31 October 2006

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

ANNUAL REPORT

Please find attached a copy of the 2006 Annual Report for TZ Limited which was posted to all shareholders today.

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06

annual report

tzlimited™

contents

highlights

With just over two years from listing on the Australian Stock Exchange and with the first full year headquartered in the U.S. behind us, by any measure, substantial growth and progress has been made toward our objective of creating a globally recognised industry standard based on our proprietary inventions and to building a company capable of sustained growth and value creation.

2004

Financials
YEJ 04 revenue: $1.19M
YEJ 04 net assets: $27.9M
Market capitalisation: $54.5M
Shares on issue: 128.4M

Infrastructure
10 employees
Australian-based operation
Sydney office

2006

Financials
YEJ 06 revenue: $30.5M
YEJ 06 net assets: $48.0M
Market capitalisation: $67.8M
Shares on issue: 157.2M

$30.5M
YEJ REVENUE

Infrastructure
Over 160 employees
U.S.-based operations
Office locations:
- Chicago and Lincolnshire (IL)
- Boston (MA)
- Plymouth (MN)
- Austin (TX)
- Coral Springs (FL)
- Oxford (UK)
- Lviv (Ukraine)

160+
EMPLOYEES

IP & Technology

19 patent families

Research in SMA actuation

Development programs:

- Fastening mechanisms
- Embedded electronics

Commercialisation

Intelligent Fastening (IFT):

- Option agreement with TFS
- Auto/aerospace application concepts
- About ten IFT customer engagements
- No IFT related sales

FutureWall™ licenses:

- Australia
- Hong Kong

Customers

Strategic relationships:

- Textron Fastening Systems
- Alcoa Extrusions

IP & Technology

55 patent families – over 80 inventions

Full product development capability

Testing and validation capability

Recognised leader in SMA actuation

Established technology portfolio in:

- Devices and actuation
- Embedded electronics and sensing
- Communications protocol
- Proprietary operating software

80+

INVENTIONS

Commercialisation

Intelligent Fastening (IFT):

- License agreement with TFS
- Three fastener families in production
- Over 100 IFT customer engagements
- $1.4M in IFT related sales

FutureWall™ licenses:

- Australia
- Hong Kong
- UK
- New Zealand

Other licenses:

- Two licenses (pet care industry)

100+

IFT CUSTOMER ENGAGEMENTS

Customers

Relationships with market leading companies across electronics, medical, consumer products, defence, aerospace, automotive and industrial segments

"We view TZ as a catalyst, providing insights into the latest advances in technology"

FRANCO LODATO
VP, DESIGN EXPLORATION & DEVELOPMENT

HermanMiller

ceo's report

"In perspective of the challenges overcome, technology advancements made, the refocus of our commercialisation partner and the relationships formed during the course of the year, the Directors believe the Company is well positioned and on steady course to achieve its goals."

In two years, we have progressed breakthrough ideas and concepts to commercial reality by inventing, designing, testing, manufacturing and selling a whole new class of devices – devices that blend advanced mechanical engineering, smart materials actuation and the power of software and electronics. No devices like these have existed before and they have been broadly recognised for their potential to dramatically change the way objects are designed, assembled and serviced.

The past 12 months has had its challenges. Last September, Textron Inc., our key licensee and commercialisation partner, signalled to the market its intention to sell its $2B fastening business.

This was an unplanned development that, depending on the intentions of the new owners, had the potential to both negatively and positively impact TZ. The Directors consequently put in place plans to mitigate adverse effects and to capitalise on opportunities that might emerge from the Textron decision. These included leading a bid and undertaking due diligence processes to purchase TFS in association with one of the world's largest financial institutions as equity partner.

TZ's bid advanced to the final round and the Company acquired insights into the process and its participants that it otherwise would not have gained. It also obtained exposure to potential partners and financial backers that will be valuable to TZ's future endeavours. Although the Directors believed that outright or majority ownership of TFS would burden TZ with leveraged debt and other liabilities that could distract the Company from the primary goals of the business, staying in the process to its conclusion allowed us to keep our options open – a decision that we believed to be the strategically correct course of action.

Secondly, the Company needed to plan for the worst. A new TFS owner with little interest in our technology or who was unprepared to accept the license obligations would have set us back two years. To mitigate the risk, we needed to be able to manufacture intelligent fastening devices should we have had to go it alone. This involved significant production engineering, establishing and training a manufacturing partner in Asia, producing the injection mould tooling for three fastener types and developing test and verification methods for volume manufacturing.

"The relationship between Textron Fastening Systems and TZ is strong, as evidenced by Intevia® proprietary systems and products introduced into global markets, we have complete faith in this technology and its potential to unlock value for Textron Fastening Systems, its customers and, ultimately, for Platinum Equity as owner of the business."

Mark Barnhill, SVP and Principal, Platinum Equity

The execution of these plans required substantial management time and turned attention away from the core business. It also incurred significant unbudgeted expense. It was, however, the appropriate course of action and the Directors believe benefits will still result from these activities and the relationships formed during the TFS divestiture process.

Platinum Equity is the progressive new owner of TFS and under its direction we anticipate a concentrated initiative to accelerate Intevia® sales volume. We understand this initiative to be an integral part of their TFS growth plans.

There were also significant technology hurdles to overcome. Conventional fasteners are typically not designed to be used thousands of times. Once a product is made, it may be disassembled for service just a few times. The three Intevia® fastener families in production have a design requirement to operate hundreds of thousands of times, as required by the aerospace industry for its secure latching, access panel attachment and interior reconfiguration applications. Also, the fasteners have to be designed for volume production with low variability in performance. Enormous amounts of testing, production engineering and validation work went into overcoming these challenges and setting up the Asian-based manufacturing capability. Achieving all of this in a very short timeframe is a great credit and testament to the dedication, competency and skill of our technical and engineering teams. Because of this work, we now have the ability to cost effectively mass produce fasteners to meet very demanding applications – well beyond anything previously contemplated. It is TFS' responsibility to undertake large-scale manufacturing; however, it is of strategic significance that we have established this capability within the Company.

The business plan anticipated the sale of additional Futurewall™ licenses in the last quarter of the financial year. In June, we reached agreement with the Australian licensee on expansion of its territories and other terms. However, due to subsequent amendments to the agreement, external advisors recommended the revenue be taken up during the term rather than in the 2006 year. This deferment did have a negative effect on our 2006 financial result. It is, however, indeed positive that this substantial transaction was completed and the Company will derive benefit from it in the future. It is unfortunate that the timing casts a shadow over what has otherwise been, in light of its challenges, a solid year's performance when taken into account with the unbudgeted one-time costs incurred pursuing the TFS acquisition and related activities.

That is behind us. We go into the 2007-year with increased engineering capability focused on the development plan. We have an Asian manufacturing capability in place with three commercial fasteners in production and two more families ready to go. We booked approximately $1.4 million of Intevia® revenue in the past year. Our key partner is re-energised. PDT continues to perform well, with its engineers making valuable contributions to our development programs. And, our other intellectual property areas are on track to contribute income this year.

On behalf of my co-Directors, our thanks and appreciation go to our dedicated management staff and their respective teams who have performed tirelessly to overcome the challenges presented to them during the past year.
To our shareholders, we appreciate and thank you for your patience and ongoing support. It has kept the wind in our sails as we navigated through a difficult course.

Chris Kelliher
Executive Director, TZ Limited
Chief Executive Officer, TZ Group

Maximum Force Motor
Intelligent Actuation

operations overview

catalysts for **change**

In early September 2005, Textron Inc. announced that it would review strategies to improve TFS' business performance and as such, was considering selling certain or all of TFS assets based on that strategic review. This consideration became a reality in early December when Textron announced that it had commenced a marketing process to sell the business as a whole.

On balance, the acquisition of TFS by Platinum Equity in August 2006 represents a positive outcome for the Company. Platinum's portfolio holding and interest in software, information technology and telecommunications businesses should provide a very supportive environment for the development of the business relationship between TZ and Acument Global Technologies (the new TFS) and to Intevia® commercialisation growth generally. Intevia® features predominantly in Acument Global Technologies' new brand architecture. TZ management's intense networking and collaboration with U.S. financial institutions over the course of the TFS divestiture has provided a foundation for strong relationships with significant parties in the financial community. The increased awareness and profile of TZ among the top U.S. investment firms has generated interest in the Company and to its future plans for a NASDAQ listing.

hold **the course**

Despite the significant distraction on TFS Executives with the divestiture and the constraints on resource allocation and planned investment, positive progress continued to be made in support of Intevia® commercialisation. Revenue from the TFS relationship exceeded expectations, fuelled primarily through funded application engineering programs and prototype development. Royalties on sales did not materialise this year due to delays in customer programs but are anticipated in the 2007 year.

TFS recognised that to expand focus and to better manage Intevia® commercialisation efforts across other targeted industry sectors such as automotive, industrial, electronics and security, the Intevia® operation would be better served as an independent business unit under the direct control of corporate business development and strategy, as opposed to incubation within the TFS Aerospace Business. In October 2005, TFS recruited Mr. Steve Brown, a strategic marketing professional with over 17 years experience developing and launching new product initiatives to the major automotive OEMs, to direct the commercial effort and implement an independent Intevia® business unit. Mr. Brown introduced a new approach to Intevia® sales – one based on market focused segmentation and value-based management principles.

To provide structure to opportunity identification and harvesting, TZ and TFS commissioned a three-day Opportunity Discovery workshop in late January 2006 with SRI Consulting-Business Intelligence (SRIC-BI), a spin-off consulting business from the former Stanford Research Institute. The workshop brought TFS, TZ and PDT resources together with SRIC-BI representatives and specific industry experts to help identify and evaluate opportunities for Intevia® application outside of the aerospace, defence and automotive sectors, which had been the primary focus for Intevia® commercialisation.

