TZ Limited

ABN 26 073 979 272

Financial Report 2004

TZ LIMITED
ABN 26 073 979 272
(Formerly CED Australasia Limited)

DIRECTORY

DIRECTORS

A Leibowitz (Chairman)
C Kelliher
J Falconer

COMPANY SECRETARY

J Falconer

REGISTERED OFFICE

Level 11, 61 Lavender Street
Milsons Point NSW 2061
Telephone +61 2 9929 9288

Email investors@tz.net

BANKERS

National Australia Bank Limited

AUDITORS

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

SOLICITORS

Kemp Strang Lawyers
55 Hunter Street
Sydney NSW 2000

SHARE REGISTRY

Computershare Investor Services Pty Limited
452 Johnston Street
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STOCK EXCHANGE

Australian Stock Exchange Code: TZL

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DIRECTORS' REPORT

The directors of TZ Limited present their report together with the financial reports of the parent entity and its controlled entities for the financial year ended 30 June 2004

Directors

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

A Leibowitz	Chairman – Appointed 24 February 2004
C Kelliher	Executive Director – Appointed 24 February 2004
J Falconer	Company Secretary – Appointed 15 July 2004
A Sigalla	Executive Director – Appointed 8 January 2004 – Resigned 15 July 2004
J Wilson	Executive Director – Appointed 8 January 2004 – Resigned 15 July 2004
D Rudduck	Executive Director – Appointed 8 January 2004 – Resigned 15 July 2004
M Hadaway	Non Executive Director – Appointed 8 January 2004 – Resigned 15 July 2004
J Nissen	Non Executive Director – Resigned 8 January 2004
J Whiting	Non Executive Director – Resigned 8 January 2004
K Whiteman	Non Executive Director – Resigned 24 February 2004

Operating Results

The operating loss after income tax for the year ended 30 June 2004 for the consolidated entity was $1,809,880 (2002: Loss $1,379,637).

Review of Operations

The consolidated entity continued to operate the Golf Link and loyalty programs up until the Golf Link business was sold in April 2004. The loyalty program businesses continued to operate at a substantial loss until they were closed down in May 2004.

The consolidated entity had revenues of $140,026 from its TZ intelligent fastening technology and incurred a loss of $1,665,224 in the six months since TZ was part of the consolidated group.

Principal Activities

The principal activities of the consolidated entity during the financial year were the delivery of account packaging programs for financial institutions, loyalty programs for corporate and retail clients, Shoppers Hotline, The Presidential Card discount program, and the development and commercialisation of the Golf Link National Handicap System. During the year these business were either closed or sold.

After the acquisition of Telezygology Inc in January 2004, the principal activity of the consolidated entity became the development and licensing of intellectual property relating to fastening systems.

Significant Changes in State of Affairs

In October 2003, the Company announced that it was going to acquire Telezygology Inc. Shareholders' meetings were called to consider the proposed acquisition and consequent restructuring and on 31 December 2003, the Company consolidated its existing shares on a 5:1 basis.

In January 2004 the Company acquired Telezygology Inc by way of a share issue of 70,734,446 shares to Telezygology Inc shareholders. To reflect this change in activities, the Company changed its name to TZ Limited.

The Company then completed a fully underwritten share issue in March 2004 to raise $12,000,000, before costs.

The Company's shares were then suspended from trading until all the provisions of the ASX Listing Rules and the Corporations Law concerning the change in control and activities were complied with. The shares, together with those issued under the prospectus, were reinstated to official quotation on the ASX on 8 April 2004.

The use of the Company's funds has been consistent with the objectives in that prospectus.

Likely Developments

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

Dividends

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

Information on Directors

Mr Tony Leibowitz
Non Executive Chairman

Mr Tony Leibowitz is an investment banker, Chairman of NCML (Holdings) Limited and a director of Environmental Infrastructure Limited, both ASX listed companies.

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

As at the date of this report Mr Leibowitz had the following interest in securities in the Company:

Interest in shares	372,781
Interest in options	1,000,000

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

Mr Kelliher's role is to expand and strengthen execution capability and to lead the USA business expansion.

