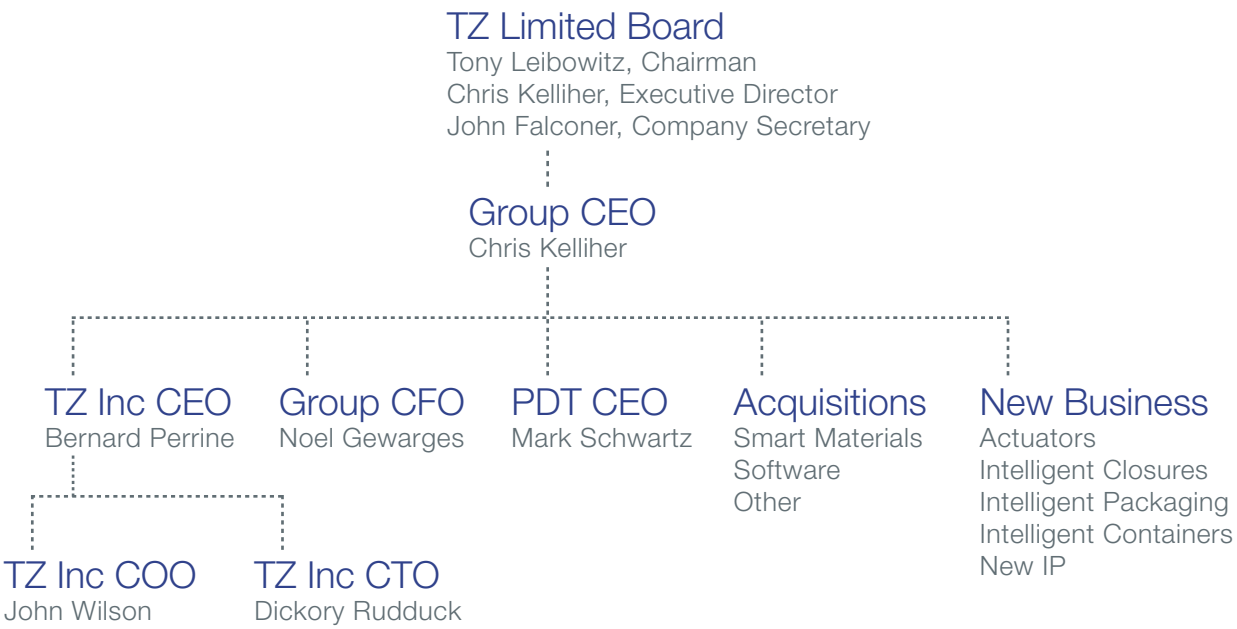
World leader in assembly enabling technology

Technology licensor:
intellectual property creation
technology development
application development
system integration
technology licensing

product development technologies

Fully integrated product development services company

Multi-disciplinary capability:
industrial design
mechanical engineering
electrical engineering
software development
tooling and pilot production



expanded group capability

deepening strategic execution competence

innovation

IP creation

technology development

application development

product design

engineering & tooling

IP licensing

strategic partnerships

TZ's proprietary intelligent fastening operating system allows for secure and rapid maintenance procedures

the year ahead

accelerating our plans for growth

The company anticipates undertaking a number of strategic objectives in the year ahead.

Textron Fastening Systems

Textron, Inc. announced in early September 2005 it was reviewing strategies to improve the performance of its USD$2 billion subsidiary, Textron Fastening Systems and as such may consider selling certain or all TFS assets based on the determination of that review. This announcement is consistent with TZ Inc management's understanding of Textron's strategy to focus on value based businesses, investment in new products and technologies and to move away from under-performing commodity-based assets.

Textron's Intevia™ branded Intelligent Fastening Technology is consistently featured in its investor communications as an example of its future value-based growth strategies. In light of the recent Textron announcement, Textron and TFS have restated their full commitment to Intevia™ and the future of the TZ Limited relationship and other opportunities.

Since the announcement, open and ongoing communication between the senior management of TZ Inc, TFS and Textron Inc are taking place. TZ Inc management is fully informed and satisfied with the direction that the strategic review process is taking and is firm in its view that this development will present opportunities to accelerate business growth and support our stated objective of pursuing a NASDAQ listing in the course of the next calendar year.

Commercialisation of other Intellectual Property

The company owns and is continuing to develop significant IP in technology outside IFT and the license agreement with TFS. To date, commercialisation efforts have focused predominantly on IFT and building the Textron relationship and commercialisation foundations. With the basic IFT building blocks now in place, the company will explore licensing opportunities for its other valuable IP and in the course of next year, will implement a structured program to target prospective technology partners.

PDT

PDT continued to perform strongly this year and will build on that momentum by continuing to scale the business through the ongoing development and further acquisition of branch offices. PDT has shown that this model effectively leverages existing overhead and access to the lower cost Ukrainian resource pool to drive strong profitability. These offices also further expand the PDT footprint to support existing strategic customers who desire a local presence. In addition, these developments will underpin future business development efforts to win new and large strategic clients who see value in full service capability and access to low cost, high quality engineering (Ukraine) and Asian manufacturing resources.

In line with this initiative, PDT has invested in the development of a tightly controlled product innovation and development process which was recently audited for ISO 13485 Certification (medical device design). This highly coveted certification is central to PDT's strategy of expanding into the highly lucrative medical device market. Certification is expected in this calendar year and when secured, PDT will be the first product development firm to achieve this recognition for its proprietary process.

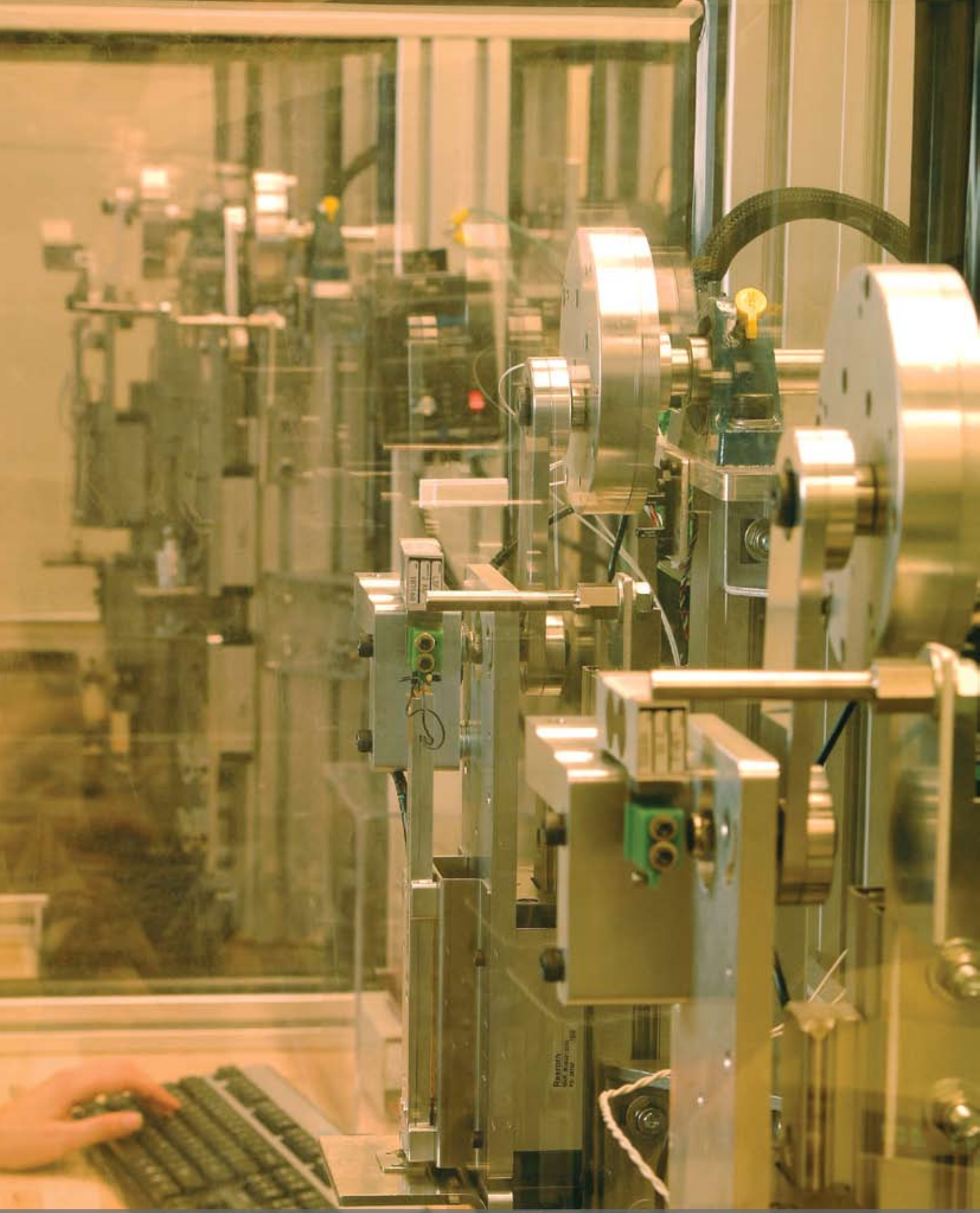
PDT will continue to support the company's drive to bring IFT to market by supporting development of core fastening technology, developing applications and assisting in the commoditisation of the fasteners themselves.

Technology Development

Technology development will continue to focus on delivering commercial grade fasteners supported by software and electronics. By December, three fastener families will be fully verified, tooled and in pre-production manufacturing.

These three new fastener families, which will be branded by TFS as the S, IL and R series will provide a base technology offer enabling many application opportunities to be pursued and underpin TFS application solutions for security, rapid assembly, rapid reconfiguration and maintainability.

These industrial strength fasteners will initially be launched as part of an Evaluation Kit with remote communications software that will allow prospective customers and interested third parties to fully evaluate applications of the technology and to better explore and understand the full multi-functional capability that these intelligent fastening devices can offer as part of an assembled system.



TZ's testing facilities in Chicago are used to ensure fasteners and actuators meet the specified standard for a variety of commercial applications.

the year ahead

Availability of the Kits is planned for launch in early 2006 and will be targeted at the design and engineering community.

The Evaluation Kits will be upgradable through a software release which will be made available later in the year, that will provide for a full Engineering Development Kit. It is anticipated that these Kits will support demand creation for Intevia™ solutions as designers and engineers embrace the capability of independently engineering applications to meet specific needs. This software will be the first commercial release of the TZ Operating System (TZ-OS).

FutureWall

Futurewall was launched in Australia and gained momentum in its first year with significant sales volume being achieved well above initial expectations, In recent months, the licensee has not been able to sustain these levels of sales due to recent events unrelated to the marketability of the product. The company is currently investigating options to restructure the current licensing arrangement to ensure that the potential of the product is maximised in the Australian market.

In addition, a product extension is currently planned to add additional functionality to the core system that will capitalise on identified market opportunities and increase the attractiveness of the offer.

Encouraging progress is also being made in China for manufacturing and distribution and the launch of the product in the U.S. which, although slow to date, will receive increased management focus with an injection of dedicated and appropriate resources to build on the identified opportunities. Management believes that an opportunity exists to build a highly profitable global FutureWall business by revisiting the current licensing and distribution model and exploring avenues for TZ to directly influence market outcomes and derive an increased share of the proven profit potential.

Organisational Development

The company is deepening its talent base and execution capability to fully capitalise on opportunities.

To manage the integration of a growing number of entities in the TZ Group and ensure the planned synergies, strategic integration and growth, the role of Group CEO has been introduced and will be filled by Chris Kelliher. Joining the Leadership Group as CEO of TZ Inc is Bernard Perrine, who will leave his current role at Microsoft to take up this position in late October. Until this appointment, Bernard was the general manager of marketing for the Mobile and Embedded Devices division responsible for global sales and marketing teams for Windows™ mobile software for pocket PC's, Smartphones and embedded devices. Prior to joining Microsoft, Bernard was vice president at Eastman Kodak responsible for their global retail photofinishing business and prior to that, a founding partner at Kinko's Inc. Bernard's proven success and considerable experience make him well qualified for this position. His experience at Microsoft will bring an insightful dimension to the company's increasing focus on software which is critical to establishing IFT as an industry standard.

It is anticipated that another Group Role will be established during the course of the year to bring the appropriate focus to other IP platforms, licensing opportunities and emerging new business.

Acquisitions

Smart materials actuation is a fundamental enabling technology for Intelligent Fastening devices. Management believes the acquisition of a smart materials supplier is strategically important to enable TZ to produce proprietary actuator designs for high temperature and high duty cycle actuators which will provide competitive advantage, broaden the application opportunities, produce incremental revenue and guarantee the supply of these materials.

The company has identified a number of potential acquisition targets and in September the company entered into a Memorandum of Understanding to acquire a leading smart materials supplier and Technologist. Discussions are progressing and a decision will be made in the near future.

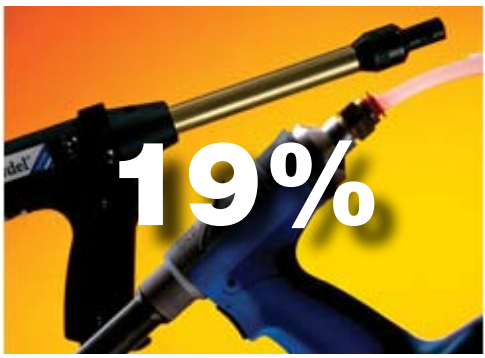
There is a cross company requirement for additional software development and electronic engineering capability. These are currently being met by organic growth within PDT and ramping up the deployment of Ukraine based software engineers. It is possible this growth will need to be supplemented through the acquisition of appropriately skilled and established Illinois-based businesses, several of which have already been identified.

TEXTRON

introducing The Premier Global Multi-industry Company
2004 Revenue: USD$10.2 billion (NYSE: TXT)

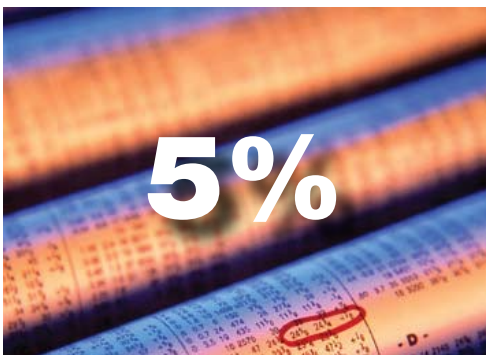
- bell helicopter
- textron systems

fastening systems



cessna

textron financial



industrial

- E-Z-GO
- Fluid & Power
- Greenlee
- Jacobsen
- Kautex

tz inc operational review

securing our channel to market

"We have secured a globally committed commercialisation partner in TFS with the industry presence and global scale of sales, manufacturing, engineering and distribution resources needed to build an extensive application sales base."