Over 200 ideas were generated in new sectors of interest including security, construction, electronics and the medical device industry. Following a structured filtering process, 77 application opportunities were identified as highly prospective. Of these, 30 applications progressed through a robust analysis process to validate market potential and to define clear go-to-market strategies. Based on analysis of these initial applications, revenue models were generated by TFS to better quantify the business opportunity and support investment and resource decision-making. The opportunity pool reinforced the significant sales potential of Intevia®.

Over the year, more than 100 prospects were approached in the targeted segments of aerospace, defence, automotive, industrial, medical and rail. Many of these engagements are progressing through the application discovery phase where market needs and solution benefits are aligned to create a compelling value based Intevia® product offering. To date, the aerospace and defence segments continue to be the lead adopters, although the lengthy adoption cycles resulting from the technology having to be designed into the next product platform means a post-2009 market introduction. TFS is ramping activity in other industry segments that offer shorter lead times to market and opportunities for retrofitted solutions.

In early January, following months of discussion, TZ and TFS agreed to progress the commercial production of three industrial strength intelligent fastener families for introduction to the market as part of the Intevia® Evaluation Kit (E-Kit). TFS agreed to contribute approximately A$1,100,000 to the program, funding TZ to undertake the design and engineering of the devices and to pioneer production management in Asia.

The E-Kit, planned for full commercial launch in late 2006, will showcase the capability of these devices, provide users with the tools to explore the full functionality of Intevia® intelligent fastening solutions and demonstrate the remote communications and networking capability of TZ's device control operating system (TZ-OS).

TFS has communicated an objective over the next 12 months to fully develop its Intevia® business unit and better leverage the competencies of TZ. They plan to embark on a strong marketing and media promotion behind the E-Kit introduction to maximise technology awareness, ramp application potential and increase the rate of adoption of the technology.

Intevia® Evaluation Kit
PDA-driven application software

platforms for **growth**

The uncertainty surrounding the TFS divestiture prompted the Company to accelerate commercialisation efforts across its core IP breadth. While the Company's main focus has been on IFT and building the TFS and Textron relationship, the Company does carry a substantial portfolio of valuable intellectual property on which to build similar license relationships and strategic development partnerships.

On Board Technology™

The Company's On Board Technology™ portfolio comprises the building blocks to empower everyday objects with embedded intelligence. IFT represents only one embodiment of the many variations, adaptations and possibilities. Extension of the IP and technology platform into other devices such as actuators, closures, valves and packaging will provide enormous opportunities for licensing revenue and application growth at a scale equivalent to IFT. To this end, management is pursuing licensing discussions with several market leading companies in the area of intelligent actuation, intelligent closures and intelligent valves.

The Company is also exploring development partnerships for the creation and commercialisation of other market changing intelligent products. The development relationship with Larson Manufacturing Company of South Dakota, the largest storm door manufacturer in the U.S. is an example of focused collaboration to design and develop an intelligent product for the residential housing market enabled by TZ's embedded technologies.

FutureWall™ Technology

The FutureWall™ technology is an innovative new approach to the concept of demountable partitions. As an interior building platform, it not only provides a fully flexible partitioning solution, but adds significant value by providing a platform for the integration of storage systems, furniture and quality finishes.

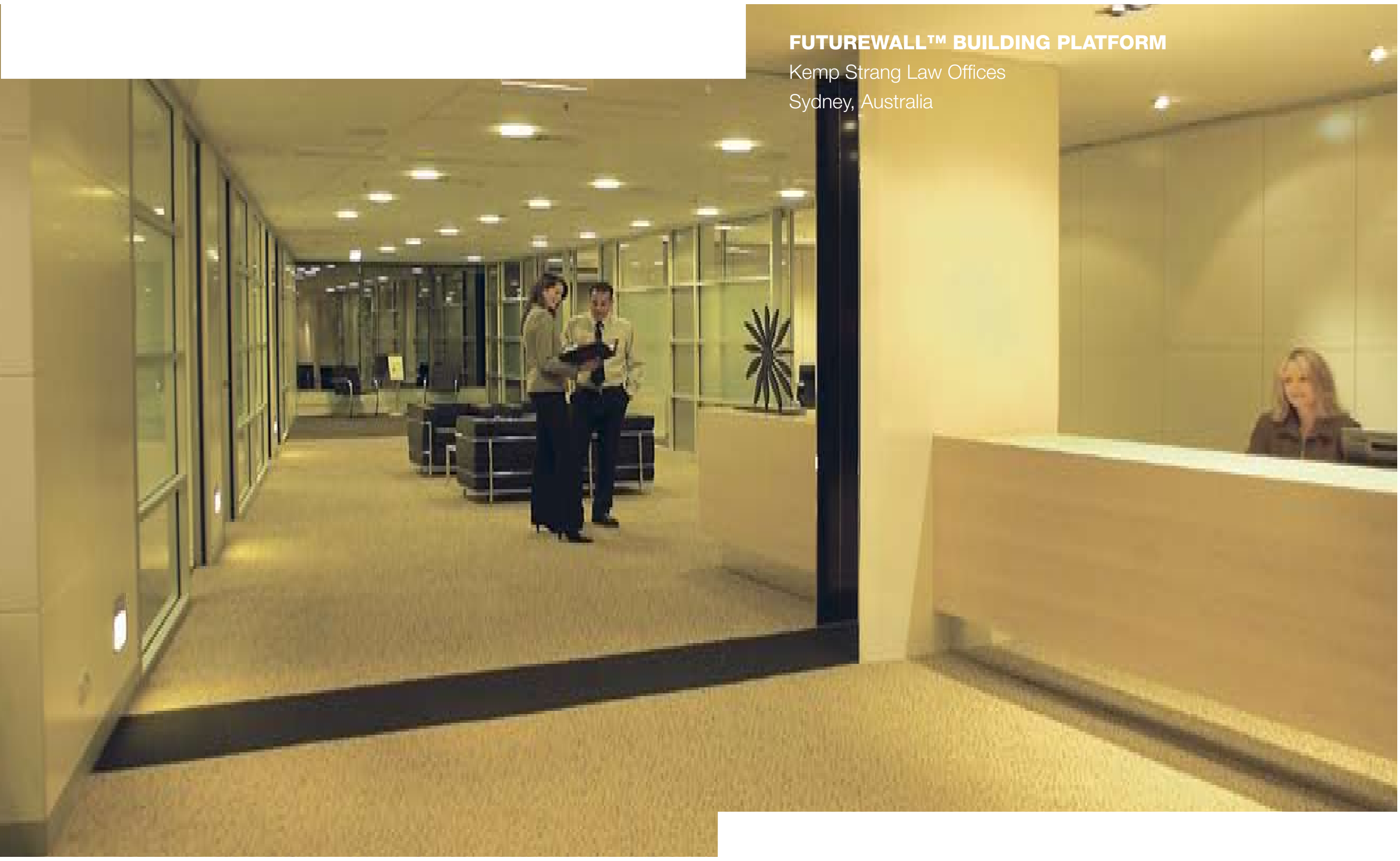
Following several months of negotiation, TZ finalised the sale of a FutureWall™ technology license to TechBuilt Interiors Pty Limited, the existing Australian FutureWall™ licensee, extending the term of the existing license in Australia and expanding the licensed territory to include New Zealand and the United Kingdom.

The A$3M royalty bearing license deal, effective from 28th June, represented a major step forward in the Company's efforts to further capitalise on the success of the FutureWall™ IP and technology since its introduction some three years ago. TechBuilt Interiors has a five-year FutureWall™ target to develop and capture a large percentage of the office, hotel and retail market in Australia, giving it clear leadership in flexible interior space solutions.

Currently, the major Australian law offices and financial services firms are among the principal users of the FutureWall™ system. Other installations include an 8,000-square-metre fit-out for UNISYS and approximately 10,000-square-metre fit-out for NICTA (National Information and Communication Technology Australia).

TZ has plans to continue to develop and exploit the FutureWall™ technology and build on the track record of successful installations in Australia. Plans include the integration of Intevia® devices into the FutureWall™ system to revolutionise installation and demounting processes. This plan will help the FutureWall™ system to take a quantum leap forward in benefit to customers over competing alternatives.

TZ is also progressing discussions with interested third parties in Asia for the establishment of a joint venture to exploit the large regional Asian interior fit-out market opportunity. Discussions also continue with a number of prospective U.S. licensees.



FUTUREWALL™ BUILDING PLATFORM
Kemp Strang Law Offices
Sydney, Australia

building our **intellectual capital**

TZ On Board™
Proprietary Microprocessors

A year of invention, the IP portfolio grew with 11 new patent application families bringing the total number of patents owned by the Company to 55 patent families. These patent families represent around 80 unique and novel inventions across the technology breadth of the Company.

The IP portfolio has been rationalised into four categories: Core IP, Application IP, Licensable IP and Group IP. The latter two categories reflect external business initiatives and new internal innovations respectively.

Core IP comprises patent families that directly relate to the field of On Board Technology™. Technology Plan activity this year led to six new patents lodged covering innovations in device technology and actuation concepts. Of the 25 patents in varying stages of prosecution, 13 applications are currently in national phase examination; seven are in the PCT international phase; and five are provisional applications. One patent family titled "Internal Jigging" was granted in the U.S. in May 2006.

Application IP relates to patents generated from the collaborative efforts of TZ and TFS and are owned by TFS as part of the license agreement. This portfolio currently comprises 15 patent families of which ten are in PCT international phase and five are in provisional applications. For practical reasons, TZ manages these families on behalf of TFS and works with their IP resources to rationalise and make prosecution decisions.

Licensable IP comprises six patent families; two are in national phase; one is in PCT international phase and three applications are pending in the provisional phase. This year, the FutureWall™ "Building Elements" patent was granted in the U.S. and Australia bringing the total number of FutureWall™ Patent and Design Registrations to nine grants.

Group IP is a category of patents generated by employees that do not directly relate to core activities but offer potential for licensing revenue. Five new applications were lodged this year bringing the category portfolio to eight patent families. Of these, three patent applications have been licensed under royalty bearing agreements to major companies in the juvenile product and pet care markets who are obligated to develop and market the finished products.

