TECSOUND (VIC) PTY LTD

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

TECSOUND (VIC) PTY LTD

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TECSOUND (VIC) PTY LTD

DIRECTOR'S REPORT

Your director presents the report on the company for the financial year ended 30 June 2004.

Directors

The name of the director in office at any time during or since the end of the financial year is Mr Hilary Evans.

The director has been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Results

The profit of the company for the financial year after providing for income tax amounted to $396,070 (2003: $415,973).

Review of Operations

A review of the operations of the company during the financial year and the results of those operations found that during the year, the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the company occurred during the financial year.

Principal Activity

The principal activity of the company during the financial year was the supply, distribution and system integration of electronic communication equipment, audio visual equipment and electronic security products.

No significant change in the nature of these activities occurred during the year.

After Balance Date Events

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

Likely Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations.

Environmental Issues

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

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Indemnification of Officer or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of the 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.

Signed in accordance with a resolution of the director:

Director

Dated this 20th day of September 2004

TECSOUND (VIC) PTY LTD

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 $	2003 $
Revenue from ordinary activities	2(a)	**3,415,793**	2,785,698
Expenses from operating activities			
Cost of Sales – material and subcontractors		**(1,448,791)**	(1,131,580)
Employee benefits expense		**(906,130)**	(715,260)
Motor vehicle expenses		**(84,442)**	(86,354)
Depreciation and amortisation expenses	2(b)	**(55,172)**	(44,533)
Advertising		**(38,952)**	(43,658)
Occupancy expenses		**(32,727)**	(32,200)
Other expenses from ordinary activities		**(263,108)**	(135,506)
Borrowing costs expense	2(b)	**(11,672)**	(9,914)
Profit from ordinary activities before income tax expense		**574,799**	586,693
Income tax expense relating to ordinary activities		**(178,729)**	(170,720)
Profit from ordinary activities after related income tax expense	2, 12	**396,070**	415,973
Total changes in equity other than those resulting from transactions with owners as owners	11	**396,070**	415,973

The accompanying notes form part of these financial statements.

TECSOUND (VIC) PTY LTD

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Notes	2004 $	2003 $
CURRENT ASSETS			
Cash assets		**123,028**	1,260
Receivables	3	**587,333**	579,352
Inventories	4	**350,056**	258,286
Other	5	**6,905**	-
TOTAL CURRENT ASSETS		**1,067,322**	838,898
NON-CURRENT ASSETS			
Property, plant and equipment	6	**340,407**	268,516
Deferred tax assets		**23,614**	-
TOTAL NON-CURRENT ASSETS		**364,021**	268,516
TOTAL ASSETS		**1,431,343**	1,107,414
CURRENT LIABILITIES			
Payables	7	**139,760**	103,171
Interest-bearing liabilities	8	**45,354**	163,431
Current tax liabilities	9	**112,393**	137,079
Provisions	10	**70,176**	27,538
TOTAL CURRENT LIABILITIES		**367,683**	431,219
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	8	**131,089**	146,187
Provisions	10	**6,493**	-
TOTAL NON-CURRENT LIABILITIES		**137,582**	146,187
TOTAL LIABILITIES		**505,265**	577,406
NET ASSETS		**926,078**	530,008
EQUITY			
Contributed equity	13	**40**	40
Retained profits	12	**926,038**	529,968
TOTAL EQUITY	11	**926,078**	530,008

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared in order to satisfy the information needs of the company's director. The director has determined the company is not a reporting entity.

The financial report is for Tecsound (Vic) Pty Ltd as an individual entity. Tecsound (Vic) Pty Ltd is a company, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with all applicable Accounting Standards with the exception of AASB 1026 "Statement of Cash Flows" and the disclosure requirements of the following Accounting Standards:

AASB 1026:	Statement of Cash Flows
AASB 1017:	Related Party Disclosures
AASB 1033:	Presentation and Disclosure of Financial Instruments
AASB 1034:	Financial Report Presentation and Disclosures
AASB 1020:	Accounting for Income Taxes

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account either as provision for deferred income tax or as a 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 any 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 company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Interest revenue

Interest revenue is recognised as it accrues.

Service revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Wholesale revenue

Wholesale revenue relates to the sale of inventory and is recognised at the date control passes to the buyer.

Installation revenue

When the outcome of a contract to provide installation services can be estimated reliably, revenue is recognised by reference to the percentage of the services provided.

