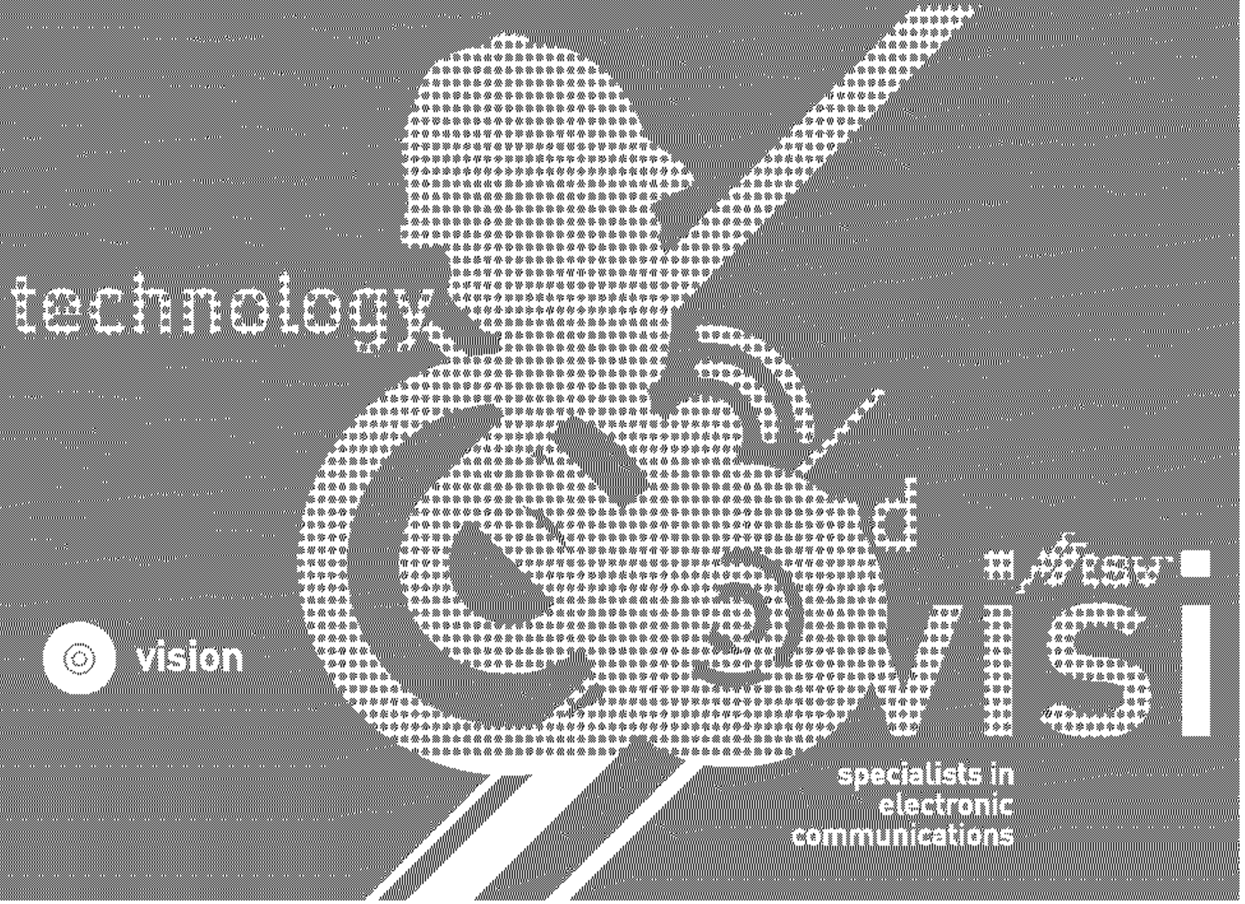
TEC SOUND

tsv™



specialists in electronic communications

technology sound vision

tsv™

TSV Holdings Limited
Unit 33 41-49 Norcal Road
Nunawading
VIC 3131

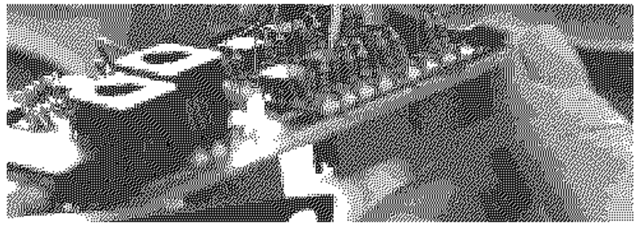
chairman's report

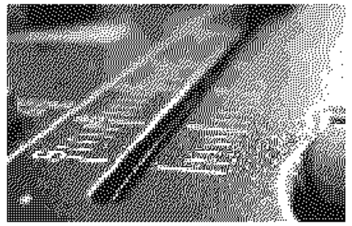
Dear Shareholders, Welcome to this, the first Annual Report for TSV Holdings Limited. The first financial year for TSV Holdings was important and eventful with the successful listing on the Australian Stock Exchange in September last year. TSV has achieved excellent organic growth coupled with the successful acquisition and integration of Calltec Pty Ltd; a leading integrated communications specialist for the growing health and aged care industry. Further achievements include the recent acquisition of Tecsound Queensland which has strengthened TSV's presence and direct control of products into the marketplace. TSV Holdings continues to achieve further growth and profitability. Our focus on organic and sensible strategic alliances will ensure the ongoing success of the Company. We continue to develop innovative products that will enable us to remain a leader in the design, supply, installation and service of specialist communication systems. It is our intention to continue to provide service excellence and where possible, to pursue value added low risk growth opportunities. I am pleased to report that all divisions of TSV Holdings performed well for the year, despite a slower than anticipated initial take up of the Tecsound New Zealand operations and the deferral of some larger Victorian contracts into the 2006 financial year. This has been due to industry factors beyond the company's immediate control. The Group reported earnings before interest, tax, depreciation and amortisation of \$1.67 million and net profit after tax of \$0.88 million. TSV Holdings declared fully franked dividends of 1.2 cents per share for the year ended 30 June 2005 in line with the Prospectus forecast. The Board is conscious and aware of the high expectations that investors have to operate to best corporate governance principles. The TSV Holdings Board has reviewed and implemented the recommendations of the ASX Corporate Governance Council wherever possible in order to maintain its high standards of observation and compliance. The Company has emerged at an exciting time when growth and consolidation within the Communications industry will provide continued opportunities to maintain a very successful business. We are ideally placed for the future with experienced and qualified management and operations staff who continue to ensure an efficient result for all divisions of the company. The Directors would like to extend their sincere appreciation to all of the staff of TSV Holdings for their continuing efforts and the excellent results achieved to date. Whilst the 2005 financial year produced a satisfactory result for shareholders and the Company, most importantly it has set an outstanding foundation for the Company from which to grow its revenue base whilst at the same time improving its profit margins whilst servicing a niche and important market segment. We wish to take this opportunity to thank TSV's loyal shareholders and look forward to providing greater shareholder value into the 2006 year and beyond.

Yours Sincerely

David Carter

Non-Executive Chairman





Tecsound businesses

Tecsound is a communications company that prides itself on servicing a growing niche market. Tecsound specialises in the supply, distribution and integration of electronics communications equipment including audio visual equipment and electronic security products. The Company services a large, reputable client base that includes some of Australia's best known brands and companies. Major customers include Coles Myer, Woolworths, McDonalds, Hungry Jacks, KFC, Red Rooster, Gandel Shopping Centres, Lend Lease, Burger King and the V-line Rail network.

Tecsound's products include:

- Quick service restaurant (Drive through) systems
- Public address (PA) systems
- Emergency warning systems
- Closed circuit television (CCTV) security systems
- Audio visual systems
- Assisted hearing systems
- Background music systems

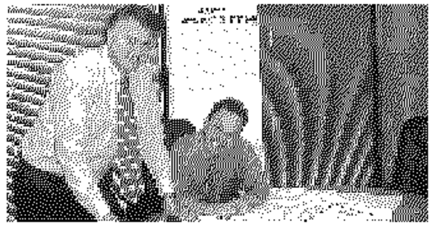
Tecsound's strategy is to provide superior service to its customers, with a clear focus on delivering specialised design, installation and service across an innovative product range.

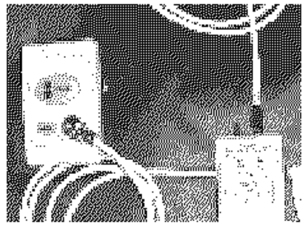
The Tecsound businesses were established to provide National coverage to a growing customer base. Tecsound provides "whole of life" maintenance and service support for a number of its products that ensures ongoing customer support and satisfaction. Since inception, Tecsound has completed numerous projects for many blue-chip clients to become a preferred solution provider in Australia.

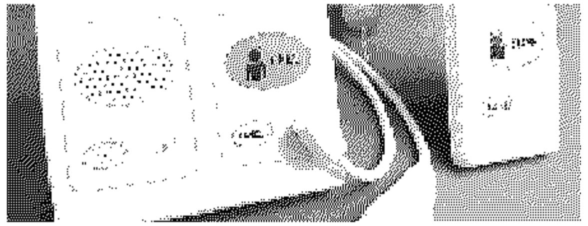
Tecsound derives its national presence through its direct network in Victoria, New South Wales and Queensland and indirectly through distribution arrangements in Perth, and Adelaide, plus over 120 dealer and service affiliates in rural areas.

Tecsound is a leader in the communications industry and has a wide range of innovative specialist products. Tecsound is well positioned to service and capitalise on opportunities within the rapidly growing security and Quick Service Restaurant (QSR) industries.

TEC SOUND







Calltec

Calltec commenced business 6 years ago with an ambition to become the industry leader in providing Communications solutions in the Aged and Health Care industries and has achieved outstanding results.

Based in Doncaster East they are ideally located to Service and maintain a growing number of clients. Calltec has divided operations in three distinct areas

- Sales and Marketing with new Product growth
- Installations
- Service and Maintenance.

Calltec has built an excellent reputation amongst major industry players such as Prime Life and Ramsey Group. Developers, Architects and Electrical Consultants recognise Calltec as dedicated solutions providers and knowledgeable designers all backed up by an experienced staff.

Calltec foresees new product ranges to be one of its highest priorities, to separate Calltec from the opposition and have just unveiled two exciting products enhancing the specialised range of products to clients – Hugs & Kisses baby protection with baby-mother matching products for Maternity wards and VoIP telephony for multi-site operators.

The Hospital Health and Aged Care Market is one of growth. In fifteen years 4.2 million people will be over 65 and close to 1 million will be over 80, almost double the number at the year 2000. This means more Aged care beds and more beds in hospitals will be required for the ageing population. The industry will also see the rise of specialist super clinics for the quick 'turn over' of patients.

New beds, mainly in the Aged Care sector and the re-development of facilities to meet 2008 accreditation requirements for existing beds means further opportunities. Higher security needs and the requirement for the integration of services will see Calltec, as a specialist and dedicated provider highly in demand.

The Calltec Web page has just been revamped, new product brochures have been released and trade show participation has also been another important marketing venue for Calltec.

The future is bright and exciting for Calltec, its customers, employees and its investors.