Mr Kelliher has over 17 years experience managing technology based companies ranging from start up ventures to subsidiaries of large multinational companies. He was appointed Managing Director of Microsoft South Pacific Region In 1996 after 3 years as Managing Director of Microsoft's Australian subsidiary. Prior to this, he spent 3 years as the founding Managing Director of Microsoft in New Zealand. Before this he held senior management positions with Digital Equipment Corporation and Philips.

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

Interest in shares	1,416,569
Interest in options	4,727,812

Mr John Falconer
Non executive Director and Company Secretary

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

As at the date of this report Mr Falconer had the following interest in securities in the Company:

Interest in shares	1,388,182
Interest in options	1,388,182

Directors Meetings

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

	Directors Meetings	
	No. of Meetings Held	No. of Meetings Attended
A Leibowitz	2	2
C Kelliher	2	2
A Sigalla	2	2
J Wilson	2	2
D Rudduck	2	2
M Hadaway	2	2
J A Nissen	2	2
J H Whiting	2	2
K D Whiteman	2	2

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

Directors and Executive Officers Emoluments

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

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

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

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

	Salary, Fees & Commissions	**Superannuation contribution**	**Total**
Non Executive Directors Parent Entity			
A Leibowitz	47,616	-	47,616
K Whiteman	56,667	1,500	58,167
J Nissen	30,000	-	30,000
J Whiting	16,667	1,500	18,167
Executive Director Parent Entity			
A Sigalla	116,663	-	116,663
Executive Directors Economic Entity			
C Kelliher	133,332	-	133,332
J Wilson	156,000	9,000	165,000
D Rudduck	123,000	9,000	132,000
Total	679,945	21,000	700,945

Directors' Benefits

Particulars of Directors' Benefits are disclosed in Note 16.

Indemnification and Insurance of Directors and Officers

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

Significant After Balance Date Events

At a general meeting of shareholder held on the 15 July 2004, it was resolved that a total of 6,000,000 shares be issued to ZMS Investments Pty Limited, as foreshadowed in the Company's prospectus for services rendered to the Company. The full amount of this accrued liability of $2,244,000 has been included in these financial accounts.

Share Options

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

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

All of the above options were issued on 15 July 2004 after approval by shareholders at a general meeting.

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

Expiry Date	Issue price of shares	Number under option
29 August 2006	$0.27	1,491,125
29 August 2006	$0.34	2,236,687
29 August 2006	$0.40	6,710,062
26 March 2007	$0.45	2,000,000
30 March 2006	$0.34	7,455,625
31 December 2006	$0.75	1,000,000
31 December 2007	$1.00	1,000,000

Complete details of the above options are in Note 12 to the Financial Statements

Environmental Issues

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

Corporate governance

The directors are responsible for the corporate governance practices of the Company. The main corporate governance practices that were in operation during the financial year are set out in the Corporate Governance section of this annual report.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed at Sydney this 30th day of September 2004 in accordance with a resolution of the Board of Directors.