John Wilson, COO and Co-founder of TZ Inc

Dickory Rudduck, TZ Inc CTO; John Wilson, TZ Inc COO; Rick Clayton, TFS President; Seshu Seshasai TFS EVP of Technology; Martin Schnurr, TFS EVP of Sales and Marketing; and Chris Kelliher, TZ Group CEO

A significant focus for management at the start of the operational year in July 2004 was the development and nurturing of the technology partnership relationship with Textron Fastening Systems.

The original one-year agreement on which the parties based their 2003/04 collaboration expired in August 2004 providing the impetus for both parties to move forward to define an on-going and substantial relationship.

Underpinned by the ground swell of market interest, the initial launch of the technology to the aerospace sector early in 2004, and significant awareness building for Intelligent Fastening Technology through TFS' public relations initiatives, it was clear that an exclusive relationship would create a solid platform for the broad commercialisation of IFT, accelerate the Company's growth plans and support TZ's stated objective to establish IFT as a new industry standard.

After reviewing the various strategic licensing options available to the Company, TZ management determined the most appropriate path forward and commenced the structured negotiation process with TFS executives.

The last quarter of 2004 saw heavy commercial negotiation, substantive due diligence on TZ's intellectual property and robust modelling of the IFT revenue opportunity. With new obligations for each party agreed to, licensing terms defined and a formal agreement signed, TFS secured the global rights to commercialise IFT across all industry sectors.

Dedicated resources are facilitating an accelerated technology development progam

tz inc operational review

deploying dedicated resources

"Our global presence, technology resources and sales and marketing network give the wherewithal to establish this technology as an industry standard within a few years."

Seshu Seshasai, EVP of Technology for TFS

Martin Schnurr, TFS EVP of Sales & Marketing; Rick Clayton, TFS President; Seshu Seshasai TFS EVP of Technology

On signing the agreement, TFS put into action immediate steps to build a flexible and responsive IFT organisation and allocate dedicated resources to commercialisation.

Using the highly profitable and fast growing global aerospace division as the structure to incubate the IFT business, TFS appointed senior VP level executives across the marketing and technical functions to lead the IFT business, supported by high level senior management appointments in product management, application engineering and business development roles.

The appointment of predominantly Six Sigma Black Belt certified resources to the IFT business clearly demonstrated TFS' commitment to the technology and the push for successful execution of commercialisation plans. Six Sigma is a disciplined, data-driven approach and methodology for change management and the achievement of quality and near perfection in any process – from manufacturing to transactional and from product to service. Black Belts are typically high performing senior managers who are fully trained, certified and experienced in the principles and practical application of Six Sigma methodologies.

As of June 2005, there were six dedicated full-time IFT resources and a substantial compliment of shared TFS resources across Europe, U.S. and Asia sales and marketing, application engineering, product engineering and operations focused on supporting IFT based activity.

In support of this new structure, TZ reallocated and employed additional resources to compliment TFS' organisation and provide a sound foundation for competency and skill sharing.

We have a close working relationship with TFS working through all the aspects of product development through to commercial projects.

A TFS promotion for the secure latching system for aerospace interiors

tz inc operational review

achieving commercial validation

Several application development opportunities in the automotive, aerospace, defence and security industries are currently progressing through TFS' new product and services introduction process.

Secure Latching System for the Aerospace Industry

Initiated in August 2004 and launched in April 2005, the Secure Latching System represents the world's first commercial implementation of Intelligent Fastening Technology.

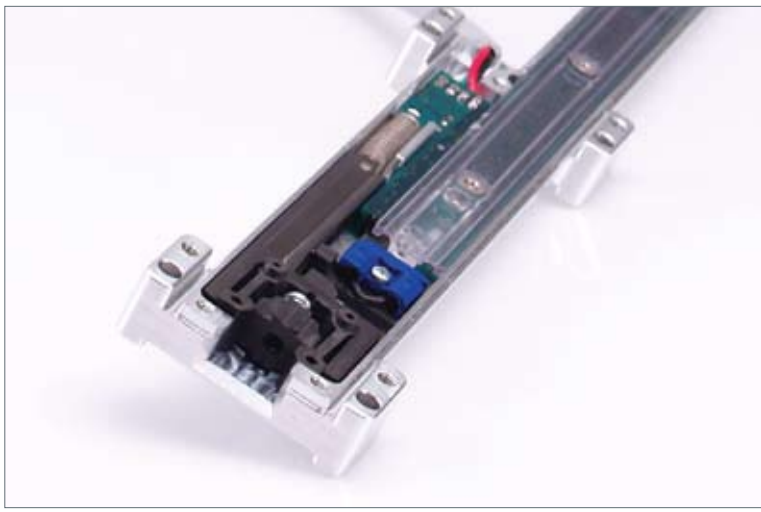
This product is an innovative secure electronic latching solution for aircraft interiors, which meets the needs of the aerospace industry for cost-effective security, systems integration and management, and weight reduction.

The initial customer for the secure latching system is UK-based aircraft interiors company, MacCarthy Interiors, who intend to apply the product to their first and business class stowage systems. MacCarthy Interiors takes pride in offering innovative, design led production solutions to their customers who include Virgin Atlantic Airways, British Airways, KLM and Airbus.

The new intelligent latch has a slim-line profile to allow flush mounting into aircraft monuments and offers increased functionality and reduced weight compared to the heavy electromechanical latching systems in use currently.

The new mechanism comprises a dynamically adjustable mechanical locking system, smart materials actuation, integrated sensors and embedded microprocessors, which are software controlled, allowing a hierarchy of secure control devices from contact switches to touch screens. The potential to network into the aircraft system extends local control to centralised stations for single point lock-down of multiple units.

The latching system is controlled by an integrated contact key mat door handle which, when touched, instructs the latches to release and visually indicates a locked or unlocked status via dual color LED's.



The Intelligent Latch is the first commercial application of IFT

Concepts for the Security Market

Building on the enormous demand for security products, TFS has developed concepts to showcase the potential of IFT as a breakthrough platform in electronic system locking. The emerging convergence between the physical security market and the IT industry is seeing items such as locks and entry systems being upgraded to work with the same computing systems that control computer and network sign-on and identity management. Spending in 2005 on convergence projects in North America and Europe is expected to be over USD$1.1 billion.

The remotely activated drawer and cabinet locking system provides improved operator efficiency, ergonomics and ease of use and removes the issues associated with the management of physical keys. The integrated intelligent locking mechanism offers improved aesthetics and security with no visible locking points. Drawers and safe doors self eject when unlocked providing easy access to users. The concept has the potential for integration into a range of other security systems including enterprise-wide access control systems.

tz inc operational review

establishing early adopter relationships

While the early opportunities provide an encouraging endorsement of the potential of the technology, since the signing of the new agreement, TFS has embarked on a more structured approach to commercialisation.

A six-stage business strategy for the broad commercialisation of IFT has been developed. Since the start of this year, focus has been on the successful execution of Stages 1 to 3:

Stage 1: Establish Internal Conditions

Establish the necessary internal conditions and infrastructure to support early commercialisation of IFT.

Stage 2: Form Early Adopter Relationships

Establish segment specific deal driven relationships with 'Early Adopters' who see the potential for the technology and provide initial application opportunities for TFS in a controlled and structured rollout. These partnership relationships are critical to successful commercialisation as they provide the means for technology introduction and to proving technical, commercial and market viability.

Stage 3: Exploit Specific Segment Niches

Leverage these specific relationships to drive commercial opportunities within the segment to establish a commercial platform of application solutions and product offerings.

A concerted program is underway working across all segments of the aerospace industry including commercial aviation, business jet, helicopters and aerospace defence, to secure relationships with early technology adopters.

Stage 4: Proliferate Across Other Segments

Utilise these application platforms and proven track record of performance to springboard into new segments with a range of product variants to new customers.

Stage 5: Expand the Engagement Model

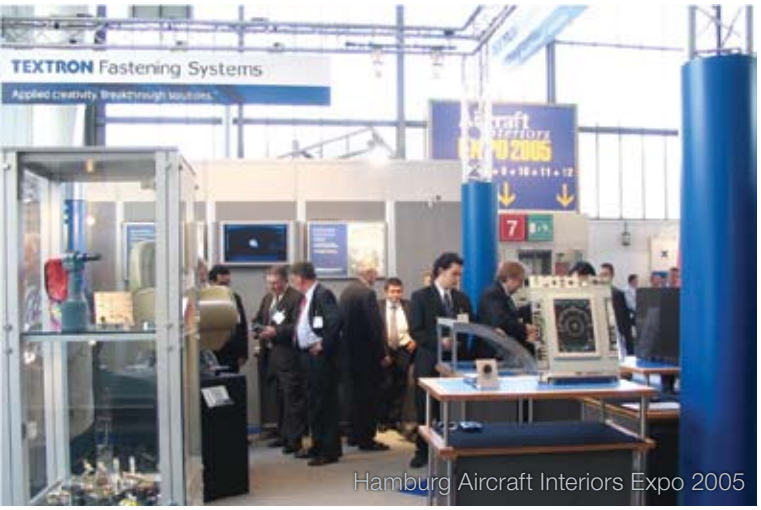
Evaluate existing partner relationships to ensure they do not hinder broader market penetration within segments and expansion into new areas through focused cost reduction, operational effectiveness and industry demand.

Stage 6: Exploit Maturing Market Opportunities

Increase market acceptance to stimulate broader interest and accelerate adoption, leading to the point where IFT becomes a base technology required by the majority market as a means to compete with early adopters of the technology.

tz inc operational review

targeting industry sectors



Hamburg Aircraft Interiors Expo 2005

Concepts on display at the 2005 Hamburg Expo included a biometrically controlled latching system, remotely releasable access panels and an aircraft seat attachment system for rapid reconfiguration.

Targeting Aerospace

Building on the strong interest IFT received at the Hamburg Aircraft Interiors Expo 2004, TFS chose the 2005 event for a major demonstration of Intevia™ capability. The presentation was underpinned by a strong message promoting the benefits of the technology in improved security, improved maintainability and rapid reconfiguration.

With over 10,000 visitors from over 100 countries and 150 airlines, the three day aircraft interiors event provided TFS with an opportunity to unveil a series of IFT concepts that it believes will bring fundamental changes to the way aircraft interiors are designed, serviced and adapted to market requirements.

The event exceeded expectations with significant interest from major aerospace industry leaders who see the technology as a key enabler for strategic initiatives and product differentiation.

A concerted program is underway across all segments of the aerospace industry including commercial aviation, business jet, helicopters and aerospace defence, to secure relationships with early technology adopters.

Given the nature of the aerospace industry, non-disclosure undertakings prohibit TZ from outlining these commercial engagements and application opportunities, although significant traction with the targeted major segment players is generating a sound base of solid commercial opportunities.

Targeting Automotive

Building on the aerospace sector launch, preliminary market scanning commenced in earnest in May 2005 in the automotive sector to identify the key value drivers on which IFT can support a strong proposition to the industry.

Targeting mainly the major European automotive players, several initial application opportunities have been identified and projects are currently being progressed.

A systematic launch to the major automotive OEMs is scheduled for rollout in late 2005.

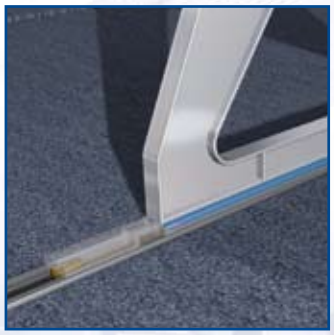
INTEVIA™
THE FUTURE OF FASTENING

www.textronfasteningsystems.com

breakthrough solutions for aerospace design

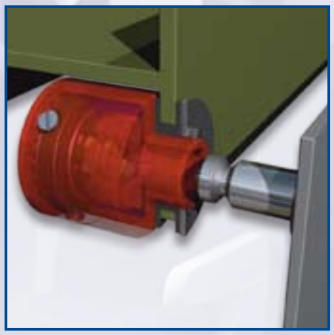
A breakthrough technology from Textron Fastening Systems, Intevia™ eliminates the physical link between tool and fastener and provides for a new class of intelligent fastening devices that can be operated remotely from a distance.

Meeting the needs of the aerospace industry, Intevia™ provides for a new generation of networked fastening solutions characterized by smart material actuating mechanisms, integrated sensors and embedded microprocessors for data and energy management.



rapid reconfiguration

- Innovative in-line track fastening solutions for quick cabin installation
- Software controlled fastening release systems for speed of cabin reconfiguration
- Facilitates monument and seating flexibility for optimized operational efficiency



improved maintainability

- Innovative attachment systems to enable quick swap out of line replacement units
- Fastener release via digital instruction eliminates the need for special tools
- Integrated sensing at fastener nodes enables ubiquitous health monitoring

increased security

- Intelligent latching systems for controlled authorized access
- Latching systems can be locked down from a remote location
- Slim-line and light-weight designs for flush mounting into monuments for improved aesthetics

launching the TFS Intevia™ brand

INTEVIA™
Intelligent Fastening Solutions

Rapid Reconfiguration Solutions

Rapid Assembly Solutions

Maintenance Solutions

Security Solutions

To establish the foundations for marketing efforts, TFS engaged an external marketing consultant to support the creation of the Intevia™ brand and the development of a branding strategy to correctly position the technology in the market.

TFS are positoining the technology as:
The industry standard for the design, assembly, service and recycling of products that will completely change the dynamics of manufacturing across all industries.

All communications to the market are aligned to establishing Intevia™ as the recognised industry standard.

In addition, sub-brand messaging along four broad based end-user benefits have also been articulated: rapid assembly, rapid reconfiguration, improved security and improved maintainability, and promotional material such as brochures, multi-media and video format have been developed to support targeted communication strategies for each market segment.

YOUR TECHNICAL RESOURCE FOR SENSING, COMMUNICATIONS, AND CONTROL

sensors

www.sensorsmag.com

DECEMBER 2004 VOL. 21 NO. 12 $10.00

Intelligent Fasteners

Latch and Unlatch on Command

12 Ways to Gauge Level

Understanding Your Wireless Networking Options

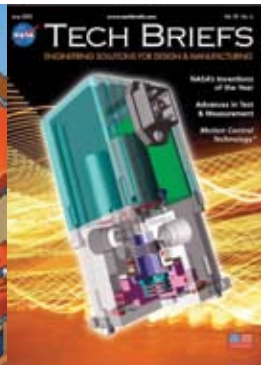
IR VCSELs or LEDs—Which One's for You?

Special Wireless for Industry insert inside

CELEBRATING 20 Years

tz inc operational review

earning prestigious acclaim



Public relations and awareness building activity continued to be strong over the year. The technology was featured in several cover stories and articles in leading industry publications including *Designfax*, *Surface Mount Technology*, *Sensors* and *Design News*.