CALLTEC

managing director's report

Report on Operations TSV's core strategy after successfully listing on the Australian Stock Exchange has been to increase returns to shareholders whilst developing innovative products and servicing and maintaining its customers. In its maiden year as a public company, TSV Holdings has successfully integrated Tecsound Victoria and Tecsound NSW under the strategy outlined in its Prospectus. Further highlights included the commencement of operations for Tecsound New Zealand in November 2004, the successful expansion into the growing health and aged care market through the acquisition and integration of Calltec in December 2004 and finally the acquisition of Tecsound Queensland in June 2005 to expand existing territories for the company's core communications activities.

The Company now has five operating divisions which are creating a new and valuable level of service for our customers. Our focus on providing efficient and cost effective solutions in each of our core locations has resulted in excellent customer loyalty that ensures TSV is now well positioned for future growth.

Financial performance TSV Holdings produced revenues from operating activities of $10.055 million against a prospectus forecast of $8.53 million. Consolidated earnings before net interest, tax depreciation and amortisation were $1.67 million against a prospectus forecast of $1.39 million whilst net profit after tax for the year of $0.88 million was in line with the prospectus forecast of $0.93 million.

Dividends The Directors are pleased to return to shareholders a final fully franked dividend for the year ended 30 June 2005 of 0.6 cents per ordinary share.

This brings the total dividends paid or payable for the financial year to 1.2 cents per ordinary share. The record date for eligible holders will be 23 September 2005 with a corresponding payment date of 21 October 2005.

Strategy TSV Holdings is focused on deriving benefits from its core operating activities. TSV has, and will continue to grow in key low risk value added communications solutions and operating activities. TSV will continue to explore opportunities that will enhance its operations and fulfil its long term goal of sustainable shareholder value.

Finally I would like to express my appreciation to all of the Group's staff, our customers and suppliers for their valuable contribution throughout the year.

We look forward to working with you all in the years ahead. A very special thanks to our shareholders, who through their support and faith, enabled us to list on the Australian Stock Exchange.

I look forward to sharing with you what will be an exciting and rewarding future for the Company.

Yours Sincerely

Hilary Evans

Managing Director

director's report for the year ended 2005

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2005.

Directors The names of the directors in office at any time during or since the end of the year are: Mr Hilary Evans (appointed 29 June, 2004) Mr David Carter (appointed 29 June, 2004) Mr Mark Ewing (appointed 27 October, 2004) Mr David Lightfoot (appointed 29 June, 2004)(retired 27 October, 2004).

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary The following person held the position of company secretary at the end of the financial year: Mr Jason D'Arcy (appointed 31 March, 2004)

Principal Activities The company was incorporated on 2nd March, 2004 and the financial year reported on represents the company's first financial period from 2nd March 2004 to 30th June 2005. The principal activities of the economic entity during the financial year were: the supply, distribution and integration of electronics communications equipment; the supply, distribution and integration of audio visual equipment; the supply, distribution and integration of electronic security businesses.

Significant Changes in State of Affairs The following significant changes in the state of affairs of the economic entity occurred during the financial year: with the acquisition of Tecsound (Vic) Pty Ltd, Tecsound (NSW) Pty Ltd and the formation of Tecsound Queensland Pty Ltd the economic entity has a concentrated market share in the provision of electronic communication systems along the east coast of Australia. With the purchase of Calltec Pty Ltd, the economic entity commenced the supply, distribution and integration of emergency/nurse call systems and associated equipment to the health and aged care market. The economic entity has established a start up entry into the New Zealand market during the financial year. Tecsound (NZ) Ltd is to provide electronic communications systems solutions in the NZ marketplace.

There were no other significant changes in the state of affairs of the economic entity during the financial year.

Operating Results The consolidated profit of the economic entity after providing for income tax was $879,150.

Likely Developments Over the next 12 months, the economic entity will continue to provide communications solutions into an expanding market. The economic entity will also continue to review potential targets for acquisition should the board believe that they offer synergistic outcomes.

Dividends Paid or Recommended Dividends paid or declared for payment are as follows: Interim Ordinary Dividend of $0.06 per share paid on 31st March, 2005 $327,610.

Recommended Final Ordinary Dividend of $0.06c per share payable on 21st October, 2005.$328,860.

Review of Operations Refer to the Managing Director's Report.

Name: Mr. David Carter, BEc, LLB (Hons) LLM (Monash), BCL (Oxon)
Position: Non Executive Chairman (Independent) **Age:** 52

David Carter is a lawyer and a company director with over 20 years experience advising in corporate decision making. David is a strategic advisor to both listed and unlisted companies. David has acted as a director of ASX listed company Concept Sports Limited (ASX: CCS) from 4 March, 2004 to 24 December, 2004 and VENcorp Ltd. He is also a director of the not for profit companies: Diabetes Australia - Victoria Pty Ltd and EntireNet Pty Ltd. David also acts as chairman of the Audit Committee of Diabetes Australia - Victoria Pty Ltd and has acted as company secretary of Macmillan Shakespeare (ASX: MMS) from the 4th February 2004 until 24th May 2005. David is a part time senior lecturer in commercial and international trade law at the University of Melbourne.

Name: Mr. Hilary Evans
Position: Managing Director
Age: 45

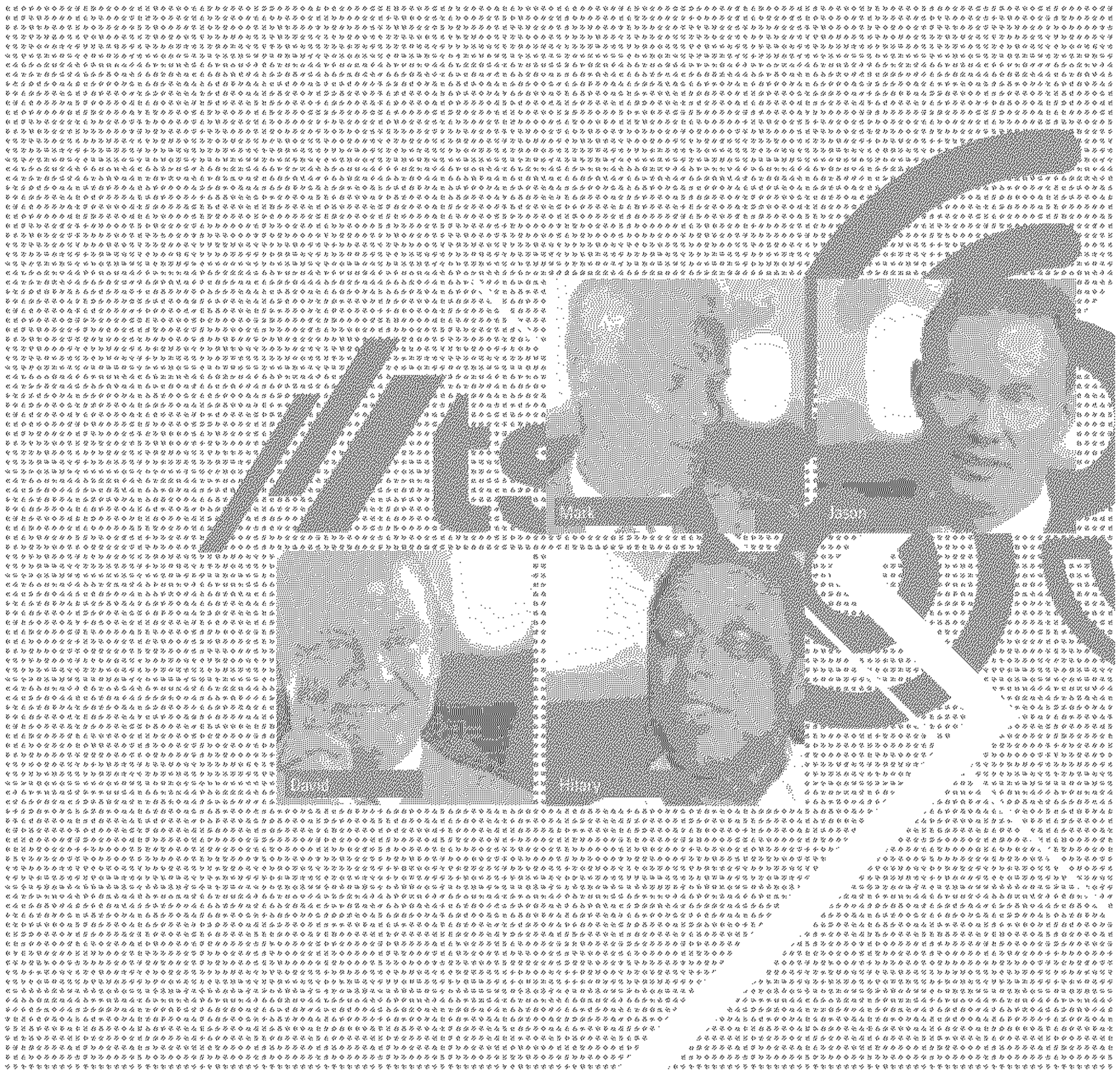
Hilary Evans acts as Managing Director for TSV Holdings Ltd. Since incorporation of the Victorian entity, Tecsound (Vic) Pty Ltd in 2000, Hilary has grown a sustainable business in a niche market. Prior to 2000, Hilary worked as the Sales Manager for Sontec (Victoria) Pty Ltd for 13 years until the business was acquired by Chubb Electronic Security (a division of Chubb Australia Pty Ltd).