J Falconer
Director

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STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated		Parent Entity	
		2004	2003	2004	2003
		$	$	$	$
Sales Revenue	2	1,188,293	1,208,038	633,084	682,927
Cost of Sales	2	(631,506)	(667,314)	(398,857)	(457,664)
Gross Profit		556,787	540,724	234,227	225,263
Employee related expenses		(1,916,596)	(791,672)	(618,437)	(473,195)
Occupancy expenses		(128,061)	(125,100)	(77,212)	(125,100)
Communications expenses		(275,961)	(228,798)	(108,806)	(74,974)
Operating lease		-	(165,853)	-	(165,853)
Depreciation		(202,798)	(228,453)	(166,322)	(126,076)
Amortisation of intangibles		(387,945)	-	-	-
Professional & corporate services		(240,297)	(317,255)	(76,317)	(292,410)
Travel and accommodation		(345,833)	-	(83,395)	
Revenue from the sale of subsidiary sold		2,000,000	-	2,000,000	-
Carrying value of subsidiary sold		(136,367)	-	(481,809)	-
Interest paid		(80,957)	-	(4,654)	-
Revenue from sale of investment		324,926	-	98,494	-
Cost of investment sold		(303,256)	-	(131,022)	-
Loss on close down of operating business		(455,534)	-	-	-
Foreign exchange losses		(97,447)	-	-	-
Write off non recoverable loan		(50,000)	-	(50,000)	-
Other Expenses from Ordinary Activities		(207,022)	(73,790)	(63,992)	(19,124)
Revenue from disposal of licences		-	3,906,625	-	2,375,886
Carrying Value of licenses Sold		-	(3,906,625)	-	(2,375,886)
Loss on Disposal of Controlled Entity		-	(179,230)	-	-
Other Revenue from Ordinary Activities	2	136,481	190,060	109,258	151,889
Profit/(Loss) from ordinary activities before income tax expense	3	(1,809,880)	(1,379,367)	580,013	(899,579)
Income tax expense relating to ordinary activities	4	-	-	-	-
Profit/(Loss) from ordinary activities after related income tax expense		(1,809,880)	(1,379,367)	580,013	(899,579)
Profit/(Loss) from extraordinary items after related income tax expense		-	-	-	-
Net Profit/(Loss)		(1,809,880)	(1,379,367)	580,013	(899,579)
Net (Profit)/Loss attributable to outside equity interests	14	-	-	-	-
Net Profit/(Loss) attributable to members of the parent entity		(1,809,880)	(1,379,367)	580,013	(899,579)
Total changes in equity other than those resulting from transactions with owners as owners	13	(1,809,880)	(1,379,367)	580,013	(899,579)
Basic Earnings Per Share (Cents)	22	(1.69)	(2.0)		
Diluted Earning Per Share (Cents)	22	(1.69)	(2.0)		

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

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STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	Consolidated		Parent Entity	
		2004	2003	2004	2003
		$	$	$	$
CURRENT ASSETS					
Cash Assets		7,410,963	478,585	1,206,316	34,728
Receivables	5	3,295,161	40,011	3,233,322	40,011
Inventories	6	-	12,315	-	4,264
TOTAL CURRENT ASSETS		10,706,124	530,911	4,439,638	79,003
NON-CURRENT ASSETS					
Receivables	5	-	-	7,998,532	596,044
Investments	7	10	10	20,512,257	263
Property, Plant and Equipment	8	90,997	215,476	-	166,320
Intangibles	9	19,934,669	-	-	-
TOTAL NON-CURRENT ASSETS		20,025,676	215,486	28,510,789	762,627
TOTAL ASSETS		30,731,800	746,397	32,950,427	841,630
CURRENT LIABILITIES					
Payables	10	2,751,113	101,045	2,523,597	110,526
Provisions	11	73,135	49,428	15,685	32,158
TOTAL CURRENT LIABILITIES		2,824,248	150,473	2,539,282	142,684
NON-CURRENT LIABILITIES					
Payables	10	-	-	695,948	695,948
Provisions	11	-	24,285	-	13,907
TOTAL NON-CURRENT LIABILITIES		-	24,285	695,948	709,555
TOTAL LIABILITIES		2,824,248	174,758	3,235,230	852,239
NET ASSETS		27,907,552	571,639	29,715,197	(10,609)
EQUITY					
Issued Capital	12	54,565,803	25,420,010	54,565,803	25,420,010
Reserves	13	-	-	-	-
Accumulated Losses	13	(26,658,251)	(24,848,371)	(24,850,606)	(25,430,619)
Shareholders' equity attributable to members of the parent entity		27,907,552	571,639	29,715,197	(10,609)
Outside equity interests in controlled entity	14	-	-	-	-
TOTAL EQUITY	13	27,907,552	571,639	29,715,197	(10,609)