Additionally, Intevia™ was selected as *Product of the Month* in the June 2005 edition of *NASA Tech Briefs* magazine, the largest U.S. circulated engineering magazine. Subsequently, Intevia™ was nominated as a finalist and contender for its *Product of the Year 2005* award, representing significant industry recognition and a substantial opportunity for promotion and business development with U.S. government agencies.

When the U.S. Congress formed NASA in 1958, it mandated that NASA and its contractors must report any newly developed commercially significant technologies to industry so that engineers, managers, and scientists could improve their competitiveness and productivity. For more than three decades, this has been accomplished through the publication of *NASA Tech Briefs*. The *Tech Briefs* also provide their readers with a technology support package which explains the technology in detail and provides contact points for questions or licensing discussions.

A FutureWall installation in the Sydney offices of the law firm, Kemp Strang

tz inc operational review

building systems and assembly enabling technology

Given the significant focus on TFS activity over the year, the Company has not been able to dedicate significant attention to other technology initiatives. In addition, certain events have also limited the extent of planned activity:

FutureWall Technology

The market acceptance of FutureWall as an integrated office furniture and partitioning system and sales to the professional office fit-out market in Sydney, Melbourne and Perth showed strong growth in 2004 and early 2005 with the system clearly emerging as the product of choice for the professional services market. Successful fit-out implementations at Cutler Hughes Harris, Corrs Chambers Westgarth and Kemp Strang Lawyers clearly validated the product's strong value proposition and market potential.

In the first full year of sales, volumes exceeded initial expectations and with over $15 million in potential sales under tender, the Company was anticipating sustained growth through 2006. In recent months, however, the licensee has not been able to realise these opportunities due to events unrelated to the marketability of the product.

The company is currently investigating options to restructure the current licensing arrangement to ensure that the potential of the product is maximised in the Australian market, which will in turn provide a solid platform for regional growth into Asia, the U.S. and Europe.

Preliminary steps have been taken to explore identified opportunities in China for manufacturing and distribution, and the Company has continued to validate the potential for the system in the U.S. with structured presentations to various leading architectural firms and market influencers.

Steps towards finalising distribution relationships in the U.S. have been put on hold pending resolution of the Australian business. Our ability to validate the high growth potential and profitable nature of the FutureWall business, which has until now been successfully demonstrated in the Australian market, will be fundamental to marketing the FutureWall technology to prospective customers in other territories.

An aluminium based patio system for the DIY market

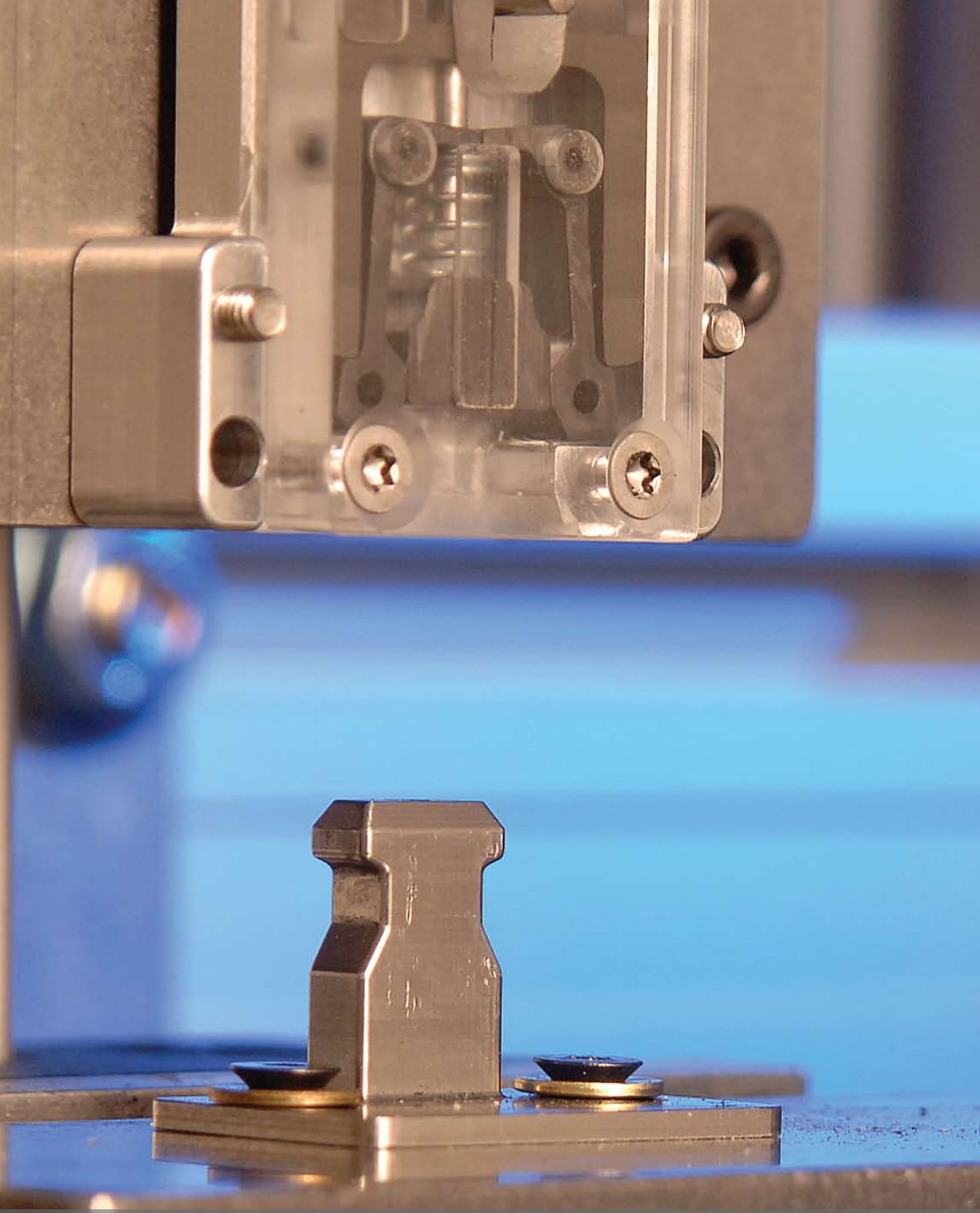
Assembly Enabling Technology

Over the year, the Company has continued to pursue a more substantial and expanded innovation partnership with Alcoa Engineered Products to underpin the commercialisation of the Company's other assembly enabling technology.

Until recently this was progressing positively with a number of opportunities identified and a major development project underway with a dedicated launch customer for a DIY residential building product offering.

Unfortunately, the recent restructure of the Engineered Products Division and the accompanying leadership changes have now stalled these programs. We are awaiting advice as to the future direction of the Division under the new leadership and will re-engage once the new executive team settles into the role.

We have continued to maintain our relationship with the launch customer for the DIY product and are currently exploring independently of Alcoa, other quick-to-market product development opportunities that can be driven through their established channels to national retailers.



The Intevia™ Latch undergoing rigorous life-cycle and strength testing in the TZ Lab

intellectual property update

protecting shareholder value

Ongoing intellectual property creation and prosecution is ensuring the creation of sustainable value for our shareholders and customers.

The significant portion of the IP portfolio has been built to protect the landscape for Intelligent Fastening Technology and the practical commercial application of the technology across multiple market sectors.

Application Patents

This year, ten new application patents were generated in several application areas in support of the significant push into the aerospace industry, particularly in aircraft reconfiguration, maintenance and security. Patents targeting the automotive sector have primarily been in the area of seat attachment and safety.

The total number of Application Patents at the end of the financial year was 19.

Core Technology Patents

The various research and development projects undertaken by the Company over the year have generated several new actuator systems, fastening mechanisms and electronic control algorithms for shape memory alloys (SMA). Many of these new innovations have been patented and collectively reinforce TZ's core IP position.

The total number of Core Technology Patents at the end of the financial year was 15.

A New Well of Ideas

TZ's recent acquisition of PDT has allowed the Company to capitalise on a wealth of creative capability that will support new initiatives in commercial product development and future IP and technology licensing.

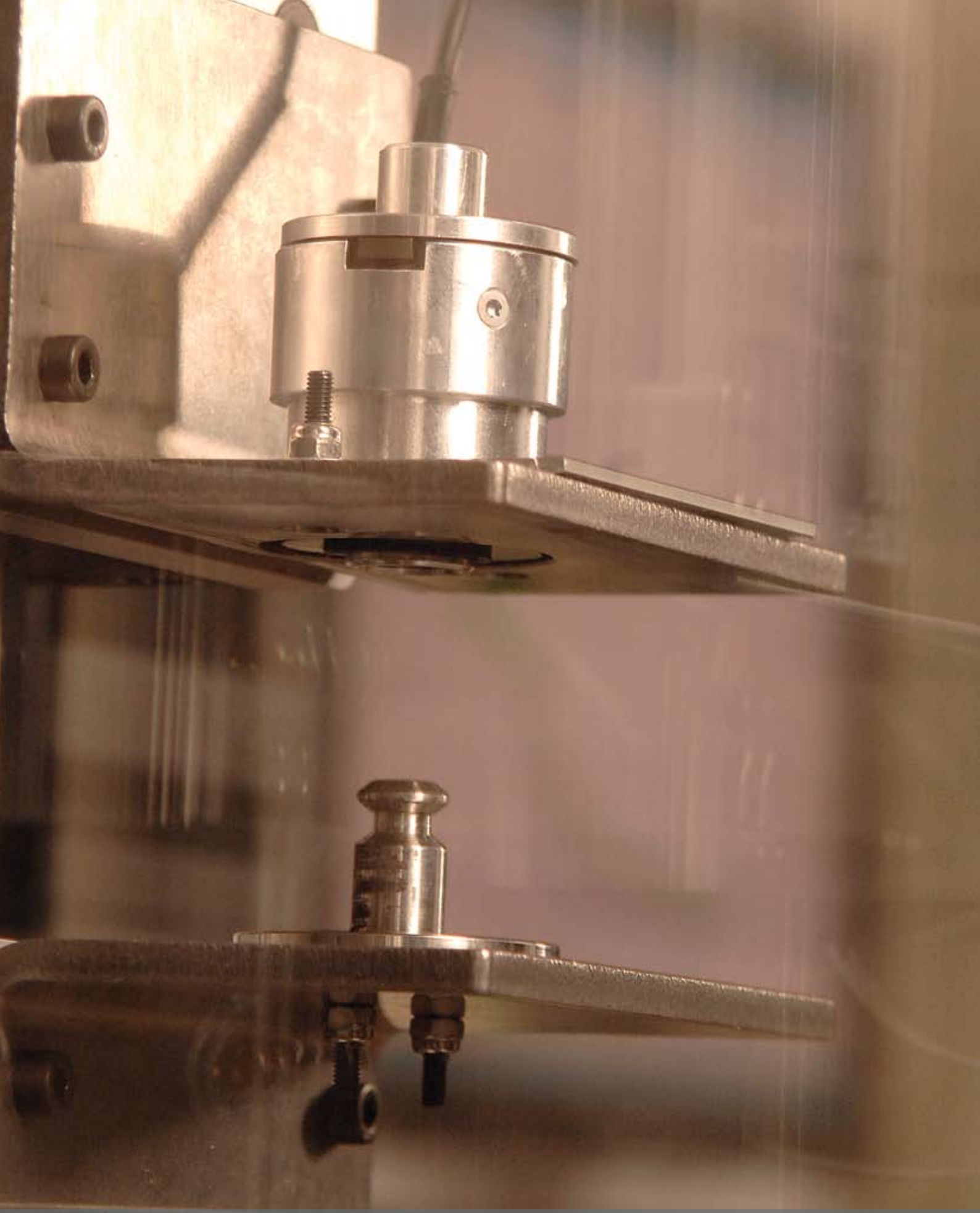
A new initiative designed to consolidate the combined potential under a structured program, Informed Innovation, will harness the company's unique ability to generate new product ideas and product creation opportunities. The program is intended to deliver patented innovations of exceptional value and relevance to targeted customers. The program builds on the Company's understanding of the technological and business worlds, empathy with market needs, and a capability that spans both creative and practical implementation phases.

Currently seven new patents have been filed to support defined opportunities in the medical, retail, closures, and software industries.

IP Maintenance: A Core Business Process

The commercialisation of IFT through the TFS relationship combined with the Company's expansion through the acquisition of PDT has greatly increased activity around IP and trademark creation, confidentiality, and the protection of know-how and trade secrets. Given the significant importance of IP management to the Company's future, TZ has employed a U.S. Patent Attorney as in-house legal counsel to develop administrative systems and robust processes to support Group activity and to improve the ongoing management of the IP portfolio.

A significant advantage of this in-house capability is the potential reduction in IP prosecution costs as TZ now interfaces directly with the United States Patent and Trademark Office for the lodgement, examination and review of Provisional Patents and National Phase Applications. For continuity of IP strategy, all IP activity continues to be strategically overseen by the Company's original Australian patent lawyers, Chrysiliou Law.



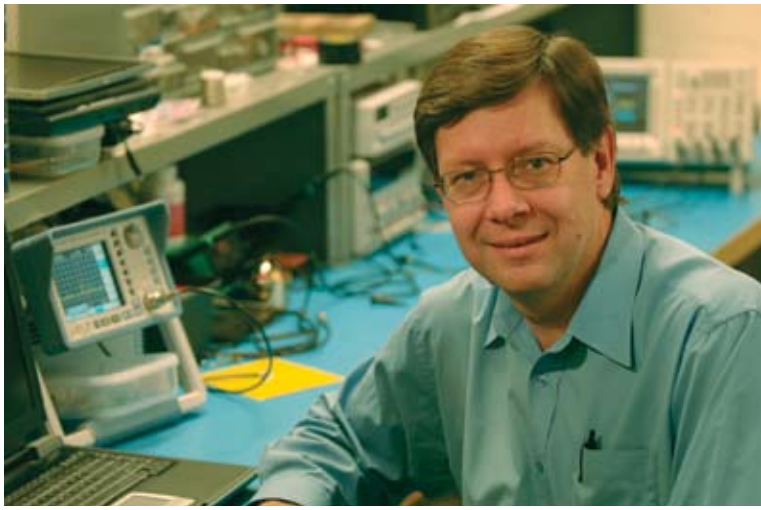
Some fasteners exceeded expectations for durability in the lab

technology update

creating the next industry standard

"We're taking the Company from a research and custom solutions phase to the commercial production of fully engineered, certified technology platforms with broad application potential."

Geoff Sizer, GM Technology Development



The TZ development team has grown from its initial nucleus of a few clever engineers to a well structured technology development team comprising senior mechanical engineers, industrial designers, electronics engineers, software developers and production engineering specialists. In-house competencies are further supplemented where needed by renowned consultants and industry experts in specific fields of interest to reinforce the Company's technological position and know-how. At the implementation level, manufacturing is undertaken by a network of trusted sub-contractors located in the U.S., Australia and Asia.