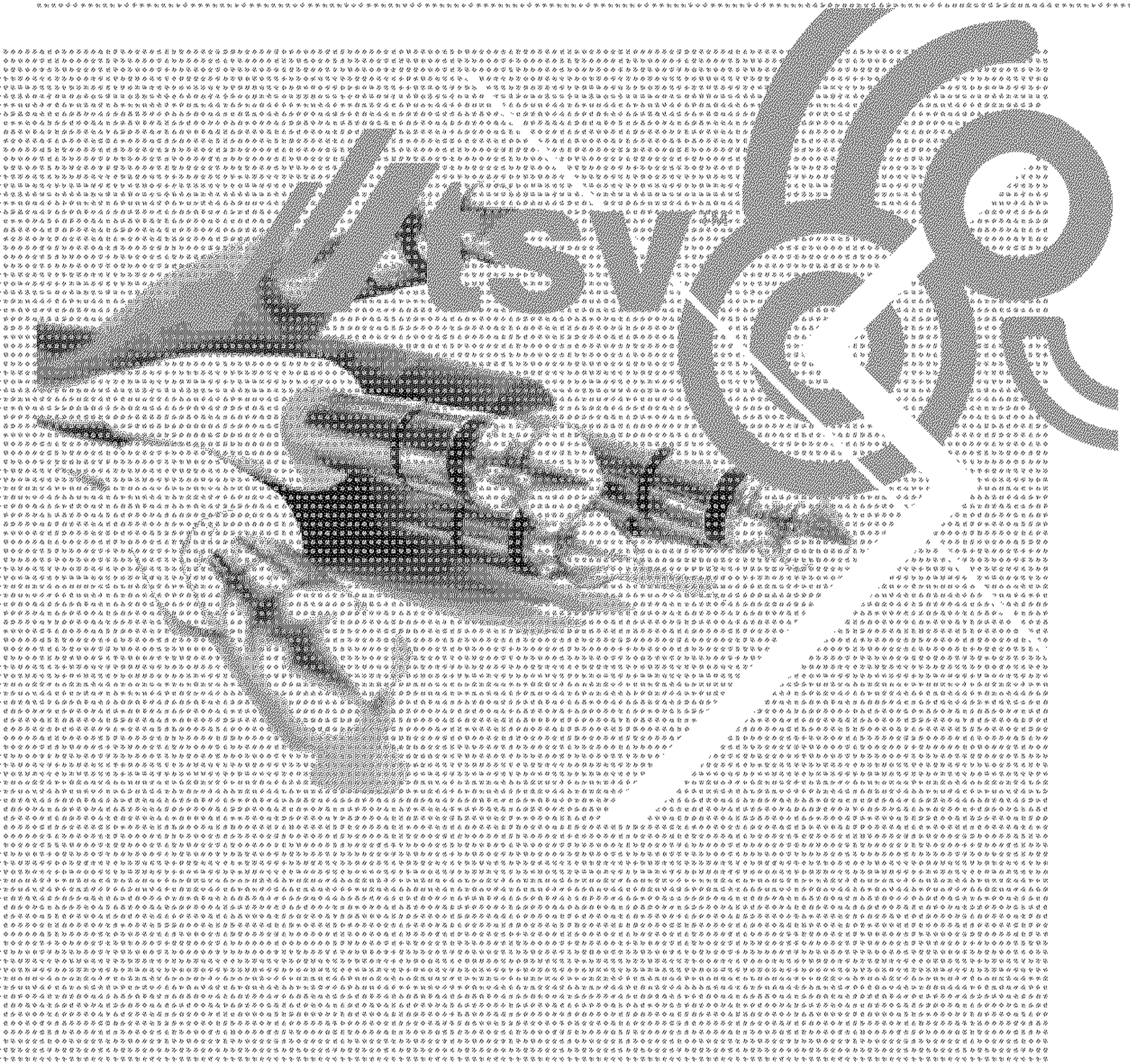
Name: Mr. Mark Ewing, B Acc, CA
Position: Non-Executive Director
Age: 52

Mark Ewing is a chartered accountant and a corporate advisor with over 25 years experience advising unlisted and listed corporates, specifically in mergers and acquisitions, risk management and private and public equity raisings. Mark acts as Chairman for the Timbercorp Orchard Trust and holds board positions on a number of unlisted private companies. Mark chairs the audit committee of TSV Holdings Limited and is a member of the remuneration committee.

Name: Mr. Jason D'Arcy, BAcc, BEc, CPA **Position:** Company Secretary & CFO **Age:** 36

Jason D'Arcy is a Certified Practicing Accountant and business consultant with over 15 years experience in public company disclosure, initial public offers and corporate governance practices; including statutory reporting, Company Secretary requirements and delivering quality management reporting within an organisation. Mr. D'Arcy is the Company Secretary and Chief Financial Officer of Cellestis Limited (ASX:CST)





remuneration report

This report details the nature and amount of remuneration for each director of TSV Holdings Limited, and for the executives receiving the highest revenue.

Remuneration Policy The remuneration policy of TSV Holdings Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific longterm incentives based on key performance areas affecting the economic entity's financial results. The board of TSV Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders. The board's policies for determining the nature and amount of remuneration for board members and senior executives of the economic entity are as follows: The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The performance of executives is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

Some individuals, however have chosen to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares issued to directors and executives are included in remuneration at a value representing the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology. The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align the directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee share plan. **Performance Based Remuneration** As part of each executive director and executives remuneration package there is a performance-based component, based on the achievements of key performance indicators (KPI's). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards. Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPI's are set for the following year. No performance bonuses had been allocated at 30 June, 2005. In determining whether or not a KPI has been achieved, TSV Holdings Limited bases the assessment on audited figures. **Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration** The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of shares to the majority of directors and executives to encourage the alignment of personal and shareholder interests. As this is the maiden year of the public float of the company, there is no history in relation to performance against this objective. The company believes, however, that this policy will be effective in increasing shareholder wealth over the long term. **Details of Remuneration for the Year Ended 30 June, 2005** The remuneration for each director and each of the four executive officers of the consolidated entity receiving the highest remuneration for the year was as follows:

SPECIFIED DIRECTORS

	Primary	Post Employment	Equity	Other		
	Salary, Fees & Commissions	Superannuation Contributions	Options	Non-Cash Benefits	Total	% of remuneration performance based
Mr. David Carter [illegible]	42,489	-	-	-	42,489	-
Mr. Mark Ewing 27/10/04 [illegible]	23,717	-	-	-	23,717	-
Ms. Hilary Evans [illegible]	77,500	6,975	-	3,881	88,356	-
Mr. David Lightfoot [illegible] 27/10/04	3,545	-	-	-	3,545	-
	147,251	6,975	0	3,881	158,107	

SPECIFIED EXECUTIVES

	Salary, Fees & Commissions	Superannuation Contributions	Options	Non-Cash Benefits	Total	% of remuneration performance based
Mr. Jason D'Arcy [illegible]	71,143	-	13,745	-	84,888	-
Mr. David Bassal [illegible]	85,976	10,317	2,400	5,583	104,276	-
Mr. Paul Vassiliades [illegible]	47,513	4,290	2,280	1,200	55,283	-
Ms. Vesna Nedeljkovic [illegible]	52,573	4,740	2,280	1,250	60,843	-
	257,205	19,347	20,705	8,033	305,290	

employee benefits At the date of this report, the unissued ordinary shares of TSV Holdings Limited under Employee Share Option Arrangements are as follows: **a)** On 18 August 2004, 1,775,000 share options were granted to employees for nil consideration under the TSV Holdings Limited Employee option plan to take up ordinary shares at an exercise price of $0.24 per share. The options expire on 18 August 2009 and are exercisable on the basis of one third for each 12 month period after issue. The options hold no voting or dividend rights and are not transferable. Refer table below for further details. **b)** On 16 November 2004, 400,000 share options were granted to employees for nil consideration under the TSV Holdings Limited Employee option plan to take up ordinary shares at an exercise price of $0.29 per share. The options expire on 16 November 2009 and are exercisable on the basis of one third for each 12 month period after issue. The options hold no voting or dividend rights and are not transferable. Refer table below for further details.

EMPLOYEE BENEFITS (CONTINUED)

c) On 31 December 2004, 385,000 share options were granted to employees for nil consideration under the TSV Holdings Limited Employee option plan to take up ordinary shares at an exercise price of $0.326 per share. The options expire on 31 December 2009 and are exercisable on the basis of one third for each 12 month period after issue. The options hold no voting or dividend rights and are not transferable. Refer table below for further details.

Table of employee options

	Opening balance	Granted during year	Exercise Price	Exercised during the year	Lapsed during the year	Closing balance
*18-Aug-04	–	750,000	$0.24	–	–	750,000
18-Aug-04	–	1,775,000	$0.24	–	–	1,775,000
16-Nov-04	–	400,000	$0.29	–	–	400,000
31-Dec-04	–	385,000	$0.326	–	–	385,000
Total (unlisted)	**–**	**3,310,000**	**–**	**–**	**–**	**3,310,000**

The total of unlisted options of 3,310,000 represents the total of options issued by the company. *Options issued for brokerage services as provided by the underwriter of the Public Float of the Company.

Remuneration options

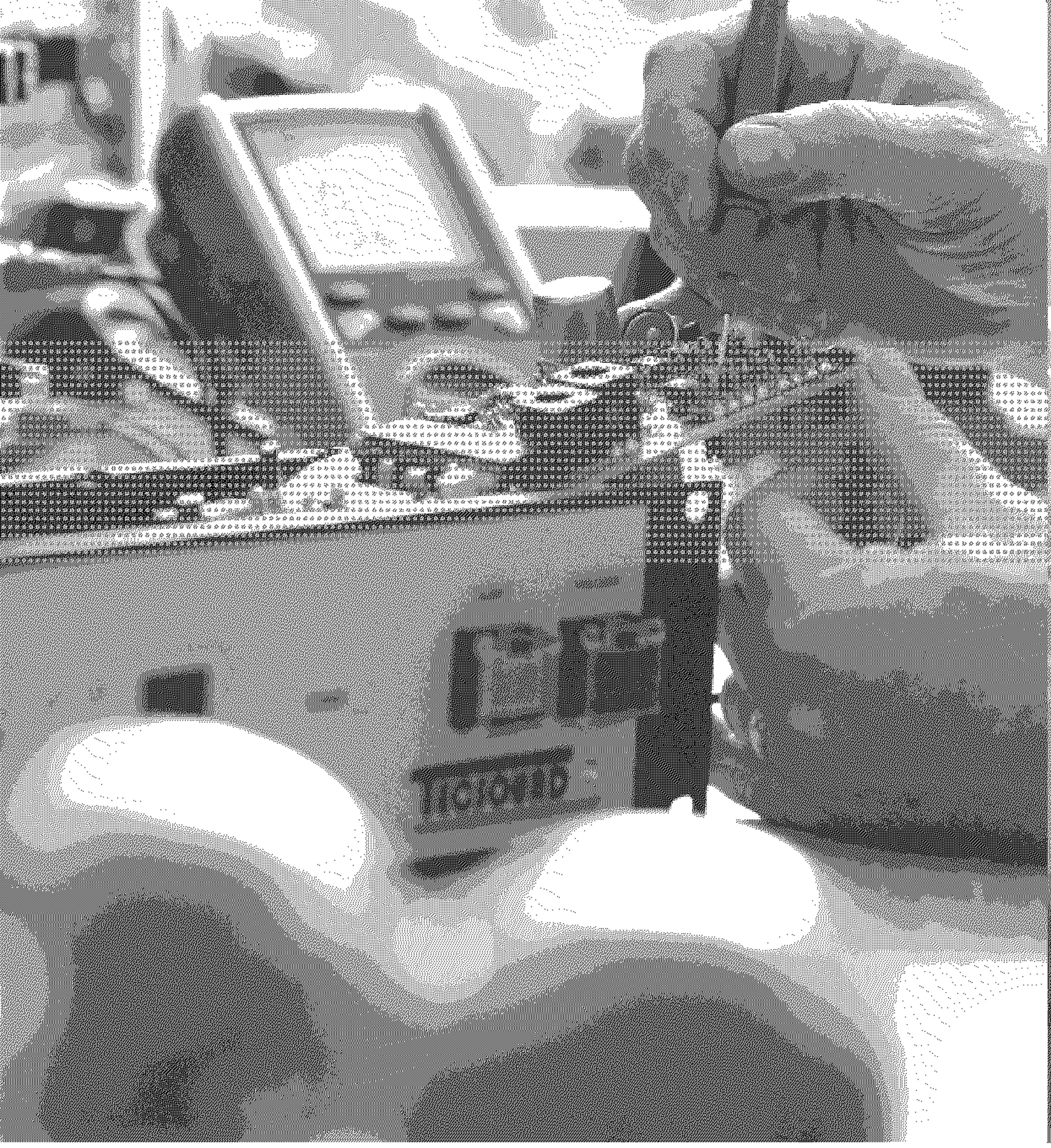
Options granted as remuneration	Vested No	Granted No	Grant Date	Value of Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Specified Executives							
Mr Jason D'Arcy	–	375,000	18/08/04	$13,745	$0.24	18/08/05	18/08/10
Mr David Bansell	–	250,000	18/08/04	$7,200	$0.24	18/08/05	18/08/10
Mr Paul Vasiliades	–	100,000	31/12/04	$5,760	$0.326	31/12/05	31/12/10
Mr Victor Nestorovic	–	100,000	31/12/04	$5,760	$0.326	31/12/05	31/12/10

All options for directors and specified executives have been valued using the Black Scholes methodology

Employment Contracts of Directors and Senior Executives

The employment conditions of the managing director, Mr. Hilary Evans, and specified executives are formalised in contracts of employment. Other than the Company Secretary, all executives are permanent employees of TSV Holdings Limited. Mr D'Arcy is engaged under a fixed 12 month contract, which commenced on 1 July, 2005 and expires on 30 June, 2006.