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

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STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated		Parent Entity	
		2004 $	2003 $	2004 $	2003 $
Cash Flows from Operating Activities:					
Receipts from customers		1,098,463	1,481,928	675,594	758,897
Payments to suppliers and employees		(3903,701)	(3,119,211)	(1,432,978)	(2,405,981)
Interest received		69,962	26,863	49,441	23,697
Interest paid		(263,252)	-	(4,654)	-
Income tax paid		(622)	-	(622)	-
Net Cash (Used in) Provided by Operating Activities	18(b)	(2,999,150)	(1,610,420)	(713,219)	(1,623,387)
Cash Flows from Investing Activities:					
Proceeds from sale of license		-	1,802,516	-	1,802,516
Proceeds from sale of investment securities		324,926	-	98,493	-
Payment made for investments securities		(303,256)	-	(131,022)	-
Payment for plant and equipment		(211,287)	(39,296)		(9,297)
Acquisition cost for controlled entity		(210,050)	-	(210,050)	-
Payments for research and development		(389,819)	-	-	-
Loan to Controlled Entity		-	-	(8,086,117)	(344,641)
Loans to other person		(1,123,176)	-	(1,122,166)	-
Loans repaid other person		333,489	-	333,489	-
Aggregate cash flows from entity disposed of		-	(28,937)	-	-
Aggregated cash flow from acquired entity		207,670	-	-	-
Net Cash Provided by (Used in) Investing Activities		(1,371,503)	1,734,283	(9,117,373)	1,448,578
Cash Flows from Financing Activities:					
Share Issues		13,522,152	55,560	13,522,152	55,560
Share Issue costs		(2,519,972)	-	(2,519,972)	-
Proceeds from issue of debt securities		1,000,000	-	-	-
Proceeds from borrowings		-	300,000	-	300,000
Repayment of borrowing		(600,000)	(300,000)	-	(300,000)
Net Cash (Used in)/Provided by Financing Activities		11,402,180	55,560	11,002,180	55,560
Net Increase (Decrease) in Cash Held		7,031,527	179,423	1,171,588	(119,249)
Cash at beginning of year	18(a)	478,585	299,162	34,728	153,977
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(99,149)	-	-	-
Cash at end of year	18(a)	7,410,963	478,585	1,206,316	34,728

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

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

1. SUMMARY OF ACCOUNTING POLICIES

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

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

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

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of TZ Limited and all its controlled entities (refer note 7). Entities have been consolidated in the financial statements from the date that control exists. All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

On 2 June 2003 the group disposed of a 75% interest in CAP Singapore, formerly Cendant Asia Pacific Pte Ltd for nil consideration. It was not practical to obtain appropriate figures for the operations of this entity for the period up until its date of disposal for inclusion in the financial report at 30 June 2003. The directors believe the result for the period to 2 June 2003 was a loss which would have resulted in a corresponding gain on disposal and no net impact on the consolidated results.

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

Although maintaining a 25% interest in the company the group has no direct involvement in the Asian operations, no board representation and no commitment to provide future funding. The investment has nil carrying value and the directors do not believe they are in a position to exert significant influence over the operations of the company.

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

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

At the date of this report, the directors of the Company have not yet finalised a high-level assessment of the impact of A-IFRS on the Company, and consequently have not yet determined how they are going to manage the transition to A-IFRS. However, the directors are monitoring the developments in A-IFRS and the potential impact it will have on the Company, and expect to complete an impact study and commence a plan to prepare the Company to be A-IFRS compliant shortly.

While no decision has yet been made as to the policy alternatives to be applied or the extent to which it will affect the Company, the directors have identified the following as being the key accounting policy differences expected to arise on

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

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

transitioning to A-IFRS. This does not represent an exhaustive list of the differences that will arise, and further analysis may change the Company's assessment of the importance or otherwise of the various differences.

First-time adoption of A-IFRS

On first-time adoption of A-IFRS, the Company will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. As any adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ significantly.

Various voluntary and mandatory exemptions are available to the Company on first-time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from having to restate past business combinations.

The impact on the Company of the changes in accounting policies on first-time adoption of A-IFRS will be affected by the choices made. The Company is evaluating the effect of the options available on first-time adoption in order to determine the best possible outcome for the Company.