(c) Cash

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(d) Trade and Other Receivables

Trade receivables and other receivables represent the principal amounts due at balance date less, where applicable any provision for doubtful debts. All trade receivables and other receivables are recognised at the amounts receivable as they are due for settlement no more than 60 days.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts which are known to be uncollectible are written off.

(e) Property, Plant and Equipment

All classes of plant and equipment are measured at cost (refer Section 11.4 for further details).

Depreciation is calculated on a straight line basis for all property, plant & equipment, at rates calculated to write off each asset over its estimated useful life.

Major depreciation categories are:

- Plant & Equipment – 11 to 37 percent
- Office Furniture - 21 to 37 percent
- Leased Motor Vehicles – 18 to 37 percent
- Furniture and Fittings - 7 to 21 percent

Any gain or loss on the disposal of assets is determined as the difference between the carrying amount of the asset at the time of the disposal and the proceeds from the disposal, and is included in the results of the Company in the period of disposal.

(f) Inventory

Inventories are measured at the lower of cost or net realisable value. Costs are assigned to inventory on hand on a first in first out method. Costs include direct costs only. Any loss on valuing inventory at net realisable value is bought to account in the statement of financial performance.

(g) Payables

Liabilities for payables and other amounts are carried at cost which approximates fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the economic entity are classified as finance leases. Finance leases are capitalised, recorded as an asset and a liability equal to the present value of the minimum lease payments, including any residuals as determined by the lease contract. Leased assets are amortised on a straight line basis over the estimated useful lives where it is likely that the economic entity will obtain legal ownership of the asset on expiry of the lease. Lease payments are allocated over both the lease interest expense and the lease liability.

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

(i) Employee entitlements

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measure reliably.

Provisions for employee entitlements for wages, salaries and annual leave expected to be settled within 12 months represent the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. Provisions expected to be settled within 12 months have been measured as their nominal amounts .

Provisions for long service leave which are not expected to be settled within 12 months are measured at their present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. The present values have been calculated using the rates attaching to Federal Government securities at balance date, which most closely matches the term of maturity of the related liabilities. In determining the liability for employee entitlements, consideration has been given to future increases in salary and wage rates and the Company's experience with staff departures.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Employee benefit on costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(j) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of any goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

(l) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

When the carrying amount of a non current asset is greater than recoverable amount, the asset is written down to the recoverable amount. Where the net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in carrying amount is recognised as an expense in net profit or loss in the reported period in which the write down occurs. The expected net cash inflows included in determining recoverable amounts of non current assets are not discounted.

(m) Translation of foreign currency items

Except for foreign currency contracts where the exchange rate is fixed, each asset, liability, item of equity, revenue or expense is recognised and translated using the spot rate at the date of the transaction.

Foreign currency monetary items outstanding at the reporting date are translated at the spot rate at the reporting date.

Exchange differences are recognised as revenues or expenses in net profit or loss in the period in which exchange rates change except for qualifying assets and hedge transactions.

(n) Borrowings

Borrowings are recognised in the financial statements on the basis of the nominal amounts outstanding at balance date plus accrued interest.

(o) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of the asset.

(p) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

	Note	2004 $	2003 $

NOTE 6: PROPERTY, PLANT AND EQUIPMENT (Continued)

NOTE 2(a): REVENUE FROM ORDINARY ACTIVITIES

	2004	2003
Revenue from Operating Activities		
Installation Revenue	**2,273,261**	1,826,198
Services Revenue	**528,704**	298,989
Wholesale Revenue	**610,458**	656,599
	3,412,423	2,781,786
Other Revenue		
Revenue from disposal of plant and equipment	**-**	1,889
Other Revenue	**1,584**	2,023
Interest Income	**1,786**	-
	3,370	3,912
	3,415,793	2,785,698

NOTE 2(b): EXPENSES FROM OPERATING ACTIVITIES

	2004	2003
Cost of sales	**1,448,791**	1,131,580
Borrowing costs	**11,672**	9,914
Total Depreciation	**55,172**	44,533
Bad and doubtful debts	**15,632**	5,119

NOTE 3: RECEIVABLES

	2004	2003
CURRENT		
Trade debtors	**602,965**	579,352
Less provision for doubtful debts	**(15,632)**	-
	587,333	579,352