The employment contracts stipulate a range of one-to three-month resignation periods. The company may terminate an employment contract without cause by providing 3 months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of between 5% and 10% of the individual's fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.




Meetings of Directors During the financial year, 10 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meeting Audit Committee		Committee Meetings			
			Audit Committee		Remuneration Committee	
	Number Eligible to Attend	Number	Number Eligible to Attend	Number	Number Eligible to Attend	Number
Mr D Carter	10	9	2	2	1	1
Mr M Ewing	8	8	2	2	1	1
Mr H Evans	10	10	–	–	–	–
Mr D Lightfoot	2	2	–	–	–	–

Directors Interests The relevant interests of each Director, or their associates, in the shares and options over shares at the date of this report is as follows:

DIRECTORS INTERESTS

Director		Ordinary Shares		Options over Ordinary Shares
Mr D. Carter	A	610,000	D	200,000
Mr H. Evans	B	7,185,000	C	100,000
Mr M. Ewing		40,000	D	100,000

A 305,000 Shares held in voluntary escrow until 24th September, 2005
B 3,375,000 Shares held in voluntary escrow until 24th September, 2005
3,375,000 Shares held in voluntary escrow until 24th September, 2006
C Options held in voluntary escrow until 18/8/05. At this time, one third of options may be exercised at the discretion of the board.
Up to two thirds of options may be exercised after 18/8/06, at the discretion of the board.
All of the options may be exercised after 18/8/07 at the discretion of the board.
All options are subject to continuous employment with the company.
D To be issued subject to shareholder approval at 2005 Annual General Meeting.

Indemnification of Officers The company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium is $34,115.

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 the company for all or any part of the proceedings. The company was not a party to any such proceedings during the year.

Non Audit Services The board of directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below do not compromise the external auditor's independence for the following reasons:

–all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

–the nature of the services provided do not compromise the general principles relating to the auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The company's policy is that the external auditor is not to provide non-audit services unless that work has been approved in advance by the Audit Committee, as appropriate. The following fees for non-audit services were paid or payable to the external auditors during the year ended 30th June, 2005:

Taxation Services	$5,200
Corporate Advisory on ASX listing	$93,920

Environmental Regulation The economic entity's operations are subject to general environmental regulation of the States and Territories in which it operates. The directors are not aware of any breaches of these environmental regulations.

Significant events after the balance date There has been no other event, item or transaction between the end of the financial year and the date of this report of a material and unusual nature likely, in the opinion of the Directors, to have significant effect on the Company operations, results or outcomes in subsequent years.

Auditor's Independence Declaration A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page Signed in accordance with a resolution of the Board of Directors:

Director Mr David Carter

Director Mr Hilary Evans

Dated this 28th day of September 2005

PKF

Charted Accountants
& Business Advisers

Level 11, CGU Tower
485 La Trobe St
Melbourne VIC 3000

Tel: 03 9603 1700
Fax: 03 9602 3870
www.pkf.com.au

28 September 2005

The Board of Directors
TSV Holdings Limited
Unit 33
41-49 Norcal Rd

NUNAWADING VIC 3131

Dear Sirs,

As lead engagement partner for the audit of TSV Holdings Limited, for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and

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

R Dean
Partner
PKF
Chartered Accountant

STATEMENT OF FINANCIAL PERFORMANCE

	Note	Economic Entity 2005$	Parent Entity 2005$
Revenue	2a	10,055,218	1,014,398
Cost of Sales		(6,317,164)	-
Gross Profit		3,738,054	1,014,398
Employee benefits expense		(1,233,250)	(116,326)
Motor vehicle expenses		(226,907)	-
Occupancy expenses		(91,293)	-
Depreciation & amortisation expenses		(358,214)	-
Advertising expenses		(38,205)	-
Accounting audit and legal expenses		(65,426)	-
Borrowing costs expense		(35,049)	(1,869)
Telephone Expenses		(96,119)	-
Other revenue from non-operating activities	2b	96,748	41,338
Other expenses from ordinary activities		(371,737)	(143,204)
Profit from ordinary activities before income tax expense		1,318,602	794,337
Income tax expense relating to ordinary activities	4	(439,452)	(37,442)
Net profit from ordinary activities after income tax expense attributable to members of the company	22	879,150	756,895
Total changes in equity other than those resulting from transactions with owners as owners	22	879,150	756,895
Basic Earnings Per Share (cents per share)	7	2.10	
Diluted Earnings Per Share (cents per share)	7	2.00	

The accompanying notes form part of these financial statements. These accounts should be read in conjunction with the attached Independent Audit Report as prepared by PKF Chartered Accountants.

STATEMENT OF FINANCIAL POSITION

	Note	Economic Entity 2005$	Parent Entity 2005$
Current Assets			
Cash	8	534,896	11,785
Receivables	9	2,851,520	401,944
Inventories	10	867,490	-
Other Assets	11	64,422	64,814
Other Financial Assets	12	-	117,636
Total Current Assets		4,318,328	596,179
Non-current Assets			
Property, Plant And Equipment	13	706,506	-
Deferred Tax Assets	14	73,664	-
Other Financial Assets	12	-	9,086,530
Intangible Assets	15	6,746,235	-
Total Non-current Assets		7,526,405	9,086,530
Total Assets		11,844,733	9,682,709
Current Liabilities			
Payables	17	1,570,406	287,891
Tax Liabilities	18	190,774	37,442
Interest Bearing Liabilities	19	93,444	-
Provisions	20	204,543	2,396
Total Current Liabilities		2,059,167	327,729
Non-current Liabilities			
Interest Bearing Liabilities	19	282,847	-
Provisions	20	25,484	-
Total Non-current Liabilities		308,331	-
Total Liabilities		2,367,498	327,729
Net Assets		9,477,235	9,354,980
Equity			
Contributed Equity	21	8,925,695	8,925,695
Retained Profits	22	551,540	429,285
Total Equity		9,477,235	9,354,980

The accompanying notes form part of these financial statements. These accounts should be read in conjunction with the attached Independent Audit Report as prepared by PKF Chartered Accountants.

STATEMENT OF CASH FLOWS

	Note	Economic Entity 2005$	Parent Entity 2005$
Cash Flows from Operating Activities			
Receipts from customers		8,797,457	-
Payments to suppliers and employees		(8,300,360)	(286,453)
Interest received		64,480	41,338
Borrowing costs		(35,049)	(1,869)
Dividends received		-	585,000
Income tax paid		(615,186)	-
Net Cash Provided by operating activities	26	(88,658)	338,016
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		32,268	-
Purchase of property, plant and equipment		(91,590)	-
Payment of subsidiary, net of cash acquired	26(b)	(4,277,472)	(5,284,576)
Net cash used in investing activities		(4,336,794)	(5,284,576)
Cash Flows From Financing Activities			
Proceeds from issue of shares		6,288,000	6,288,000
Payments for share issue costs		(886,805)	(886,805)
Dividend paid by parent entity		(325,214)	(325,214)
Proceeds from borrowings		(115,633)	(117,636)
Net cash provided by financing activities		4,960,348	4,958,345
Net increase in cash held		534,896	11,785
Cash at beginning of the period		-	-
Cash at 30 June, 2005	8	534,896	11,785

The accompanying notes form part of these financial statements. These accounts should be read in conjunction with the attached Independent Audit Report as prepared by PKF Chartered Accountants.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report covers the economic entity of TSV Holdings Limited and controlled entities, and TSV Holdings Limited as an individual parent entity. TSV Holdings Limited is a listed public company, incorporated and domiciled in Australia. The Company was incorporated on 2nd March, 2004 and the financial year reported on represents the company's first financial period from 2nd March, 2004 to 30th June, 2005. The financial report has been prepared on a going concern and accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated: (a) Principles of Consolidation A controlled entity is any entity controlled by TSV Holdings Limited. Control exists where TSV Holdings Limited has the capacity to control the decision making in relation to the financial and operating policies of another entity so that the other entity operates with TSV Holdings Limited to achieve the objectives of TSV Holdings Limited. A full list of controlled entities is contained in Note 16 to the financial statements. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased. Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report. (b) Income Tax The company adopts the liability method of tax effect accounting whereby the income tax expense shown in the Statement of Financial Position is based on the operating profit before income tax 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 operating profit before income tax and taxable income are brought to account either as provision for deferred income tax or an asset described 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 tax 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. (c) Inventories Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials. (d) Property, Plant and Equipment Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. **Plant and Equipment** Plant & Equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount. **Depreciation** The depreciable amount of all fixed assets including capitalised leased assets are depreciated on a diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold Improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	2.5% – 4%
Plant & Equipment	22.5% – 50%
Motor Vehicles	18.75% – 22.5%
Furniture & Fittings	7.5% – 30%
Office Furniture & Equipment	7.5% – 50%

(e) Leases Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the economic entity, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value over their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they occur. **(f) Intangibles** Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for the business or for an ownership interest in the controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off. **(g) Foreign Currency Transactions and Balances** Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise. The assets and liabilities of the overseas controlled entities, which are self sustaining, are translated at year-end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve. **(h) Employee Benefits** Provision is made for the company's liability for employee benefits arising from services rendered by employees on balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred. **(i) Cash** For the purpose of the statement of cash flows, cash includes: – cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and – investments in money market instruments with less than 14 days to maturity. **(j) Revenue** Revenue is recognised at the fair value of the consideration received net of the amount of Goods and Services Tax (GST) payable to the taxation authority. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Wholesale revenue relates to the sale of inventory and is recognised at the date control passes to the buyer. When the outcome of a contract to provide installation can be reliably measured, revenue is recognised by reference to the percentage of the services provided. **(k) Goods and Services Tax (GST)** Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax 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) 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 nominal amount due. Receivables are normally due for settlement in no more than 60 days. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts that are known to be uncollectible are written off. Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accruals basis. **(m) Payables** Liabilities for payables and other amounts are carried at cost which approximates the 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. **(n) Non-Current Assets** Non-current assets are measured on a cost basis. The carrying amount of non-current assets is reviewed annually by the directors to ensure that it is not in excess of the recoverable amount of these non-current assets. **(o) Adoption of Australian Equivalents to International Financial Reporting** The economic entity is preparing for and managing the transition from current Australian Accounting Standards (AGAAP) to Australian Equivalents of International Financial Reporting Standards (AIFRS) effective for financial reporting periods commencing on or after 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's financial report for the half-year ending 31 December 2005 and the full year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The economic entity's management has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS team is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under

AASB 1 *"First time adoption of Australian Equivalents to International Financial Reporting Standards"* has been considered where applicable. The directors' best estimates of the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences where known are outlined below. Users of the financial statements should, however, note that the estimates disclosed may differ from the actual effects due to: * Changes to the interpretation of the AIFRS requirements due to the continuing transition work being undertaken by the AIFRS team; * Possible amendments to AIFRS standards and UIG interpretations thereof; and * Developments in practice relating to the interpretation and application of those standards and interpretations.