Technology development has been undertaken as part of a structured and planned process. Team structure, facilities and development tools have been established to support future plans for rapid growth as product commercialisation initiatives increase.

Development work has focused on the investigation of smart material properties, the design and development of mechanisms, electronics and software development, production engineering and the manufacture of production fasteners, software tools and sensing systems. Collectively, this effort has culminated in the realisation of:

- Several fastener product families
- A standard electronics platform design
- An Intelligent Fastening operating system destined to become the industry standard.

Additionally, research and testing of Nickel Titanium (NiTi) SMA and other smart materials is establishing the foundations for an evolution of increasingly advanced Intelligent Fastening solutions.

Work is also underway on the design and development of an Application-Specific Integrated Circuit (ASIC or custom microchip) to further reduce fastener size and cost.

technology update

developing robust technology for broad application

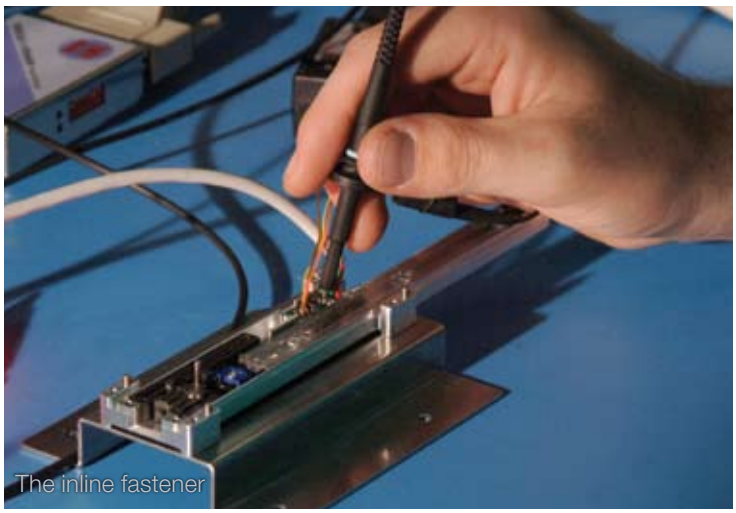
After extensive life-cycle and strength testing, some fasteners have exhibited durability that far exceeds specified requirements for a range of specified applications.

Development initiatives stretch across the five fundamental elements of Intelligent Fastening Technology which are:

- A fastening mechanism
- Smart materials actuation
- Embedded electronics
- Integrated sensors
- Software control

These elements create complete Intelligent Fastening systems which can be designed to satisfy a wide range of application requirements.

Over the past year, development efforts across all five elements have led to a significant achievement with the delivery of a sound platform for the commercialisation of first generation IFT enabled products.



The inline fastener

Development to date has delivered four discreet families of intelligent fastening mechanisms with each configuration possessing inherent properties making it suitable for certain practical applications.

The Radial Mechanism

The Radial Mechanism family consists of fasteners for high load bearing, high life-cycle applications, including more robust versions for demanding aerospace and automotive applications.

The Inline Mechanism

The Inline Mechanism family of fasteners can satisfy a wide range of locking and latching applications, with versions certified for use in the cabins of commercial airliners.

The Overhang Clip

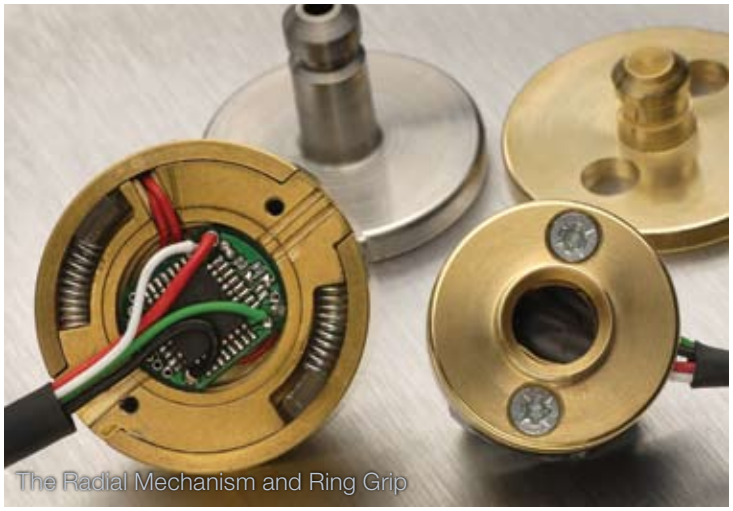
The Overhang Clip family consists of relatively simple, inexpensive fasteners for panel attachment, connector retention, PC security and other commercial applications.

The Ring Grip

The Ring Grip family consists of medium load bearing fasteners for panel attachment, part attachment and low security locking applications.

technology update

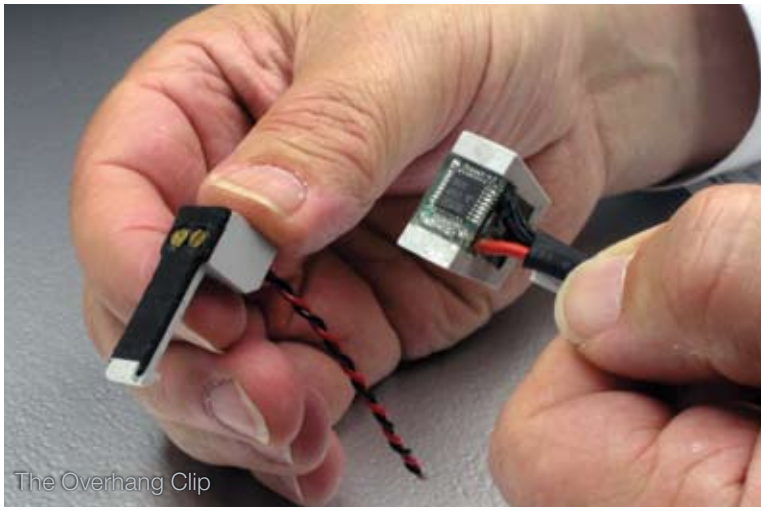
adding to a family of intelligent fasteners



The Radial Mechanism and Ring Grip

Each fastener family incorporates standard TZ electronics and operating system designs, including a communications network interface for monitoring and control, internal sensing functionality, auxiliary control outputs and auxiliary sensing inputs. Designs are modular to allow configuration into a wide range of situations.

A key aspect of fastener development is endurance and verification testing of fastener designs. Purpose designed test rigs and proprietary “SmartTest” PC-based software has been developed to enable a comprehensive design characterisation and endurance testing program. Testing to date has shown fastener families to exhibit durability that far exceeds specified requirements for the range of commercial applications currently under consideration.



The Overhang Clip

Additional fastener families are currently progressing through their development phases, including linear strip fastening and perimeter seals, linear and quarter-turn actuators, stressing fasteners, magnetically actuated fasteners, temporary fasteners for aircraft manufacture and a number of novel mechanisms which may be incorporated into future fastening designs.

PDT applied its multi-disciplinary capabilities to research, design and engineer an innovative concept phone for Qualcomm

product development technologies

providing new opportunities for growth

"The success and strong growth we have achieved is expected to continue as we add new capabilities and move into new areas of significant potential such as medical devices."

Mark Schwartz, CEO and President of PDT

The acquisition of the Lincolnshire, Illinois-based PDT was completed on 8th of March 2005. This was an important step in corporate development adding substantial value to the Company as a core building block for future strategic initiatives.

PDT employs 142 people in five international locations and offers a total capability in product development including competencies in research, product ideation, design and engineering, electronic and software engineering, model-making, rapid prototyping and tooling.

PDT's reputation has always been stamped with a theme of sustained and profitable growth. This year has been no exception with the establishment of two new offices to strategically expand the company's global footprint.

The United Kingdom office based in Oxford, will provide access to the opportunities identified with the growing base of European clients and will strengthen the company's position in the design industry through a culturally diverse design team. Similarly, the newest office, located in Plymouth, Minnesota, is a conduit to Minneapolis' rich medical device manufacturing community and will offer a strong base to deliver on the company's objective of expanding its client base in the medical industry.

Scott Semenik and Mark Schwartz, founders of PDT

To further support the goal of increasing PDT's medical client base, the Company has applied for ISO 13485 certification. This certification is a quality management system created specifically for medical devices. Upon completion of the audit process, PDT will be the only design firm in the U.S. with this qualification, making it uniquely qualified to serve clients in this industry and giving the Company more traction toward its growth plans.

This year, PDT has also added electrical engineering and software capabilities to its already impressive list of competencies. These departments are led by a highly qualified manager based in Lincolnshire, Illinois who directs a strong and competent team located in the Ukraine. With the addition of these new electrical engineers and software specialists, the Ukrainian office has grown to house 38 high-level employees.

PDT's rapid prototyping and tooling facility in Lincolnshire, Illinois

product development technologies

prototyping and engineering successful products

"We have a wealth of knowledge and experience in capturing complex design concepts to create high quality tools in the quickest and most cost-effective manner using the latest technologies."

Ray Wiltgen, GM PDT Tooling Production

The design end of PDT's business has been growing rapidly fuelled by large-scale turnkey development agreements with new and existing customers. Cobra Electronics continues to be a loyal client, entrusting PDT's design, engineering and user interface groups to work with Cobra's teams to develop several products. Both companies have received accolades from the Consumer Electronics Association for their work in the form of a "Best of Innovation Award" for the SkyNav 3000 Advanced Mobile Navigation System and "Design and Engineering Showcase Awards" for the SkyNav 2000 and 3000 Mobile Navigation as well as the XRS 9700 Radar Detector.

In addition to the honours from the Consumer Electronics Association, PDT has also received accolades from the Chicago Athenaeum of Architecture and Design for its work on Swingline's complete re-vamp of its stapler line. The products recognised were: The Companion Desktop Stapler, Invision Stapler, Speed Grip Electric Stapler, Optima Desk Stapler and the Optima Grip Stapler. The Swingline Optima Grip Stapler also received an "ADEX" Silver Award. The ADEX Award (Design Journal's Award for Design Excellence) is the largest and most prestigious awards program for product design of furniture, fixtures and finishes marketed to the design trade. In addition to the awards given to the Swingline staplers, PDT has received another "Good Design Award" from the Chicago Athenaeum of Architecture and Design for its work on Fiskars' 2004 Back to School line of products.

Ray Wiltgen and Dave May, managers of PDT's Rapid Prototyping & Tooling Facilities

The access to PDT resources has provided a dramatic increase in TZ's capability to accommodate the many application development and commercialisation opportunities that are emerging as TFS continues to launch its IFT business strategy across the various participation sectors.

The integration of TZ and PDT resources and multi-disciplinary capability has allowed TZ to work with TFS and its customers at every level of the development process, from concept ideation, product design and high volume production engineering to commercially integrate the technology into commercial, high value solution based offerings.

PDT's design for the Cobra XRS 9700 Radar Detector received the
"Design and Engineering Showcase" award from the Consumer Electronics Association

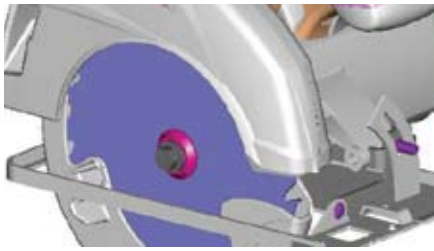
pdt capability

vertically integrated services and proven experience

research

industrial design

user interface development



mechanical engineering

electrical engineering & software

laser scanning

tooling

asian sourcing

pdt portfolio

PDT serves clients in various industries such as:
Consumer Electronics
Telecommunications
Office Supplies
Medical
Recreation
School Supplies
Computer Hardware

Qualcomm
Concept Phone

Papermate 'Advancer'
Self-Advancing
Mechanical Pencil

PDT Intellectual Property:
Magnetic Lancing Device

Fiskars Back to
School Products

Dell Multimedia Keyboard

Sanford Foohy
Brand Paint Pens

Medela Harmony
Manual Breastpump

Cobra NavOne
4500 Mobile
Navigation Unit

Nitrous Go-Kart

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directors' report

The directors of TZ Limited present their report together with the financial reports of the parent entity and its controlled entities for the financial year ended 30 June 2005.

Directors

The details of directors of the company during the year and to the date of this report are:

A Leibowitz	Chairman	**A Sigalla**	Resigned 15 July 2004
C Kelliher	Executive Director	**J Wilson**	Resigned 15 July 2004
J Falconer	Company Secretary - Appointed 15 July 2004	**D Rudduck**	Resigned 15 July 2004
		M Hadaway	Resigned 15 July 2004

Operating Results

The operating profit after income tax for the year ended 30 June 2005 for the consolidated entity was $4,082,910 (2004: Loss $1,809,880). This operating profit is $403,000 more than the operating profit of $3,680,000 disclosed in the unaudited Preliminary Final Report announced to the market on 13 September 2005 due principally to a recalculation of exchange rate differences and a reassessment of accrued expenses.

Earnings Before Interest Taxation Depreciation and Amortisation ("EBITDA") was $5,719,590 (2004: Loss $319,992)

Review of Operations

The year ended 30 June 2005 was the first full year of operations in which Telezygology, Inc. (TZ Inc) operated as a wholly owned subsidiary of TZ Limited. Revenue for TZ Inc was $9,828,186.

In March 2005 the PDT group in Illinois, U.S., was acquired. Revenue included in the consolidated entity from the date of acquisition to 30 June 2005 was $8,390,277.

Principal Activities

The principal activities of the consolidated entity during the financial year were the development and licensing of intellectual property relating to fastening systems through the wholly owned subsidiary, TZ Inc.

After the acquisition of the PDT group in March 2005, the activities of the consolidated entity included a full service capability in product design, mechanical and software engineering, injection molding tooling and rapid and pre-production prototyping.

All of the operations of the consolidated entity are now based in Illinois, U.S.

Significant Changes in State of Affairs

At a general meeting of shareholders held on 15 July 2004, and as foreshadowed in the Company's prospectus in March 2004, the issue of 6,000,000 shares was approved to a company associated with a former director of the Company for services rendered to the Company. The full amount of this accrued liability of $2,244,000 was included in the financial accounts for the year ended 30 June 2004.

The Company completed a fully underwritten share issue in December 2004 and January 2005 to raise $8,078,000, before costs.

The Company acquired 100% of the PDT group in March 2005 for a cash and share consideration of $USD12 million ($15,584,000) with earn-out conditions for the 2005 calendar which may reduce the final consideration.

Likely Developments

The particular information required by s299(1) of the Corporations Act (2002) has not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Dividends

No dividend has been paid or declared since the commencement of the financial year. The directors do not recommend the payment of a dividend.

Information on Directors

Mr Tony Leibowitz

Non Executive Chairman

Mr Tony Leibowitz is an investment banker, Chairman of Chandler McLeod Limited and NCML (Holdings) Limited and a director of Babcock and Brown Environmental Investments Limited, all ASX-listed companies.

