TechStar Limited

ABN 49 089 206 986

Financial Report

for the year ended 30 June 2004

Chairman's Report

Financially, the year to 30 June 2004 has not been as we had hoped for and your directors have been very frustrated by external circumstances to achieve a better result. The board makes no excuses nor seeks alibis for the operating loss and harsh cash conditions the company has endured this year.

From our point of view, I want you to know that David Hunt, our Chief Executive Officer, has been an incredibly energetic leader of the management team who have put into TechStar long hours and very hard work, for which we, the board, are most appreciative. The directors, too, have put in many hours of time trying to push the company forward.

In brief, what has happened is that the many markets into which we pressed the company's products have initially reacted positively, indicating "this is a great product". What has then ensued has either been a slacking of promotion or a diversion to other things by customers, which meant that we have heard a series of promises of results "very soon" or a dead silence.

For all the effort we have put in, it has not been possible to achieve positive sales and cashflow. Equally, offers to buy the CPR Kit and the SportzWhistle have been followed with unexplained and inexplicable delays.

Again, it is proving very frustrating, but we are not giving up.

At the same time we have been able to acquire the patent rights to an Australian invention, the Bionic Eye, an optical equivalent of the Cochlear device, which will help blind people see some images rather than the total sightlessness which they now experience.

This is a very exciting medical invention and we are working on fundraising for it at the moment. It will not mean walking away from our other activities but it has to be dealt with quickly.

The Bionic Eye, which has been the subject of Australian university laboratory work, is being further trialled on sheep and should go to human trials within twelve months. It is considered to be equal to, if not ahead of other similar research being done Internationally.

We shall, of course, update you as time goes by on both the three inventions and the Bionic Eye with the hope that we shall have some more positive news for you soon.

I thank you once again for your patience and support. We are working as hard as we can to bring you a better result.

John B. Reid AO

DIRECTORS' REPORT

The Directors present their report on the consolidated financial report for the year ended 30 June 2004.

DIRECTORS

The names and details of the Directors of the Company in office during the financial year and until the date of this report are:

J.B. Reid, A.O., LL.B, Hon. D. Bus(C Sturt), Hon. Ph. D. (Qld), Hon. D.Univ (QUT), Hon Fellow (Syd), CPE, FAICD, FAIM. (Chairman)	Mr. Reid was appointed Non-Executive Chairman in August 1999. He is a highly regarded Australian businessman. He is Emeritus Chairman of the Australian Graduate School of Management, Chairman of Bestcare Foods Limited, and Business Management Limited. He has significant previous commercial and financial experience as Chairman of James Hardie Industries Limited, Deputy Chairman of Qantas Airways Limited, a Director of Broken Hill Proprietary Limited (BHP), Coles Myer Limited, Barclays Australia Limited, and a member of the International Advisory Board of the Swiss Banking Corporation. Mr. Reid is also a Life Governor of the Australian Institute of Management.
B.P. Jones, B Bus Mgt, FAIM, ASIA (Non-Executive Director)	Mr. Jones joined the Company as Non-Executive Director in August 1999. He has been involved in investment banking for over 20 years, with the past 15 years at Director and Managing Director level with local and international investment banks. He has specialised in the raising of venture and development capital for smaller companies, including the preparation of business plans, financial structuring, and equity raising. He is currently a Director of BestCare Foods Limited and Business Management Limited.
J.W. Laurie, B.Ec, FCPA, FAIM (Non-Executive Director)	Mr. Laurie joined the company as Non-Executive Director in January 2000. Mr. Laurie has significant experience in manufacturing and marketing in a wide variety of industries, both domestic and international. He is currently Chairman of Pyrmont Raw Materials Pty Ltd, and The Twilight Homes Group of Aged Care Residences and a Director of Big Kev's Limited. He was previously the Chairman of Home Leisure Limited, Executive Director of Australian Cement Ltd, General Manager of CSR Ltd's Building Materials Division and Sugar Marketing Division, and Managing Director of Melcann Ltd
A.J. Hanmer (Non-Executive Director)	Mr. Hanmer joined the company as Non-Executive Director in December 2001. Mr. Hanmer has over 25 years senior marketing experience and a strong track record of company management, acquisitions and leveraging new technologies to build professional organisations. He has been Senior Vice President and Director of McCann Erickson Worldwide and Regional Director of Asia South Pacific, as well as Chairman of McCann Erickson Australia, working internationally with global companies. He is currently Deputy Chairman of Endeavour Foundation, Director of Queensland Product Company and Director of Queensland Racing.

All Directors shown were in office for the entire year and up to the date of this report, unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities during the year, in each entity within the consolidated entity were technology, research and development, commercialisation and intellectual property ownership. There was no significant change in the nature of these activities during the year. The company is a company limited by shares and incorporated and domiciled in Australia.

OPERATING RESULTS AND DIVIDENDS

The operating loss from ordinary activities after income tax attributable to members of the parent entity, TechStar Limited ('TechStar'), was $9,712,850 (2003: loss $385,780). The operating loss from ordinary activities after income tax of the consolidated entity for the year ended 30 June 2004 was $3,997,873 (2003: loss $1,890,168).

Of the above loss in hands of the parent entity, $8,795,164 resulted from the decision to reduce the investment value and the loans receivables from subsidiaries. Out of $3,997,873 loss of the consolidated entity $2,179,710 is due to the diminution of the carrying value of intellectual property, research and development and goodwill. Refer to note 3 of the financial statements for further details.

The Directors do not recommend the payment of any dividend for the year ended 30 June 2004.

REVIEW OF OPERATIONS

As previously advised, the TechStar strategy of bringing projects to market viability and then exiting has resulted in the following:

Medteq

TechStar reached an agreement to sell its unique chest compression device, CPREzy to UK-based Company Health Affairs Pty Ltd on 3 June 2004. TechStar will be paid up to A$3.425 million comprising three parts: an up-front cash payment of A$300,000 for the sale of the assets; a payment of A$300,000 for the sale of rights to the territories of Japan and South America; and a 25 percent royalty on worldwide gross margin sales of CPREzy up to a maximum of $2.825m. The sale of the assets for $300,000 has been recognised in the financial report at 30 June 2004. The remaining conditions including completion are still to be met.

IronBar

There are several interested parties in the Ironbar business, including global industrial tool companies.

SportzWhistle

SportzWhistle previously reported that the 250 sample SportzWiz units recently sold to the worlds largest whistle manufacturer & distributor J. Hudson and Co (Whistles) Ltd - Acme Whistles, have been received positively by its international distributors.

Acme Whistles who have an exclusive distributorship agreement with SportzWhistle, have an estimated 50% market share of sports and safety whistles worldwide, distribute in over 100 countries and have for over 125 years manufactured and distributed the world famous Acme sports pea whistles. SportzWhistle and Acme Whistles have been working closely together over the past 12 months to develop a product to Acme Whistles specifications, which will suit its distributors markets.

Following the successful trial of the samples, Acme has indicated it will place an order following the European vacation period. Full details of the order will be advised in the coming months.

A new development with the SportzWhistle technology has been in the research and development of alarm whistles. There are a substantial number of assaults on people who assist drivers in car breakdowns or those who refill food and beverage dispensers. Work has begun to modify the design to provide alarm assistance to such machines. This is a new and unexpected application for the device.

Augen Technologies

TechStar announced on the 27 July 2004 that the University of NSW (UNSW) had assigned its rights and interests in the Intellectual Property (IP) of the vision prosthesis project Augen Technologies to TechStar Limited. Subsequently, on 13 September 2004 the Co-development University, the University of Newcastle, CSIRO and Ophthalmic Vision Research Fund (OVRF) have also assigned their existing IP interests.

The assigning of the IP to TechStar is vital to the successful fundraising for the Augen project, with UNSW to remain involved by providing their facilities and the existing research team for at least the next three years or until the project is completed.

The "bionic eye" technology is an Australian developed product with worldwide market demand, at the leading edge of technology and with a substantial amount of development already completed.

The "bionic eye" technology, in its early stage of development, has the potential to help the blind see some images, light and shade, structure and shapes. It is considered particularly beneficial for people who have lost their sight due to degenerative and aged related eye disease.

TechStar intends to raise equity from the public markets to fund the Augen acquisition and future development through a share purchase plan, private placement and a prospectus.

Full details of the share purchase plan and private placement have previously been provided, with the prospectus to be released in the coming weeks.

REVIEW OF OPERATIONS (continued)

Financial Support

Support continues to be provided to TechStar Limited by directors and associated investors when needed.

CHANGES IN STATE OF AFFAIRS

There were no changes in the state of affairs.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

TechStar offered its existing shareholders the opportunity to increase investment in Techstar and the opportunities in which TechStar participates by participating in a share purchase plan. New shares, to a maximum amount of $5,000 per shareholder were allocated at an issue price of 15 cents, which was 84.3% of the average market price for the preceding 5 days prior to the 11 June 2004. The total of $100,888 was raised by the share purchase plan.

A General Meeting of TechStar Limited was held at the ASX Lecture Theatre, Level 5 Riverside Centre, 123 Eagle Street Brisbane Qld 4001 at 12.00pm on 30 July 2004.