Impairment of Assets Under AASB 136: "Impairment of Assets," the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset, or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of the undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairment of assets being recognised more often.

Goodwill on Consolidation Under AASB 3: "Business Combinations," goodwill is capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over a period of 20 years.

	Note	Economic Entity 2005$	Parent Entity 2005$
Reconciliation of Net Profit			
Net profit reported under Australian Accounting Standards		879,150	756,895
Key transitional adjustments:			
- Recognition of share options expense	1	(46,329)	(46,329)
- Reversal of amortisation of goodwill	2	240,693	-
- Impairment of assets including goodwill	3	-	-
- Income tax expense	4	212,833	212,833
Total transitional adjustments		407,197	166,504
Net Profit under AIFRS		1,286,347	923,399
Reconciliation of Equity			
Total equity reported under Australian Accounting Standards		9,477,235	9,354,980
Increase/(Decrease) in current year profit resulting from transition to AIFRS		407,197	166,504
		9,884,432	9,521,484

1. In accordance with AASB 2 "Share based payment", the economic entity will be required to recognize the fair value of options granted to employees as an expense on a time basis over the period from the grant date to the vesting date with a corresponding decrease in equity. AGAAP does not require an expense to be recognized for employee equity participation schemes. This would result in a decrease in profit from AGAAP to AIFRS. **2.** In accordance with AASB 3 "Business combinations", amortisation of goodwill will no longer be allowed. Instead, goodwill will be subject to impairment testing. Under AGAAP goodwill is amortised on a straight line basis over the period which the benefits are expected to arise and not exceeding 20 years. This would result in an increase in profit from AGAAP to AIFRS. **3.** In accordance with AASB 136 "Impairment of assets", the recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use, being the present value of the future cash flows derived from the assets. The economic entity's assets, including goodwill, are tested for impairment at the date of the transition to AIFRS and at each subsequent reporting date as part of the cash generating unit to which they belong. Any resulting impairment losses are recognised in the income statement. AGAAP did not require such cash flows to be discounted when assessing recoverable amounts. The economic entity has determined that there are no impairment losses as at 30 June 2005. **4.** In accordance with AASB 112 "Income taxes", the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit. Under AGAAP, the economic entity currently adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit.

Cash flows as presented under AGAAP compared to those under AIFRS No material effects are expected to the cash flows presented under AGAAP on the adoption of AIFRS.

NOTE 2: REVENUE

	Note	Economic Entity 2005$	Parent Entity 2005$
(a) Operating Activities			
- sale of goods and services		10,041,883	-
- dividends received		-	585,000
- management charges		-	429,398
- other revenue		13,335	-
		10,055,218	1,014,398
(b) Non-Operating Activities			
- interest received		64,480	41,338
- proceeds on disposal of property, plant & equipment		32,268	-
		96,748	41,338
Gross Proceeds		10,151,966	1,055,736

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

	Note	Economic Entity 2005 $	Parent Entity 2005 $
Profit from ordinary activities before income tax has been determined after...			
(a) Expenses			
Cost of Sales		6,317,164	-
Borrowing Costs:			
- other persons		35,049	1,869
Depreciation of non-current assets			
- plant and equipment		117,521	-
Amortisation of non-current assets			
- leasehold improvements		2,551	-
- goodwill on consolidation		240,693	-
Foreign currency translation losses		2,828	-
Bad and doubtful debts		2,503	-
Rental expenses on operating leases			
- *minimum lease payments*		97,951	-
(b) Revenue and Net Gains			
Net gain / (loss) on disposal of non-current assets			
- property plant and equipment		(13,179)	-

NOTE 4: INCOME TAX EXPENSE

	Note	Economic Entity 2005$	Parent Entity 2005$
(a) The *prima facie* tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30%			
- economic entity		395,580	-
- parent entity		-	238,301
Add: Tax effect of:			
- non-deductible depreciation and amortisation		72,208	-
- foreign subsidiary loss		25,796	-
- foreign currency exchange loss		849	849
- other non-allowable items		(1,773)	-
Less: Tax effect of:			
- rebateable fully franked dividend		-	(148,500)
- black hole expenditure		(53,208)	(53,208)
		439,452	37,442

NOTE 5: AUDITORS REMUNERATION

	Note	Economic Entity 2005$	Parent Entity 2005$
Remuneration of the auditor of the parent entity for:			
- auditing or reviewing of the financial report		47,015	47,015
- tax services		5,200	5,200
- Corporate Advisory and ASX Listing review		93,920	93,920
		146,135	146,135

NOTE 6: DIVIDENDS

	Note	Economic Entity 2005$	Parent Entity 2005$
Interim fully franked ordinary dividend of 0.6 cents per share franked at the tax rate of 30%		327,610	327,610
Proposed final fully franked dividend of 0.6 cents per share franked at the tax rate of 30%		328,860	328,860
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking credits arising from payments of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years		714,922	71,739

NOTE 7: EARNINGS PER SHARE

	Note	Economic Entity 2005$	Parent Entity 2005$
(a) Reconciliation of Earnings to Net Profit or Loss			
Net Profit		879,150	
Earnings used in the calculation of dilutive EPS		879,150	
Dividends on ordinary shares		No.	
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		42,225,398	
Weighted Average Number of Options Outstanding		2,368,658	
(c) Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS		44,594,056	

NOTE 8: CASH ASSETS

	Note	Economic Entity 2005$	Parent Entity 2005$
Cash on Hand		207	-
Petty Cash		10,014	-
Cash at Bank		53,251	11,785
Deposits at Call		471,424	-
		534,896	11,785
Reconciliation of Cash Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash		534,896	11,785
		534,896	11,785

NOTE 9: RECEIVABLES

	Note	Economic Entity 2005$	Parent Entity 2005$
Current			
Trade debtors		2,867,152	-
Less: Provision for doubtful debts		(15,632)	-
		2,851,520	-
Amounts receivable from wholly owned subsidiaries		-	401,944
		2,851,520	401,944

NOTE 10: INVENTORIES

	Note	Economic Entity 2005$	Parent Entity 2005$
Stock on Hand - At Cost		829,537	-
Work in Progress - At Cost		37,953	-
		867,490	-

NOTE 11: OTHER ASSETS

	Note	Economic Entity 2005$	Parent Entity 2005$
Prepayments		62,881	64,814
Accrued Income		1,541	-
		64,422	64,814

NOTE 12: OTHER FINANCIAL ASSETS

	Note	Economic Entity 2005$	Parent Entity 2005 $
Current			
Loan - Tecsound Queensland Pty Ltd		-	26,000
Loan - Tecsound (NZ) Ltd		-	91,636
		-	117,636
Non Current			
Investment in Subsidiaries		-	9,086,530
		-	9,086,530

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Note	Economic Entity 2005$	Parent Entity 2005$
Leasehold Improvements			
Leasehold improvements - at cost		33,821	-
Less accumulated amortisation		(4,687)	-
		29,134	-
Plant and Equipment			
Plant and Equipment - at cost		96,385	-
Less accumulated depreciation		(43,305)	-
		53,080	-
Motor Vehicles			
Motor Vehicles - at cost		730,386	-
Less accumulated depreciation		(219,360)	-
		511,026	-

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Furniture & Fittings		
Furniture & Fittings - at cost	59,475	-
Less accumulated depreciation	(17,695)	-
	41,780	-
Office Equipment		
Office Equipment - at cost	138,954	-
Less accumulated depreciation	(67,468)	-
	71,486	-
Total Property, Plant and Equipment	706,506	-

RECONCILIATION *Economic Entity:*

	Leasehold Improvements	Plant & Equipment	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
Carrying amount at the beginning of the Year	29,040	51,784	378,649	35,283	38,264	533,020
Additions	2,645	17,947	370,708	10,981	50,361	452,642
Disposals	-	-	(161,635)	-	-	(161,635)
Depreciation Expense	(2,551)	(16,651)	(76,696)	(4,484)	(17,139)	(117,521)
Carrying amount at the end of the period	**29,134**	**53,080**	**511,026**	**41,780**	**71,486**	**706,506**

NOTE 14: DEFERRED TAX ASSETS

	Note	Economic Entity 2005$	Parent Entity 2005$
Non Current			
Future income tax benefit		73,664	-
		73,664	-

NOTE 15: INTANGIBLE ASSETS

	Note	Economic Entity 2005$	Parent Entity 2005$
Goodwill - At Cost		6,986,929	-
Less accumulated amortisation		(240,694)	-
		6,746,235	-

NOTE 16: CONTROLLED ENTITIES

(a) Controlled Entities	Country of Incorporation	Percentage Owned (%)
Parent Entity		
TSV Holdings Limited	Australia	-
Subsidiaries of TSV Holdings Limited		
Tecsound (Vic) Pty Ltd	Australia	100%
Tecsound (NSW) Pty Ltd	Australia	100%
Tecsound Queensland Pty Ltd	Australia	100%
Tecsound (NZ) Ltd	New Zealand	100%
Calltec Pty Ltd	Australia	100%
Teccall Pty Ltd	Australia	100%

(b) Controlled Entities Acquired

With an effective date of 1st July 2004, the parent entity acquired 100% of Tecsound (Vic) Pty Ltd and Tecsound (NSW) Pty Ltd, for a purchase consideration of $2,010,113 net of cash acquired and 9,125,000 shares at 20 cents per share. (Refer to Prospectus dated 18 August 2004 for further details) On 31st December, 2004, the parent entity acquired 100% of Calltec Pty Ltd and Teccall Pty Ltd, with TSV Holdings Limited entitled to all profits earned from 31st December 2004, for a purchase consideration of cash of $1,839,074 net of cash acquired and 4,801,227 shares at a volume weighted average price of 32.6 cents per share. On 19th November, 2004, the parent entity acquired 100% of Tecsound (NZ) Ltd, with TSV Holdings Limited entitled to all profits earned from 1 January 2005 for a purchase consideration of 400,000 options at a volume weighted average price of 29 cents issued pursuant to the Company's Employee Share Offer Program. On 1st June, 2005, the parent entity acquired 100% of the business assets of Tecsound Queensland Pty Ltd, with TSV Holdings Limited entitled to all profits earned from 1 June 2005, for a purchase consideration of cash of $400,831 and 208,333 shares issued at a volume weighted average price of 36 cents per share.