Income tax

The Company currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

The Company also has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria under current Australian GAAP (refer note 3(b)). Under A-IFRS, it may be easier to recognise these tax losses as deferred tax assets as they are recognised based on a 'probable' recognition criteria. The impact of this difference may be to increase deferred tax assets and opening retained earnings, and result in a higher level of recognised deferred tax assets on a go-forward basis.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

Financial assets and financial liabilities

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost. On adoption of A-IFRS, the Company will be required to classify these financial instruments into various specified categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through the profit and loss. The Company is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the financial statements cannot yet be quantified.

Impairment of financial assets

The Company provides for doubtful debts using an estimate based on historical trends. Under A-IFRS, the Company will no longer be able to provide for doubtful debts on this basis, as a financial asset or group of financial assets is impaired only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset – that is,

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

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

an incurred but not yet reported model rather than an expected loss model must be applied. Consequently, on adoption of A-IFRS, and on an ongoing basis, general provisions and expected loss models may no longer be appropriate, which may cause the carrying amount of various financial assets to increase.

Research and development expenditure

Currently the Company expenses incurred on research and development expenditure are capitalised in the Statement of Financial Position and these cost and amortise them over the period in which their benefits is expected to be realised. On adoption of A-IFRS, the Company will be required to expense this cost in the period in which they are incurred. The Company will be required to derecognise the patents and trademarks that are currently are recorded as intangible assets, with the adjustment made to opening retained earnings.

Goodwill on consolidation

Currently the accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 20 years. On adoption of A-IFRS, the Company will be required to capitalise the goodwill to the Statement of Financial Position and will be subjected to an annual impairment test. Amortisation of goodwill is to be prohibited.

(c) Inventories

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

(d) Investments

Investments are recognised in the financial statements at cost.

(e) Property, Plant and Equipment

Property, plant and equipment is included at cost, less where applicable, any accumulated depreciation or amortisation.
The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it does not exceed the recoverable amount.

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

* Office Furniture and Equipment 13% - 40%

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

(f) Intangibles

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

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

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

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

(iii) Licences
Licences owned by the consolidated entity are recorded at fair value based on the Directors' assessment of the amount for which the assets could be exchanged between knowledgeable, willing parties in an arm's length transaction. Revaluations are made at least at each reporting date to ensure the carrying value of the assets do not differ materially from their fair values.

(g) Membership Income

Memberships are generally for a period of twelve months. Under the terms and conditions of membership, members are entitled to a full refund within forty-five days of renewal or take up of membership. The membership fees received are initially recorded as deferred income and amortised as income in equal instalments over the annual term of the membership.

(h) Receivables and Payables

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

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

(i) Employee Entitlements

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

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

(j) Income Tax

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

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

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be realised.

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

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

(k) Leases

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

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

(l) Foreign Currency Transactions and Balances

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

(m) Revenue Recognition

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

(ii) Other Revenue - Direct Cost Recovery
Direct Cost Recovery revenue comprises revenue earned from the provision of services, the costs of which are directly recoverable from the client as they are incurred.

(iii) Interest Revenue
Interest Revenue is recognised as it accrues.

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
2. REVENUES FROM ORDINARY ACTIVITIES				
Sales Revenue				
Sale of Goods	355,060	326,223	328,087	326,223
Rendering of Services	833,233	881,815	304,997	356,704
Total Sales Revenue	1,188,293	1,208,038	633,084	682,927
Cost of Sales				
Cost of Goods Sold	321,752	317,384	321,752	317,384
Services Expenses (Benefits)	309,754	349,930	77,105	140,280
Total Cost of Sales	631,506	667,314	398,857	457,664
Non-operating revenue				
Reversal of Provisions/Accruals not required	-	121,993	-	121,993
Interest	127,282	26,863	106,760	23,697
Disposal of assets other than goods	-	5,175	-	5,175
Sundry revenue items	9,199	36,029	2,498	1,024
Total non-operating revenue	136,481	190,060	109,258	151,889