TZ is also exploring opportunities to capture complementary third party IP that may offer significant strategic value when bundled with the Company's proprietary IP portfolio. There is an active program under way looking at IP portfolios and technologies that may be targets for acquisition or licensing.

With the continued growth of the Company's IP portfolio, the need for effective patent portfolio management has been addressed with the successful implementation of a Web-based IP management system. A year in the making, the system will help to reduce prosecution costs and the dependency on external consultants while providing time-savings and a robust auditable system.

production **focus**

Intevia® Evaluation Kits
Production line assembly

Intevia® Evaluation Kits
Ready for launch

By far, the focus of the year's Technology Plan has been the progressive development, testing and transition to production of five intelligent fastener families and the associated electronic platforms and software operating systems.

The technology team has successfully taken IFT into full-scale volume production in cost-effective manufacturing centres in Asia. The In-line, Radial and Ring fasteners are now being manufactured in quantity, along with wireless control key fob, communications interface and Bluetooth® linked PDA based software. The establishing of plastics injection moulding and metal die-casting facilities in China with electronics manufacturing and unit assembly in Malaysia has proven that intelligent fasteners can be manufactured in volume to meet application cost targets.

Establishing volume manufacture has been a significant technical challenge, requiring rapid expansion of technical team resources and competencies. The expanded U.S.-based production development team has made extensive use of the Company's engineering resources, leveraging group capabilities in the U.S. and in Ukraine. With tooling development and manufacturing resources in the U.S. and China, our technical and manufacturing activities are truly global.

In addition to fastener development, the year has seen the design, development and manufacture of the Intevia® Evaluation Kit (E-Kit) which provides fastener mounting, powering, network interconnect and control facilities in a form suitable for use at customer demonstrations, trade shows and for technology evaluation purposes. Advanced concepts such as sensing, auxiliary control and PDA network interfacing via Bluetooth® can be demonstrated using the kit. Later this year, advanced users will be able to have their kits upgraded to an enhanced Developers Kit configuration, allowing them to program complete Intevia® application solutions.

In parallel with the production engineering of the first three families of fasteners, TZ's technical development program has continued to produce new intelligent fastener families. A low-cost morphing Beam fastening device has been developed, tested and successfully demonstrated to customers with positive response. The device is likely to enter volume production in the coming year depending on application demand. A new high-strength fastener family, denoted the Strip fastening device, has also been designed and will be taken to production readiness.

To enable a wide range of intelligent fastening applications to be addressed from the fastener family platform, a program of developing modular adaptations has been undertaken. This program allows a proven and validated mechanism core to be coupled with modular adaptors to suit particular physical, environmental and network interface environments. This approach has allowed very rapid response to satisfying customer needs and has led to the harvesting of a number of substantial application opportunities.

During the year, the technology team also focused on the development of Intelligent Actuators. These new devices build off the existing enabling technology platforms, but in their own right, represent a strong licensable IP and technology package for 2007. Linear, quarter-turn and continuous rotary actuator designs along with working prototypes have been developed and are anticipated to move into production designs in the coming year. Relationships are being formed with a number of technology and smart materials providers to strengthen the actuator technology portfolio.

Having laid the foundations, the Company is primed to accelerate its technology development and manufacturing program to support business opportunities. Several new intelligent fastener families and modular variants of existing fasteners are planned to enter volume production. A number of additional fastener and actuator families will also be developed. New sources of smart materials will be established, alternative smart material actuation will be explored and the Company is anticipating establishing supply of specialised high-temperature Shape Memory Alloy.

Another key development scheduled for 2007 is the incorporation of embedded electronics and TZ's operating system into an Application Specific Integrated Circuit (ASIC). Development of the ASIC will represent another major achievement and step forward in making embedded intelligence a viable and cost-effective reality and in expanding the functional possibilities of On Board Technology™.

growth in **services**

The acquisition of PDT in March 2005 and the agreed earn-out provision ensured strong motivation for PDT to meet its US$3.0m EBITDA objectives for the 2005 calendar year.

PDT delivered on its revenue and profitability promises, expanding its customer and revenue base in two strategically important business sectors: medical and military. Medical revenues increased significantly as the business continued to build a strong backlog of medical device development programs. Revenues from military-related programs have also expanded and are expected to more than triple in the coming years. To fuel further growth, PDT will become International Traffic in Arms Regulations (ITAR) registered and compliant, which will not only create further opportunities to secure military engineering contracts, but will also support Intevia® defence applications opportunities as well.

PDT continued to expand its geographic reach by acquiring a small design and engineering business in Austin, Texas. This year, expansion plans include potential acquisitions on the U.S. East and West coasts as well as building an Asian hub, most likely in Hong Kong. Existing branches in Florida, Minnesota, Ukraine and the UK all continued to build their businesses with expanded service offerings. The UK office grew substantially this year and has become a hub for TZ and Intevia® opportunities into Europe. The highly professional but lower labour rate of the Ukrainian operation continues to be a key competitive advantage, giving the business a unique ability to provide round-the-clock client services while keeping rates competitive and profits strong. Securing training visas for 14 Ukrainian engineers will expedite training cycles at U.S. facilities.

Other major accomplishments this year include development of a new 18-member electrical engineering and software group and the hiring of a new Global Sourcing Manager to provide the group and our customers broader offshore sourcing capability.

On another business front, several new product ideas developed by PDT's internal innovation think tank generated licensing opportunities with leading manufacturers in the juvenile product and pet care markets. These opportunities promise to add additional sources of revenue in the coming year.

In addition to growth from new business initiatives, PDT foresees a strong pipeline of continuing business with current customers in the consumer products, health care and hi-tech sectors. These relationships will continue to fuel service revenues and will open new opportunities for the application of TZ's unique technology.

LEFT
Magnetically driven lancing devices, a PDT innovation

RIGHT
PDT engineering excellence

"Platinum Equity firmly believes that advanced technology products are vital to the future of the fastening industry, and in particular, to our Textron Fastening Systems business. This advanced technology is exemplified by Intevia® Intelligent Fastening Solutions, which TFS is developing in collaboration with TZ.

Mark Barnhill

SVP and Principal

Platinum Equity

Platinum Equity placed this advertisement in the Financial Times in early October 2006 to announce its acquisition and rebranding of TFS

directors' report

The Directors of TZ Limited (TZL) present their report together with the financial reports of the parent entity and its controlled entities for the financial year ended 30 June 2006.

Directors

The details of Directors of the Company during the year and to the date of this report are:

A. Leibowitz	Chairman (Resigned 7 July 2006)
C. Kelliher	Executive Director
J. Falconer	Non-Executive Director & Company Secretary
M. Otten	Non-Executive Director (Appointed 7 July 2006)

Operating Results

The operating profit after income tax for the year ended 30 June 2006 for the consolidated entity was $592,308 (2005: $4,089,910).

Review of Operations

The Company faced significant challenges during the year when its key commercialisation partner, Textron Fastening Systems (TFS) was offered for sale by its parent, Textron Inc. Given the broad range of possible outcomes from the divestiture and the consequential impact on the Company's growth plans, revenue targets and ability to continue to commercialise Intelligent Fastening Technology (IFT), the Directors and management of TZL put in place initiatives to ensure that the Company was in a position to respond positively to the divestiture. With the primary objective of controlling the Company's business destiny and ensuring that the commercialisation initiatives for IFT would not be diminished by new ownership, the TZ Board resolved that TZ Limited should mount a credible bid for the TFS assets.

The Directors and management of the Company worked hard to establish appropriate partnerships and engage in strategies for a range of possible outcomes and ownership scenarios. These activities included the establishing of a partnership with one of the world's largest banking groups as an equity partner in the bid for TFS, as well as developing other strategic relationships to deliver the primary objective, without the Company taking on excessive liability and debt exposure.

The sales process was a significant distraction for the management teams of TZL and TFS, which temporarily slowed the rate of commercialisation of IFT. Also the Company did incur significant unbudgeted expense in executing these defensive strategies. However, the Directors believe significant value will accrue in the near future to the Company based on those initiatives.

The Company's financial performance was impacted by these unplanned events and unbudgeted expenditures. Additionally, the recent decision, based on advice from external accountants, to defer FutureWall™ licence revenue has resulted in a lower than expected EBITDA result. If these factors are taken into consideration, the Company's relative performance was more in line with expectations.

The Directors believe the new ownership structure of TFS, in combination with the relationships and alliances formed during the divestiture process, place it well to achieve its objectives and growth aspirations.

Principal Activities

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

- The development and licensing of intellectual property particularly, Intelligent Fastening, Assembly Enabling and FutureWall™ technologies through Telezygology, Inc.
- Providing a full service capability in product development, engineering services, injection moulding tooling and small production run manufacturing through PDT. Additionally, a significant electronic and software engineering capability has been established.

The majority of the operations of the consolidated entity are based in Illinois, USA.

directors' report

Significant Changes in State of Affairs

During the year, the Company issued 9,480,592 shares for $3,268,539 pursuant to the conversion of outstanding options.

In March 2006, the Company acquired the business of Mqube Design for a total consideration of $164,000 which included a cash component of $45,000 and the issue of 175,482 fully paid ordinary shares.

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.

Directors' Skills, Experience and Expertise

Mr. Chris Kelliher
Executive Director of TZ Limited and TZ Group Chief Executive Officer

Mr. Kelliher's role is to oversee the Company's operations and lead its strategic growth initiatives.

Mr. Kelliher has over 19 years experience managing technology based companies ranging from start up ventures to subsidiaries of large multinational companies. He was appointed Managing Director of Microsoft South Pacific Region in 1996 after three years as Managing Director of Microsoft's Australian subsidiary. Prior to this, he spent three years as the founding Managing Director of Microsoft in New Zealand. Before this, he held senior management positions with Digital Equipment Corporation and Philips. Mr. Kelliher is also Director of Mainland Air Services Ltd, a New Zealand based air transport and training company.