NOTE 4: INVENTORIES

	2004	2003
CURRENT		
Inventory at cost	**350,056**	258,286

NOTE 5: OTHER ASSETS

	2004	2003
CURRENT		
Prepayments	**6,905**	-

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

LEASEHOLD IMPROVEMENTS

	2004	2003
At cost	**100,278**	100,278
Less accumulated depreciation	**(7,064)**	(7,064)
	93,214	93,214

PLANT AND EQUIPMENT

(a) Plant and equipment

	Note	2004 $	2003 $
NOTE 6: PROPERTY, PLANT AND EQUIPMENT (Continued)			
At cost		**65,623**	30,412
Less accumulated depreciation		**(23,862)**	(9,899)
		41,761	20,513
(b) Leased motor vehicles			
At cost		**214,951**	125,443
Less accumulated amortisation		**(54,762)**	(23,652)
		160,189	101,791
(c) Office equipment			
At cost		**35,650**	33,306
Less accumulated depreciation		**(21,472)**	(15,840)
		14,178	17,466
(d) Furniture, fixtures and fittings			
At cost		**42,834**	42,834
Less accumulated depreciation		**(11,769)**	(7,302)
		31,065	35,532
Total plant and equipment		**247,193**	175,302
Total property, plant and equipment		**340,407**	268,516

NOTE 7: PAYABLES

CURRENT			
Unsecured liabilities			
Trade creditors		**122,864**	90,259
Sundry creditors and accruals		**16,896**	12,912
		139,760	103,171

NOTE 8: INTEREST BEARING LIABILITIES

CURRENT			
Unsecured liabilities			
Bank overdrafts		**-**	135,321
Secured liabilities			
Finance lease liability		**45,354**	28,110
		45,354	163,431
NON-CURRENT			
Secured liabilities			
Finance lease liability		**139,203**	99,010
Amounts payable to:			
- directors		**(8,114)**	47,177
		131,089	146,187

NOTE 9: TAX LIABILITIES

CURRENT			
Income tax		**112,393**	137,079

	Note	2004 $	2003 $
NOTE 10: PROVISIONS			
CURRENT			
Employee benefits	(a)	**70,176**	27,538
NON-CURRENT			
Employee benefits	(a)	**6,493**	-
(a) Aggregate employee benefits liability		**76,669**	27,538
NOTE 11: EQUITY			
Total equity at the beginning of the financial year		**530,008**	114,005
Total changes in equity recognised in the statement of financial performance		**396,070**	415,973
Increase in contributed Equity		**-**	30
Total equity at the reporting date		**926,078**	530,008
NOTE 12: RETAINED PROFITS			
Retained profits at the beginning of the financial year		**529,968**	113,995
Net profit (loss) attributable to members of the entity		**396,070**	415,973
Retained profits at the end of the financial year		**926,038**	529,968
NOTE 13: CONTRIBUTED EQUITY			
30 Ordinary shares fully paid	(a)	40	40
(a) Ordinary Share			
Movements during the period:			
Opening balance		40	10
30 Ordinary shares issued		-	30
Closing balance		40	40

Ordinary shares have the right to receive dividends as declared, and in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or be proxy, at a meeting of the company.

NOTE 14: CAPITAL AND LEASING COMMITMENTS

	2004 $	2003 $
(a) Finance lease commitments		
Non-cancellable Finance leases capitalised in the financial statements:		
Payable		
- not later than one year	61,446	39,345
- later than one year and not later than five years	161,936	115,234
- later than five years	-	-
Total Lease payments	223,316	154,579
Future finance charged	(38,759)	(27,459)
	184,557	127,120

	Note	2004 $	2003 $
Current Liability (Note 7)		45,354	28,110
Non-Current (Note 7)		139,203	99,010
		184,557	127,120

These commitments represent payments due for leased motor vehicles under a non-cancellable finance lease.

TECSOUND (VIC) PTY LTD

DIRECTOR'S DECLARATION

The directors have determined that the company is a non reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The directors declare that:

1. the financial statements and notes present fairly the company's financial position and its performance for the year ended on that date in accordance with the accounting policies described in accordance with Note 1 to the financial statements; and

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated this 20th day of September 2004

TECSOUND (VIC) PTY LTD

PRIVATE INFORMATION FOR THE DIRECTOR ON THE 2004 FINANCIAL STATEMENTS

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2004

	2004 $	2003 $
Expenses brought forward	-	-