All (two) resolutions as set out in the notice of meeting dated the 30 June 2004 were passed by a show of hands

1. A resolution to issue and allot not more than 32,000,000 fully paid ordinary shares in capital of the Company, at an issue price of $0.25 per share, in connection with the acquisition by the Company of intellectual property rights pertaining to vision prosthesis technology, such issue and allotment to occur not later than 3 months after the date of the Meeting.

Result:

That the Company hereby approve the issue and allotment of not more than 32,000,000 fully paid ordinary shares in capital of the Company, at an issue price of $0.25 per share, in connection with the acquisition by the Company of intellectual property rights pertaining to vision prosthesis technology, such issue and allotment to occur not later than 3 months after the date of this Meeting

2. A resolution to issue and allot not more than 100,000,000 fully paid shares in the capital of the Company, at an issue price of not less than $0.15 per share in parcels of not less than $500,000, to professional investors and high net worth individuals, to raise funds to assist the development and commercialisation of the vision prosthesis technology, such issue and allotment to occur not later than 3 months after the date of the Meeting.

Result

That the Company hereby approve the issue and allotment of not more than 100,000,000 fully paid shares in the capital of the Company, at an issue price of not less than $0.15 per share in parcels of not less than $500,000, to professional investors and high net worth individuals, to raise funds to assist the development and commercialisation of the vision prosthesis technology, such issue and allotment to occur not later than 3 months after the date of this Meeting.

RISK MANAGEMENT

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the Board.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company or consolidated entity is not subject to any particular or significant environmental regulation.

SHARE OPTIONS

As at the date of this report there were 2,267,361 unissued ordinary shares under options. Refer to note 18 of the financial statements for further details of options outstanding.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year, the Company has paid a premium in respect of a contract insuring all the Directors and Officers against a liability incurred in their role as Directors and Officers of the Company. The insurance contract prevents disclosure of the liability or amount of the premium paid.

DIRECTORS' MEETINGS

The number of meetings of Directors and meetings of committees of Directors held during the year, and the number of meetings attended by each Director were as follows:

DIRECTORS' MEETINGS (continued)

MEETINGS OF COMMITTEES	DIRECTORS' MEETINGS	AUDIT	REMUNERATION
Number of meetings held:	12	2	1
Number of meetings attended:			
J.B. Reid	12	2	1
B.P. Jones	12	2	1
J.W. Laurie	11	n/a	1
A.J. Hanmer	12	n/a	n/a

The Company has an Audit Committee and a Remuneration Committee.

The members of the Audit Committee are Mr J.B. Reid and Mr B.P. Jones. The members of the Remuneration Committee are Mr J.B. Reid, Mr B.P. Jones and Mr J.W. Laurie.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Equity instruments of Directors

(i) As at the date of this report the interests in the equity instruments of the Company held by Directors of the reporting entity and their director related entities were:

	Ordinary Shares Fully Paid
J.B. Reid	**8,743,843**
B.P. Jones	**5,432,392**
J.W. Laurie	**295,920**
A.J. Hanmer	**250,000**
	14,722,155

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers periodically by reference to relevant market conditions, with the overall objective of ensuring maximum stakeholder benefit. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be beneficial for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Remuneration Committee relates the nature and amount of Non-Executive Directors' and officers' emoluments to the Company's financial and operational performance.

Details of the nature and amount of each element of the emolument of each Director of the Company for the financial year are as follows:

Emoluments of Directors of the Company

	ANNUAL EMOLUMENTS		**LONG TERM EMOLUMENTS**	
	Base Salary/Fees	Other	Superannuation	Total
	$	$	$	$
J.B. Reid	60,000	-	-	60,000
B.P. Jones	40,000	-	-	40,000
J.W. Laurie	40,000	-	-	40,000
A.J. Hanmer	40,000	-	-	40,000

Messrs Reid, Jones, Laurie and Hanmer have not been paid their emoluments during the year due to the cashflow position of the company and have agreed to defer payments until 31 December 2004. Although an agreement has been reached with TechStar, it may be that during this period the deferred payments will be paid when the cash position improves.

Emoluments of Executives of the Company and Consolidated Entity

	Base Salary/Fees	Bonus	Superannuation	Total
D. Hunt	120,000	55,135	10,800	185,935
B. Moffatt	85,124	-	7,661	92,785
P. Dewar	15,349	-	1,381	16,730
J. Hilton	80,000	-	7,200	87,200

DIRECTORS' INTERESTS IN CONTRACTS

No material contracts involving Directors' interests were entered into during or at the end of the financial year, other than the transactions detailed in note 31 of the financial report.

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, TechStar Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

CORPORATE GOVERNANCE

The Board of Directors of TechStar Limited is responsible for the Corporate Governance of the consolidated entity. The Board is committed to achieving the highest standards of Corporate Governance. The Board guides and monitors the business and affairs of TechStar on behalf of the shareholders by whom they are elected and to whom they are accountable.

Signed for and on behalf of the Board in accordance with a resolution of the Directors.

J B Reid
Director
Brisbane, 29 September 2004

CORPORATE GOVERNANCE STATEMENT

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange (ASX) Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations"

Unless otherwise stated, the company has followed best practice recommendations set by the ASX Corporate Governance Council during the reporting period.

TechStar's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the Board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Encourage enhanced performance

Principle 9. Remunerate fairly and responsibly

Principle 10. Recognise the legitimate interests of stakeholders

TechStar's Corporate Governance practices were in place throughout the year ended 30 June 2004 and were fully compliant with the Council's best practice recommendations

Principle 1. Lay solid foundations for management and oversight

TechStar's Board is responsible to shareholders for the Group's overall Corporate Governance. The Board delegates to the Chief Executive Officer (CEO) and the executive team the responsibility for the operation and administration of the consolidated entity. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

The Company Secretary reports directly to the Board. Between meetings the Secretary is required to keep the Chairman fully informed.

The specific responsibilities of the Board include:

- Reviewing and approving the strategic direction, policies and budgets of the Company and ensuring that these are followed;
- Providing entrepreneurial leadership of the Company;
- Appointing and removing the CEO (or equivalent);
- Where appropriate, ratifying the appointment and removal of the Chief Financial Officer (CFO) (or equivalent);
- Setting corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- Monitoring management's performance and implementation of strategy and ensuring appropriate human and financial resources are available;
- Setting the Company's overall remuneration framework and assessing the performance of, and compensation for senior management;
- Enhancing and protecting the reputation of the Company;
- Reporting to Shareholders;

Principle 2. Structure the Board to add value

The Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties. An effective Board facilities discussion, allows debate, adds value and ensures that the Directors' discharge their duties required by the law. The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report on page 2.

Principle 2. Structure the Board to add value (continued)

The Company presently has four non-executive Directors, one of who is considered by the Board to be independent in terms of the Council's definition of independent Director. However, the Board has adopted a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes.

The Director of TechStar considered to be independent is:-

Name	Position
A.J.Hanmer	**Non executive director**
J. W Laurie	Non executive director

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
J.B. Reid	5 years
B.P. Jones	5 years
J.W. Laurie	5 years
A.J. Hanmer	4 years

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

Nomination Committee.

The whole Board decides the selection of members of the Board and the making of recommendations to shareholders for election of Directors.

In considering membership of the Board, Directors take into account the appropriate skills and characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience for the present and future needs of the company.

Currently TechStar does not have a nomination committee. However, the Board is in the process of allocating an independent Director to delegate the responsibility of:

- Assessing the necessary competencies of Board members to add value to the Company
- Review the Board succession plans
- Evaluation of the Board's performance
- Making of recommendations to shareholders for election of Directors.

Principle 3. Promote ethical and responsible decision making

TechStar is firmly committed to ethical business practices, a safe workplace and compliance with the law. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the organisation.

There is no formal process to encourage the reporting of unlawful or unethical behaviour and the protection of those reporting perceived violations in good faith. However the Board believes that the culture of the Company is such that this would be the case.

Under ethical and responsible decision making officers and employees are expected to:

- Not to be in a conflicts of interest position where the interest of a private individual interferes or appears to interfere with the interests of the company as a whole;
- Not to gain any corporate opportunities where Directors and key executives take advantage of property, information or position, or opportunities arising from these, for personal gain or to compete with the Company;
- Confidentiality in the use of non-public information except where disclosure is authorised or legally mandated;
- Fair dealing by all employees with the Company's customers, suppliers, competitors and employees;
- Protection of and proper use of the Company's assets - protecting and ensuring efficient use of assets for legitimate business purposes;
- Compliance with laws and regulations, and the active promotion of compliance; and encouraging reporting of unlawful/unethical behaviour, including the active promotion of ethical behaviour and protection for those who report violations in good faith.

In summary, the Company requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with spirit of law and company policies.

Principle 3. Promote ethical and responsible decision making (continued)

Share Trading Policy

The Company has developed a Share Trading Policy, which has been fully endorsed by the Board and applies to all Directors and employees.

Directors, executives and employees may deal in Company securities, however they may not do so if in possession of information, which is price sensitive to the security's market place.

Principle 4. Safeguard integrity in financial reporting

TechStar's CEO and CFO report in writing to the Audit Committee that the consolidated financial statements of TechStar and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The details of Audit Committee meetings conducted are detailed on page 5 of the Directors' report.

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee.

The Audit Committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive directors.