As at the date of this report, Mr. Kelliher had the following interest in securities in the Company:

Interest in shares	2,065,175
Interest in options	1,000,000

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 Accounts in Sydney providing specialist services to private and public company clients. He is a Director of Kingsgate Consolidated Limited, the Company Secretary of Tri Origin Minerals Limited, and formally a director of Taragon Property Fund – 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	1,976,365
Interest in options	Nil

Mr. Michael Otten
Non-Executive Director

From 1994 to 1998, Mr. Otten was Managing Director of Singleton Advertising in Melbourne before taking the position of Executive General Manager of Marketing at Crown. He has also run his own marketing consultancy business No Compromises for the past 15 years and is currently Executive Director of Pod TV, Australia's leading developer of retail television networks.

As at the date of this report, Mr. Otten had the following interest in securities in the Company:

Interest in shares	193,197
Interest in options	Nil

Mr. Anthony Leibowitz (resigned 7 July 2006)

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:

	No. of Meetings Held	No. of Meetings Attended
A. Leibowitz	4	4
C. Kelliher	4	4
J. Falconer	4	4
M. Otten	-	-

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 Chief Executive Officer 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:

		Short-term Employee Benefits		Share-based Payment	
	Role	**Salary & Fees**	**Non-cash Benefit**	**Options**	**Total**
Parent Entity					
A. Leibowitz	Non-Executive Chairman	126,000	-	-	126,000
J. Falconer	Non-Executive Director	60,000	-	-	60,000
M. Otten	Non-Executive Director	-	-	-	-
Economic Entity Executive Directors and Executive Officers					
C. Kelliher	Executive Director and TZ Group Chief Executive Officer	614,044	8,715	-	622,759
J. Wilson	TZI Chief Operating Officer	469,462	19,901	-	489,363
D. Rudduck	TZI Chief Technology Officer	418,925	19,901	-	438,826
M. Schwartz	PDT President and Chief Executive Officer	351,406	17,398	-	368,804
R. Wiltgen	PDT Chief Administration Officer	345,779	14,243	-	360,022
D. May	PDT General Manager Tooling	345,779	26,598	-	372,377
Total		**2,731,395**	**106,756**		**2,838,151**

directors' report

Directors' Benefits

Particulars of Directors' benefits are disclosed in Note 15.

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

On the 4 August 2006, the Company issued 5,569,887 fully paid ordinary shares at an issue price of 58.5 cents per share as final settlement of the consideration for the purchase of PDT entered into in March 2005 (refer to note 17(c)).

On the 4 August 2006, the Company issued 3,473,419 fully paid ordinary shares on the exercise of 2,982,250 at 34 cents per share and 491,169 at 40 cents per share.

On the 17 August 2006, the Company issued 470,139 fully paid ordinary shares at an exercise price of 40 cents per share.

On the 25 August 2006, the Company issued 2,652,112 fully paid ordinary shares on the exercise of 1,491,125 at 27 cents per share, 803,506 at 40 cents per share and 357,481 at 34 cents per share.

On the 1 September 2006, the Company issued 6,437,862 fully paid ordinary shares on the exercise of 6,352,581 at 34 cents per share and 85,281 at 40 cents per share.

No other matters or circumstances have arisen since the end of the financial year that 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) No options 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

(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
26 March 2007	$0.45	2,000,000
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 are set out in the Corporate Governance section of this financial statement.

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 2006. A copy of the declaration is attached to and forms part of the Directors' report.

Signed in Sydney, Australia this 30th day of September 2006 in accordance with a resolution of the Board of Directors.

J. Falconer
Non-Executive Director and Company Secretary

auditor's independence declaration to the directors of tz limited

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

As auditor of the financial statements of TZ Limited for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

Taylor & Co.
Stephen Taylor

29th September 2006
Sydney, Australia

income statement

FOR THE FINANCIAL YEAR ENDED **30 JUNE 2006**

		Consolidated Entity		Parent Entity	
	Note	2006	2005	2006	2005
		$	$	$	$
Revenue	2	30,547,698	18,218,464	-	-
Cost of sales	2	(18,924,803)	(6,147,119)	-	-
Gross profit		11,622,895	12,071,345	-	-
Other income	2	254,416	225,442	854,978	133,799
Employee related expenses		(3,924,710)	(2,751,351)	(267,004)	(374,852)
Occupancy expenses		(132,406)	(298,048)	-	-
Communications expenses		(316,302)	(181,304)	(37,834)	(20,928)
Depreciation		(1,066,388)	(420,957)	-	-
Amortisation of intangibles		(1,057,663)	(318,460)	-	-
Professional and corporate services		(2,401,493)	(1,194,445)	(402,823)	(361,368)
Travel and accommodation		(1,058,628)	(1,204,134)	(208,979)	(270,351)
Write-off intercompany debts		-	-	(451,382)	-
Finance cost		(195,852)	(79,215)	(626)	(2,029)
Other expenses		(1,157,335)	(800,550)	(118,016)	(29,827)
Profit/(Loss) before income tax expense	3	566,534	5,048,323	(631,686)	(925,556)
Income tax expense (benefit)	4	(25,774)	210,608	-	-
Profit/(Loss) after income tax expense		592,308	4,837,715	(631,686)	(925,556)
Profit/(Loss) from extraordinary items after related income tax expense		-	-	-	-
Net profit/(loss)		592,308	4,837,715	(631,686)	(925,556)
Net profit/(loss) attributable to outside equity interests	14	-	-	-	-
Net profit/(loss) attributable to members of the parent entity		592,308	4,837,715	(631,686)	(925,556)
Total changes in equity other than those resulting from transactions with owners as owners	13	592,308	4,837,715	(631,686)	(925,556)
Basic earnings per share (cents)	21	0.40	3.33		
Diluted earning per share (cents)	21	0.35	2.91		

The accompanying notes form part of these financial statements.

balance sheet

AS AT **30 JUNE 2006**

		Consolidated Entity		Parent Entity	
	Note	**2006**	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
Current assets					
Cash and cash equivalents	17	3,403,156	5,613,544	1,002,405	1,161,631
Trade and other receivables	5	10,974,950	9,161,456	4,117,713	4,991,174
Work in process	6	700,456	423,812	-	-
Total current assets		**15,078,562**	**15,198,812**	**5,120,118**	**6,152,805**
Non-current assets					
Trade and other receivables	5	-	-	2,931,714	2,385,760
Financials assets	7	-	-	37,555,919	33,203,229
Property, plant and equipment	8	4,266,725	4,171,410	-	-
Intangibles assets	9	39,698,304	32,006,795	-	-
Deferred tax assets		470,343	136,025	-	-
Total non-current assets		**44,435,372**	**36,314,230**	**40,487,633**	**35,588,989**
Total assets		**59,513,934**	**51,513,042**	**45,607,751**	**41,741,794**
Current liabilities					
Trade and other payables	10	5,479,615	5,632,499	4,156,601	2,355,949
Short-term provisions	11	875,244	129,191	-	-
Short-term borrowing	12	736,735	424,475	-	-
Total current liabilities		**7,091,594**	**6,186,165**	**4,156,601**	**2,355,949**
Non-current liabilities					
Trade and other payables	10	-	-	-	695,948
Long-term borrowing	12	4,097,165	2,028,010	-	-
Deferred tax liabilities		281,170	9,858	-	-
Total non-current liabilities		**4,378,335**	**2,037,868**	**-**	**695,948**
Total liabilities		**11,469,929**	**8,224,033**	**4,156,601**	**3,051,897**
Net assets		**48,044,005**	**43,289,009**	**41,451,150**	**38,689,897**
Equity					
Issued capital	13	67,780,998	64,398,396	67,780,998	64,398,396
Reserves	14	1,103,289	323,203	78,000	67,663
Accumulated losses		(20,840,283)	(21,432,590)	(26,407,848)	(25,776,162)
Parent interest		48,044,005	43,289,009	41,451,150	38,689,897
Minority equity interest		-	-	-	-
Total equity		**48,044,005**	**43,289,009**	**41,451,150**	**38,689,897**

The accompanying notes form part of these financial statements.

statement of changes in equity

FOR THE FINANCIAL YEAR ENDED **30 JUNE 2006**

Consolidated Entity

	Note	Share Capital	Reserves			
	Note	Ordinary	Equity-based Payment	Foreign Currency Translation	Accumulated Losses	Total
		$	$	$	$	$
Balance at 1 July 2004		54,565,803	-	-	(26,270,305)	28,295,453
Shares issued during the period		10,540,000	-	-	-	10,540,000
Share issue cost		(707,407)	-	-	-	(707,407)
Share-based payment		-	67,663	-	-	67,663
Adjustment from translation of foreign controlled entities		-	-	255,540	-	255,540
Profit attributable to members of parent entity		-	-	-	4,837,715	4,837,715
Sub-total		64,398,396	67,663	255,540	(21,432,590)	43,289,009
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2005		64,398,396	67,663	255,540	(21,432,590)	43,289,009
Balance at 1 July 2005		64,398,396	67,663	255,540	(21,432,590)	43,289,009
Shares issued during the period		3,384,237	-	-	-	3,384,237
Share issue cost		(1,635)	-	-	-	(1,635)
Adjustment from translation of foreign controlled entities		-	-	769,749	-	769,749
Share-based payment		-	10,337	-	-	10,337
Profit attributable to members of parent entity		-	-	-	592,308	592,308
Sub-total		67,780,998	78,000	1,025,289	(20,840,282)	48,044,005
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2006		**67,780,998**	**78,000**	**1,025,289**	**(20,840,282)**	**48,044,005**

The accompanying notes form part of these financial statements.