Mr Leibowitz is a former senior partner of PricewaterhouseCoopers, specialising in financial advisory services and is a Fellow of the Institute of Chartered Accountants in Australia and an Affiliate of the Securities Institute of Australia.

As at the date of this report Mr Leibowitz had the following interest in securities in the Company:
Interest in shares 1,493,748 Interest in options 1,000,000

Mr Chris Kelliher

Executive Director of TZ Limited and the Chief Executive Officer of its wholly owned subsidiary, TZ Inc.

Mr Kelliher's role is to expand and strengthen execution capability, lead the U.S. business expansion and have overall responsibility for the Company's operating entities.

Mr Kelliher has over 19 years experience managing technology based companies ranging from startup ventures to subsidiaries of large multinational companies. He was appointed Managing Director of Microsoft South Pacific Region in 1996 after 3 years as Managing Director of Microsoft's Australian subsidiary. Prior to this, he spent 3 years as the founding Managing Director of Microsoft in New Zealand. Before this he held senior management positions with Digital Equipment Corporation and Philips.

As at the date of this report Mr Kelliher had the following interest in securities in the Company:
Interest in shares 1,416,569 Interest in options 4,727,812

Mr John Falconer

Non Executive Director and Company Secretary

Mr Falconer is a Fellow of the Institute of Chartered Accountants in Australia and an Associate of the Securities Institute of Australia. He is the principal of Carbone Falconer & Co, a small firm of Chartered Accountants in Sydney providing specialist services to private and public company clients. He is a director and company secretary of Kingsgate Consolidated Limited and Taragon Property Fund, and the company secretary of Tri Origin Minerals Ltd, all ASX-listed entities.

As at the date of this report Mr Falconer had the following interest in securities in the Company:
Interest in shares 1,388,182 Interest in options 1,388,182

Directors Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial year were:

	Directors Meetings	
	No. of Meetings Held	**No. of Meetings Attended**
A Leibowitz	3	3
C Kelliher	3	3
J Falconer	3	3
A Sigalla*	-	-
J Wilson*	-	-
D Rudduck*	-	-
M Hadaway*	-	-

* Each of these directors resigned as a director of the Parent Entity on 15 July 2004.

Other matters were dealt with during the year by way of circular resolutions signed by all Directors.

Directors and Executive Officers Remuneration Report

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

Directors' Fees are paid to Non Executive Directors as approved from time-to-time by shareholders. The last increase was approved by shareholders at the General Meeting held 15 July 2004 and allowed for a fixed sum not exceeding $250,000.

Emoluments paid to senior executives of the Company are determined by the Executive Director and the Board of Directors. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Details of the nature and amount of each major element of the emoluments of each director of the company and the consolidated entity are:

	Role	Salary, Fees & Commissions	Superannuation contribution	Non-Cash	Options	Total
Parent Entity						
A Leibowitz	Non Executive Chairman	120,000	-	-	39,000	159,000
J Falconer	Non executive director	60,000	-	-	-	60,000
Parent Entity						
A Sigalla*	Executive Director	-	-	-	-	-
Executive Directors and Executive Officers Economic Entity						
C Kelliher**	Executive Director and TZI Chief Executive Officer	473,891	-	-	39,000	512,891
J Wilson*	TZI Chief Operations Officer	385,131	9,000	7,184	-	401,315
D Rudduck*	TZI Chief Technical Officer	307,992	9,000	7,184	-	324,176
M Schwartz	PDT President and Chief Executive Officer	103,855	-	-	-	103,855
R Wiltgen	PDT Vice President	103,855	-	-	-	103,855
S Semenik	PDT Vice President	103,855	-	-	-	103,855
D May	PDT Vice President	103,855	-	-	-	103,855
Total		**1,762,434**	**18,000**	**14,368**	**78,000**	**1,872,802**

* Each of these directors resigned as a director of the Parent Entity on 15 July 2004.

** Mr Kelliher's services are provided to the Company under an agreement with Mainland Air Services Ltd and all payments are made to that company.

Directors' Benefits

Particulars of Directors' Benefits are disclosed in Note 15 of the Financial Statements.

Indemnification and Insurance of Directors and Officers

The parent entity has not taken out an insurance policy indemnifying directors and officers for the financial year nor has the company provided any indemnification during the year.

Significant After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Share Options

(i) Options that were granted over unissued shares or interests during or since the end of the financial year by the Company to directors as part of their remuneration are as follows:

Director	Expiry Date	Issue price of shares	Number under option
A H Leibowitz	31 December 2006	$0.75	500,000
A H Leibowitz	31 December 2007	$1.00	500,000
C Kelliher	31 December 2006	$0.75	500,000
C Kelliher	31 December 2007	$1.00	500,000

All of the above options were issued on 15 July 2004 after approval by shareholders at a general meeting and were also reported in the Directors Report for the year ended 30 June 2004.

(ii) At the date of this report, options over unissued shares or interests of the Company are as follows:

Expiry Date	Issue price of shares	Number under option
29 August 2006	$0.27	1,491,125
29 August 2006	$0.34	2,236,687
29 August 2006	$0.40	6,590,062
26 March 2007	$0.45	2,000,000
30 March 2006	$0.34	7,455,625
31 December 2006	$0.75	1,000,000
31 December 2007	$1.00	1,000,000

Complete details of the above options are in Note 15 to the Financial Statements.

Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Corporate governance

The directors are responsible for the corporate governance practices of the Company. The main corporate governance practices that were in operation during the financial year will be set out in the corporate governance section of the 2005 Annual Report.

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.

Auditor's Independence Declaration

The Company's independent auditor has provided an independence declaration for the year ended 30 June 2005, a copy of the declaration is attached to and forms part of the directors' report.

Signed at Sydney this 30th day of September 2005 in accordance with a resolution of the Board of Directors.

J Falconer
Director

auditor's independence declaration

to the directors of TZ Limited

I declare that, to the best of my knowledge and belief, in relation to our audit of TZ Limited and the consolidated entity for the year ended 30 June 2005 there have been:

i). no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and

ii). no contraventions of any applicable code of professional conduct.

Taylor & Co.
Stephen Taylor
Sydney, 30 September 2005

statements of financial performance

for the year ended 30 june 2005

	Note	Consolidated		Parent Entity	
		2005	2004	2005	2004
		$	$	$	$
Sales Revenue	2	18,218,464	1,188,293	-	633,084
Cost of Sales	2	(6,147,119)	(631,506)	-	(398,857)
Gross Profit		12,071,345	556,787	-	234,227
Other Revenue from Ordinary Activities	2	225,442	2,136,481	133,799	2,109,258
Employee related expenses		(2,683,690)	(1,916,596)	(307,189)	(618,437)
Occupancy expenses		(298,048)	(128,061)	-	(77,212)
Communications expenses		(181,304)	(275,961)	(20,928)	(108,806)
Depreciation		(420,957)	(202,798)	-	(166,322)
Amortisation of intangibles		(1,140,926)	(387,945)	-	-
Professional and corporate services		(1,194,445)	(240,297)	(361,368)	(76,317)
Travel and accommodation		(1,204,134)	(345,833)	(270,351)	(83,395)
Carrying value of subsidiary sold		-	(136,367)	-	(481,809)
Interest paid		(79,215)	(80,957)	(2,029)	(4,654)
Revenue from sale of investment		-	324,926	-	98,494
Cost of investment sold		-	(303,256)	-	(131,022)
Loss on close down of operating business		-	(455,534)	-	-
Foreign exchange losses		-	(97,447)	-	-
Write off non recoverable loan		-	(50,000)	-	(50,000)
Other Expenses from Ordinary Activities		(800,550)	(207,022)	(29,827)	(63,992)
Profit/(Loss) from ordinary activities before income tax expense	3	4,293,518	(1,809,880)	(857,893)	580,013
Income tax expense relating to ordinary activities	4	210,608	-	-	-
Profit/(Loss) from ordinary activities after related income tax expense		4,082,910	(1,809,880)	(857,893)	580,013
Profit/(Loss) from extraordinary items after related income tax expense		-	-	-	-
Net Profit/(Loss)		4,082,910	(1,809,880)	(857,893)	580,013
Net (Profit)/Loss attributable to outside equity interests		-	-	-	-
Net Profit/(Loss) attributable to members of the parent entity		4,082,910	(1,809,880)	(857,893)	580,013
Total changes in equity other than those resulting from transactions with owners as owners	13	4,082,910	(1,809,880)	(857,893)	580,013
Basic Earnings Per Share (Cents)	21	2.81	(1.69)		
Diluted Earning Per Share (Cents)	21	2.44	(1.69)		

The above Statements of Financial Performance are to be read in conjunction with the attached notes.

statements of financial position

for the year ended 30 june 2005

	Note	Consolidated		Parent Entity	
		2005	2004	2005	2004
		$	$	$	$
CURRENT ASSETS					
Cash Assets	17	5,613,544	7,410,963	1,161,631	1,206,316
Receivables	5	9,161,456	3,295,161	4,991,174	3,233,322
Work in Process	6	423,812	-	-	-
TOTAL CURRENT ASSETS		15,198,812	10,706,124	6,152,805	4,439,638
NON-CURRENT ASSETS					
Receivables	5	-	-	2,385,760	7,998,532
Investments	7	-	10	33,203,229	20,512,257
Property, Plant and Equipment	8	4,171,410	90,997	-	-
Intangibles	9	30,796,382	19,934,669	-	-
Deferred tax Assets		136,025	-	-	-
TOTAL NON-CURRENT ASSETS		35,103,817	20,025,676	35,588,989	28,510,789
TOTAL ASSETS		50,302,629	30,731,800	41,741,794	32,950,427
CURRENT LIABILITIES					
Payables	10	5,632,499	2,751,113	2,355,949	2,523,597
Provisions	11	129,191	73,135	-	15,685
Interest-bearing liabilities	12	424,475	-	-	-
TOTAL CURRENT LIABILITIES		6,186,165	2,824,248	2,355,949	2,539,282
NON-CURRENT LIABILITIES					
Payables	10	-	-	695,948	695,948
Interest-bearing liabilities	12	2,028,010	-	-	-
Deferred tax liabilities		9,858	-	-	-
TOTAL NON-CURRENT LIABILITIES		2,037,868	-	695,948	695,948
TOTAL LIABILITIES		8,224,033	2,824,248	3,051,897	3,235,230
NET ASSETS		42,078,596	27,907,552	38,689,897	29,715,197
EQUITY					
Issued Capital	13	64,398,396	54,565,803	64,398,396	54,565,803
Reserves	14	255,540	-	-	-
Accumulated Losses	14	(22,575,340)	(26,658,251)	(25,708,499)	(24,850,606)
Shareholders' equity attributable to members of the parent entity		42,078,596	27,907,552	38,689,897	29,715,197
Outside equity interests in controlled entity		-	-	-	-
TOTAL EQUITY	14	42,078,596	27,907,552	38,689,897	29,715,197

The above Statements of Financial Position are to be read in conjunction with the attached notes.

statements of cash flows

for the year ended 30 june 2005

	Note	Consolidated		Parent Entity	
		2005	2004	2005	2004
		$	$	$	$
Cash Flows from Operating Activities:					
Receipts from customers		18,311,805	1,098,463	-	675,594
Payments to suppliers and employees		(12,152,189)	(3,903,701)	(1,068,425)	(1,432,978)
Interest received		311,136	69,962	227,583	49,441
Interest paid		(79,216)	(263,252)	(2,029)	(4,654)
Income tax paid		(163,370)	(622)	-	(622)
Other income		3,975	-	-	-
Net Cash (Used in) Provided by Operating Activities	17(b)	6,232,141	(2,999,150)	(842,871)	(713,219)
Cash Flows from Investing Activities:					
Proceeds from sale of investment securities		10	324,926	10	98,493
Payment made for investment securities		-	(303,256)	-	(131,022)
Payment for plant and equipment		(291,524)	(211,287)	-	
Acquisition cost for controlled entity		(479,774)	(210,050)	(479,774)	(210,050)
Acquisition for controlled entity	17(c)	(6,563,400)	-	(6,563,400)	-
Escrowed deposit	17(c)	(5,287,185)	-	(5,287,185)	-
Payments for research and development		(2,955,132)	(389,819)	-	-
Repayment of loan from controlled entity		-	-	5,612,772	-
Loan to controlled entity		-	-	-	(8,086,117)
Loans to other person		(34,609)	(1,123,176)	(16,460)	(1,122,166)
Loans repaid other person		162,000	333,489	162,000	333,489
Aggregated cash flow from acquired entity		49,831	207,670	-	-
Net Cash Provided by (Used in) Investing Activities		(15,399,783)	(1,371,503)	(6,572,037)	(9,117,373)
Cash Flows from Financing Activities:					
Share Issues		8,077,629	13,522,152	8,077,629	13,522,152
Share Issue costs		(707,406)	(2,519,972)	(707,406)	(2,519,972)
Proceeds from issue of debt securities		-	1,000,000	-	-
Repayment of borrowing		-	(600,000)	-	-
Net Cash Provided by Financing Activities		7,370,223	11,402,180	7,370,223	11,002,180
Net Increase (Decrease) in Cash Held		(1,797,419)	7,031,527	(44,685)	1,171,588
Cash at beginning of year	17(a)	7,410,963	478,585	1,206,316	34,728
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		-	(99,149)	-	-
Cash at end of year	17(a)	5,613,544	7,410,963	1,161,631	1,206,316

The above Statements of cash flows are to be read in conjunction with the attached notes.

notes to the financial statements

for the year ended 30 june 2005

1 Summary of Accounting Policies

The financial report is a general purpose financial report which has been drawn up in accordance with applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, and the Corporations Act 2001.

The financial report has been prepared on the historical cost basis and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. The recoverable amount of non current assets is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts, unless otherwise stated. The accounting policies have been consistently applied and, except where stated, are consistent with those of the previous year. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and disclosures.

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of TZ Limited and all its controlled entities (refer note 7) other then CAP Asia Pacific Pte Ltd for which the Company currently holds a 25% interest in the company. The consolidated entity currently has no direct involvements in its Asian operations, has no board representation and has no commitments to provide future funding. This investment currently is carried forward at a nil value.

The directors believe, as they are in no position to exert any significant influence over the operations of the company and its indirect investments in CED Hong Kong Limited and CED Philippines Inc, they have been excluded from the principles of consolidation.

Entities have been consolidated in the financial statements from the date that control exists. All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Outside equity interest comprises the aggregate of the equity of controlled entities, other than that held either directly or indirectly by the parent entity, after making adjustments for unrealised profits and losses of controlled entities and other adjustments necessary to comply with Accounting Standards.

The directors consider that the net revenues and expenses omitted from the annual report are not significant.