NOTE 17: PAYABLES

	Note	Economic Entity 2005$	Parent Entity 2005$
Current			
Trade Creditors		1,041,718	19,636
Sundry Creditors & Accrued Charges		528,688	268,255
		1, 570,406	287,891

NOTE 18: TAX LIABILITIES

	Note	Economic Entity 2005$	Parent Entity 2005$
Current			
Provision for Income Tax		190,774	37,442
		190,774	37,442

NOTE 19: INTEREST BEARING LIABILITIES

	Note	Economic Entity 2005$	Parent Entity 2005$
Current			
Hire Purchase Liabilities		120,719	-
Less Deferred Interest Charges		(27,276)	-
		93,444	-
Non Current			
Hire Purchase Liabilities		320,865	-
Less Deferred Interest Charges		(38,018)	-
		282,847	-

NOTE 20: PROVISIONS

	Note	Economic Entity 2005$	Parent Entity 2005$
Current			
Provision for Dividends Payable		2,396	2,396
Employee entitlements		202,147	-
		204,543	2,396
Non Current			
Employee entitlements		25,484	-
		25,484	-
Number of employees at year end		61	-

NOTE 21: CONTRIBUTED EQUITY

	Note	Economic Entity 2005$	Parent Entity 2005$
54,809,955 fully paid ordinary shares		8,925, 695	8,925, 695

Terms and Conditions

Ordinary Shares participate in dividends and the proceeds on winding up of the parent entity will be distributed in proportion to the number of shares held.
At shareholders meeting, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(a) Ordinary Shares

	Note	Economic Entity 2005$	Parent Entity 2005$
At the beginning of the reporting period:		-	-
Shares issued during the financial year:			
- 7.5 million shares at 1 cent per share		75,000	75,000
- 2.88 million seed capital shares at 10 cents per share		288,000	288,000
- 9.125 million shares for the acquisition of Tecsound Vic and Tecsound NSW at 20 cents per share		1,825,000	1,825,000
- issue of shares in lieu of professional fees at 10 cents per share		49,500	49,500
- issue of shares under the prospectus at 20 cents per share		6,000,000	6,000,000

NOTE 21: CONTRIBUTED EQUITY (CONTINUED)

	Note	Economic Entity 2005$	Parent Entity 2005$
- Payment of Float Costs		(886,805)	(886,805)
- Issue of shares for acquisition of Calitec and Teccall at 32.6 cents per share		1,500,000	1,500,000
- issue of shares for acquisition of net assets of Tecsound (Qld) at 36c per share		75,000	75,000
At Reporting Date		8,925,695	8,925,695
Number of Shares		**No.**	**No.**
At the beginning of the reporting period:			
Shares issued during the financial year:			
- 7.5 million shares at 1 cent per share		7,500,000	7,500,000
- 2.88 million seed capital shares at 10 cents per share		2,880,000	2,880,000
- 9.125 million shares for the acquisition of Tecsound Vic and Tecsound NSW at 20 cents per share		9,125,000	9,125,000
- issue of shares in lieu of professional fees at 10 cents per share		495,000	495,000
- issue of shares under the prospectus at 20 cents per share		30,000,000	30,000,000
- issue of shares for acquisition of Calitec and Teccall at 32.6c		4,601,622	4,601,622
- Issue of shares for acquisition of net assets of Tecsound (Qld) at 36c per share		208,333	208,333
At Reporting Date		54,809,955	54,809,955

On 21st September, 2004, the company issued 9.125 million ordinary shares at 20c each to the vendors of Tecsound (Vic) Pty Ltd and Tecsound (NSW) Pty Ltd as part of the consideration for the purchase of those subsidiaries. On 31st December, 2004, the company issued 4,601,622 ordinary shares to the vendors of Calitec Pty Ltd and Teccall Pty Ltd as part of the consideration for the purchase of those subsidiaries. On 1st June, 2005, the company issued 208,333 ordinary shares to the vendors of Tecsound (Qld) Pty Ltd as part of the consideration for the net assets of that entity.

(b) Options

(i) For information relating to the TSV Holdings Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to the remuneration report.
(ii) For information relating to share options issued to executive directors during the financial year, refer to the remuneration report.
(iii) There are 3,310,000 shares under option at balance date. The terms and conditions of these options are included in the employee benefits note in the remuneration report of the directors report.

NOTE 22: RETAINED PROFITS

	Note	Economic Entity 2005$	Parent Entity 2005$
Retained profits at the beginning of the financial year			
Net profit attributable to members of the company		879,150	756,895
Dividends provided for or paid		(327,610)	(327,610)
Retained profits at the end of the financial year		551,540	429,285

NOTE 23: CAPITAL & LEASING COMMITMENTS

	Note	Economic Entity 2005$	Parent Entity 2005$
(a) Finance Leasing & Hire Purchasing Commitments. Payable			
- not longer than one year		120,719	-
- longer than 1 year but not longer than five years		320,865	-
- longer than five years		-	-
Minimum lease payments		441,584	-
Less future finance charges		(65,293)	-
Total Lease & Hire Purchase Liability		376,291	-

Hire purchase contracts are predominantly used to finance the motor vehicle fleet of the economic entity.
Contracts vary from three year terms to five year terms with varying residual payments. There are no finance leases.

(b) Operating Lease Commitments Non-cancellable operating leases contracted for but not capitalised in the financial statements: Payable			
- not longer than one year		176,058	
- longer than 1 year but not longer than five years		307,472	
- longer than five years		-	
Total Operating Lease Commitments		483,530	

Occupancy Fees for the lease of the premises located at 41-49 Rooral Road, Nunawading are paid to the landlord one month in arrears. The term of the lease is for 3 years with a further 3 year term at the option of Tecsound (Vic) Pty Ltd. Occupancy Fees for the lease of the premises located at Suite 4 /867 Doncaster Road, Doncaster are paid to the landlord one month in advance. The term of the lease is for 3 years with a further 3 year term at the option of Caltec Pty Ltd. Occupancy Fees for the lease of the premises located at Unit 8 60 Northlink Place, Virginia QLD are paid to the landlord one month in advance. The term of the lease is for 3 years with two further 3 year terms at the option of Tecsound Queensland Pty Ltd. Occupancy Fees for the lease of the premises located at Unit 3 108 Warrane Road, Willoughby NSW are paid to the landlord one month in advance. The term of the lease is for 1 year with two further 1 year terms at the option of Tecsound NSW Pty Ltd.

NOTE 24: CONTINGENT LIABILITIES

An amount of $11,970 per month is payable as a consultancy fee under the terms of agreement in acquiring the net assets of Tecsound (Qld) Pty Ltd. The amount is payable to the vendor for a period not exceeding 12 months from date of sale (31/5/05). A cash amount of up to $125,000 plus 10% of any amount where EBIT for the financial year ended 30th June, 2006 exceeds $300,000 is payable to the vendors of Tecsound (Qld) Pty Ltd. The payment is dependent upon EBIT exceeding $250,000 for the year ended 30/6/06

NOTE 25: SEGMENT REPORTING

Business Segment

The economic entity operates in the electronic communications industry.

Geographical Segment

The economic entity's business segment is located in Australia. A service, installation and distribution division commenced operations in New Zealand on 19th November 2004

NOTE 25: SEGMENT REPORTING (CONTINUED)

2005 Revenue	Victoria$	New South Wales$	Queensland$	New Zealand$	Eliminations/ Consolidation$	Economic Entity$
External Sales	6,136,832	3,586,744	160,155	158,151		10,041,883
Other Segments	835,810	27,382	-	-	(863,192)	-
Total Revenue	6,972,642	3,614,126	160,155	158,151		10,041,883
Segment result - Net Profit (before tax)	1,371,828	231,211	44,234	(85,986)	(242,685)	1,318,602
Income Tax Expense						(439,452)
Net Profit						879,150
Segment Assets	13,304,236	1,108,490	804,759	81,268	(3,454,020)	11,844,733
Segment Liabilities	1,910,939	731,915	285,074	169,245	(729,675)	2,367,498
Other Information						
- Acquisition of Non-Current Intangible Segment Assets	-	-	369,933	-	-	369,933
- Acquisition of Non-Current Property Plant & Equipment Segment Assets	224,593	81,007	137,157	9,885	-	452,642
- Depreciation of segment assets	(79,402)	(35,290)	(2,141)	(689)	-	(117,521)
- Amortisation of goodwill					(240,693)	(240,693)

Results Of Segments

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, inter-company loans (eliminated on consolidation), intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. **Inter-segment Pricing** Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at arm's length. These transfers are eliminated on consolidation.

NOTE 26: CASH FLOW INFORMATION

	Note	Economic Entity 2005$	Parent Entity 2005$
(a) Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax			
Profit from ordinary activities after income tax		879,150	756,895
Cash flows excluded from profit from ordinary activities attributable to operating activities		-	-
Non-cash flows in profit from ordinary activities		-	-
Amortisation		240,693	-
Depreciation		117,522	-
Bad debts written off		2,503	-
(Net Gain) / Loss on disposal of property, plant and equipment		13,179	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
(Increase) / decrease in trade and term debtors		(1,244,632)	(429,398)
(Increase) / decrease in prepayments		(57,559)	(64,814)
(Increase) / decrease in inventories		(199,592)	-
Increase / (decrease) in trade creditors and accruals		219,211	37,891
Increase / (decrease) in income taxes payable		(125,684)	37,442
(Increase) / decrease in deferred tax assets		(50,050)	-
Increase / (decrease) in provisions		116,601	-
Cash Flow from Operations		(88,658)	338,016

(b) Acquisition of Entities. During the year, 100% of the controlled entity Tecsound (Vic) Pty Ltd was acquired. Details of the transaction are:

Purchase Consideration		
Issue of Shares (7.5million shares @ 20c per share)	1,500,000	1,500,000
Issue of Shares (3.75million shares @ 1c per share)	37,500	37,500
Issue of Shares (.75million shares @ 20c per share)	150,000	150,000
Issue of Shares (.495million shares @ 10c per share)	49,500	49,500
Cash Consideration	1,800,000	1,800,000
Acquisition Costs	113,469	113,469
Total	3,650,469	3,650,469

NOTE 26: CASH FLOW INFORMATION (CONTINUED)

Assets and Liabilities held at acquisition date	Note	Economic Entity 2005$	Parent Entity 2005$
- Cash		123,028	-
- Receivables		587,333	-
- Inventories		350,056	-
- Other		6,863	-
- Property, Plant & Equipment		247,193	-
- Deferred Tax Assets		23,614	-
- Payables		(143,879)	-
- Interest Bearing Liabilities		(184,557)	-
- Current Tax Liabilities		(143,564)	-
- Provisions		(76,669)	-
		789,418	-
Goodwill on Consolidation		2,861,051	-
		3,650,469	-

During the year, 100% of the controlled entity Tecsound (NSW) Pty Ltd was acquired. Details of the transaction are:

Purchase Consideration		
Issue of Shares (0.875million shares @ 20c per share)	175,000	175,000
Issue of Shares (3.75million shares @ 1c per share)	37,500	37,500
Cash Consideration	528,500	528,500
Acquisition Costs	36,000	36,000
Total	777,000	777,000