statement of changes in equity

FOR THE FINANCIAL YEAR ENDED **30 JUNE 2006**

Parent Entity

		Share Capital	Reserves			
	Note	**Ordinary**	**Equity-based Payment**	**Foreign Currency Translation**	**Accumulated Losses**	**Total**
		$	**$**	**$**	**$**	**$**
Balance at 1 July 2004		54,565,803	-	-	(24,850,606)	29,715,197
Shares issued during the period		10,540,000	-	-	-	10,540,000
Share issue cost		(707,407)	-	-	-	(707,407)
Share-based payment		-	67,663	-	-	67,663
Profit attributable to members of parent entity		-	-	-	(925,556)	(925,556)
Sub-total		64,398,396	67,663	-	(25,776,162)	38,689,87
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2005		64,398,396	67,663	-	(25,776,162)	38,689,897
Balance at 1 July 2005		64,398,396	67,663	-	(25,776,162)	38,689,897
Shares issued during the period		3,384,237	-	-	-	3,384,237
Share issue cost		(1,635)	-	-	-	(1,635)
Share-based payment		-	10,337	-	-	10,337
Profit attributable to members of parent entity		-	-	-	(631,686)	(631,686)
Sub-total		67,780,998	78,000	-	(26,407,848)	41,451,150
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2006		**67,780,998**	**78,000**	**-**	**(26,407,848)**	**41,451,150**

The accompanying notes form part of these financial statements.

cashflow statement

FOR THE FINANCIAL YEAR ENDED **30 JUNE 2006**

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Cash Flows From Operating Activities					
Receipts from customers		29,290,513	18,311,805	-	-
Payments to suppliers and employees		(28,437,351)	(12,152,189)	(1,037,373)	(1,068,425)
Interest received		218,169	311,136	122,782	227,583
Interest paid		(210,070)	(79,216)	(626)	(2,029)
Income tax paid		(188,849)	(163,370)	-	-
Other income		-	3,975	-	-
Net cash provided by (used in) operating activities	17(b)	672,412	6,232,141	(915,217)	(842,871)
Cash Flows From Investing Activities					
Proceeds from sale of investment securities		-	10	-	10
Payment for plant and equipment		(1,029,335)	(291,524)	-	-
Acquisition cost for controlled entity		(112,881)	(479,774)	(112,881)	(479,774)
Acquisition for controlled entity	17(c)	(1,583,168)	(6,563,400)	(1,294,027	(6,563,400)
Escrowed deposit	17(c)	-	(5,287,185)	-	(5,287,185)
Payments for research and development		(4,769,780)	(2,955,132)	-	-
Repayment of loan from controlled entity		-	-	633,190	5,612,772
Loan to controlled entity		-	-	(1,630,526)	-
Loans to other person		-	(34,609)	-	(16,460)
Loans repaid other person		-	162,000	-	162,000
Aggregated cash flow from acquired entity		-	49,831	-	-
Net cash provided by (used in) investing activities		(7,495,164)	(15,399,783)	(2,404,244)	(6,572,037)
Cash Flows From Financing Activities					
Share Issues		3,161,871	8,077,629	3,161,871	8,077,629
Share Issue costs		(1,636)	(707,406)	(1,636)	(707,406)
Repayment of borrowing		(904,459)	-	-	-
Repayment of lease obligation		(121,458)	-	-	-
Proceeds from line of credit borrowing		930,944	-	-	-
Proceeds from notes payables		1,462,912	-	-	-
Net cash provided by financing activities		4,528,174	7,370,223	3,160,235	7,370,223
Net increase/(decrease) in cash held		(2,294,578)	(1,797,419)	(159,226)	(44,685)
Cash at beginning of year	17(a)	5,613,544	7,410,963	1,161,631	1,206,316
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		84,190	-	-	-
Cash at end of year	**17(a)**	**3,403,156**	**5,613,544**	**1,002,405**	**1,161,631**

The accompanying notes form part of these financial statements.

notes to the financial statements

FOR THE FINANCIAL YEAR ENDED **30 JUNE 2006**

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporation Act 2001, Accounting Standards and Urgent Issues Group Interpretations and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 29th September 2006.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consolidation given in exchange for assets.

In the application of A-IFRS, Management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Company changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Company's financial position, financial performance and cash flows is discussed in note 24.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 24), the Company's date of transition.

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

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of TZ Limited and all its controlled entities (refer to note 7) other than CAP Asia Pacific Pte Ltd in which the Company currently holds a 25% interest. 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., that 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 financials report are not significant.

notes to the financial statements

(b) Cash and cash equivalents

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

(c) Investments

Investments are recognised in the financial statements at cost.

(d) 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 and 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.

(e) 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 Impaired accounts.

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

(f) 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.

(g) 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.

notes to the financial statements

(h) 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.

(i) 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 balance sheet in the financial year in which the exchange rates change as exchange gains or losses.

(j) Revenue recognition

(i) Sales revenue

Sales revenue comprises revenue earned from the provision of products or services to entities outside the consolidated entity.

(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.

(iv) Royalty revenue

Royalty revenue is recognised as it accrues.

(k) Goods and services tax

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

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

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

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

(l) Share-based payments

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

notes to the financial statements

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

(m) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(n) Impairment of assets

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

(o) Intangible assets

(i) Goodwill

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

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

(ii) Trademarks and licences

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

(iii) Research and development

Research expenditure is expensed as incurred.

An intangible asset arising from development expenditure is only recognised when all recognition criteria can be demonstrated. The recognition criteria for development activity are:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- whether the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

notes to the financial statements

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

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

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

(p) Financial instruments issued by the company

(i) Debt and equity instruments

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

(ii) Transaction costs on the issue of equity instruments

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

(iii) Interest and dividends

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

notes to the financial statements

2. REVENUES FROM OPERATIONS	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Sales revenue	30,547,698	18,218,464	-	-
Cost of goods sold	(18,924,803)	6,147,119	-	-
Other revenue				
Interest	254,416	215,026	145,479	133,799
Write-off intercompany debts	-	-	695,948	-
Sundry revenue items	-	10,416	-	-
Total other revenue	254,416	225,442	854,978	133,799

3. PROFIT/(LOSS) FROM OPERATION

Profit/Loss from continuing activities includes:				
Net losses on disposals of property, plant & equipment	-	21,609	-	-
Amortisation of non-current assets:			-	-
Intellectual property	1,066,388	318,460	-	-
Depreciation	1,057,663	420,957	-	-
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% (2005: 30%)	177,692	1,451,315	(189,506)	(257,368)
Tax effect of permanent differences:				
Amortisation of Intangibles	319,916	95,538	-	-
Other non-allowable expenses	-	-	-	-
Write-off intercompany debts	-	-	73,298	-
Future income tax benefit not brought to account	(523,382)	(1,336,245)	116,208	257,368
Income tax expense/(credit) attributable to result	**(25,774)**	**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.	4,095,617	4,618,999	2,103,370	1,987,162

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

notes to the financial statements

5. RECEIVABLES

	Note	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Current					
Trade debtors		5,809,184	3,912,079	-	-
Sundry debtors		5,094,913	5,144,694	4,117,713	4,976,174
Sub-total		10,904,097	9,056,773	4,117,713	4,976,174
Other debtors and prepayments		70,853	104,683	-	15,000
		10,974,950	**9,161,456**	**4,117,713**	**4,991,174**
Non-current					
Amounts receivable from:					
Controlled entities		-	-	2,931,714	2,385,760
		-	**-**	**2,931,714**	**2,385,760**

6. WORK IN PROCESS

	Note	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Uncompleted/Unbilled jobs - at cost		**700,456**	**423,812**	**-**	**-**

7. INVESTMENTS

	Note	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Shares in controlled entities - at cost note 7(a)		-	-	37,555,919	33,203,229
Shares - other – unquoted at cost		-	-	-	-
		-	**-**	**37,555,919**	**33,203,229**

(a) Controlled Entities

	Country of Incorporation	% Owned 2006	% Owned 2005
PARENT ENTITY			
TZ Limited	Australia		
SUBSIDIARIES OF TZ LIMITED			
Telezygology, Inc.	USA	100.00	100.00
PDT Holdings, Inc.	USA	100.00	100.00
Product Development Technologies, Inc.	USA	100.00	100.00
PDT Tooling, Inc.	USA	100.00	100.00
PDT Southeast Limited Liability Company (LLC)*	USA	100.00	100.00
CJSC PDT Ukraine	Ukraine	90.00	90.00
CED Membership Services Pty Ltd (ii)	Australia	0.00	100.00
The Presidential Card Pty Ltd (ii)	Australia	0.00	100.00
CUC Australasia Pty Ltd (ii)	Australia	0.00	100.00
CED Online Pty Ltd (ii)	Australia	0.00	100.00
Golf Partners Australia Pty Ltd (ii)	Australia	0.00	100.00
Golf Partners International Pty Ltd (ii)	Australia	0.00	100.00
CED Asia Pacific Pte Ltd	Singapore	5.00	25.00
CED Hong Kong Limited (i)	Hong Kong	6.25	6.25
CED Philippines Inc. (i)	Philippines	6.25	6.25

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

(ii) The investment in the dormant Companies was voluntarily deregistered on the 4 April 2006.