(b) Impacts of adopting the Australian equivalents to International Financial Reporting Standards

TZ Limited will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for reporting periods beginning on or after 1 January 2005. Accordingly, the Company's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

At the date of this report, the directors of the Company have completed an assessment of accounting policy alternative on transition to A-IFRS, the finalisation of the A-IFRS accounting policies that will be adopted from 1 July 2005, and the determination of the likely impact on the results and financial position of the Company.

The following proforma statement of financial performance and statement of financial position outline the likely impacts on the current year result and financial position of the Company had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Users of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors to date, and, consequently, the likely impacts outlined in the following proforma financial statements.

The Directors may, at any time until the completion of the Company's first A-IFRS compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies applied in preparing the proforma financial statements.

i) 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 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.

(ii) Impairment of financial assets

Under AASB 136: Impairment of Assets, both current and non current assets are tested for impairment. The A-IFRS objective is to ensure that an entity's assets are carried at no more than their recoverable amount. The recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. Under AGAAP, non-current assets are written down when the carrying value of non-current assets exceed its recoverable amount.

In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.

The economic entity assets held at 1 July 2004 did not reveal any indicator to require impairment of the assets and, as a result, no adjustment to non-current assets balance at 1 July 2004 are expected to be made upon transition to A-IFRS.

(iii) Research and development expenditure

Under AASB 138: Intangible Assets, costs associated with the research phase of the development of an asset must be expensed in the year its incurred. This will result in a change in the current accounting policy, which capitalises research costs to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

On transition, the financial effect of this impact is assessed as nil (parent: nil), as no research costs were capitalised at 1 July 2004 or 30 June 2005. The consolidated entity will undertake an annual impairment test for its current capitalised research and development cost to ensure that the entity's assets are carried at no more than their estimated recoverable amount.

(iv) 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. Current accounting policy of the entity is to amortise goodwill on a straight-line basis over a period of 20 years.

Impairment testing at 1 July 2005 confirmed no impairment of the $18,608,927 goodwill less accumulated amortisation of $1,210,414 as disclosed in the economic entity's financial statements at 30 June 2005. The previously amortised goodwill of $387,945 will, therefore, be reversed resulting in a corresponding increase of $387,945 in retained earnings at 1 July 2004 and an increase in profit amounting to $822,469 for the year ended 30 June 2005.

(v) Share-based Payments

Under AASB 2 Share based Payments, the Company must determine the fair value of equity instruments and options issued to employees as remuneration and recognise a corresponding expense through statement of financial performance. This will involve using a valuation technique as the shares and options issued are not quoted on a listed stock exchange. The Company has decided to employ the Black-Scholes option pricing model. The Company currently does not recognise any costs associated with Share Based Payments.

A transitional adjustment will be made against accumulated loss at 1 July 2004 to recognise on a pro rate basis the fair value of all share-based payments granted after 7 November 2002, which have not vested as at 1 July 2004 and the comparative figures in the Company's statement of financial performance relating to the year ended 30 June 2005 will be restated to recognise on a pro rata basis the fair value of all share-based payments made during that year so as to comply with A-IFRS.

As a consequence, contributed equity will increase by $67,663 and an additional employee benefit expense of $67,663 will be recognised in Statement of financial performance for the financial year ended 30 June 2005.

	Economic Entity 2005 $	Parent Entity 2005 $
Reconciliation of Net Profit		
Net profit/(loss) reported under Australian Accounting Standards	4,082,910	(857,893)
Key transitional adjustments:		
- Reversal of amortisation of goodwill (iv)	822,469	-
- Share-based Payments(v)	(67,663)	(67,663)
Total transitional adjustments	754,806	(67,663)
Net profit under A-IFRS	4,837,716	(925,556)
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	42,078,596	38,689,897
Retrospective adjustments to equity at 1 July 2004:	-	-
Increase/(Decrease) in current year profit/(loss) resulting from transition to A IFRS		
- Reversal of amortisation of goodwill (iv)	822,469	-
- Share-based Payments(v)	(67,663)	(67,663)
Increase in contributed equity	67,663	67,663
Total equity under A-IFRS	42,901,065	38,689,897

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

(d) Investments

Investments are recognised in the financial statements at cost.

(e) Property, Plant and Equipment

Property, plant and equipment is included at cost, less where applicable, any accumulated depreciation or amortisation.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it does not exceed the recoverable amount.

The depreciation rates used for each class of asset are as follows:

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

The depreciable amount of all fixed assets is depreciated on a straight line basis over their estimated useful lives commencing from the time the asset is held ready for use.

(f) Intangibles

The carrying value of all intangible assets are assessed at least each reporting date to ensure they do not exceed their recoverable amount. Where the carrying value exceeds this recoverable amount the excess of the carrying value over the recoverable amount of the intangible asset is immediately recognised as an expense, except to the extent to which the decrement reverses an increment previously recognised in an Asset Revaluation Reserve.

(i) Trade Marks & Patents

Trademarks owned by the consolidated entity are valued in the accounts at cost and are not currently amortised and will be until commercialisation of the IP and then will be amortised over their estimated useful life, subject always to the recoverable amount test referred to above.

(ii) Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, is amortised on a straight line basis over 20 years being the minimum period of time during which benefits are expected to arise.

(g) Receivables and Payables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest less, where applicable, any provisions for doubtful accounts.

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

(h) Employee Entitlements

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts and includes related on-costs.

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

(i) Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense for the period is based on the operating result after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that result and the taxable income or loss.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating result, income tax and taxable income are brought to account as either provision for deferred income tax, or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received, or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. 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 will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be realised.

(j) Leases

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

Where assets are acquired by means of finance leases, the present value of minimum lease payments is established as an asset at the beginning of the lease term and amortised on a straight line basis over the expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense.

(k) Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially measured and brought to account at the rate of exchange in effect at the date of each transaction. Exchange differences relating to monetary items are brought to account in the Statements of Financial Performance in the financial year in which the exchange rates change as exchange gains or losses.

(l) Revenue Recognition

(i) Sales Revenue

Sales Revenue comprises revenue earned from the provision of products or services to entities outside the consolidated entity. Sales revenue is recognised when the goods or services are provided or, in relation to Membership Income.

(ii) Other Revenue - Direct Cost Recovery

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.

(iii) Interest Revenue

Interest Revenue is recognised as it accrues.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
2 Revenues from Ordinary Activities				
Sales Revenue	18,218,464	1,188,293	-	633,084
Total Sales Revenue	18,218,464	1,188,293	-	633,084
Cost of Sales				
Cost of Goods Sold	6,147,119	321,752	-	321,752
Services Expenses (Benefits)	-	309,754	-	77,105
Total Cost of Sales	6,147,119	631,506	-	398,857
Non-operating revenue				
Sale of Controlled entity	-	2,000,000	-	2,000,000
Interest	215,026	127,282	133,799	106,760
Sundry revenue items	10,416	9,199	-	2,498
Total non-operating revenue	225,442	2,136,481	133,799	2,109,258
3 Loss From Ordinary Activities				
Profit/Loss from ordinary activities includes:				
Net losses on disposals of property, plant & equipment	21,609	166,555	-	166,322
Amortisation of non-current assets				
Intellectual Property	419,180	-	-	-
Goodwill	822,469	387,945	-	-
Bad and Doubtful Debts expense	193,811	-	-	-
4 Income tax				
The amount provided in respect of income tax differs from the amount prima facie payable on the operating result. The difference is reconciled as follows:				
Prima Facie Income Tax on the Operating Result Before Income Tax at 30% (2004: 30%)	1,224,873	(542,964)	(257,368)	174,004
Tax Effect of Permanent Differences:				
Amortisation of Intangibles	342,278	116,383	-	-
Other Non-Allowable Expenses	-	(45,015)	-	36,613
Future Income Tax Benefit not brought to account	(1,356,543)	471,596	257,368	(210,617)
Income Tax Expense/(Credit) Attributable to Operating Result	210,608	-	-	-
The potential future income tax benefit arising from tax losses has not been recognised as an asset because recovery of tax losses is not virtually certain.	4,618,999	5,975,542	1,987,162	2,151,028

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:-
a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
b) conditions for deductibility imposed by the law are complied with; and
c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
5 Receivables				
Current:				
Trade Debtors	3,912,079	99,029	-	-
Sundry Debtors	5,144,694	3,181,262	4,976,174	3,233,322
Sub-total	9,056,773	3,280,291	4,976,174	3,233,322
Other Debtors and Prepayments	104,683	14,870	15,000	-
	9,161,456	3,295,161	4,991,174	3,233,322
Non-Current:				
Amounts Receivable from:				
Controlled Entities	-	-	2,385,760	7,998,532
6 Work in Process				
Uncompleted/Unbilled jobs - at Cost	423,812	-	-	-
7 Investments				
Shares in Controlled Entities - at Cost Note 7(a)	-	-	33,203,229	20,512,247
Shares - Other - unquoted at cost	-	10	-	10
	-	10	33,203,229	20,512,257

(a) Controlled Entities

	Country of Incorporation	Percentage Owned %	
		2005	2004
Parent Entity:			
TZ Limited	Australia		
Subsidiaries of TZ Limited			
TZ Inc.	U.S.	100	100
PDT Holdings, Inc.	U.S.	100	0
Product Development Technologies, Inc.	U.S.	100	0
PDT Tooling, Inc.	U.S.	100	0
PDT Southeast Limited Liability Company (LLC)*	U.S.	100	0
CJSC PDT Ukraine	Ukraine	100	0
CED Membership Services Pty Ltd	Australia	100	100
The Presidential Card Pty Ltd	Australia	100	100
CUC Australasia Pty Ltd	Australia	100	100
CED Online Pty Ltd	Australia	100	100
Golf Partners Australia Pty Ltd	Australia	100	100
Golf Partners International Pty Ltd	Australia	100	100
CED Asia Pacific Pte Ltd	Singapore	25	25
CED Hong Kong Limited (i)	Hong Kong	6.25	6.25
CED Philippines Inc (i)	Philippines	6.25	6.25

*(An LLC is treated as a partnership for US purposes)

(i) Owned by CED Asia Pacific Pte Ltd (the 6.25% represents TZ Limited indirect interest).

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
8 Property, Plant and Equipment				
Property, Plant and Equipment				
Cost	4,564,885	290,208	-	-
Accumulated Depreciation	(393,475)	(199,211)	-	-
Total Property, Plant and Equipment	4,171,410	90,997	-	-
Movements during the year:				
Office Furniture and Equipment				
Beginning of year	90,997	215,476	-	166,320
Additions	1,420,694	74,309	-	-
Disposals	(21,609)	(127,503)	-	(127,295)
Depreciation expense	(151,285)	(71,285)	-	(39,025)
End of year	1,338,797	90,997	-	-
Leasehold Improvements				
Beginning of year	-	-	-	-
Additions	540,218	-	-	-
Depreciation expense	(31,765)	-	-	-
End of year	508,453	-	-	-
Motor Vehicles				
Beginning of year	-	-	-	-
Additions	148,002	-	-	-
Depreciation expense	(10,860)	-	-	-
End of year	137,142	-	-	-
Plant and Equipment				
Beginning of year	-	-	-	-
Additions	2,282,106	-	-	-
Depreciation expense	(95,088)	-	-	-
End of year	2,187,018	-	-	-
9 Intangibles				
Goodwill on Consolidation	17,398,513	15,129,862	-	-
Intellectual Property	11,795,855	4,775,230	-	-
Trademarks	1,602,014	29,577	-	-
Total Intangibles	30,796,382	19,934,669	-	-
Movements during the year:				
Intellectual Property				
Beginning of year	4,775,230	4,775,230	-	-
Additions	7,439,805	-	-	-
Amortisation expense	(419,180)	-	-	-
End of year	11,795,855	4,775,230	-	-

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
9 Intangibles (cont.)				
Trademarks				
Beginning of year	29,577	-	-	-
Additions	1,572,437	29,577	-	-
End of year	1,602,014	29,577	-	-
Goodwill on Consolidation				
Beginning of year	15,517,807	-	-	-
Additions	3,091,120	15,129,862	-	-
Amortisation expense	(822,469)	(387,945)	-	-
End of year	17,398,513	15,129,862	-	-
10 Payables				
Current:				
Trade Creditors	2,333,010	394,794	73,181	225,352
Other Accruals - refer to Note 22	-	2,244,000	-	2,244,000
Contingent Liability - refer to Note 17	2,231,556	-	-	-
Sundry Creditors	1,067,933	112,319	2,282,768	54,245
Total Current Payables	5,632,499	2,751,113	2,355,949	2,523,597
Non-Current:				
Amounts Payable to:				
- Controlled Entities	-	-	695,948	695,948
Included in the above are aggregate amounts payable to Controlled Entities and are non-interest bearing (2004: non-interest bearing)	-	-	695,948	695,948
11 Provisions				
Current:				
Employee Entitlements	129,191	73,135	-	15,685
Aggregate Employee Entitlements	129,191	73,135	-	15,685
12 Interest Bearing Liabilities				
Current:				
Bank loans - secured	424,475	-	-	-
Non-Current				
Bank loans - secured	2,028,010	-	-	-
The bank loans are secured by a mortgage over the assets of PTD Inc group				

13 Issued Capital

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
Issued and Paid Up Capital:				
147,512,100 (2004: 128,435,177) Fully Paid Ordinary Shares	64,398,396	54,565,803	64,398,396	54,565,803
Movements during the year:				
Opening balance	54,565,803	25,420,010	54,565,803	25,420,010
Shares issued during the year:				
6,000,000 on the 16 July 2004	2,040,000	-	2,040,000	-
13,076,923 on the 12 December 2004	8,500,000	-	8,500,000	-
50,000,000 on the 29 August 2003	-	1,500,000	-	1,500,000
412,216 on the 30 September 2003	-	22,000	-	22,000
70,734,446 on the 8 January 2004	-	17,683,612	-	17,683,612
26,667,000 on the 26 March 2004	-	12,000,150	-	12,000,150
7,455,625 on the 30 March 2004	-	2,500,000	-	2,500,000
Share issue costs	(707,407)	(4,559,969)	(707,407)	(4,559,969)
Closing balance	64,398,396	54,565,803	64,398,396	54,565,803
	(shares)	**(shares)**	**(shares)**	**(shares)**
Opening balance	128,435,177	67,478,527	128,435,177	67,478,527
Share movement during the year before consolidation				
30 May 2003	-	-	-	-
29 August 2003	-	50,000,000	-	50,000,000
30 September 2003	-	412,216	-	412,216
Total ordinary share before consolidation	128,435,177	117,890,743	128,435,177	117,890,743
23 December 2003 consolidation on a “5-for-1” basis	-	(94,312,637)	-	(94,312,637)
Ordinary shares issued after consolidation	128,435,177	23,578,106	128,435,177	23,578,106
16 July 2004	6,000,000	-	6,000,000	-
12 December 2004	13,076,923	-	13,076,923	-
8 January 2004	-	70,734,446	-	70,734,446
26 March 2004	-	26,667,000	-	26,667,000
30 March 2004	-	7,455,625	-	7,455,625
Closing balance	147,512,100	128,435,177	147,512,100	128,435,177
(ii) Share Unquoted Options:				
Opening balance	19,893,499	-	19,893,499	-
Options issued:				
15 January 2004 (a)	-	1,491,125	-	1,491,125
15 January 2004 (b)	-	2,236,687	-	2,236,687
15 January 2004 (c)	-	6,710,062	-	6,710,062
26 March 2004 (d)	-	2,000,000	-	2,000,000
30 March 2004 (e)	-	7,455,625	-	7,455,625
16 July 2004 (f)	2,000,000	-	2,000,000	-
Closing balance	21,893,499	19,893,499	21,893,499	19,893,499

13 Issued Capital (cont)

(a) The Company issued 1,491,125 options to acquire ordinary shares in consideration of the cancellation of TZ Inc. option holder's options over shares in TZ Inc., as agreed to in the general meeting of shareholders on the 23 December 2003 in part of the consideration for the purchase of TZ Inc. The options expire on the 29 August 2006 and are exercisable at 27 cents.