NOTE 26: CASH FLOW INFORMATION (CONTINUED)

	Note	Economic Entity 2005$	Parent Entity 2005$
(b) Acquisition of Entities			
Assets and Liabilities held at acquisition date:			
- Cash		344,828	-
- Receivables		538,954	-
- Inventories		62,822	-
- Property, Plant & Equipment		114,753	-
- Payables		(623,457)	-
- Interest Bearing Liabilities		(20,418)	-
- Current Tax Liabilities		(59,993)	-
- Provisions		(34,361)	-
- Other Liabilities		(33,853)	-
		289,275	-
Goodwill on Consolidation		487,725	-
		777,000	-

During the year, 100% of the net assets of Tecsound (Qld) Pty Ltd was acquired. Details of the transaction are:

	Note	Economic Entity 2005$	Parent Entity 2005$
Purchase Consideration			
Issue of Shares (208,333 shares @ 36 cents per share)		75,000	75,000
Cash Consideration		384,089	384,089
Acquisition Costs		16,742	16,742
Total		475,831	475,831
Assets and Liabilities held at acquisition date:			
- Inventories		84,089	-
- Property, Plant & Equipment		21,809	-
		105,898	-
Goodwill on Consolidation		369,933	-
		475,831	-

During the year, 100% of the controlled entity of Calltec Pty Ltd & Teccall Pty Ltd were acquired. Details of the transaction are:

	Note	Economic Entity 2005$	Parent Entity 2005$
Purchase Consideration			
Issue of shares (4,601,227 shares @ 32.6 cents per share)		1,500,000	1,500,000
Cash Consideration		2,500,000	2,500,000
Amount owing on acquisition at balance date		250,000	250,000
Acquisition costs		155,776	155,776
Total		4,155,776	4,155,776

NOTE 26: CASH FLOW INFORMATION (CONTINUED)

	Note	Economic Entity 2005$	Parent Entity 2005$
Assets and Liabilities held at acquisition date:			
- Cash		566,702	-
- Receivables		483,105	-
- Inventories		170,931	-
- Property, Plant & Equipment		173,173	-
- Payables		(295,000)	-
- Interest Bearing Liabilities		(70,500)	-
- Current Tax Liabilities		(112,901)	-
		915,010	-
Goodwill on Consolidation		3,240,766	-
		4,155,776	-

During the year, 100% of the net assets of Tecsound (NZ) Ltd were acquired. Details of the transaction are:

	Note	Economic Entity 2005$	Parent Entity 2005$
Purchase Consideration			
Cash Consideration		27,454	27,454
Assets and Liabilities held at acquisition date:			
Goodwill on Consolidation		27,454	-
Outflows of cash net of cash acquired:			
Cash Consideration		5,312,030	5,284,576
Less Cash Balances Acquired		(1,034,558)	-
Outflow of Cash		4,277,472	5,284,576

(c) Non-Cash Financing and Investing Activities

(i) Share Issue
9,126,000 ordinary shares were issued at 20c as part of the consideration for the purchase of Tecsound (Vic) Pty Ltd and Tecsound (NSW) Pty Ltd.
4,601,227 ordinary shares were issued at 32.6c as part of the consideration for the purchase of Calltec Pty Ltd and Teccall Pty Ltd.
208,333 ordinary shares were issued at 36c as part of the consideration for the purchase of the net assets of Tecsound (Qld) Pty Ltd.
(ii) During the year the economic entity acquired motor vehicles with an aggregate value of $290,615 by means of hire purchase contracts. These acquisitions are not reflected in the statement of cashflows.

(d) Credit standby arrangements with banks

	Note	Economic Entity 2005$	Parent Entity 2005$
Credit Facility		50,000	50,000
Amount utilised		-	-
		50,000	50,000

TSV Holdings Limited has a single Bank Overdraft facility of $50,000 with the ANZ Bank with the general terms and conditions being set and agreed annually. There are no other loan facilities in place at balance date. Interest rates are variable and subject to adjustment.

NOTE 27: ECONOMIC DEPENDENCY

A significant portion of the development of the Tecsound (NZ) Ltd entity is being financed interest free by the parent entity TSV Holdings Limited.
This development includes assistance with infrastructure, sales and marketing.

NOTE 28: EVENTS OCCURING SUBSEQUENT TO REPORTING DATE

Since the end of the financial year, there have been no material events that the directors are aware of that will have an impact requiring disclosure on this financial report.

NOTE 29: RELATED PARTY TRANSACTIONS

	Note	Economic Entity 2005$	Parent Entity 2005$

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

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 16.

Specified directors and specified executives remuneration are disclosed in the Remuneration Report of the Director's Report.

Shareholdings and Option holdings of specified directors and specified executives are disclosed in the Remuneration Report of the Directors Report.

During the year, the company acquired 100% of the shares in Tecsound (Vic) Pty Ltd from Mr. Hilary Evans, the Managing Director of TSV Holdings Limited. Full details of the acquisition are disclosed at Note 26.

	Note	Economic Entity 2005$	Parent Entity 2005$
Occupancy Fees for the lease of the premises located at 41-49 Norcal Road, Nunawading are paid to H&C Future Pty Ltd as Trustee for the H&C Evans Family Trust. Mr Hilary Evans has a contingent interest in trust property. The term of the lease is for 3 years with a further 3 year term at the option of Tecsound (Vic) Pty Ltd.		40,942	-
Mrs. Carol Evans (the wife of the director Mr. Hilary Evans) is employed on a full time basis as Office Manager for Tecsound (Vic) Pty Ltd	-	59,795	-
Mr. Christopher Evans (the son of the director Mr. Hilary Evans) is employed on a full time basis as an Apprentice Technician for Tecsound (Vic) Pty Ltd		2,101	-

(ii) Holding company transactions with subsidiaries

	Note	Economic Entity 2005$	Parent Entity 2005$
TSV Holdings Limited provides managerial, secretarial, accounting, legal and insurance services to the entire group. TSV Holdings Limited recharges costs incurred to 100% owned subsidiaries on the basis of operating revenue contributed to the group by the subsidiary		-	429,398
Costs incurred to 100% owned subsidaries on the basis of operating revenue contributed to the group by the subsidiary			

NOTE 30: FINANCIAL INSTRUMENTS

Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates is set out below.

2005	Note	Weighted average interest rate	Floating interest rate	1 year or less	1 to 5 years	Over 5 Years	Non-interest bearing	Total
Financial assets								
Cash assets	8	5.18%	534,896	-	-	-	-	534,896
Receivables	9		-	-	-	-	2,851,520	2,851,520
Total Financial Assets			534,896	-	-	-	2,851,520	3,386,416
Financial Liabilities								
Trade and Sundry Creditors	17	-	-	-	-	-	1,570,406	1,570,406
Interest Bearing Liabilities	19	7.50%	-	93,444	282,847	-	-	376,291
Total Financial Liabilities		-	-	93,444	282,847	-	1,570,406	1,946,697

Credit Risk

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 provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.
The entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Net Fair Values

The carrying value of financial assets and liabilities approximates the net fair value. No financial assets and liabilities are readily traded on organised markets.
The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to and forming part of the accounts.
Net fair value has been based on a reasonable estimation of the discounted cash flows of assets and the future value of likely net interest cash flows for liabilities.

NOTE 31: EMPLOYEE BENEFITS

	Note	Economic Entity 2005$	Parent Entity 2005$

a) On 18 August 2004, 1,775,000 share options were granted to employees for nil consideration under the TSV Holdings Limited Employee option plan to take up ordinary shares at an exercise price of $0.24 per share. The options expire on 18 August 2009 and are exerciseable on the basis of one third for each 12 month period after issue. The options hold no voting or dividend rights and are not transferable. Refer table below for further details

b) On 16 November 2004, 400,000 share options were granted to employees for nil consideration under the TSV Holdings Limited Employee option plan to take up ordinary shares at an exercise price of $0.29 per share. The options expire on 16 November 2009 and are exerciseable on the basis of one third for each 12 month period after issue. The options hold no voting or dividend rights and are not transferable. Refer table below for further details

c) On 31 December 2004, 385,000 share options were granted to employees for nil consideration under the TSV Holdings Limited Employee option plan to take up ordinary shares at an exercise price of $0.326 per share. The options expire on 31 December 2009 and are exerciseable on the basis of one third for each 12 month period after issue. The options hold no voting or dividend rights and are not transferable. Refer table below for further details

The closing share market price of an ordinary share of TSV Holdings Limited on the Australian Stock Exchange at 30 June, 2005 was $0.36

NOTE 31: EMPLOYEE BENEFITS (CONTINUED)

	Note	Economic Entity 2005$	Parent Entity 2005$
Movement in number of share options held by employees are as follows:		No.	No.
Opening Balance		-	-
Granted during the Year		2,560,000	2,560,000
Exercised during the Year		-	-
Lapsed during the Year		-	-
Closing Balance		2,560,000	2,560,000

Details of share options outstanding as at end of the year as at end of the year

Grant Date	Expiry	Quantity	Ex Price
18-Aug-04	18-Aug-09	1,775,000	$0.24
16-Nov-04	16-Nov-09	400,000	$0.29
13-Dec-04	13-Dec-09	385,000	$0.326

NOTE 32: COMPANY DETAILS

The registered office of the company is:

TSV Holdings Limited Unit 33 41-49 Norcal Road Nunawading VIC 3131

The principal places of business are:

Tecsound (Vic) Pty Ltd Unit 33 41-49 Norcal Road Nunawading VIC 3131

Tecsound (NSW) Pty Ltd Unit 3 108 Warrane Road Willoughby NSW 2068

Tecsound Queensland Pty Ltd Unit 8 50 Northlink Place Virginia QLD 4014

Tecsound (NZ) Ltd Suite 8 325 Ti Rakau Drive East Tamaki AUCKLAND NZ 1704

Calltec Pty Ltd Suite 4 857 Doncaster Road Doncaster East VIC 3109

Teccall Pty Ltd Suite 4 857 Doncaster Road Doncaster East VIC 3109

The directors of the company declare that:

The financial statements and notes, as set out on pages 20 to 44, are in accordance with the Corporations Act 2001 and: **1(a)** comply with Accounting Standards and the Corporations Regulations 2001; and **(b)** give a true and fair view of the financial position as at 30 June, 2005 and of the performance for the year ended on that date of the company and the economic entity **2** the Chief Executive Officer and Chief Financial Officer have each given the declaration required by section 295A of the Corporations Act 2001 **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. Signed in accordance with a resolution of the directors

Director Mr David Carter

Director Mr Hilary Evans

Dated this 26th day of September, 2005

A Member Firm of PKF International

PKF

Charted Accountants
& Business Advisers

Level 11, CGU Tower
485 La Trobe St
Melbourne 3000
GPO Box 5099BB
Melbourne 3001

Tel: 03 9603 1700
Fax: 03 9602 3870
www.pkf.com.au

To the members of TSV Holdings 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 both TSV Holdings Limited (the company) and the consolidated entity, for the period ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year. The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities", under the heading "remuneration report" in pages 9 to 13 of the directors' report, as permitted by the Corporations Regulations 2001. The directors of the company are responsible for the preparation and true and fair presentation of the financial report 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. The directors are also responsible for the remuneration disclosures contained in the directors report.