*An LLC is treated as a partnership for U.S. purposes

notes to the financial statements

8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Property, plant and equipment				
Cost	5,776,191	4,564,885	-	-
Accumulated depreciation	(1,509,466)	(393,475)	-	-
Total property, plant and equipment	**4,266,725**	**4,171,410**	**-**	**-**
MOVEMENTS DURING THE YEAR:				
Office furniture and equipment				
Beginning of year	1,338,797	90,997	-	-
Additions	663,801	1,420,694	-	-
Disposals	-	(21,609)	-	-
Depreciation expense	(579,881)	(151,285)	-	-
Net foreign currency adjustment on translation	3,851	-	-	-
End of year	**1,426,568**	**1,338,797**	**-**	**-**
Leasehold improvements				
Beginning of year	508,453	-	-	-
Additions	78,826	540,218	-	-
Depreciation expense	(118,497)	(31,765)	-	-
Net foreign currency adjustment on translation	22,221	-	-	-
End of year	**491,003**	**508,453**	**-**	**-**
Motor vehicle				
Beginning of year	137,142	-	-	-
Additions	-	148,002	-	-
Depreciation expense	(35,285)	(10,860)	-	-
Net foreign currency adjustment on translation	3,141	-	-	-
End of year	**104,998**	**137,142**	**-**	**-**
Plant and equipment				
Beginning of year	2,187,018	-	-	-
Additions	348,704	2,282,106	-	-
Depreciation expense	(357,844)	(95,088)	-	-
Net foreign currency adjustment on translation	66,278	-	-	-
End of year	**2,244,156**	**2,187,018**	**-**	**-**

	Consolidated		Parent Entity	
	2005	2004	2005	2004
9. INTANGIBLES	$	$	$	$
Goodwill on consolidation	22,679,131	18,608,927	-	-
Intellectual property	15,374,642	11,795,854	-	-
Trademarks	1,644,531	1,602,014	-	-
Total intangibles	**39,698,304**	**32,006,795**	**-**	**-**
MOVEMENTS DURING THE YEAR:				
Goodwill on consolidation				
Beginning of year	18,608,927	15,517,807	-	-
Additions	4,070,204	3,091,120	-	-
End of year	**22,679,131**	**18,608,927**	**-**	**-**
Intellectual property				
Beginning of year	11,795,854	4,775,230	-	-
Additions	4,645,176	7,339,081	-	-
Amortisation expense	(1,066,388)	(318,457)	-	-
End of year	**15,374,642**	**11,795,854**	**-**	**-**
Trademarks				
Beginning of year	1,602,014	29,577	-	-
Additions	42,517	1,572,437	-	-
End of year	**1,644,531**	**1,602,014**	**-**	**-**

10. PAYABLES

Current				
Trade creditors	2,797,871	2,333,010	38,710	73,181
Contingent liability – refer to note 17	-	2,231,556	-	-
Sundry creditors	2,762,574	1,067,933	4,117,891	2,282,768
Total current payables	**5,560,445**	**5,632,499**	**4,156,601**	**2,355,949**
Non-current				
Amounts payable to:				
Controlled entities	-	-	-	695,948
Included in the above are aggregate amounts payable to controlled entities and are non-interest bearing (2005: non-interest bearing)	-	-	-	695,948

notes to the financial statements

	Consolidated		Parent Entity	
	2006	2005	2006	2005
11. PROVISIONS	$	$	$	$
Current				
Employee entitlements	875,244	129,191	-	-
Aggregate employee entitlements	875,244	129,191	-	-

12. INTEREST BEARING LIABILITIES

Current				
Bank loans - secured	736,735	424,475	-	-
Non-current				
Bank loans - secured	4,097,165	2,028,010	-	-

The bank loans are secured by a mortgage over the assets of PDT Inc. group assets.

13. ISSUED CAPITAL

Issued and paid up capital				
157,212,045 (2005: 147,512,100) fully paid ordinary shares	67,274,015	64,398,396	67,274,015	64,398,396
MOVEMENTS DURING THE YEAR:				
Opening balance	64,398,396	54,565,803	64,398,396	54,565,803
Shares issued during the year				
120,000 on the 3 August 2005	48,000	-	48,000	-
1,230,189 on the 19 January 2006	418,264	-	418,264	-
144,650 on the 20 February 2006	53,381	-	53,381	-
175,482 on the 10 March 2006	114,063	-	114,063	-
4,903,503 on the 4 April 2006	1,672,873	-	1,672,873	-
100,000 on the 21 April 2006	40,000	-	40,000	-
2,982,250 on the 30 May 2006	1,013,965	-	1,013,965	-
43,871 on the 28 June 2006	23,690	-	23,690	-
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
Share issue costs	(1,636)	(707,407)	(1,636)	(707,407)
Closing balance	**67,780,998**	**64,398,396**	**67,780,998**	**64,398,396**

13. ISSUED CAPITAL (cont.)	Consolidated 2006 No.	Consolidated 2005 No.	Parent Equity 2006 No.	Parent Equity 2005 No.
Opening balance	147,512,100	128,435,177	147,512,100	128,435,177
3 August 2005	120,000	-	120,000	-
19 January 2006	1,230,189	-	1,230,189	-
20 February 2006	144,650	-	144,650	-
10 March 2006	175,482	-	175,482	-
4 April 2006	4,903,503	-	4,903,503	-
21 April 2006	100,000	-	100,000	-
30 May 2006	2,982,250	-	2,982,250	-
28 June 2006	43,871	-	43,871	-
16 July 2004	-	6,000,000	-	6,000,000
12 December 2004	-	13,076,923	-	13,076,923
Closing balance	**157,212,045**	**147,512,100**	**-**	**147,512,100**
(i) Share unquoted options				
Opening balance	23,533,768	19,893,499	23,533,768	19,893,499
Options issued:				
16 July 2004*	-	2,000,000	-	2,000,000
20 January 2005	-	1,640,269	-	1,640,269
Options exercised:				
3 August 2005	(120,000)	-	(120,000)	-
19 January 2006	(1,230,189)	-	(1,230,189)	-
20 February 2006	(144,650)	-	(144,650)	-
4 April 2006	(4,903,503)	-	(4,903,503)	-
21 April 2006	(100,000)	-	(100,000)	-
30 May 2006	(2,982,250)	-	(2,982,250)	-
Closing balance	**14,053,176**	**23,533,768**	**14,053,176**	**23,533,768**

(ii) Employee Share Option Plan

No shares have been issued by virtue of an exercise of an option during the year or to the date of this report.

*The Company issued 2,000,000 options to acquire shares in the Company as per voted on in the general meeting of shareholders held on the 14 July 2005 to the Company Directors Mr. Chris Kelliher and Mr. Anthony Leibowitz by way of two tranches. The first tranche vested on the 31 December 2004 with an exercisable price of $0.75 and the second tranche on 31 December 2005 with an exercisable price of $1.00. The options will expire on 31 December 2006 and 31 December 2007 respectively.

notes to the financial statements

14. RESERVES

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Foreign currency translation reserve	1,025,289	255,540	-	-
Share based payment reserve	78,000	67,663	78,000	67,663
Total reserves	**1,103,289**	**323,203**	**78,000**	**67,663**
MOVEMENTS DURING THE YEAR:				
Foreign currency translation reserve				
Opening balance	255,540	-	-	-
Adjustment arising from the translation of foreign controlled entities' financial statements	769,749	255,540	-	-
Closing balance	**1,025,289**	**255,540**	**-**	**-**
Share-based payment reserve				
Opening balance	67,663	-	67,663	-
Share based payment	10,337	67,663	10,337	67,663
Closing balance	**78,000**	**67,663**	**78,000**	**67,663**

15. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of consolidated entity and parent entity key management personnel in office at any time during the financial year are:

Directors

Anthony Leibowitz	Chairman – Non-Executive Director (resigned 7 July 2006)
Chris Kelliher	CEO TZ Group – Executive Director
John Falconer	Non-Executive Director
Michael Otten	Non-Executive Director (appointed 7 July 2006)

Specified Executives

John Wilson	TZ Inc. Chief Operating Officer
Dickory Rudduck	TZ Inc. Chief Technology Officer
Mark Schwartz	PDT Inc. President and CEO
Ray Wiltgen	PDT Inc. Chief Administration Officer
David May	PDT Inc. General Manager Tooling

notes to the financial statements

15. KEY MANAGEMENT PERSONNEL COMPENSATION (cont.)

(b) Directors' remuneration

	Short-term Employee Benefits		Share-based Payment	
	Salary & Fees	Non-cash Benefit	Options	Total
2006				
A. Leibowitz	126,000	-	-	126,000
C. Kelliher	614,044	8,715	-	622,759
J. Falconer	60,000	-	-	60,000
M. Otten	-	-	-	-
Total	**800,044**	**8,715**	**-**	**808,759**
2005				
A. Leibowitz	120,000	-	39,000	159,000
C. Kelliher	473,891	-	39,000	512,891
J. Falconer	60,000	-	-	60,000
Total	**653,891**	**-**	**78,000**	**731,891**

(c) Specified Executives' remuneration

	Short-term Employee Benefits			Share-based Payment	
	Salary & Fees	Superannuation Contribution	Non-cash Benefit	Options	Total
2006					
J. Wilson	469,462	-	19,901	-	489,363
D. Rudduck	418,925	-	19,901	-	438,826
M. Schwartz	351,406	-	17,398	-	368,804
R. Wiltgen	345,779	-	14,243	-	360,022
D. May	345,779	-	26,598	-	372,377
Total	**1,931,351**	**-**	**98,041**	**-**	**2,029,392**

notes to the financial statements

	Short-term Employee Benefits			Share-based Payment	
	Salary, Fees & Commissions	Superannuation Contribution	Non-cash Benefit	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 01/07/05	Granted as Remuneration	Net Change Other	Balance 30/06/06
A. Leibowitz	1,000,000	-	-	1,000,000
C. Kelliher	4,727,812	-	-	4,727,812
J. Falconer	1,388,182	-	-	1,388,182
M. Otten	-	-	-	-
Total	**7,115,994**	**-**	**-**	**7,115,994**

Specified Executives	Balance 01/07/05	Granted as Remuneration	Net Change Other	Balance 30/06/06
J. Wilson	1,491,125	-	-	1,491,125
D. Rudduck	1,491,125	-	-	1,491,125
M. Schwartz	-	-	-	-
R. Wiltgen	-	-	-	-
D. May	-	-	-	-
Total	**2,982,250**	**-**	**-**	**2,982,250**

15. KEY MANAGEMENT PERSONNEL COMPENSATION (cont.)

(e) Shareholdings

Number of shares held by Directors and specified Executives

Directors	Balance 01/07/05	Granted as Remuneration	Net Change Other	Balance 30/06/06
A. Leibowitz	1,493,748	-	1,120,967	2,614,715
C. Kelliher	1,416,569	-	-	1,416,569
J. Falconer	1,388,182	-	-	1,388,182
Total	4,298,499	-	1,120,967	5,419,466

Specified Executives	Balance 01/07/05	Granted as Remuneration	Net Change Other	Balance 30/06/06
J. Wilson	4,832,004	-	-	4,832,004
D. Rudduck	7,976,189	-	-	7,976,189
M. Schwartz	-	-	-	-
R. Wiltgen	-	-	-	-
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 shareholders held on the 15 July 2004 in the amount of $250,000 per annum.

notes to the financial statements

16. RELATED PARTY TRANSACTIONS

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
(a) Controlled entities				
Loan to controlled entities – non-current	-	-	1,630,526	7,754,927
Loan repaid from controlled entities – non-current	-	-	633,190	13,340,549

These loans are interest free.
There are no fixed terms of repayment.