(b) The Company issued 2,236,687 options to acquire ordinary shares in consideration of the cancellation of TZ Inc. option holder's options over shares in TZ Inc., as agreed to in the general meeting of shareholders on the 23 December 2003 in part of the consideration for the purchase of TZ Inc. The options expire on the 29 August 2006 and are exercisable at 34 cents.

(c) The Company issued 6,710,062 options to acquire ordinary shares in consideration of the cancellation of TZ Inc. option holder's options over shares in TZ Inc., as agreed to in the general meeting of shareholders on the 23 December 2003 in part of the consideration for the purchase of TZ Inc. The options expire on the 29 August 2006 and are exercisable at 40 cents.

(d) The Company issued 2,000,000 options to acquire ordinary shares as part consideration for underwriting fees for the Company's share capital raising as detailed in the prospectus lodged on the 4 March 2004. The options expire on the 26 March 2007 and are exercisable at 45 cents.

(e) The Company issued 7,455,625 options to acquire share in the Company as per the Convertible Notes Agreement entered into, on the conversion of the convertible notes to ordinary share. The options expire on the 30 March 2006 and are exercisable at 34 cents.

(f) The Company issued 2,000,000 options to acquire share in the Company as resolved at a general meeting of shareholders held on 14 July 2005 to the Company Directors, Mr Chris Kelliher and Mr Anthony Leibowitz by way of two tranches. The first tranche was vested on 31 December 2004 with a exercisable price of 75 cents, and the second tranche will vest on 31 December 2005 with a exercisable price of $1.00 dollar. The options will expire on 31 December 2006 and 31 December 2007 respectively.

(iii) Employee Share Option Plan

No options have been issued during the year or to the date of this report under the Employee Share Option Plan.

(iv) Options Exercised

Other than 120,000 shares at $0.40 being issued on 3 August 2005 as a result of the exercise of 120,000 options, no shares have been issued by virtue of an exercise of an option during the year or to the date of this report.

	Consolidated		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
14 Reserves, Retained Profits and Total Equity				
Foreign Currency Translation Reserve				
Movements during the year:				
Opening Balance	-	-	-	-
Adjustment arising from the translation of foreign controlled entities' financial statements	255,540	-	-	-
Closing Balance	255,540	-	-	-
Retained Profits/(Losses)				
Balance at beginning of year	(26,658,250)	(24,848,371)	(24,850,606)	(25,430,619)
Net Profit/(Loss) attributable to members of the parent entity 580,013		4,082,910	(1,809,880)	(857,893)
Balance at end of year	(22,575,340)	(26,658,251)	(25,708,499)	(24,850,606)
Total Equity				
Total Equity at beginning of year	27,907,552	571,639	29,715,197	(10,609)
Total Changes in Equity recognised in the Statement of Financial Performance				
Transactions with owners as owners	4,082,910	(1,809,880)	(857,893)	580,013
Movements in Foreign Currency Translation Reserves	255,540	-	-	-
Contribution of Equity	9,832,594	29,145,793	9,832,593	29,145,793
Total Equity at end of year	42,078,596	27,907,552	38,689,897	29,715,197

15 Directors' and Executives' Remuneration

a) Names and position held by directors and specified executives in office at any time during the financial year are:

Directors

Anthony Leibowitz	Chairman - Non Executive Director
Chris Kelliher	CEO TZ Inc - Executive Director
John Falconer	Non executive Director (appointed 15 July 2004)
Andrew Sigalla	Executive Director (resigned 15 July 2004)
John Wilson	Executive Director (resigned 15 July 2004)
Dickory Rudduck	Executive Director (resigned 15 July 2004)
Martin Hadaway	Non Executive Director (resigned 15 July 2004)

Specified executives

John Wilson	TZ Inc. Chief Operating Officer
Dickory Rudduck	TZ Inc. Chief Technical Officer
Mark Schwartz	PDT Inc. President and CEO
Ray Wiltgen	PDT Inc. Vice President
Scott Semenik	PDT Inc. Vice President
David May	PDT Inc. Vice President

b) Directors' Remuneration

	Primary			
	Salary, Fees & Commissions	**Superannuation contribution**	**Options**	**Total**
2005				
A Leibowitz	120,000	-	39,000	159,000
C Kelliher	473,891	-	39,000	512,891
J Falconer	60,000	-	-	60,000
A Sigalla*	-	-	-	-
J Wilson*	-	-	-	-
D Rudduck*	-	-	-	-
Total	653,891	-	78,000	731,891
2004				
A Leibowitz	47,616	-	-	47,616
C Kelliher	133,332	-	-	133,332
A Sigalla	116,663	-	-	116,663
J Wilson	156,000	9,000	-	165,000
D Rudduck	123,000	9,000	-	132,000
J Nissen	30,000	-	-	30,000
J Whiting	16,667	1,500	-	18,167
K Whiteman	56,667	1,500	-	58,167
Total	679,945	21,000	-	700,945

** Each of these directors resigned as a director of the Parent Entity on 15 July 2004.*

15 Directors' and Executives' Remuneration (cont)

c) Specified executives' remuneration

	Primary				
	Salary, Fees & Commissions	Superannuation contribution	Non-Cash	Options	Total
2005					
J Wilson**	385,131	9,000	7,184	-	401,315
D Rudduck**	307,992	9,000	7,184	-	324,176
M Schwartz	103,855	-	-	-	103,855
R Wiltgen	103,855	-	-	-	103,855
S Semenik	103,855	-	-	-	103,855
D May	103,855	-	-	-	103,855
Total	1,108,543	18,000	14,368	-	1,140,911

*** Each of these executives resigned as directors of the Parent Entity on the 15 July 2004.*

d) Options and Rights Holdings

Number of options held by directors and specified executives

Directors

	Balance 01/07/04	Granted as Remuneration (i)	Net change other	Balance 30/06/05
A Leibowitz	-	1,000,000	-	1,000,000
C Kelliher	3,727,812	1,000,000	-	4,727,812
J Falconer	-	-	1,388,182	1,388,182
A Sigalla*	1,491,125	-	-	1,491,125
Total	5,218,937	2,000,000	1,388,182	8,607,119

** Resigned as a director of the Parent Entity on the 15 July 2004.*

Specified executives

	Balance 01/07/04	Granted as Remuneration (i)	Net change other	Balance 30/06/05
J Wilson	1,491,125	-	-	1,491,125
D Rudduck	1,491,125	-	-	1,491,125
M Schwartz	-	-	-	-
R Wiltgen	-	-	-	-
S Semenik	-	-	-	-
D May	-	-	-	-
Total	2,982,250	-	-	2,982,250

(i) The Company issued the options in the above tables as resolved at the general meeting of shareholder held on 15 July 2004 further detailed in Note 12 (ii) (f).

15 Directors' and Executives' Remuneration (cont)

e) Shareholdings

Number of shares held by directors and specified executives

Directors

	Balance 01/07/04	Granted as Remuneration	Net change other	Balance 30/06/05
A Leibowitz	372,781	-	1,120,967	1,493,748
C Kelliher	1,416,569	-	-	1,416,569
J Falconer	-	-	1,388,182	1,388,182
A Sigalla*	1,092,249	-	-	1,092,249
Total	2,881,599	-	2,509,149	5,390,748

** Resigned as a director of the Parent Entity on the 15 July 2004.*

Specified executives

	Balance 01/07/04	Granted as Remuneration	Net change other	Balance 30/06/05
J Wilson	4,832,004	-	-	4,832,004
D Rudduck	7,976,189	-	-	7,976,189
M Schwartz	-	-	-	-
R Wiltgen	-	-	-	-
S Semenik	-	-	-	-
D May	-	-	-	-
Total	12,808,193	-	-	12,808,193

f) Remuneration Practices

The company's policy for determining the nature and amounts of emoluments of directors and senior executives of the company is as follows;

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including the length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

Executive directors and senior executives may receive bonuses based on the achievement of specific performance hurdles. There is no separate profit-share plan.

The constitution provides that the remuneration of Non-executive Directors will not be more than the aggregate fixed sum determined by a general meeting of shareholders. The aggregate remuneration has been set at the last general meeting of shareholder held on the 15 July 2004 in the amount of $250,000 per annum.

	Consolidated		Parent Entity	
	2005 $	2004 $	2005 $	2004 $

16 Related Party Transactions

(a) Controlled Entities

Loan to Controlled Entities - Non-Current	-	-	7,754,927	11,670,030
Loan repaid from Controlled Entities - Non-Current	-	-	13,340,549	3,691,156

These loans are interest free.

There are no fixed terms of repayment.

16 Related Party Transactions (cont)

(b) Transaction with Directors

During the financial year ended 30 June 2004, the consolidated entity purchased investment securities in a company that Mr J Nissen was a director of for a total consideration of $300,000. These securities were sold on the market for a total consideration of $Nil (2004: $324,925). In September 2003 a further $300,000 was loaned to the same entity secured against shares in a third party. The loan could not be recovered and the security was exercised and realising $Nil (2004: $250,000.)

Mr A Leibowitz is a director of Tandem Corporate Pty Limited which provided services to the Company's reconstruction and capital raising for the year ended 30 June 2004. Charges for services provided during the current year amounted to $Nil (2004: $1,200,000).

Mr J Falconer is a director of Dunbar Associates Pty Ltd which provided corporate services to the Company during the year at normal commercial rates which amounted to $67,245 (2004: $44,539)

Mr Sigalla resigned as a director of the Parent Entity on 15 July 2004 but continued as a director of TZ Inc. He is a director of ZMS Investments Pty Limited which provided consultancy services to the Company during the year at normal commercial rates and which totalled $220,000 (2004: $2,150,000).

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
17 Notes to the Statements of Cash Flows				
a). Reconciliation of Cash				
For the purpose of the statements of cash flows, cash includes:				
Cash at Bank and on Hand	5,349,625	6,146,577	1,161,631	7,011
Deposit on call	263,919	1,264,386	-	1,199,305
	5,613,544	7,410,963	1,161,631	1,206,316
b). Reconciliation of Cash Flow from Operations with Operating Result After Income Tax				
Operating Profit/(Loss) after Income Tax	4,082,910	(1,809,880)	(857,893)	580,013
Non-Cash Flows in Operating Profit/(Loss):				
Depreciation	310,607	202,798	-	166,322
Amortisation of Intangibles	1,241,649	387,945	-	-
Unrealised Exchange Loss(Gain)	(4,114)	97,447	-	-
Employee Entitlements	56,056	(578)	(15,685)	30,080
Doubtful Debts	340,891	-	-	-
Changes in Assets and Liabilities				
(Increase)/Decrease in Trade Debtors	202,466	(59,018)	-	40,011
(Increase)/Decrease in Prepayments and Other Debtors	13,044	(2,098,314)	198,355	(2,075,941)
(Increase)/Decrease in Inventories	-	12,315	-	4,264
(Increase)/Decrease in Work in Process	581,682	-	-	-
(Decrease)/Increase in Creditors and Accruals	(593,050)	268,135	(167,648)	542,032
Cash Flows Provided by/(Used in) Operations	6,232,141	(2,999,150)	(842,871)	(713,219)

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$

17 Notes to the Statements of Cash Flows (cont)

c). Acquisition of Entities

During the year 100% of the controlled entity PDT Holdings, Inc. was acquired.

Details of this transaction are:

Purchase Consideration	12,211,207	-	12,211,207	-
Cash consideration	6,563,400	-	6,563,400	-
Amount due under contact of sale - cash	3,416,251	-	3,416,251	-
Amount due under contact of sale - shares	2,231,556	-	2,231,556	-
Cash outflow/inflow	12,211,207	-	12,211,207	-
Assets and liabilities held at acquisition date:				
Cash	47,835	-	-	-
Receivable	4,262,434	-	-	-
Property, Plant and equipment	3,930,372	-	-	-
Work in Process	976,619			
Intangibles	6,027,540	-	-	-
Payables	(4,767,954)	-	-	-
Interest bearing liabilities	(2,453,280)	-	-	-
	8,023,566	-	-	-
Goodwill on consolidation	4,187,641	-	-	-
	12,211,207	-	-	-

During the year 100% of the controlled entity TZ Inc. was acquired.

Details of this transaction are:

Purchase Consideration	-	20,183,612	-	20,183,612
Cash consideration	-	-	-	-
Share issue consideration	-	20,183,612	-	20,183,612
Cash outflow/inflow	-	-	-	-
Assets and liabilities held at acquisition date:				
Cash	-	207,670	-	-
Receivable	-	1,231,756	-	-
Property, Plant and equipment	-	53,897	-	-
Intangibles	-	4,414,987	-	-
Payables	-	(460,210)	-	-
Interest bearing liabilities	-	(782,295)	-	-
	-	4,665,805	-	-
Goodwill on consolidation	-	15,517,807	-	-
	-	20,183,612	-	-

17 Notes to the Statements of Cash Flows (cont)

On the 11 March 2004 the year the Company finalised an agreement to purchase all the shares in PDT Holding Inc, for a cash and share consideration of USD$12 million on a going concern basis. The full purchase price is only payable on PDT achieving its 2005 forecasted EBITDA figure of USD$3.0 million.

Under the sale agreement, the Company is required to pay the following consideration

(a) USD$5,000,000 cash on the signing of the contract.

(b) A further USD$1,000,000 to be placed in an escrow account until after the preparation of audited consolidated financial statements as at 31 December 2004.

(c) The remaining USD$6,000,000 will be paid by from USD$3,000,000 current held in escrow and USD$3,000,000 shares in TZ Limited with an ascribed value of USD$1.00 per TZ Limited share, on achieving its 2005 forecasted EBITDA figure.