Audit Approach We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, 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.

A Victorian Partnership

A Member Firm of PKF International

PKF

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 and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard 1046 and the Corporations Regulations 2001.

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

(a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

(b) assessing the appropriateness of the accounting policies

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 assurance on internal controls. Independence In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors, would be in the same terms if it had been given at the time the audit report was made.

Audit Opinion In our opinion:

(1) the financial report of TSV Holdings Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006, and of their performance for the period ended on that date, and

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

(2) the remuneration disclosures that are contained in pages 9 to 13 of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001

PKF

PKF
Chartered Accountants
28th September, 2006
Melbourne

R A Dean
Partner

A Victorian Partnership

additional information

Additional information required by the Australian Stock Exchange ('ASX') and not shown elsewhere in the report is set out below. The information was correct as at 31 August, 2005.

Substantial holders The following entities are substantial holders in the Company:

Name of substantial holder	Number of Ordinary Shares
Mr Hilary Evans	6,750,000
Invia Custodian Pty Ltd	5,296,608
ANZ Nominees Limited	4,164,956

Number Of Shares And Option Holders

Class of security	Number of holders
Fully paid ordinary shares	429 shareholders
Options exercisable at $0.24 and expiring 18 August 2007	2 option holders
Options exercisable at $0.24 and expiring 18 August 2009	28 option holders
Options exercisable at $0.29 and expiring 16 November 2009	2 option holders
Options exercisable at $0.326 and expiring 31 December 2009	10 option holders

Voting rights Every Shareholder present in person or by proxy at a meeting of Shareholders has one vote on a vote taken by a show of hands, and on a poll every Shareholder who is present in person or by proxy has one vote for every fully paid Share held. A poll may be demanded at a meeting in the manner permitted by the Corporations Act.

Distribution schedule of share and option holders

Number of shares/ options	Holders of fully paid ordinary shares	Options $0.24 (18/08/2007)	Options $0.24 (18/08/2009)	Options $0.29 (16/11/2009)	Options $0.326 (31/12/2009)
1 - 1000	3	-	-	-	-
1,001 - 5,000	33	-	-	-	-
5,001 - 10,000	64	-	-	-	-
10,001 - 100,000	266	-	26	-	10
100,001 - and over	63	2	2	2	-
Total	429	2	28	2	10

Holders of non-marketable parcels There are 3 shareholders who hold less than a marketable parcel of shares.

TOP 20 SHAREHOLDERS (INCLUDING RESTRICTED SECURITIES)

Name Of Shareholder	Shareholding	Percentage Held
Mr Hilary Evans	6,750,000	12.32%
Invia Custodian Pty Ltd	5,296,608	9.66%
ANZ Nominees Limited	4,164,956	7.60%
Mirrabooka Investments Limited	2,450,000	4.47%
Jervic Enterprises Pty Ltd	2,300,811	4.20%
Rpv Investments Pty Ltd	2,300,811	4.20%
National Nominees Limited	2,044,251	3.73%
Mr David Lightfoot	2,000,000	3.65%
Benefund Limited	1,710,000	3.12%
Tooronga Corporate Finance Pty Ltd	1,440,000	2.63%
Caason Investments Pty Ltd	930,000	1.70%
Mr Ian Mclean	875,000	1.60%
Ms Lisa Lightfoot	800,000	1.46%
Ruminator Pty Ltd	707,600	1.29%
Bell Potter Nominees	605,000	1.10%
Hazlaha Investments Limited	550,000	1.00%
Mrs Lisa Pinkus	450,000	0.82%
Mrs Carol Evans	435,000	0.79%
Mr Ivo Konopcik	375,000	0.68%
Mr Gregory Eva	375,000	0.68%
Total	36,560,037	66.70%

Unquoted Equity Securities

Class of unquoted equity	number on issue	number of holders
Options	3,310,000	42

On-market buy-back The Company does not have a current on-market buy-back.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

This statement outlines the main corporate governance policies and practices of TSV Holdings Limited (Company). ('TSV') The policies and practices of the Company are in accordance with ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations' (ASX Guidelines), unless otherwise stated.

ROLE OF THE BOARD The role of the board (Board) of directors of the Company (Directors) is to provide strategic guidance for TSV and effective oversight of management. The Board operates in accordance with TSV's Constitution and Board Charter, which describes the board's composition, functions and responsibilities and designates authority reserved to the board and that which is delegated to management. The Board's functions are set out in TSV's Board Charter and include: -monitoring financial performance against agreed financial objectives; -monitoring the implementation of the strategy approved by the Board; -appointing, removing and monitoring the performance of the Chief Executive Officer, Chief Financial Officer and the Company Secretary; -ensuring appropriate succession planning for Board members and senior management; -approving and monitoring financial and other reporting; determining the Company's dividend policy; -approving and monitoring major capital expenditure, capital management, funding, acquisitions and divestments; overseeing risk management, control, accountability and compliance systems; and -setting standards of behaviour to enhance the reputation of TSV in the market and the community. A copy of TSV's Board Charter may be obtained from the Company upon request.

COMPOSITION OF THE BOARD AS AT THE DATE OF THIS ANNUAL REPORT, THE DIRECTORS ARE AS FOLLOWS:

Name	Position	Appointed
Mr. David Carter	Independent Chairman	appointed 29 June, 2004
Mr. Hilary Evans	Chief Executive	appointed 29 June, 2004
Mr. Mark Ewing	Non-Executive Director	appointed 27 October, 2004

Each Director is a senior and experienced executive with skills and experience necessary for the proper supervision and leadership of the Company. As a team, the Board brings together a broad range of qualifications and experience in electronic communications, finance, accounting, law, and public company affairs. Details of the Directors, their experience and their special responsibilities with respect to the Company are set out on page 6. The majority of the Board is comprised of independent Directors. The criteria for assessing the independence of a director are set out in TSV's Policy on the Assessment of Independence of Director, a copy of which may be obtained from the Company upon request. The relevant materiality thresholds are determined by the Chairman on a case by case basis.

BOARD PRACTICES The Board meets monthly (and at other times as required) to evaluate, control, review and implement the Company's operations and objectives. The Directors receive monthly reports from the Chief Executive Officer, and the Chief Financial Officer. A Director, subject to prior consultation with the Chairman, may seek independent professional advice (including legal advice) at the Company's expense.

BOARD COMMITTEES The Board has established two committees of Directors, the Audit Committee and Remuneration Committee, to carry out certain tasks. Details of names and relevant qualifications of the Directors appointed to these committees, the number of meetings of each committee held during the year ended 30 June 2005 and the attendance record for each relevant member can be found on page 16 of this Annual Report. Each committee has a documented charter approved by the Board, copies of which may be obtained upon request from the Company. Given the nature and size of the Company's operations, the Board has decided against the establishment of separate nomination and risk management committees or the establishment of any other committees.

REMUNERATION COMMITTEE The Board has established a Remuneration Committee, which is structured so that the committee is chaired by a non-executive director and consists of at least two members. The Remuneration Committee is empowered to investigate any matter brought to its attention and has direct access to any employee or any independent experts and advisors as it considers appropriate in order to ensure that its responsibilities can be carried out effectively. The Remuneration Committee has a documented charter (including guidelines for the nomination of Directors) approved by the Board, a copy of which may be obtained from the Company upon request.

AUDIT COMMITTEE The Board has established an Audit Committee, which is structured so that the committee is chaired by a non-executive director and consists of at least three members. The ASX Guidelines recommend that the committee should be chaired by a person who is not the Chairman of the Board. The Audit Committee, as currently composed, does comply with this recommendation. The Audit Committee is chaired by Mr. Ewing who is independent. Mr. Ewing is a Chartered Accountant and business consultant with over 25 years experience in the accounting profession and the provision of business advisory services. Given the company's highly specialised activities and Mr. Ewing's extensive accounting and business experience, the Board believes that Mr. Ewing is the most appropriate person to chair the Audit Committee. The Audit Committee has a documented charter approved by the Board, a copy of which may be obtained from the Company upon request.

PERFORMANCE REVIEW The board has delegated the responsibility for evaluating the performance of the Board and the individual Board members to the Chairman. The performance evaluation includes the examination of the performance of the Board and the individual Board members as against the Board Charter. The Board has delegated the responsibility for evaluating the performance of the Company's executive management to the Remuneration Committee.

REMUNERATION POLICY The company's remuneration policy is structured to ensure that the remuneration package properly reflects the person's duties and responsibilities and level of performance. Executive remuneration is set at a level that is at or below market rates and is competitive in attracting, retaining and motivating people of the highest quality. **Executive remuneration comprises the following elements:** * Fixed remuneration, including superannuation, which is set at a level that reflects the marketplace for each position; and * Equity based remuneration, including share options, which incorporates exercise restrictions based on continuity of employment and the achievement of certain individual and financial performance hurdles. * Incentive payments based on achievement of operational goals Non-executive Directors are remunerated by way of fees and do not participate in profit or incentive schemes and do not receive payments or retirement benefits other than statutory superannuation. Further details of remuneration of Directors and officers can be found on page 11 of this Annual Report.

INTEGRITY OF FINANCIAL REPORTING & RISK MANAGEMENT The Board has ultimate responsibility for the integrity of the Company's financial reporting. The Directors have implemented internal control processes for identifying, evaluating and managing significant financial, operational and compliance risks to the achievement of the Company's objectives. The Directors have received and considered written representations from the Chief Executive Officer and the Chief Financial Officer of the Company in accordance with the ASX Guidelines. The Chief Executive Officer and the Chief Financial Officer of the Company have made the following representations to the board: That the Company's Financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operating results of the company, and are in accordance with the relevant accounting standards; and That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board, and that compliance and control is operating efficiently and effectively in all material respects. The Company's external auditor has been invited to attend the Annual General Meeting and be available to answer questions from the members of the Company about the conduct of the audit and the preparation and content of the auditor's report.

COMMUNICATION WITH SHAREHOLDERS AND THE MARKET The Company's commitment to communicating with its shareholders is embodied in its Continuous Disclosure Policy, which contains policies and procedures designed to ensure accountability at the senior management level for compliance with disclosure obligations. A copy of the Company's Continuous Disclosure Policy may be obtained upon request from the Company. In addition to the distribution of the Annual Report, information is communicated to shareholders via the Announcements section of TSV Holdings' website www.tsvholdings.com.au and the issue of shareholder newsletters.

ETHICS AND CODES OF CONDUCT The Company has adopted a Director Code of Conduct that applies to the directors of the Company. The Director Code of Conduct reflects the commitment of the Company to ethical standards and practices. This Code deals with issues specific to the Directors. A copy of the Director Code of Conduct may be obtained from the Company upon request. The Company has also implemented a policy on securities trading that binds all of the Company's officers and employees. In addition to ensuring that all officers and employees are aware of the legal restrictions on trading in the Company's securities while in possession of unpublished price-sensitive information, the policy also restricts the times when officers and employees may deal in the Company's securities. A copy of the Policy for Securities Dealing by Directors and Employees may be obtained from the Company upon request.