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

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
3. LOSS FROM ORDINARY ACTIVITIES				
Profit/Loss from ordinary activities includes: Net losses on disposals of property, plant & equipment	166,555	8,773	166,322	8,773
Aggregate inventory write-downs and other losses	-	43,817	-	31,633
Amortisation of non-current assets				
Goodwill	387,945	-	-	-
Bad and Doubtful Debts expense	-	3,083	-	(3,542)

4. INCOME TAX

The amount provided in respect of income tax differs from the amount prima facie payable on the operating result. The difference is reconciled as follows:

Prima Facie Income Tax on the Operating Result Before Income Tax at 30%	(542,964)	(413,810)	174,004	(269,873)
Tax Effect of Permanent Differences:				
Amortisation of Intangibles	116383	-	-	-
Other Non-Allowable Expenses	(45,015)	(695)	36,613	(695)
Future Income Tax Benefit not brought to account	471,596	414,505	(210,617)	270,568
				-
Income Tax Expense/(Credit) Attributable to Result	-	-	-	-
The potential future income tax benefit arising from tax losses has not been recognised as an asset because recovery of tax losses is not virtually certain.	5,975,542	5,503,946	2,151,028	1,940,411

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

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

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

	Note	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
5. RECEIVABLES					
Current:					
Trade Debtors		99,029	76,059	-	49,434
Sundry Debtors		3,181,262	-	3,233,322	-
Provision for Doubtful Debts		-	(36,048)	-	(9,423)
Sub-total		3,280,291	40,011	3,233,322	40,011
Other Debtors and Prepayments		14,870	-	-	-
		3,295,161	40,011	3,233,322	40,011
Non-Current:					
Amounts Receivable from:					
Controlled Entities		-	-	7,998,532	596,044
6. INVENTORIES					
Finished Goods - at Cost		-	12,315	-	4,264
7. INVESTMENTS					
Shares in Controlled Entities - at Cost	(a)	-	-	20,512,006	253
Shares - Other – unquoted at cost		10	10	10	10
		10	10	20,512,257	263

(a) Controlled Entities

	Country of Incorporation	Percentage Owned % 2004	Percentage Owned % 2003
Parent Entity:			
TZ Limited	Australia		
Subsidiaries of TZ Limited			
Telezygology Inc.	USA	100	0
CED Membership Services Pty Ltd	Australia	100	100
The Presidential Card Pty Ltd	Australia	100	100
Golf Link Partners Pty Limited	Australia	0	100
CUC Australasia Pty Ltd	Australia	100	100
CED Online Pty Ltd	Australia	100	100
Golf Partners Australia Pty Ltd	Australia	100	100
Golf Partners International Pty Ltd	Australia	100	100
CED Asia Pacific Pte Ltd	Singapore	25	25
CED Hong Kong Limited (i)	Hong Kong	6.25	6.25
CED Philippines Inc (i)	Philippines	6.25	6.25

(i) During the year ended 30 June 2003 the company concluded an agreement with local management in Singapore and the Philippines to sell 75% of the company's interest in those operations to the local country managers. The Company therefore retains a 25% shareholding in CAP Singapore, formerly Cendant Asia Pacific, which in turn holds a 25% interest in Cendant Philippines

8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Office Furniture and Equipment				
Cost	290,208	1,761,419	-	1,159,702
Accumulated Depreciation	(199,211)	(1,545,943)	-	(993,382)
Total Property, Plant and Equipment	90,997	215,476	-	166,320
Office Furniture and Equipment				
Movements during the year:				
Beginning of year	215,476	488,778	166,320	288,274
Additions	74,309	45,000	-	15,000
Disposals	(127,503)	(89,849)	(127,295)	(10,878)
Depreciation expense	(71,285)	(228,453)	(39,025)	(126,076)
End of year	90,997	215,476	-	166,320