(b) Transaction with Directors

Mr. J. Falconer, being a director of Dunbar Associates Pty Ltd, provides corporate services to the Company and charged for its service at normal commercial rates which amounted to $142,454 (2005: $67,245).

17. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash

For the purpose of the cash flow statement, cash includes:

Cash at bank and on hand	3,403,156	5,349,625	1,002,405	1,161,631
Deposit on call	-	263,919	-	-
	3,403,156	5,613,544	1,002,405	1,161,631

(b) Reconciliation of cash flow from operations with operating result after income tax

Operating profit/(loss) after income tax	592,308	4,837,715	(631,686)	(925,556)
Non-cash flows in operating profit/(loss)				
Net intercompany debts written-off (benefit)		-	(244,807)	-
Depreciation	1,057,663	310,607	-	-
Amortisation of intangibles	1,066,388	318,460	-	-
Unrealised exchange loss (gain)	14,218	(4,114)	-	-
Share based payments	10,337	67,663	10,337	67,663
Employee entitlements	746,053	56,056	-	(15,685)
Doubtful debts	-	340,891	-	-
Changes in assets and liabilities				
(Increase)/Decrease in trade debtors	(2,567,667)	202,466	-	-
(Increase)/Decrease in prepayments and other debtors	(782,729)	13,044	(14,590)	198,355
(Increase)/Decrease in work in process	(276,644)	581,682	-	-
(Decrease)/Increase in creditors and accruals	812,485	(492,329)	(34,471)	(167,648)
Cash flows provided by/(used in) operations	**672,412**	**6,232,141**	**(915,217)**	**(842,871)**

17. NOTES TO THE CASH FLOW STATEMENT (cont.)

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
(c) Acquisition of entities				
During the year, 100% of the controlled entity PDT Holdings, Inc. was acquired.				
Details of this transaction are:				
Purchase consideration (i)	-	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**	**-**	**-**

(i) On the 11 March 2004, the Company finalised an agreement to purchase all the shares in PDT Holdings, 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 million.

notes to the financial statements

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

- USD$5 million in cash on the signing of the contract.
- A further USD$1 million in cash and current held in an escrow account until after the preparation of audited consolidated financial statements as at 31 December 2004.
- The remaining USD$6 million will be paid by a way of USD$3 million in cash current held in escrow and USD$3 million shares in TZ Limited with an ascribed value of USD$1.00 per TZ limited share on achieving its 2005 forecasted EBITDA figure.

As at 30 June 2005, the Company had estimated that under current trading activities PDT might not achieve its estimated EBITDA forecasts under the agreement and therefore only estimated the full purchase consideration of USD$9.6 million.

During the course of the financial year, PDT achieved EBITDA forecasts as detail in the purchase agreement and as at 30 June 2006 the Company has provided for the full purchase price of USD$12 million. After balance date, the Company issued 5,569,887 ordinary full paid share at an issue price of 58.5 cents per each share as part of it final price consideration as detailed above. The goodwill on consolidation after applying the full price paid at 30 June 2006 amounted to AUD$7,242,153.

(d) Non cash financing and investing activities

Shares Issued

16 July 2004, the Company issued 6,000,000 ordinary shares as approved in the general meeting of shareholders held 15 July 2004 to the Company's former Director for services provided in the Company's recent restructure and capital raising under the prospectus issued in March 2004.

10 March 2006, the Company issued 175,482 ordinary shares in the Company at an issue price of 65 cents per share as part consideration for the purchase of the business Mqube Design from MQBD LLC.

28 June 2006, the Company issued 43,871 ordinary shares in the Company at an issue price of 54 cents per share as the final consideration of its acquisition of the Mqube Design from MQBD LLC after certain performance criteria were reached.

18. SEGMENT INFORMATION

	2006	2005
Segment Revenues	**$**	**$**
Engineering and design	30,547,698	18,222,578
Investments	254,416	215,026
Total of all segments	30,802,114	18,437,604
Unallocated	-	6,302
Consolidated	**30,802,114**	**18,443,906**

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

18. SEGMENT INFORMATION (cont.)

	2006	2005
Segment Results	**$**	**$**
Engineering and design	1,102,834	5,152,612
Investments	(536,300)	(857,893)
Total of all segments	566,534	4,294,719
Eliminations	-	-
Unallocated	-	(1,201)
Profit before income tax expense	566,534	4,293,518
Income tax expense/(benefit)	(25,774)	210,608
Profit after related income tax expense	592,308	4,082,910
Extraordinary items	-	-
Net profit	**592,308**	**4,082,910**

	Segment Assets		Liabilities	
	2006	**2005**	**2006**	**2005**
Segment Assets and Liabilities	**$**	**$**	**$**	**$**
Engineering and design	54,393,816	43,566,770	11,380,008	5,992,477
Investments	5,120,117	6,674,831	89,921	2,231,556
Total of all segments	59,513,933	50,241,601	11,469,929	8,224,033
Unallocated	-	61,028	-	-
Consolidated	**59,513,933**	**50,302,629**	**11,469,929**	**8,224,033**

The consolidated entity's predominant activities is the licensing of its patented intellectual property and operating software, as well as providing application engineering and technology development services to manufacturers in the automotive, aerospace and construction industries.

The Company operates its engineering and design division predominantly in the USA, while maintaining a presence in the UK and the Ukraine. The Company operates these geographical locations with the USA operation and are not significant enough to be reported separately. The Company investments division is predominantly in Australia.

notes to the financial statements

19. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

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

19. FINANCIAL INSTRUMENTS (cont.)

	Weighted Average Interest Rates		Floating Interest Rate $		Fixed Interest Maturing in 1 Year or Less $	
	2006	2005	2006	2005	2006	2005
Financial assets						
Cash	4.55	3.50	3,403,156	5,610,488	-	-
Receivables	-	2.54	-	1,834,468	-	-
Total financial assets			**3,403,156**	**7,444,956**	**-**	**-**
Financial liabilities						
Bank loan	8.25	6.25	1,886,024	1,476,760	-	-
Bills/Installment notes	7.67	7.50	-	-	615,307	-
Lease liabilities	7.15	7.15	-	-	43,166	162,411
Trade and sundry creditors	-	-	-	-	-	-
Total financial liabilities			**1,886,024**	**1,476,765**	**658,476**	**162,411**
Net financial assets			**1,517,132**	**5,968,191**	**(658,476)**	**(162,411)**

notes to the financial statements

Fixed Interest Maturing in Over 1 to 5 Years $		Non-interest Bearing $		Total $	
2006	2005	2006	2005	2006	2005
-	-	-	3,056	3,403,156	5,613,544
-	-	10,974,952	7,326,988	10,974,952	9,161,456
-	**-**	**10,974,952**	**7,330,044**	**14,378,108**	**14,775,000**
-	-	-	-	1,886,024	1,476,760
2,289,406	975,725	-	-	2,904,713	975,725
-	-	-	-	43,166	162,411
-	-	5,479,614	5,469,088	5,479,614	5,469,088
2,289,406	**975,715**	**5,479,614**	**5,469,088**	**10,313,517**	**8,083,984**
(2,289,406)	**(975,715)**	**5,495,338**	**1,860,956**	**4,064,591**	**6,691,016**

19. FINANCIAL INSTRUMENTS (cont.)

	2006	2005
Reconciliation of net financial assets to net assets	**$**	**$**
Net financial assets above	4,064,591	6,690,016
Non-financial assets and liabilities		
Work in process	700,456	423,812
Property, plant and equipment	4,266,725	4,171,410
Intangibles	39,698,304	32,006,795
Deferred tax assets	470,343	136,025
Provision for employee entitlements	(875,244)	(129,191)
Deferred tax liabilities	(281,170)	(9,858)
Net assets per statement of financial position	**48,044,005**	**43,289,009**

(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.

20. COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent Entity	
	2006	**2005**	**2006**	**2005**
Operating Lease Commitments Payable	**$**	**$**	**$**	**$**
Not later than one year	844,305	617,809	-	-
Later than one year but not later than five years	622,947	1,123,797	-	-
Later than five years	-	-	-	-
	1,467,253	**1,741,606**	**-**	**-**

notes to the financial statements

21. EARNINGS PER SHARE

	Consolidated Entity 2006	Consolidated Entity 2005
Basic earnings per share (cents per share)	0.40	3.33
Diluted earnings per share (cents per share)	0.35	2.89
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	149,713,775	145,414,867
Weighted average number of options outstanding	17,238,592	20,617,015
Weighted average number of ordinary shares outstanding used in calculation of dilutive earnings per share	166,952,367	166,031,882
Earning used in the calculation of basic and dilutive earnings per share	592,308	4,837,715

22. EVENTS SUBSEQUENT TO REPORTING DATE

On the 4 August 2006, the Company issued 5,569,887 fully paid ordinary shares at an issue price of 58.5 cents per share as final settlement of the consideration for the purchase of PDT entered into in March 2005 (refer to Note 17(c).

On the 4 August 2006, the Company issued 3,473,419 fully paid ordinary shares on the exercise of 2,982,250 at 34 cents per share and 491,169 at 40 cents per share.

On the 17 August 2006, the Company issued 470,139 fully paid ordinary shares at an exercise price of 40 cents per share.

On the 25 August 2006, the Company issued 2,652,112 fully paid ordinary shares on the exercise of 1,491,125 at 27 cents per share, 803,506 at 40 cents per share and 357,481 at 34 cents per share.

On the 1 September 2006, the Company issued 6,437,862 fully paid ordinary shares on the exercise of 6,352,581 at 34 cents per share and 85,281 at 40 cents per share.