The Company has estimated that under current trading activities, PDT might not achieve its estimated EBITDA forecasts under the agreement. This will have the effect of reducing the final purchase consideration for PDT to approximately USD$9.6M. Therefore the Company has only provided for an additional USD$1.7M (AU$2,231,556) as the amount outstanding for shares to be issued as part of the final acquisition cost.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
d). Disposal of Entities				
During the year the controlled entity Golf Link Partners Pty Limited was sold. Aggregate details of this transaction are:				
Consideration received	-	2,000,000	-	2,000,000
Amount due under contact of sale	-	(2,000,000)	-	(2,000,000)
Cash inflow/(outflow)	-	-	-	-
Assets and liabilities held at disposal date:	-	-	-	-
Investment in controlled entity	-	-	-	481,809
Cash	-	-	-	-
Debtors	-	-	-	-
Inventory	-	-	-	-
Investments	-	-	-	-
Plant and Equipment	-	267,968	-	-
Trade Creditors	-	(788,145)	-	-
	-	(520,177)	-	481,809
Net Gain/(loss) on disposal	-	2,520,177	-	1,518,191
	-	2,000,000	-	2,000,000

e). Non Cash Financing and Investing Activities

Share Issued.

- On the 8 January 2004, the Company issued 70,734,446 ordinary shares issued at 25 cents as part consideration for the purchase of TZ Inc.
- On the 30 March 2004, the Company issued 7,455,625 ordinary shares on the conversion of the Convertible Notes that have been issued as part consideration for the purchase of TZ Inc.
- On the 16 July 2004, the Company issued 6,000,000 ordinary shares as approved in the general meeting of shareholders held on the 15 July 2005 to the Company former director for service provided in the Company recent restructure and capital rising under the prospectus conducted in March 2004.

18 Segment Information

	2005 $	2004 $
Segment Revenues		
Engineering and Design	18,222,578	140,026
Membership Business	-	1,048,267
Investments	215,026	2,454,556
Total of all segments	18,437,604	3,642,849
Unallocated	6,302	6,851
Consolidated	18,443,906	3,649,700
(i)All sales were to customers outside the consolidated entity		
Segment Results		
Engineering and Design	5,152,612	(1,665,224)
Membership Business	-	(1,027,473)
Investments	(857,893)	925,845
Total of all segments	4,294,719	(1,766,852)
Eliminations	-	-
Unallocated	(1,201)	(43,028)
Profit from ordinary activities before income tax expense	4,293,518	(1,809,880)
Income tax expense relating to ordinary activities	(210,608)	-
Profit from ordinary activities after related income tax expense	4,082,910	(1,809,880)
Extraordinary items	-	-
Net profit	4,082,910	(1,809,880)

	Assets		Liabilities	
	2005	2004	2005	2004
Segment Assets and Liabilities	$	$	$	$
Engineering and Design	43,566,770	20,025,666	5,992,477	284,531
Membership Business	-	-	-	-
Investments	6,674,831	9,410,973	2,231,556	-
Total of all segments	50,241,601	29,436,639	8,224,033	284,531
Unallocated	61,028	1,295,161	-	2,539,717
Consolidated	50,302,629	30,731,800	8,224,033	2,824,248

Geographical Segments

The Investment segment is carried on in Australia. All other segments are operated and controlled from the U.S.

19 Financial Instruments

(a) Interest rate risk exposure

The Company is exposed to interest rate risk through primary financial assets and financial liabilities. The following table summarises the interest rate risk for the Company, together with the effective weighted average interest rate for each class of financial assets and liabilities.

2005	Weighted Average Interest Rates		Floating interest rate $		Fixed Interest maturing in 1year or less $		Fixed Interest maturing in over 1 to 5 years $		Non interest bearing $		Total $	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Financial assets												
Cash	3.50	2.84	5,610,488	6,143,435	-	1,264,386	-	-	3,056	3,142	5,613,544	7,410,963
Receivables	2.54	-	1,834,468	-	-	-	-	-	7,326,988	3,295,161	9,161,456	3,295,161
Total financial assets			7,444,956	6,143,435	-	1,264,386	-	-	7,330,044	3,298,303	14,775,000	10,706,124
Financial liabilities												
Bank Loan	6.25	-	1,476,760	-	-	-	-	-	-	-	1,476,760	-
Bills/Instalment Notes	7.50	-	-	-	-	-	975,725	-	-	-	975,725	-
Lease Liabilities	7.15	-	-	-	162,411	-	-	-	-	-	162,411	-
Trade and sundry creditors	-	-	-	-	-	-	-	-	5,469,088	2,751,113	5,469,088	2,751,113
Total financial liabilities	-	-	1,476,760	-	162,411	-	975,725	-	5,469,088	2,751,113	8,083,984	2,751,113
Net financial assets			5,968,196	6,143,435	(162,411)	1,264,386	(975,725)	-	1,860,956	547,190	6,691,016	7,955,011

	2005 $	2004 $
Reconciliation of net financial assets to net assets:		
Net financial assets above	6,690,016	7,955,011
Non-financial assets and liabilities:		
Inventories	423,812	-
Investments	-	10
Property, plant and equipment	4,171,410	90,997
Intangibles	30,796,382	19,934,669
Deferred tax assets	136,025	-
Provision for employee entitlements	(129,191)	(73,135)
Deferred tax liabilities	(9,858)	-
Net assets per statement of financial position	42,078,596	27,907,552

19 Financial Instruments (cont)

(b) Net fair values of financial assets and liabilities

(i) The net fair values of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities approximate their carrying values as disclosed in the statement of financial position and the notes to the financial statements.

(ii) The carrying amounts and estimated net fair values of equity investments approximate their carrying values as disclosed in the statement of financial position and the notes to the financial statements.

(c) Credit risk exposure

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Receivables due from major debtors are not normally secured by collateral, however the credit worthiness of debtors is monitored.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$

20 Commitments for Expenditure

Operating Lease Commitments

Payable:				
- Not later than one year	681,097	109,640	-	-
- Later than one year but not later than five years	1,118,727	54,820	-	-
- Later than five years	-	-	-	-
	1,799,824	164,460	-	-

21 Earning per Share

	Consolidated Entity 2005	Parent Entity 2004
Basic Earnings Per Share (cents per share)	2.81	(1.69)
Diluted Earnings Per Share (cents per share)	2.44	(1.69)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:	145,414,867	106,854,322
Weighted average number of options outstanding	21,893,499	-
Weighted average number of ordinary shares outstanding used in calculation of dilutive earnings per share	167,308,366	106,854,322
Earnings used in the calculation of basic and dilutive earnings per share:	4,082,910	($1,809,880)

22 Events Subsequent to Reporting Date

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.

23 Auditor's Remuneration

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
Operating Lease Commitments				
Auditors of the Parent Entity - Taylor's & Co	49,455	8,650	49,455	-
Other Services from Auditors of the Parent Entity	-	46,254	-	46,254
Other Auditors	-	20,000	-	20,000
Other Services from Other Auditors	84,382	19,050	-	19,050

The auditors received no other fees or benefits

directors' declaration

The directors of TZ Limited declare that:

1 The financial statements and associated notes of the Company and of the economic entity for the financial year ended 30 June 2005:

(a) are in accordance with the Corporations Act 2001;

(b) comply with Accounting Standards and the Corporations Act 2001; and

(c) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and the performance for the year ended on that date;

2 the Executive Director and Chief Financial Officer have each declared that:

(a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

(b) the financial statements and notes for the financial year comply with the Accounting Standards; and

(c) the financial statements and notes for the financial year give a true and fair view.

3 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.

J Falconer
Director

Dated this 30th day of September 2005
Sydney

independent audit report

to the members of TZ Limited

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for TZ Limited (the Company) and the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with accounting standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australia Auditing Standards in order to provide reasonable assurance as to whether the report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment selective testing the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entities financial position and their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures which included:

- examining on a test basis information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting procedures and disclosures used and reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurances on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

In conducting our audit, 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 independence declaration set out on page 5 of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion the financial report of TZ Limited is in accordance with:

a) the Corporations Act 2001 including:

   i) giving a true and fair view of the financial position of TZ Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and

   ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

Taylor & Co.

Stephen Taylor

Sydney, 30th September 2005

corporate governance

The Board has formally reviewed the ASX Corporate Governance Council paper entitled "Principles of Good Corporate Governance and Best Practice Recommendations" which was published in March 2003. The Company is a small company and accordingly the Directors consider that many of the corporate governance guidelines intended to apply to larger companies are not practical.

The Company's position on those recommendations is set out below;

Principle 1: Lay solid foundations for management and oversight

Role of the Board

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders which it accomplishes by:

- establishing corporate governance, and ethical, business standards;
- setting objectives, goals and strategic direction with a view to maximise shareholder value;
- approving and monitoring budgets and major investments;
- ensuring adequate internal controls exist and are appropriately monitored;
- ensuring significant business risks are identified and appropriately managed;
- appointing the CEO and monitoring the CEO's performance;

The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Apart from the statements on responsibility the Company has not formalised the functions reserved to the Board and those delegated to management for the reasons noted above.

Principle 2: Structure the board to add value

The composition of this Board is determined using the following principles:

- The Chairman should be a non-executive director.
- The Board should comprise a majority of non-executive directors.
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors are subject to re-election at least every three years.

The names of the Directors in office at the date of this Report, the date they were appointed, their status as non-executive, executive or independent Directors, whether they are retiring by rotation and seeking re-election by shareholders at the 2004 Annual General Meeting, are set out in the table below:

Director	Appointed	Non-Executive	Independent	Retiring at 2005 AGM	Seeking re-election at 2005 AGM
Tony Leibowitz	15 July 2004	Yes	No	No	No
Chris Kelliher	11 December 2003	No	N/A	N/A	N/A
John Falconer	6 February 2004	Yes	No	Yes	Yes

The main areas of divergence with recommended principles are:

- The Chairman is not independent, however he is separate from the Chief Executive.
- The Company does not have a formally constituted Audit Committee, Board Nominations Committee or Remuneration Committee.
- The majority of Directors are not independent.

Each Director of the Company has the rights to seek independent professional advice at the expense of the Company.

Principle 3: Promote ethical and responsible decisions-making

The Company does not have a formal code of conduct reflecting the Company's small size and the close interaction of the small number of individuals throughout the organisation. However the directors are aware of their legal responsibilities and adhere to the following policy.

The directors will not deal in Company shares:

- Except between three and 30 days after either the release of the Company's half year and annual results to the Australian Stock Exchange, the annual general meeting or any major announcement.
- Whilst in possession of price sensitive information.

In accordance with the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, directors advise the ASX of any transactions conducted by them in shares in the Company.

Principle 4: Safeguard integrity in financial reporting

The Company Secretary is responsible for producing the financial results and has stated in writing to the other members of the Board that the Company's consolidated year end financial statements present a true and fair view, in all material respects, and are in accordance with relevant accounting standards.

The Company and its directors are aware of continuous disclosure requirements under the Listing Rules and Corporations Act and operate in an environment where strong emphasis is placed on full and appropriate disclosure. The Company does not have formal written policies regarding disclosure, but uses strong informal systems underpinned by experienced individuals.

Principle 5: Respects the rights of shareholders

The Company does not have a communications strategy to promote effective communication with shareholders, as it believes this is excessive for small companies. The Company maintains a website which is used in conjunction with timely announcements to the ASX to ensure shareholders are kept fully informed.

The Company also aims to ensure that the shareholders are informed of all major developments through:

- Despatch of the annual and half yearly financial reports.
- Despatch of all notices of meetings of shareholders.
- Submitting to a vote of shareholders proposed major changes in the consolidated entity which may impact on share ownership rights.

The Board encourages full participation of shareholders at the annual general meeting to ensure high level of accountability and identification of the consolidated entity's strategic goals. Important issues are presented to the shareholders as single resolutions.

The Company requests the external auditor to attend the general meeting.

Principle 6: Recognise and manage risk

The Company is a small company and does not believe that there is significant need for formal policies on risk oversights and management. However, the board considers risk exposure and management as a standing agenda item at board meetings.

Risk management arrangements are the responsibility of the Board of Directors.

Principle 7: Encourage enhanced performance

The Company does not have a Remuneration Committee.

There has been no formal performance evaluation of the board during the past financial year.

Principle 8: Remunerate fairly and responsibly

There are no formal remuneration policies maintained by the Company. Details of the company's policy for determining the nature and amount of emoluments of board members and senior executives of the company are contained in the directors' report.

In accordance with Corporations Act requirements, the Company discloses the fees or salaries paid to all Directors, and executive officers of the company.

Principle 9: Recognise the legitimate interests of stakeholders

The Company does not have a formal Code of Conduct to guide compliance with legal and other obligations. This reflects the Company's size which makes its legal compliance a more onerous task than with larger companies.

The Board of Directors continues to review the situation to determine the most appropriate and effective operational procedures.

stock exchange information

Statement of quoted securities as at 27 October 2005

- there are 1,803 shareholders holding a total of 146,982,296 ordinary fully paid shares.
- the twenty largest shareholders between them hold 49.13% of the total shares on issue.
- voting rights are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every fully paid share held and for each partly paid share held shall have a fraction of a vote pro-rata to the amount paid up on each partly paid share relative to its issue price.

Distribution of quoted shares and options as at 27 October 2005

Shares

Range	Number of holders
1 - 1,000	126
1,001 - 5,000	451
5,001 - 10,000	359
10,001 - 100,000	686
100,001 and over	181
Total holders	1,903

There were 92 shareholders whose total holding had a market value of less than $500 at 27 October 2005.

Substantial shareholdings as at 27 October 2005

The following shareholders have notified the Company that pursuant to the provisions of section 671B of the Corporations Act 2001 they are substantial shareholders.

Substantial shareholder	Total Relevant Interest at 27 October 2005	% of total voting rights
D Rudduck	9,119,069	6.20%

Directors' shareholdings

As at 27 October 2005 directors of the Company held a relevant interest in the following securities on issue by the Company.

Director	Ordinary shares	Unquoted options
A Leibowitz	1,493,748	1,000,000
C Kelliher	1,416,569	4,727,812
J Falconer	1,388,182	1,388,182

On-market buy-backs

There is no on-market buy back currently in place.

company directory

TZ Limited
ABN 26 073 979 272

Stock Exchange
Australian Stock Exchange Code: TZL

Directors
A Leibowitz (Chairman)
C Kelliher
J Falconer

Company Secretary
J Falconer

Bankers
National Australia Bank Limited

Auditors
Taylor & Co
Chartered Accountants
Level 6
179 Elizabeth Street
Sydney NSW 2000

Solicitors
Kemp Strang Lawyers
55 Hunter Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford Vic 3067
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