The members of the audit committee during the year were:

J.B. Reid
B.P. Jones

Principle 5. Make timely and balanced disclosure

Comprehensive procedures are in place at TechStar to make sure that all Company announcements are made in a timely manner, are factual, do not omit material information, are balanced and are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions. During the financial year the Directors' complied with the Listing Rule 3.1 and the guidance to Listing Rule 3.1 regarding disclosure of information that may have a material affect on the Company.

The CEO and CFO are responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board.

The Company Secretary is responsible for all communications with the ASX.

Principle 6. Respect the rights of shareholders

That TechStar openly, regularly and in a timely manner empower shareholders by:

- Communicating effectively with them
- Giving them ready access to balanced and understandable information about the company and corporate proposals
- Making it easy for them to participate in General Meetings.

TechStar's management ensures that all such matters are brought to the Board's attention promptly.

TechStar is currently exploring the use of a "Shareholder Express" product, which would enhance the electronic communication with shareholders. All information disclosed in the ASX is available on the ASX's website shortly after the release to the ASX.

The Company Secretary has been nominated as the being the person responsible for communication with the ASX.

All shareholders receive a copy of the Company's full annual report.

The Company requests the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7. Recognise and manage risk

TechStar recognises that it is necessary to undertake activities that involve a level of risk in order to achieve high levels of performance. The Board is responsible for the oversight of the Group's risk management and control framework.

The size of the Company and the comprehensive nature of it's monthly reporting systems has led the Board to conclude that a formal internal audit process would not be cost effective nor reduce risk. There is no formal Risk Management Policy, however the culture of the Company is focused on the identification and management of risk, and they are;

- Establishing the Company's corporate level and business level goals and monitoring and implementing strategies to achieve these goals
- Identify and measure risks that might impact upon the achievement of the Company's goals and monitor for trends and emergent factors
- Formulate risk management strategies and identify and design and implement policies.
- Monitor the risk management process and strategies.

The Board believes that there are adequate controls to ensure that financial reports provide a truthful and factual position for the Company.

Principle 8. Encourage enhanced performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. Directors' were initially invited to join the Board on the basis of their experience and skills in relation to the Company's activities.

The performance criteria against which Directors' and executives are assessed in aligned with the financial and non-financial objectives of TechStar. The Board has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives, and designed to produce value for shareholders.

No formal review of the Board's performance was conducted during the year, however the contributions of all Directors is considered to be of a high level and adequate to discharge their duties in full.

Principle 9. Remunerate fairly and responsibly

It is the objective of TechStar to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors' and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of Executive Directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and Motivation of key executives;
- Attraction of quality management to the Company;
- Performance incentives, which allow executives to share the rewards of the success of TechStar.

TechStar's polices relating to Directors' and Senior Executives' remuneration and the level of their remuneration are set out in the Directors' Report on page 2 of the Annual Report and Notes 28 and 29 to the Financial Report.

The remuneration policies and practices for the Group generally including participation in the incentive plan, share scheme and other benefits; and superannuation arrangements. Superannuation fund and contributions are made to complying funds on the instructions of directors and employees.

Senior staff is remunerated on the basis of packages, which comprise a base salary plus performance bonuses.

Principle 10. Recognise the legitimate interests of stakeholders

TechStar recognises its legal and other obligations. Company policy is to act in good faith and with integrity whilst dealings with Company affairs. These responsibilities not only relate shareholders, clients, customers and consumers parties these extend to the community as whole.

The Company is firmly committed to ethical business practices, a safe workplace and compliance with the law. These include trade practices and fair dealing laws, consumer protection, respect for privacy, employment law, occupational health and safety, equal employment opportunity, superannuation, environment and pollution controls.

There is no formal Policy in place, which provides the separate measurement and promotion of these issues, except as required by Law or as set out above.

TechStar Limited

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
Sales revenue	2	**240,541**	430,216	-	-
Cost of sales		**(148,137)**	(277,773)	-	-
Gross profit		92,404	152,443	-	-
Other revenue	2	**578,843**	96,450	**1,101,080**	1,035,727
Sales and marketing expenses	3	**(30,647)**	(207,808)	**(17,881)**	(489)
Salaries and employee benefits expense		**(892,554)**	(708,933)	**(889,417)**	(684,315)
Product research & development expenses		**(83,547)**	(169,783)	-	-
Less capitalised research & development expenses	12	-	163,185	-	-
Administration expenses		**(840,472)**	(634,205)	**(478,989)**	(368,711)
Losses before interest expense, income tax, depreciation and diminution in value of assets		(1,175,973)	(1,308,651)	(285,207)	(17,788)
Depreciation and amortisation expenses	3	**(34,156)**	(415,961)	**(31,457)**	(49,116)
Diminution in value of assets	3	**(2,179,710)**	-	**(8,795,164)**	(162,414)
Losses before interest expense and income tax expense		**(3,389,839)**	(1,724,612)	**(9,111,828)**	(229,318)
Borrowing costs	3	**(608,034)**	(165,556)	**(601,022)**	(156,462)
LOSSES FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		(3,997,873)	(1,890,168)	(9,712,850)	(385,780)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	-	-	-	-
LOSSES FROM ORDINARY ACTIVITIES AFTER INCOME TAX		(3,997,873)	(1,890,168)	(9,712,850)	(385,780)
NET LOSSES ATTRIBUTABLE TO OUTSIDE EQUITY INTERESTS	21	**(1,625,343)**	(648,824)	-	-
NET LOSSES ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	20	(2,372,530)	(1,241,344)	(9,712,850)	(385,780)
Net decrease in asset revaluation reserve	19	-	-	3,714,573	-
TOTAL VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		-	-	3,714,573	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(2,372,530)	(1,241,344)	(5,998,277)	(385,780)
		Cents	cents		
Basic loss per share	27	**(5.8)**	(3.1)		
Diluted loss per share	27	**(5.8)**	-		

TechStar Limited

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
CURRENT ASSETS					
Cash assets	22	**787**	68,980	**679**	19,465
Receivables	5	**379,353**	8,977	**1,271,009**	755
Inventories	7	**-**	293,538	**-**	-
Other assets	8	**29,042**	13,652	**13,939**	-
TOTAL CURRENT ASSETS		409,182	385,147	1,285,627	20,220
NON-CURRENT ASSETS					
Receivables	6	**-**	-	**-**	6,012,096
Other financial assets	9	**-**	-	**1**	3,008,582
Plant and equipment	10	**29,352**	50,494	**29,352**	47,796
Intangible assets	11	**-**	827,016	**-**	-
Research and development	12	**-**	1,114,874	**-**	-
TOTAL NON-CURRENT ASSETS		29,352	1,992,384	29,353	9,068,474
TOTAL ASSETS		438,534	2,377,531	1,314,980	9,088,694
CURRENT LIABILITIES					
Payables	13	**1,610,119**	596,942	**1,123,520**	217,285
Interest-bearing liabilities	14	**1,152,469**	120,538	**1,152,469**	120,538
Provisions	15	**24,406**	20,056	**24,220**	19,657
TOTAL CURRENT LIABILITIES		2,786,994	737,536	2,300,209	357,480
NON-CURRENT LIABILITIES					
Payables	16	**-**	517,083	**-**	517,083
Interest-bearing liabilities	17	**2,207,820**	1,956,454	**2,128,909**	1,890,555
TOTAL NON-CURRENT LIABILITIES		2,207,820	2,473,537	2,128,909	2,407,638
TOTAL LIABILITIES		4,994,814	3,211,073	4,449,173	2,765,118
NET ASSETS (DEFICIENCY)		(4,556,280)	(833,542)	(3,114,138)	6,323,576
EQUITY					
Parent entity interest					
Contributed equity	18	**6,538,613**	6,263,478	**6,538,613**	6,263,478
Reserves	19	**-**	-	**-**	3,714,573
Accumulated losses	20	**(7,808,583)**	(5,436,053)	**(9,652,751)**	(3,654,475)
Total parent entity interest		(1,269,970)	827,425	(3,114,138)	6,323,576
Outside equity interest	21	**(3,286,310)**	(1,660,967)	**-**	-
TOTAL EQUITY		(4,556,280)	(833,542)	(3,114,138)	6,323,576

TechStar Limited

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
NET CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**352,291**	632,960	**73,837**	-
Payments to suppliers and employees		**(1,359,318)**	(1,562,113)	**(194,048)**	(851,135)
Interest received		**353**	2,791	**175**	2,369
Borrowing costs		**(22,327)**	(34,363)	**(22,327)**	(30,780)
Research and development expenditure		**(83,547)**	(169,783)	-	-
Tax refund		**218,319**	-	-	-
Government grants		**45,121**	-	-	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	22(a)	(849,108)	(1,130,508)	(142,363)	(879,546)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of plant, equipment and financial assets		**3,326**	3,467	**3,326**	2,689
Acquisition of plant and equipment		-	(1,775)	-	(1,775)
Loans to associates		-	-	**(651,339)**	(209,551)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		3,326	1,692	(648,013)	(208,637)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**80,000**	-	**80,000**	-
Proceeds from borrowings		**694,062**	1,180,009	**688,063**	1,128,371
Repayment of borrowings		**(46,384)**	(389,308)	**(46,384)**	(394,594)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		727,678	790,701	721,679	733,777
NET INCREASE/(DECREASE) IN CASH HELD		(118,104)	(338,115)	(68,697)	(354,406)
Add opening cash brought forward		**(5,172)**	332,943	**(54,687)**	299,719
CLOSING CASH CARRIED FORWARD	22(b)	(123,276)	(5,172)	(123,384)	(54,687)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial report has been prepared in accordance with the historical cost convention.