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	
	2006	2005	2006	2005
	$	$	$	$
Auditors of the parent entity – Taylor & Co.	45,200	49,455	45,200	49,455
Other services from auditors of the parent entity	-	-	-	-
Other auditors	-	-	-	-
Other services from other auditors	130,869	84,382	-	-

The auditors received no other fees or benefits.

notes to the financial statements

24. EXPLANATION TO TRANSITION TO AUSTRALIAN EQUIVALENTS OF IFRSS

Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS) as referred to in Note 1(a).

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

	Note	A GAAP Actual* $	A-IFRS Impact $	A-IFRS $
Current assets				
Cash and cash equivalent		7,410,963	-	7,410,963
Trade and other receivables		3,295,161	-	3,295,161
Total current assets		**10,706,124**	**-**	**10,706,124**
Non-current assets				
Investment		10	-	10
Property, plant & equipment		90,997	-	90,997
Intangibles	b	19,934,669	387,945	20,322,614
Total non-current assets		**20,025,676**	**387,945**	**20,413,621**
Total assets		**30,731,800**	**387,945**	**31,119,745**
Current liabilities				
Trade and other payables		2,751,113	-	2,751,113
Provisions		73,135	-	73,135
Total current liabilities		**2,824,248**	**-**	**2,824,248**
Total liabilities		**2,824,248**	**-**	**2,824,248**
Net assets		**27,907,552**	**387,945**	**28,295,497**
Equity				
Issued capital		54,565,803	-	54,565,803
Reserves	a	-	-	-
Accumulated losses	e	(26,658,251)	387,945	(26,270,306)
Total equity		**27,907,552**	**387,945**	**27,907,552**

**Reported financial position for the financial year ended 30 June 2004 under previous Australian GAAP.*

notes to the financial statements

Effect of A-IFRS on the balance sheet as at 30 June 2005.

	Note	A GAAP Actual* $	A-IFRS Impact $	A-IFRS $
Current assets				
Cash and cash equivalent		**5,613,544**	-	5,613,544
Trade and other receivables		9,161,456	-	9,161,456
Work in process		423,812	-	423,812
Total current assets		**15,198,812**	**-**	**15,198,812**
Non-current assets				
Property, plant & equipment		4,171,410	-	4,171,410
Intangibles	b	30,796,382	1,210,414	32,006,796
Deferred tax assets		136,025	-	136,025
Total non-current assets		**35,103,817**	**1,210,414**	**36,314,231**
Total assets		**50,302,629**	**1,210,414**	**51,513,043**
Current liabilities				
Trade and other payables		5,632,499	-	5,632,499
Provisions		129,191	-	129,191
Interest-bearing liabilities		424,475	-	424,475
Total current liabilities		**6,186,165**	**-**	**6,186,165**
Non-current liabilities				
Interest-bearing liabilities		2,028,010	-	2,028,010
Deferred tax liabilities		9,858	-	9,858
Total non-current liabilities		**2,037,868**	**-**	**2,037,686**
Total liabilities		**8,224,033**	**-**	**8,224,033**
Net assets		**42,078,596**	**1,210,414**	**43,289,010**
Equity				
Issued capital		64,398,396	-	64,398,396
Reserves	a	255,540	67,663	323,203
Accumulated losses	e	(22,575,340)	1,142,781	(21,432,559)
Total equity		**42,078,596**	**1,210,414**	**43,289,010**

**Reported financial position for the financial year ended 30 June 2004 under previous Australian GAAP.*

notes to the financial statements

24. EXPLANATION TO TRANSITION TO AUSTRALIAN EQUIVALENTS OF IFRSS (cont.)

Effect of A-IFRS on the income statement for the financial year ended 30 June 2005.

	Note	A GAAP Actual*	A-IFRS Impact	A-IFRS
		$	$	$
Revenue		18,218,464	-	18,218,464
Cost of sales		(6,147,119)	-	(6,147,119)
Gross profit/(loss)		12,071,345	-	12,071,345
Other revenue		225,442	-	225,442
Employee related expenses	a	(2,683,690)	(67,663)	(2,751,353)
Occupancy expenses		(2,98,048)	-	(298,048)
Communications expenses		(181,304)	-	(181,304)
Depreciation		(420,957)	-	(420,957)
Amortisation of intangibles	b	(1,140,928)	822,468	(318,460)
Professional and corporate service		(1,194,445)	-	(1,194,445)
Travel and accommodation		(1,204,134)	-	(1,204,134)
Foreign exchange losses		-	-	-
Interest paid		(79,215)	-	(79,215)
Other expenses		(800,548)	-	(800,548)
Profit before income tax expense		4,293,518	754,805	5,048,323
Income tax expense		210,608	-	210,608
Profit for the period		4,082,910	754,805	4,837,715
Profit attributable to members of the parent entity		4,082,910	754,805	4,837,715

** Reported in the statement of financial performance for the financial year ended 30 June 2005 under previous Australian GAAP.*

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005.

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

notes to the financial statements

Notes to the reconciliations of income and equity

(a) Share-based payments

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

(b) Goodwill on consolidation

Under AASB 3: Business Combinations, goodwill is capitalised to the balance sheet and subjected to an annual impairment test. Amortisation of goodwill is prohibited. However, goodwill was amortised under the superseded policies on a straight-line basis over a period of 20 years. The Director has reviewed the goodwill on consolidation and has determined that the original amount has not been impaired and therefore the previously amortised amount of $387,945 and $822,469 will be reversed resulting in a corresponding decrease of $387,945 and $822,469 in accumulated losses at 30 June 2004 and 30 June 2005 respectively.

(c) Impairment of assets

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

(d) Income tax

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

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

(e) Accumulated losses

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

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

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 2006:

   (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 2006 and the performance for the year ended on that date;

2. The Chief Executive Officer and Chief Finance 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
Non-Executive Director and Company Secretary

Dated this 30th day of September 2006
Sydney, Australia

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 2006. 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.

independent audit report to the members of tz limited

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 2006 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

30th September 2006
Sydney, Australia

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 2006 Annual General Meeting, are set out in the table below:

Director	Appointed	Non-Executive	Independent	Retiring at 2006 AGM	Seeking Re-election at 2006 AGM
Chris Kelliher	11 December 2003	No	Not Applicable	Not Applicable	Not Applicable
John Falconer	6 February 2004	Yes	No	No	Yes
Michael Otten	7 July 2006	Yes	No	No	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 right 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.

corporate governance

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 less 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 29 September 2006

- There are 1,616 shareholders holding a total of 168,317,803 ordinary fully paid shares.
- The 20 largest shareholders between them hold 51.86% 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 29 September 2006

Shares

Range	Number of Holders
1 - 1,000	122
1,001 - 5,000	374
5,001 - 10,000	321
10,001 - 100,000	594
100,001 - and over	205
Total Holders	**1,616**

There were 93 shareholders whose total holding had a market value of less than $500 at 31 August 2006.

Substantial Shareholdings as at 29 September 2006

There are no substantial shareholders who have notified the Company that pursuant to the provisions of section 671B of the Corporations Act 2001 that they are substantial shareholders.

Directors' Shareholdings

As at 29 September 2006, Directors of the Company held a relevant interest in the following securities on issue by the Company.

Director	Ordinary Shares	Unquoted Options
C. Kelliher	2,065,175	1,000,000
J. Falconer	1,976,364	Nil
M. Otten	193,197	Nil

On-market Buy-backs

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

stock exchange information

Top 20 Holders of Ordinary Shares at 29 September 2006

Shareholder Name	Number of Shares	% of Total
Citicorp Nominees Pty Limited	23,255,152	13.82
ANZ Nominees Limited	18,048,071	10.72
National Nominees Limited	6,159,251	3.66
Lippo Securities Nominees (BVI) Ltd	6,135,000	3.64
Tematec International Pty Ltd	4,316,053	2.56
Mainland Air Services Limited	3,913,781	2.33
Westpac Custodian Nominees Limited	3,430,681	2.04
Best Start Services Ltd	3,238,300	1.92
Davambros Pty Ltd	2,491,125	1.48
Luik Holding Pty Ltd	2,483,893	1.48
Merrill Lynch (Australia) Nominees Pty Ltd	2,240,890	1.33
World Capital Holding Limited	1,681,136	1.00
Profit Pearl Holding Ltd	1,564,915	0.93
Mr. Dave May	1,255,080	0.75
Mr. Scott Semenik	1,255.080	0.75
Mr. Ray Wiltgen	1,255,080	0.75
JFT Nominees Pty Ltd	1,216,209	0.72
Canonbar Investments Pty Ltd	1,205,000	0.72
Moggs Creek Pty Ltd	1,131,481	0.67
Mr. Howard Todd Horberg	1,000,000	0.59
Total held by top 20 holders of ordinary shares	**87,276,178**	**51.89**

Note the above list does not identify related party holdings. Readers should have regards to substantial shareholders notices and directors declarations.

stock exchange information

Voting Rights

All shares have equal voting rights.

Notice of Correction to the Unaudited Preliminary Final Report Lodged on 13 September 2006

The Directors advise that there is a difference of $1,322,000 between the net profit for the year as disclosed in the attached audited accounts of $592,000 and the net profit for the year as disclosed in the preliminary final report released to the market on 13 September 2006 of $1,914,000. The difference is principally due to the write back of accrued FutureWall™ income included in the preliminary final report.

This income was accrued in management accounts and then included in the consolidated result for the year. The original income accrual was calculated with the knowledge that a FutureWall™ licensing agreement with provision for fixed fees from the licensee in future years had further requirements that had to be met. After further consultation with outside accountants, it was agreed that all the revenue would be recognised in future years due to the fact the agreement has some requirements which should be met in future years. The FutureWall™ agreement is the subject of a separate announcement to the market.

As detailed in the FutureWall™ announcement, the Directors believe that substantial revenues will flow to the Company over the next 3 to 5 years, and the revenue may be recognised for financial accounting purposes in the 2006/2007 year if all the agreement requirements are met.

Other differences related to additional capitalised development costs which were identified after consultation with outside accountants.

The comments in the preliminary final report on the 2006 revenues did not incorporate the above details.

directory

Directors

C. Kelliher
J. Falconer
M. Otten

Company Secretary

J. Falconer

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Chartered Accountants

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