9. INTANGIBLES

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Goodwill on Consolidation	15,129,862	-	-	-
Intellectual Property	4,775,230	-	-	-
Trademarks	29,577	-	-	-
CED Licence	-	-	-	-
Total Intangibles	19,934,669	-	-	-
Intellectual Property				
Movements during the year:				
Beginning of year	-	-	-	-
Additions	4,775,230	-	-	-
End of year	4,775,230	-	-	-
Trademarks				
Movements during the year:				
Beginning of year	-	-	-	-
Additions	29,577	-	-	-
End of year	29,577	-	-	-

	Consolidated		Parent Entity	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
9. INTANGIBLES (cont.)				
Goodwill on Consolidation				
Movements during the year:		-	-	-
Beginning of year	-	-	-	-
Additions	15,517,807	-	-	-
Amortisation expense	(387,945)			
End of year	15,129,862	-	-	-
CED Licence				
Movements during the year:				
Beginning of year	-	3906,625	-	2,375,886
Write-off	-	(3906,625)	-	(2375,886)
End of year	-	-	-	-
10. PAYABLES				
Current:				
Trade Creditors	394,794	59,165	225,352	25,381
Other Accruals – refer to Note 22	2,244,000	-	2,244,000	-
Sundry Creditors	112,319	41,880	54,245	85,145
Total Current Payables	2,751,113	101,045	2,523,597	110,526
Non-Current:				
Amounts Payable to:				
- Controlled Entities	-	-	695,948	695,948
Included in the above are aggregate amounts payable to Controlled Entities and are non-interest bearing (2003: non-interest bearing)	-	-	695,948	695,948
11. PROVISIONS				
Current:				
Employee Entitlements	73,135	49,428	15,685	32,158
Non-Current:				
Employee Entitlements	-	24,285	-	13,607
Aggregate Employee Entitlements	73,135	73,713	15,685	45,765

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

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
12. ISSUED CAPITAL				
Issued and Paid Up Capital:				
128,435,219 (2003: 67,478,527) Fully Paid Ordinary Shares	59,125,774	25,420,010	59,125,774	25,420,010
Movements during the year:				
Opening balance	25,420,010	25,364,450	25,420,010	25,364,450
Shares issued during the year:				
1,852,002 on the 30 May 2003	-	55,560	-	55,560
50,000,000 on the 29 August 2003	1,500,000	-	1,500,000	-
412,216 on the 30 September 2003	22,000	-	22,000	-
70,734,446 on the 8 January 2004	17,683,612	-	17,683,612	-
26,667,000 on the 26 March 2004	12,000,150	-	12,000,150	-
7,455,625 on the 30 March 2004	2,500,000	-	2,500,000	-
Share issue costs	(4,559,971)	-	(4,559,971)	-
Closing balance	54,565,803	25,420,010	54,565,803	25,420,010
	No.	No.	No.	No.
Opening balance	67,478,527	65,626,525	67,478,527	65,626,525
Share movement during the year				
30 May 2003	-	1,852,002	-	1,852,002
29 August 2003	50,000,000	-	50,000,000	-
30 September 2003	412,216	-	412,216	-
Total ordinary share before consolidation	117,890,743	-	117,890,743	-
23 December 2003 consolidation on a"5 for 1" basis	(94,312,637)	-	(94,312,637)	-
Ordinary shares after consolidation	23,578,106	-	23,578,106	-
8 January 2004	70,734,446	-	70,734,446	-
26 March 2004	26,667,000	-	26,667,000	-
30 March 2004	7,455,625	-	7,455,625	-
Closing balance	128,435,177	67,478,527	128,435,177	67,478,527

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

12. ISSUED CAPITAL (cont.)

(ii) Share Unquoted Options:				
Opening balance	-	-	-	-
Options issued:				
15 January 2004 (a)	1,491,125	-	1,491,125	-
15 January 2004 (b)	2,236,687	-	2,236,687	-
15 January 2004 (c)	6,710,062	-	6,710,062	-
26 March 2004 (d)	2,000,000	-	2,000,000	-
30 March 2004 (e)	7,455,625	-	7,455,625	-
Closing balance	19,893,499	-	19,893,499	-