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

Going Concern

The consolidated entity has incurred a net loss attributable to members of $2,372,530 during the current financial year, and at 30 June 2004 has a deficiency in net current assets of $2,377,812 and net liability position of $4,556,280. The parent company has incurred a net loss attributable to members of $9,712,850 during the current financial year, and at 30 June 2004 has a deficiency in net current assets of $1,014,582 and net liability position of $3,114,138. Notwithstanding this, the financial report is prepared on the going concern basis as in the opinion of the Directors' the Company and consolidated entity will be able to pay its debts as and when they become due and payable on anticipated proceeds from the sale of CPREzy, and the successful commercialisation of the SportzWhistle products. In addition, capital raising for the Augen Technologies project by prospectus and private placement is expected to yield in excess of $10m, which would be adequate to cover the future costs of the business.

However should the anticipated sales of the products not generate sufficient revenues and cash flows as expected and methods of raising funds not be found, the company and consolidated entity may not be able to pay their debts as and become due and payable and may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by TechStar Limited as at 30 June 2004 and the results of the controlled entities for the year. TechStar Limited and its controlled entities together are referred to in this financial report as the consolidated entity or the group.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

Foreign currencies

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies, have been converted to local currency using rates of exchange ruling at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are brought to account in determining the net profit or loss for the financial year

Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due, less any amounts not considered collectible.

Interest is taken up as income on an accrual basis.

Recoverable amount

Non-current assets are carried at an amount not above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

Investments

Non-current investments are carried at the lower of cost and recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs involved in bringing each product to its present location and condition are accounted for as follows:

- Raw Materials - purchase cost on a standard cost basis; and
- Finished goods and work-in-progress - cost of direct materials and labour on a standard cost basis.

Plant and equipment

Cost and valuation

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. 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 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 recoverable amount.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment over the following periods:

	2004	2003
Plant and equipment	3 to 5 years	3 to 5 years

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases (where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item) are recognised as an expense on a straight-line basis.

Finance leases

Leases, which effectively transfer substantially all risks and benefits incidental to ownership of the leased item to the entity, are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the statement of financial performance.

Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Unamortised goodwill is reviewed at each balance date to determine the amount (if any) that is no longer recoverable beyond reasonable doubt and any amount identified is written off. During the year the goodwill was written down to nil.

Intellectual Property

Unamortised intellectual property costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable beyond reasonable doubt and any amount identified is written off.

Other non-current assets

Research and Development costs

Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred, such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost, which is 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. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Interest-bearing liabilities

All loans are measured at the principal amount plus accrued interest if applicable. Interest is charged as an expense as it accrues. Finance lease liabilities are accounted for in accordance with the requirements of AASB 1008: "Leases".

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for warranty is recognised for all products under warranty at the reporting date based on sales volume and past experience of the level of repairs and returns.

Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of Goods

Control of the goods has passed to the buyer.

Rendering of Services

Revenue from the rendering of corporate services to associated companies is recognised upon the delivery of the service to those companies.

Interest

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

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and annual leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:-

- wages and salaries and annual leave; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

Taxation

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time that items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004	CONSOLIDATED 2003	TECHSTAR LIMITED 2004	TECHSTAR LIMITED 2003
		$	$	$	$
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities:					
Revenue from sale of goods		**240,541**	430,216	**-**	-
Revenue from services		**-**	-	**680,109**	712,254
Total revenues from operating activities		240,541	430,216	680,109	712,254
Interest					
- controlled companies	31	**-**	-	**414,004**	317,764
- other persons/corporations		**353**	2,791	**175**	2,369
Total interest		353	2,791	414,179	320,133
Other Revenue					
- proceeds from sales of plant & equipment		**6,633**	3,467	**6,633**	2,689
- gain on sale of investments		**300,000**	-	**-**	-
- revenue from grants		**263,439**	65,995	**-**	-
- other		**8,418**	24,197	**159**	651
Total other revenue		578,490	93,659	6,792	3,340
Total revenues from non-operating activities		578,843	96,450	420,971	323,473
Total revenues from ordinary activities		819,384	526,666	1,101,080	1,035,727

3. EXPENSES AND LOSSES/(GAINS)

(a) Expenses

Depreciation of non-current assets				
- Plant and equipment	**18,849**	21,428	**16,150**	15,637
- Plant and equipment under lease	**15,307**	33,479	**15,307**	33,479
	34,156	54,907	31,457	49,116
Amortisation of non-current assets				
- Intellectual property	**-**	349,966	**-**	-
- Goodwill	**-**	4,949	**-**	-
- Research and development costs	**-**	6,139	**-**	-
	-	361,054	-	-
	34,156	415,961	31,457	49,116
Specific diminution of assets included in expenses from ordinary activities:				
- Recoverable amount write-down of R&D	**1,114,874**	-	**-**	-
- Diminution in value of intellectual property	**787,424**	-	**-**	-
- Diminution in value of goodwill	**39,592**	-	**-**	-
- Diminution in value of investments	**-**	-	**3,008,581**	-
- Provision for diminution in value of loans receivable	**-**	-	**5,786,583**	162,414
- Diminution of stock value	**237,820**	-	**-**	-
Total diminution of assets	2,179,710	-	8,795,164	162,414

The carrying value of intellectual property, research and development and goodwill has been adjusted to nil and the parent entity has reduced the investment value and loans receivables from subsidiaries.

These diminutions are as a result of the decision reached to sell all the products. The unique chest compression device, CPREzy was sold to UK-based Company Health Affairs Pty Ltd on 3 June 2004.

The carrying values of the remaining products the Ironbar "Reomate" and the SportzWhistle "SportzWiz" products reflect the realisable values.

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004	CONSOLIDATED 2003	TECHSTAR LIMITED 2004	TECHSTAR LIMITED 2003
		$	$	$	$

3. EXPENSES AND LOSSES/(GAINS) (continued)

Borrowing costs expensed:				
Interest expense				
- Finance lease	**2,491**	11,963	**2,491**	11,963
- On directors' loans	**202,460**	131,193	**195,448**	125,682
- Other persons/corporations	**400,837**	10,730	**400,837**	16,241
	605,788	153,886	**598,776**	153,886
Other borrowing costs:				
- Other persons/corporations	**2,246**	11,670	**2,246**	2,576
	608,034	165,556	**601,022**	156,462
Operating lease rental - minimum lease payments	**45,772**	35,678	**45,772**	35,678
Bad and doubtful debts	**2,851**	19,717	**20**	-
(b) Losses/(gains)				
Net foreign currency losses/(gains)				
- Trade payables	**(8,418)**	(2,299)	**(160)**	-
- Trade receivables	**1,840**	8,782	**-**	-
- Foreign cash holdings	**-**	275	**-**	-
	(6,578)	6,758	**(160)**	-

4. INCOME TAX

The prima facie tax on operating loss, at 30% differs from the income tax provided in the financial statements as follows:				
Prima facie tax benefit on operating loss	1,199,362	567,050	2,913,855	115,734
Tax effect of permanent differences				
Write-down of goodwill and intellectual property	(248,105)	(108,316)	(2,638,549)	-
R&D expensed in accounts	(379,262)		-	
R&D incentive claim (additional 25%)	16,800	26,466	-	-
Other items	30,789	1,919	57,153	434
Prima facie tax benefit not bought to account on operating losses at balance date as realisation of the benefit is not regarded as virtually certain.	619,584	487,119	332,459	116,168
Income tax expense attributable to ordinary activities	-	-	-	-
Future income tax benefit arising from tax losses not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.	3,032,660	2,578,005	661,161	309,306

The prima facie future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continued to be complied with;

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, TechStar Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
5. RECEIVABLES (CURRENT)					
Trade debtors		**79,145**	27,459	-	20
Less: Provision for doubtful debts		-	(19,717)	-	-
		79,145	7,742	-	20
Sundry debtors		**208**	295	**208**	295
Funds receivable on sale of investments		**300,000**	-	-	-
Amounts receivable from related parties:					
- Directors		-	500	-	-
- Director related		-	440	-	440
- Loans to controlled entities		-	-	**7,056,003**	-
- Loans to controlled entities provision				**(5,785,202)**	
		379,353	8,977	**1,271,009**	755

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) domestic trade debtors are non-interest bearing and generally on 30 day terms.
(ii) overseas trade debtors are non-interest bearing and generally on Letter of Credit on sight terms.
(iii) sundry debtors are non-interest bearing and have repayment terms between 30 days and 90 days.

6. RECEIVABLES (NON-CURRENT)	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
- controlled entities	**31**	-	-	-	6,012,096

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

Details of the terms and conditions of related party receivables are set out in note 31.

7. INVENTORIES (CURRENT)		CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
Raw Materials					
- CPR Ezy at cost		-	18,764	-	-
Work in Progress					
- CPR Ezy at cost		-	35,522	-	-
Finished goods					
- CPR Ezy at cost		-	239,252	-	-
Total Inventories					
- CPR Ezy at cost		-	293,538	-	-
Total inventories at lower of cost and net realisable value		-	293,538	-	-

8. OTHER CURRENT ASSETS		CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
Prepayments		**13,499**	13,652	**13,499**	-
Directors		**15,543**	-	**440**	
		29,042	13,652	**13,939**	-
Investments comprises:					
Controlled entities - unlisted shares		-	-	**1**	3,008,582

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $

9. OTHER FINANCIAL ASSETS (NON-CURRENT)

(i) During the year investments in controlled entities were written down to recoverable amount as follows:

Inter Medteq Pty Ltd					
Opening balance				**2,689,754**	2,689,754
Diminution in value				**(2,689,754)**	-
				-	2,689,754
Inter Ironbar Pty Ltd					
Opening balance				**318,827**	318,827
Diminution in value				**(318,827)**	-
				-	318,827
				-	3,008,581

(a) Interests in wholly owned subsidiaries

Name	Country of Incorporation	Equity interest held by consolidated entity 2004	Equity interest held by consolidated entity 2003	Company carrying value of investment 2004	Company carrying value of investment 2003
Inter-Whistle Pty Ltd	**Australia**	100%	100%	1	1
Inter-Cent Pty Ltd	**Australia**	100%	100%	-	-
Inter-IronBar Pty Ltd	**Australia**	100%	100%	-	318,827
Inter-Medteq Pty Ltd	**Australia**	100%	100%	-	2,689,754
Conceptual Innovation and Design (Holdings) Pty Ltd (vii)	**Australia**	-	-	-	-

(b) Interests in other subsidiaries

SportzWhistle Pty Ltd (i)	**Australia**	61.20%	61.20%	-	-
Centurion Tech Holdings Pty Ltd (ii)	**Australia**	60%	60%	-	-
Centurion Technologies Pty Ltd (ii)	**Australia**	60%	60%	-	-
Ironbar Pty Ltd (iii), (vi)	**Australia**	49%	49%	-	-
Medteq Holdings Pty Ltd (iv)	**Australia**	50%	50%	-	-
Medteq Innovations Pty Ltd (iv)	**Australia**	50%	50%	-	-
Conceptual Innovation and Design Pty Ltd (v)	**Australia**	-	-	-	-

(i) Investments are held by Inter-Whistle Pty Ltd
(ii) Investments are held by Inter-Cent Pty Ltd
(iii) Investments are held by Inter-Ironbar Pty Ltd
(iv) Investments are held by Inter-Medteq Pty Ltd
(v) Investments are held by Conceptual Innovation and Design (Holdings) Pty Ltd
(vi) Control exists due to the entity's financial dependence upon Inter-Ironbar Pty Ltd
(vii) TechStar Limited's holding in this entity was sold in the year ended 30 June 2003 for no cash consideration

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
10. PLANT AND EQUIPMENT					
Plant and equipment:					
At cost		**83,838**	81,016	**83,838**	61,365
Accumulated depreciation		**(60,271)**	(63,775)	**(60,271)**	(46,822)
		23,567	17,241	23,567	14,543
Plant and equipment under lease					
At cost		**18,475**	138,091	**18,475**	138,091
Accumulated amortisation		**(12,690)**	(104,838)	**(12,690)**	(104,838)
		5,785	33,253	5,785	33,253
		29,352	50,494	29,352	47,796
Plant and equipment at cost		102,313	219,107	102,313	199,456
Accumulated depreciation and amortisation		**(72,961)**	(168,613)	**(72,961)**	(151,660)
		29,352	50,494	29,352	47,796

Assets pledged as security

Included in the balance of Plant and Equipment are assets over which a floating charge has been granted as security over loans (see note 14 & 17).

Assets under lease are pledged as security for the associated lease liabilities.

(a) Reconciliations

Plant and equipment					
Carrying amount at beginning		**17,241**	37,663	**14,543**	29,165
Additions		**26,638**	1,775	**26,638**	1,775
Disposals		**(1,463)**	(769)	**(1,463)**	(760)
Depreciation expense		**(18,849)**	(21,428)	**(16,151)**	(15,637)
		23,567	17,241	**23,567**	14,543
Plant and equipment under lease					
Carrying amount at beginning		**33,253**	82,985	**33,253**	82,985
Terminated during the year		**(12,161)**	(16,253)	**(12,161)**	(16,253)
Amortisation expense		**(15,307)**	(33,479)	**(15,307)**	(33,479)
		5,785	33,253	**5,785**	33,253
11. INTANGIBLE ASSETS					
Goodwill		**59,388**	59,388	-	-
Accumulated amortisation		**(59,388)**	(19,796)	-	-
		-	39,592	-	-
Intellectual property at cost		**2,599,796**	2,599,796	-	-
Accumulated amortisation		-	(1,488,954)	-	-
Diminution of recoverable amount	3(a)	**(2,599,796)**	(323,418)	-	-
		-	787,424	-	-
		-	827,016	-	-

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
12. Research and Development					
Research and development costs					
Balance at beginning of year at cost		**1,114,874**	963,743	-	-
Research and development costs incurred during the year and deferred		-	163,185	-	-
Diminution of recoverable amount		**(1,114,874)**	-	-	-
		-	1,126,928	-	-
Accumulated amortisation		-	(12,054)	-	-
		-	1,114,874	-	-
13. PAYABLES (CURRENT)					
Trade creditors		**682,086**	429,048	**290,977**	68,714
Amounts payable to related parties	31	**697,083**	-	**697,083**	-
Other creditors		**230,950**	167,894	**135,460**	148,571
		1,610,119	596,942	**1,123,520**	217,285
Aggregate amounts payable to related parties:					
- Directors'		**697,083**	-	**697,083**	-
		697,083	-	**697,083**	-

(a) Terms and conditions relating to the above financial instruments

(i) trade creditors are non-interest bearing and are normally settled on 30 day terms.

(ii) details of the terms and conditions of related party payables are set out in note 31.

(iii) other creditors are non-interest bearing.

14. INTEREST BEARING LIABILITIES (CURRENT)

	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
Secured lease liability - finance lease (i)	**23**	**3,909**	46,386	**3,909**	46,386
Borrowings securing by fixed and floating charge					
- Bank overdraft (ii)		**124,063**	74,152	**124,063**	74,152
- Director related entities (iii)		-	-	-	-
- Other entities (iv)		**1,024,497**	-	**1,024,497**	-
		1,152,469	120,538	**1,152,469**	120,538

(i) Finance leases have an average lease term of 4 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 10%. Secured lease liabilities are secured by a charge over the leased assets.

(ii) Bank overdraft is repayable over time. A continuing overdraft facility of $135,000 is available subject to periodical bank review. Interest is charged at the daily bank base lending rate plus 1.75%pa.

(iii) Director related entity loans are repayable over time. Interest is charged at the rate of 10%pa and the loans are secured via a floating charge.

(iv) Other loans are repayable over time with interest charged at the rate of 10%pa. The loans are secured via a floating charge.

15. PROVISIONS (CURRENT)

	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
Employee benefits	**24**	**24,220**	19,657	**24,220**	19,657
Warranty provision		**186**	399		
		24,406	20,056	**24,220**	19,657

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004	CONSOLIDATED 2003	TECHSTAR LIMITED 2004	TECHSTAR LIMITED 2003
		$	$	$	$
16. PAYABLES (NON CURRENT)					
Directors' fees		-	517,083	-	517,083

In 2004 all directors' fees payable are listed in current payables.

17. INTEREST BEARING LIABILITIES (NON-CURRENT)

	Notes	CONSOLIDATED 2004	CONSOLIDATED 2003	TECHSTAR LIMITED 2004	TECHSTAR LIMITED 2003
- Secured lease liability - finance lease (i)	23	**2,611**	6,519	**2,611**	6,519
- Director related entities (ii)		**2,205,209**	1,799,935	**2,126,298**	1,734,036
- Other		-	150,000	-	150,000
		2,207,820	1,956,454	**2,128,909**	1,890,555

Terms and conditions relating to the above financial instruments:

(i) Finance leases have an average lease term of 4 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 10%. Secured lease liabilities are secured by a charge over the leased assets.

(ii) Director related entity loans are repayable by 30 September 2005. Interest is charged at the rate of 10% pa and the loans are secured via a floating charge.

18. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	CONSOLIDATED 2004	CONSOLIDATED 2003	TECHSTAR LIMITED 2004	TECHSTAR LIMITED 2003
Ordinary shares fully paid	**7,138,723**	6,863,588	**7,138,723**	6,863,588
Less: Equity raising costs	**(600,110)**	(600,110)	**(600,110)**	(600,110)
	6,538,613	6,263,478	**6,538,613**	6,263,478

(b) Movements in shares on issue

	2004 Number of shares	2004 $	2003 Number of shares	2003 $
Beginning of financial year	**39,903,731**	**6,263,478**	39,403,731	6,263,478
Issued during year	-	-	-	-
- Shares issued to directors (i)	-	-	500,000	-
- Shares issued to other parties including employees (ii)	**1,844,212**	**275,135**	-	-
- Listed share option exercised	-	-	-	-
- Employee share option exercised	-	-	-	-
End of the financial year	41,747,943	6,538,613	39,903,731	6,263,478

(i) At the 2002 annual general meeting the issuing of 500,000 shares to directors was approved.

(ii) This comprises shares issued as follows:

06/08/2003 - 555,556 shares issued @ $0.252 cents totalling $140,000 to former Chief Executive Officer Peter Michael O'Neill as approved at the Annual General Meeting held on 31 October 2002. No consideration was received by the consolidated entity on the issuance of these shares. As this relates to a termination benefit the amount was expensed.

17/12/2003 - 362,730 shares issued @ $0.152 cents totalling $55,135 to the Chief Executive Officer David Hunt as approved at the Annual General Meeting held on 27 November 2003. No consideration was received by the consolidated entity on the issuance of these shares.

01/02/2004 - 925,926 shares (in total) issued @ $0.0864 cents to Chief Executive Officer David Hunt and Chief Financial Officer Barry Moffatt for which $80,000 in cash was received.

(c) Share options

Options over ordinary shares

At the end of the year there were 2,267,361 (2003: nil) unissued ordinary options in respect of which options were outstanding. (Refer note (d) below).

Listed share options

There were no new listed share options issued for the period.

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004	CONSOLIDATED 2003	TECHSTAR LIMITED 2004	TECHSTAR LIMITED 2003
		$	$	$	$

18. CONTRIBUTED EQUITY (continued)

(d) Terms and conditions of contributed equity

Ordinary shares

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

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

Options to acquire issued capital

Each option entitles the holder to purchase one share. The names of all persons who currently hold share options, granted at any time, are entered in the register kept by the Company, pursuant to Section 168 of the Corporations Act 2001, which may be inspected free of charge. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

Movements in the numbers of options to acquire share capital are as follows:

	Exercise Price	Number of Options 2004	Number of Options 2003
On issue at the beginning of the year		-	-
Issued during the year (i)	Various prices	**2,267,361**	-
On issue at the end of the year		**2,267,361**	-

(i) These options were issued attached to equity placements during the financial year and are exercisable at the following dates and prices:

Expiry Date	Exercise Price	Number of Options 2004	Number of Options 2003
1 February 2006 – Employees	$0.0864 cents	**925,926**	-
1 April 2006 – Employees	$0.0864 cents	**810,185**	-
30 June 2006	$0.20 cents	**250,000**	-
30 June 2006	$0.16 cents	**156,250**	-
31 July 2006	$0.20 cents	**125,000**	-
		2,267,361	-

During the year there were no options issued in respect to remuneration. All options held by employees were the result of share capital purchases during the year.

	CONSOLIDATED 2004	CONSOLIDATED 2003	TECHSTAR LIMITED 2004	TECHSTAR LIMITED 2003
	$	$	$	$

19. RESERVES

Asset revaluation	-	-	-	3,714,573

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

Movements in asset revaluation reserve:

Balance at beginning of year	-	-	**3,714,573**	3,714,573
Transfer to accumulated losses			**(3,714,573)**	-
Balance at end of year	-	-	-	3,714,573

20. ACCUMULATED LOSSES

Accumulated losses

Balance at beginning of year	**(5,436,053)**	(4,194,709)	**(3,654,474)**	(3,268,694)
Net losses attributable to members of TechStar Limited	**(2,372,530)**	(1,241,344)	**(9,712,850)**	(385,780)
Transfer of revaluation reserve	-	-	**3,714,573**	-
	(7,808,583)	(5,436,053)	**(9,652,751)**	(3,654,474)

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
21. OUTSIDE EQUITY INTEREST					
Reconciliation of outside equity interests in controlled entities:					
Opening balance		**(1,660,967)**	(1,012,143)		
Less share of operating loss		**(1,625,343)**	(648,824)		
		(3,286,310)	(1,660,967)		
Outside equity interest comprises:					
Share capital		**2,061,397**	2,061,397		
Accumulated losses		**(5,347,707)**	(3,722,364)		
		(3,286,310)	(1,660,967)		
22. STATEMENT OF CASH FLOWS					
22(a) Reconciliation of the operating loss after tax to the net cash flows from operations					
Operating loss after tax		**(3,997,872)**	(1,890,168)	**(9,712,850)**	(385,780)
Depreciation of non-current assets		**18,849**	21,428	**16,150**	15,637
Amortisation of assets under finance lease		**15,307**	33,479	**15,307**	33,479
Amortisation of goodwill		**-**	4,949	**-**	-
Diminution of value of Goodwill		**39,592**	-	**-**	-
Diminution of intellectual property		**787,424**	349,966	**-**	-
Amortisation of research & development		**-**	6,139	**-**	-
Recoverable amount write-down - capitalised R&D		**1,114,874**	-	**-**	-
Net foreign currency (gains)/losses		**(6,578)**	6,758	**-**	-
Diminution of value of investments		**-**	-	**3,008,581**	-
Diminution of value of loans receivable		**-**	-	**5,786,583**	162,414
Accrued interest on interest bearing liabilities		**585,708**	131,193	**578,696**	125,682
Current investment in associated entities		**-**	-	**(414,004)**	-
Shares allotted to P O'Neill-redundancy & D Hunt-Bonus payment		**195,135**	-	**195,135**	-
Other		**(24,363)**	(30,898)	**5,924**	(11,003)
Changes in assets and liabilities:					
Decrease/(increase) in trade and other receivables		**(385,919)**	19,748	**(14,496)**	(1,033,928)
Decrease/(increase) in other assets		**14,756**	14,994	**(1,104)**	5,994
(Decrease)/increase in trade and other creditors		**1,013,177**	381,655	**906,235**	260,467
(Decrease)/increase in payables		**(517,083)**	-	**(517,083)**	-
(Decrease)/increase in employee entitlements		**4,130**	(53,503)	**4,563**	(53,503)
(Decrease)/increase in other provisions		**217**	183	**-**	-
(Decrease)/increase in goods and services tax payable		**-**	(3,232)	**-**	995
Decrease/(increase) in inventory		**293,538**	39,986	**-**	-
Research and development costs capitalised		**-**	(163,185)	**-**	-
Net cash flow from (used in) operating activities		**(849,108)**	(1,130,508)	**(142,363)**	(879,546)

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
22. STATEMENT OF CASH FLOWS (continued)					
22(b) Reconciliation of cash					
Cash balance comprises:					
- Cash on hand and at bank		**787**	51,033	**679**	1,518
- Short term deposits		**-**	17,947	**-**	17,947
		787	68,980	**679**	19,465
- Bank overdraft		**(124,063)**	(74,152)	**(124,063)**	(74,152)
Closing cash balance		**(123,276)**	(5,172)	**(123,384)**	(54,687)
22 (c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available:					
Total facilities					
- Bank overdraft	14	**135,000**	100,000	**135,000**	100,000
- Related parties	17	**2,205,209**	1,799,935	**2,126,298**	1,734,036
- Other	14	**1,024,497**	150,000	**1,024,497**	150,000
Facilities used at balance date					
- Bank overdraft	14	**124,063**	74,152	**124,063**	74,152
- Related parties	17	**2,205,209**	1,799,935	**2,126,298**	1,734,036
- Other	14	**1,024,497**	150,000	**1,024,497**	150,000
Facilities unused at balance date					
- Bank overdraft	14	**10,937**	25,848	**10,937**	25,848
23. LEASE EXPENDITURE COMMITMENTS					
(a) Operating leases (non-cancellable)					
Minimum lease payments					
- Not later than one year		**-**	144,000	**-**	144,000
- Later than one year and not later than five years		**-**	-	**-**	-
- Later than five years		**-**	-	**-**	-
- Aggregate lease expenditure contracted for at balance date		**-**	-	**-**	-
Amounts not provided for:					
- rental commitments		**-**	144,000	**-**	144,000

The head office has no rental commitment because it is currently on a month to month rental agreement.

(b) Finance leases:	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
- Not later than one year		**4,365**	49,246	**4,365**	49,246
- Later than one year and not later than five years		**2,649**	7,014	**2,649**	7,014
- Later than five years		**-**	-	**-**	-
- Total minimum lease payments		**7,014**	56,260	**7,014**	56,260
- Future finance charges		**(494)**	(3,355)	**(494)**	(3,355)
- Lease liability		**6,520**	52,905	**6,520**	52,905
- Current liability	14	**3,909**	46,386	**3,909**	46,386
- Non-current liability	17	**2,611**	6,519	**2,611**	6,519
		6,520	52,905	**6,520**	52,905

Finance leases have an average lease term of 4 years with an average discount rate of 10% implicit in the leases. The security over finance leases is disclosed in note 14.

YEAR ENDED 30 JUNE 2004	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $

24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Entitlements

The aggregate employee entitlement liability is comprised of:

	Notes	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	TECHSTAR LIMITED 2004 $	TECHSTAR LIMITED 2003 $
- Provision for annual leave (current)		**24,220**	11,657	**24,220**	11,657
- Other provision (current)		**-**	8,000	**-**	8,000
	15	**24,220**	19,657	**24,220**	19,657

Number of employees

The consolidated entity employed 7 employees as at 30 June 2004 (2003:5 employees).

Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the Company of up to 9% of employees' wages and salaries are legally enforceable.

Employee share option plan

An employee share option plan has been established where Directors, and certain members of staff of the consolidated entity are issued with options over the ordinary shares of TechStar Limited. The options, issued for nil consideration, were issued for a term of 3 years, and were exercisable from 22 December 2000. The options could not be transferred and were not be quoted on the ASX.

Information with respect to the number of options granted under the employee share option plan is as follows:

	2004		2003	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at beginning of year	**90,000**	**0.50**	330,000	0.50
Balance after capital reorganisation				
- granted	**-**	**-**	-	-
- less forfeited	**(90,000)**	**0.50**	(240,000)	0.50
- exercised	**-**	**-**	-	-
Balance at end of year	**-**	**-**	90,000	0.50
Exercisable at end of year	**-**	**-**	90,000	0.50

25. CONTINGENT LIABILITIES

No contingent liabilities have arisen during or at the end of the financial year.

26. SUBSEQUENT EVENTS

TechStar offered its existing shareholders the opportunity to increase investment in Techstar and the opportunities in which TechStar participates by participating in a share purchase plan. New shares, to a maximum amount of $5,000 per shareholder were allocated at an issue price of 15 cents, which is 84.3% of the average market price for the preceding 5 days prior to the 11th June 2004. The total amount of $100,888 was raised by the share purchase plan on the 6 August 2004.

A General Meeting of TechStar Limited was held at the ASX Lecture Theatre, Level 5 Riverside Centre, 123 Eagle Street Brisbane Qld 4001 at 12.00pm on 30 July 2004.

All (two) resolutions as set out in the notice of meeting dated the 30 June 2004 were passed by a show of hands:

Resolution 1

That the Company hereby approve the issue and allotment of not more than 32,000,000 fully paid ordinary shares in capital of the Company, at an issue price of $0.25 per share, in connection with the acquisition by the Company of intellectual property rights pertaining to vision prosthesis technology, such issue and allotment to occur not later than 3 months after the date of this Meeting

Resolution 2:

That the Company hereby approve the issue and allotment of not more than 100,000,000 fully paid shares in the capital of the Company, at an issue price of not less than $0.15 per share in parcels of not less than $500,000, to professional investors and high net worth individuals, to raise funds to assist the development and commercialisation of the vision prosthesis technology, such issue and allotment to occur not later than 3 months after the date of this Meeting.

27. EARNINGS PER SHARE

	2004	2003
Basic loss per share (cents)	**5.8**	3.1
Diluted loss per share (cents)	**5.8**	-

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2004	2003
- Net loss	**3,997,873**	1,890,168
- Adjustments:	**-**	-
- Net loss attributable to outside equity interest	**1,625,343**	648,824
Loss used in calculating basic and diluted earnings per share	**2,372,550**	1,241,344

	2004 Number of shares	2003 Number of shares
Weighted average number of shares used in calculating basic earnings per share:	**40,953,282**	39,696,882
Effect of dilutive securities:		
Share options	**1,077,212**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**42,030,494**	39,696,882

However at 30 June 2004 there is no diluted effect on the earnings per share.

TechStar offered its existing shareholders the opportunity to increase investment in Techstar and the opportunities in which TechStar participates by participating in a share purchase plan. New shares, to a maximum amount of $5,000 per shareholder were allocated at an issue price of 15 cents, which is 84.3% of the average market price for the preceding 5 days prior to the 11th June 2004. The total amount of $100,888 was raised by the share purchase plan on the 6 August 2004.

28. REMUNERATION OF DIRECTORS

		ANNUAL EMOLUMENTS		LONG TERM EMOLUMENTS	
		Base Salary/Fees	Other	Superannuation	Total
		$	$	$	$
J.B. Reid - Chairman					
	2004	**60,000**	**-**	**-**	**60,000**
	2003	60,000	-	-	60,000
B.P. Jones - Non-executive Director					
	2004	**40,000**	**-**	**-**	**40,000**
	2003	40,000	-	-	40,000
J.W. Laurie - Non-executive Director					
	2004	**40,000**	**-**	**-**	**40,000**
	2003	40,000	-	-	40,000
A.J. Hanmer - Non-executive Director					
	2004	**40,000**	**-**	**-**	**40,000**
	2003	40,000	-	-	40,000
Total Remuneration of Specified Directors					
	2004	**180,000**	**-**	**-**	**180,000**
	2003	180,000	-	-	180,000

Messrs Reid, Jones, Laurie and Hanmer have not been paid their emoluments during the year due to the cashflow position of the Company and have agreed to defer payments until 31st December 2004. Although an agreement has been reached with TechStar, it may be that during this period the deferred payments will be paid when the cash position improves.

29. REMUNERATION OF EXECUTIVES

	Base Salary/Fees	Bonus	Superannuation	Total
	$	$	$	$
D. Hunt – CEO				
2004	**120,000**	**55,135**	**10,800**	**185,935**
2003	102,000	-	9,180	111,180
B. Moffatt – CFO/Company Secretary				
2004	**85,124**	**-**	**7,661**	**92,785**
2003	-	-	-	-
P. Dewar – Chief Operating Officer				
2004	**15,349**	**-**	**1,381**	**16,730**
2003	-	-	-	-
J. Hilton – Group Technologist				
2004	**80,000**	**-**	**7,200**	**87,200**
2003	80,000	-	7,200	87,200
Total Remuneration of Specified Executives				
2004	**300,473**	**55,135**	**27,042**	**382,650**
2003	182,000	-	16,380	198,380

There have been no non-monetary, post employment, retirement, or options granted as remuneration during the year. All bonuses issued are approved by the Board of Directors.

30. AUDITORS' REMUNERATION

	Notes	CONSOLIDATED 2004	CONSOLIDATED 2003	TECHSTAR LIMITED 2004	TECHSTAR LIMITED 2003
		$	$	$	$
Amounts received or due and receivable by the auditors of TechStar Limited for:					
- An audit or review of the financial report of the entity and any other entity in the consolidated entity		**68,213**	61,000	**68,213**	61,000
- Other non-assurance services		**34,501**	-	**34,501**	-
		102,714	61,000	**102,714**	61,000

31. RELATED PARTY DISCLOSURES

(a) The Directors of TechStar Limited during the financial year were:

J.B. Reid

B.P. Jones

J.W. Laurie

A.J. Hanmer

(b) The following related party transactions occurred during the financial year:

(i) Transactions with related parties

Loans made by the Company to controlled entities under normal commercial terms and conditions, including interest of 10% per annum, aggregating $1,271,449 (2003: $6,012,096). No amount was repaid during the year. Interest amounting to $414,004 (2003: $317,764) has been charged on these loans. An amount of $5,786,583 (2003: $162,414) including interest was provided for during the year representing a diminution of the value of loans receivable.

Classes of related parties involved:

(a) Controlled entities (wholly owned):

- Inter-whistle Pty Ltd-
- Inter-cent Pty Ltd-
- Inter-medteq Pty Ltd-
- Inter-ironbar Pty Ltd

31. RELATED PARTY DISCLOSURES (cont)

(b) Controlled entities (partly owned):

- Centurion Tech Holdings Pty Ltd.
- Centurion Technologies Pty Ltd.
- Medteq Innovations Pty Ltd.
- Medteq Holdings Pty Ltd.
- Ironbar Pty Ltd.
- SportzWhistle Pty Ltd.
- Conceptual Innovation and Design (Holdings) Pty Ltd.
- Conceptual Innovation and Design Pty Ltd.

(ii) Transactions with director-related entities

During the year Meltharina Pty Ltd (a company related to Mr B. P. Jones), provided funding to TechStar Limited totalling $35,820 (2003: $78,371). The loan was provided on commercial lending terms secured by a floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to $20,440 (2003: $13,393) has been charged on this loan.

During the year, Quorrobolong Pty Ltd (a company related to Mr J. B. Reid) provided funding to TechStar Limited totalling $160,944 (2003:$900,000). The loan was provided on commercial lending terms, secured by a floating charge over the assets of the company at the rate of interest of 10%. Interest amounting to $175,008 (2003: $112,289) has been charged on this loan.

During the year, the Jones family (related to Mr B. P. Jones) provided funding to Ironbar Pty Ltd, a controlled entity, totalling $6,000 (2003: $51,638). The loan was provided on commercial lending terms, secured by a floating charge over the assets of Ironbar Pty Ltd at the rate of interest of 10%. Interest amounting to $7,012 (2003: $5,511) has been charged on this loan.

(iii) Transactions with directors

During 2003 Mr A. J. Hanmer was paid $35,722 for executive management and marketing services, however there were no fees paid in 2004.

During the year salary amounts paid to C Jones (a director of IronBar Pty Ltd) totalled $60,000 (2003: $50,000).

(c) Ultimate parent

TechStar Limited is the ultimate Australian parent entity.

(d) Equity instruments of directors

(i) Interests in the equity instruments of the Company held by Directors of the reporting entity and their director related entities at balance date:

	Ordinary Shares Fully Paid	Ordinary Shares Fully Paid
	2004	2003
J.B. Reid	**8,743,843**	5,577,439
B.P. Jones	**5,432,392**	5,432,392
J.W. Laurie	**295,920**	295,920
A.J. Hanmer	**250,000**	250,000
	14,722,155	11,557,754

32. SEGMENT INFORMATION

Segments and product locations

The consolidated entity's operating companies are organised and managed separately according to the nature of the products and services they provide, with each segment offering different products and serving different markets.

The CPREzy segment produces and distributes a CPR assistance device to the medical, CPR training, and consumer markets. The Reomate segment is developing a hand tool to tie reinforcing rods for concrete construction to the building and construction industry. The SportzWhistle segment is developing an electronic hand held whistle for the sporting markets. The "other" segment includes other revenues and expenses associated with the provision of management services to controlled entities, management of investments, and general corporate administration activities.

Segment accounting policies

The group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information. The consolidated entity operates in one geographical location being Australia.

32. SEGMENT INFORMATION (continued)

Business segments	Notes	CPREzy		Reo-Mate		SportzWhistle		Other		Eliminations		Consolidated	
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
		$	$	$	$	$	$	$	$	$	$	$	$
Revenue													
Sales to customers outside the economic entity		**236,451**	421,826		-	**4,090**	8,390		-		-	**240,541**	430,216
Other operating revenue		**349,570**	68,443	**79,297**	-	**143,008**	-	**6,968**	28,007		-	**578,843**	96,450
Total revenue		**586,021**	490,269	**79,297**	-	**147,098**	8,390	**6,968**	28,007	**-**	-	**819,384**	526,666
Segment results		**(4,573,587)**	(1,221,875)	**(717,880)**	(121,222)	**(125,118)**	(234,258)	**1,398,710**	(312,813)		-	**(4,017,929)**	(1,890,168)
Segment assets		**379,658**	2,016,038	**-**	401,862	**100**	497,701	**58,786**	17,628,979	**-**	18,167,049	**438,534**	2,377,531
Segment liabilities		**5,243,130**	3,092,654	**1,088,338**	258,535	**1,253,024**	973,371	**4,451,721**	11,319,225	**7,041,399**	12,432,712	**4,994,814**	3,211,073
Other segment information													
Acquisition of assets		**-**	10	**-**	-	**-**	-	**-**	1,765	**-**	-	**-**	1,775
Recoverable amount write-down R&D		**629,617**	-	**221,128**	-	**264,129**	-	**-**	-	**-**	-	**1,114,874**	-
Diminution in value of intellectual property		**749,999**	-	**37,425**	-	**-**	-	**-**	-	**-**	-	**787,424**	-
Diminution in value of goodwill		**-**	-	**-**	-	**39,592**	-	**-**	-	**-**	-	**39,592**	-
Diminution of stock value		**237,820**	-	**-**	-	**-**	-	**-**	-	**-**	-	**237,820**	-
Depreciation		**315**	82	**-**	-	**-**	144	**18,534**	21,202	**-**	-	**18,849**	21,428
Amortisation		**-**	339,472		16,633	**-**	4,949	**15,307**	33,479	**-**	-	**15,307**	394,533

33. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity'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 and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating interest Rate		Within 1 Year		Fixed Interest Rate Maturing in: 1 to 5 Years		More than 5 Years		Non-Interest Bearing		Total carrying amounts as per the statement of financial position	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	%	%	$	$	$	$	$	$	$	$	$	$	$	$
(i) Financial assets														
Cash	-	-	-	-	-	-	-	-	-	-	**787**	51,033	**787**	51,033
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	**379,353**	8,037	**379,353**	8,037
Receivables - related parties	-	-	-	-	-	-	-	-	-	-	**15,043**	940	**15,043**	940
Short term deposits	**3%**	3%	-	17,947	-	-	-	-	-	-		-	-	17,947
Total financial assets	-	-		17,947	-	-	-	-	-	-	395,183	60,010	395,183	77,957
(ii) Financial liabilities										-			-	
Trade and other creditors	-	-	-	-	-	-	-	-	-	-	**913,036**	596,942	**913,036**	596,942
Directors fees payable	-	-	-	-	-	-	-	-	-	-	**697,083**	517,083	**697,083**	517,083
Bank and other loans	**(i)**	(i)	**124,063**	74,152	-	-	-	-	-	-	-	-	**124,063**	74,152
Loan - director related entity	**10%**	10%	-	-		-	**2,205,210-**	1,799,935	-	-	-	-	**2,205,210**	1,799,935
Other loans	**10%**	10%	-	-	**1,024,496**	-	-	150,000	-	-	-	-	**1,024,496**	150,000
Finance lease liability	**10%**	10%	-	-	**3,909**	46,386	**2,611**	6,519	-	-	-	-	**6,520**	52,905
Total financial liabilities			124,063	74,152	1,028,405	46,386	2,207,821	1,956,454	-	-	1,610,119	1,114,025	4,970,408	3,191,017

33. FINANCIAL INSTRUMENTS

(i) Bank overdraft interest is charged on daily balances at the prevailing bank base lending rate plus 1.75%pa. At 30 June 2004 the rate was 10.50%.

(ii) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

(a) Recognised financial instruments

Cash and short-term deposits:

The carrying amount approximates fair value because of their short-term to maturity.

Receivables and Payables, including related party balances:

The carrying amount approximates fair value.

Finance lease liability:

The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

(b) Credit risk exposures

The entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

Concentrations of credit risk

The entity has minimal credit risk as the majority of financial assets are in the form of cash and short-term deposits. Concentrations of credit risk on trade receivables arise in the following business segments:

	Maximum credit risk exposure for each concentration			
	Percentage of total trade debtors		Amount of total trade debtors	
Business Segment	2004	2003	2004	2003
CPR Ezy	100%	100%	79,145	27,459

34. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This final financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. This summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The key potential implications of the conversion to IFRS on the consolidation entity are as follows:

- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- Income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and as the tax effect follows the underlying transaction, some tax effects will be recognised in equity
- Impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.
- Future Research and Development costs of projects will be effected.

The potential impact on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs, which may be incurred, has not been quantified as at the transition date of 1st July 2004.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of TechStar Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with 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 2004 and of their performance for the year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable (refer note 1).

On behalf of the Board

Brian P. Jones

Director

Brisbane, 29 September 2004

ERNST & YOUNG

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Independent audit report to members of TechStar 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 TechStar Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. 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.

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

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

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

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

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

ERNST & YOUNG

Independence
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit Opinion
In our opinion, the financial report of TechStar 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 2004 and of their performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements.

Inherent Uncertainty Regarding Continuation as a Going Concern
Without qualification to the opinion above, attention is drawn to the following matters. As a result of the matters described in Note 1 Going Concern, there is significant uncertainty whether the company and the consolidated entity will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. It is the view of the directors that the company and the consolidated entity will be able to continue as going concerns. The financial report of the company and consolidated entity does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

Ernst & Young

Ernst & Young

M Reid

Mike Reid
Partner
Brisbane
30 September 2004

TechStar Limited

ASX ADDITIONAL INFORMATION

30 June 2004

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd. and not shown elsewhere in this report is as follows. The information is current as at 23 September 2004.

(a) Statement of shareholdings

Holding range	Name of 20 largest shareholders	No. of holders	Fully paid No. of shares held	% held
100,001 or more	MELTHARINA PTY LTD		5,582,392	13.12
	QUORROBOLONG PTY LTD		5,319,992	12.51
	MILLENIUM PTY LIMITED		2,884,269	6.78
	BEVILLESTA PTY LTD <BEVILLE EXEC SUPER FUND A/C>		2,558,722	6.02
	BLUSCAN PTY LTD		1,826,000	4.29
	DAVIROSE PTY LTD		1,000,000	2.35
	BEVILLESTA PTY LTD [BEVILLES EXECUTIVE S/F A/C]		907,200	2.13
	IRSF PTY LTD		880,000	2.07
	HORIZON MANOR PTY LTD		796,000	1.87
	DORVELL PTY LTD [ROSKAR SUPER FUND]		776,271	1.82
	DORVELL PTY LTD [ROSKAR DISCRETIONARY A/C]		695,030	1.63
	BARRY JAMES MOFFATT		694,445	1.63
	MR DAVID PETER HUNT		594,211	1.40
	MR PHILIP ALAN KENNETH NAYLOR & MRS ANDREA NAYLOR		520,000	1.22
	BLUSCAN PTY LTD		421,200	0.99
	MERRILL LYNCH (AUSTRALIA)NOMINEES PTY LTD		373,855	0.88
	MR ROBERT GEOFFREY SWANSON [TRAFALGAR PLACE NOM ACCOUNT]		300,000	0.71
	JOHN WILLIAM LAURIE & MARY LAURIE [LAURIE PENSION FUND A/C]		299,986	0.71
	MISS LYNN CAROL RAINBOW		290,773	0.68
	PERPETUAL CUSTODIANS LIMITED		287,440	0.68
	Total	20	27,007,786	63.49
99,999,999 -100,001	Various	43	30,698,182	72.17
10,001 -100,000	Various	319	10,626,821	24.98
5,001 - 10,000	Various	104	809,158	1.90
1,001 - 5,000	Various	120	381,126	0.90
1 – 1,000	Various	32	20,985	0.05
		618	42,536,272	100.00
Number of shareholders holding less than marketable parcel		104	180,431	0.42

(b) Voting rights

- All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

DIRECTORY

DIRECTORS

John Boyd Reid, A.O.
Brian Peter Jones
John William Laurie
Antony John Hanmer

COMPANY SECRETARY

Barry Moffatt
And
Russell Colin Brown
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