(ii) Share Options

(a) The Company issued 1,491,125 options to acquire ordinary shares in consideration of the cancellation of TZ Inc. option holders options over shares in TZ Inc. as agreed to in the general meeting of shareholders on the 23 December 2003 in part of the consideration for the purchase of TZ Inc. the option expire on the 29 August 2006 and are exercisable at 27 cents.
(b) The Company issued 2,236,687 options to acquire ordinary shares in consideration of the cancellation of TZ Inc. option holders options over shares in TZ Inc. as agreed to in the general meeting of shareholders on the 23 December 2003 in part of the consideration for the purchase of TZ Inc. the option expire on the 29 August 2006 and are exercisable at 34 cents.
(c) The Company issued 6,710,062 options to acquire ordinary shares in consideration of the cancellation of TZ Inc. option holders options over shares in TZ Inc. as agreed to in the general meeting of shareholders on the 23 December 2003 in part of the consideration for the purchase of TZ Inc. the option expire on the 29 August 2006 and are exercisable at 40 cents.
(d) The Company issued 2,000,000 options to acquire ordinary shares as part consideration for underwriting fees for the Company recent share capital raising as detailed in the prospectus lodged on the 4 March 2004. the option expire on the 26 March 2007 and are exercisable at 45 cents
(e) The Company issued 7,455,625 options to acquire share in the Company as per the convertible notes agreement entered into on the conversion of the convertible notes. The options expire on the 30 March 2006 and are exercisable at 34 cents.

(iii) Employee Share Option Plan
No shares have been issued by virtue of an exercise of an option during the year or to the date of this report.

During the course of the financial year 30 June 2003 17,350,000 options previously issued under the Executive Share Option Plan expired.

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

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
13. RESERVES, RETAINED PROFITS AND TOTAL EQUITY				
Foreign Currency Translation Reserve				
Movements during the year:				
Opening Balance	-	(106,150)	-	-
Transfer to Retained Profits/Losses	-	106,150	-	-
Closing Balance	-	-	-	-
Asset Revaluation Reserve				
Movements during the year:				
Opening Balance	-	3,906,625	-	2,375,886
Transfer to Retained Profits on Write off on sale of license	-	(3,906,625)	-	(2,375,886)
Closing Balance	-	-	-	-
Retained Profits/(Losses)				
Balance at beginning of year	(24,848,371)	(27,269,479)	(25,430,619)	(26,906,926)
Net Profit/(Loss) attributable to members of the parent entity	(1,809,880)	(1,379,367)	580,013	(899,579)
Transfers from Asset Revaluation Reserve	-	3,906,625	-	2,375,886
Transfers from Foreign Currency Translation Reserve	-	(106,150)	-	-
Balance at end of year	(26,658,250)	(24,848,371)	(24,850,606)	(25,430,619)
Total Equity				
Total Equity at beginning of year	571,639	1,886,996	(10,609)	833,410
Total Changes in Equity recognised in the Statement of Financial Performance	(1,809,880)	(1,379,367)	580,013	(899,579)
Transactions with owners as owners Contribution of Equity	29,145,793	55,560	29,145,793	55,560
Total changes in Outside Equity Interest	-	8450	-	-
Total Equity at end of year	27,907,552	571,639	29,715,197	(10,609)

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

14. OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITY

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Outside equity interests comprise:				
Interest in accumulated losses at the beginning of the financial year	-	(8,450)	-	-
Transfer on disposal of controlled entity	-	8,450	-	-
Total outside equity interests	-	-	-	-

15. DIRECTORS' AND EXECUTIVES' REMUNERATION

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

Anthony Leibowitz	Chairman – Non Executive Director (appointed 24 February 2004)
Chris Kelliher	CEO TZ Inc – Executive Director (appointed 243 February 2004)
John Falconer	Non executive Director (appointed 15 July 2004)
Andrew Sigalla	Executive Director (appointed 8 January 2004 & resigned 15 July 2004)
John Wilson	Executive Director (appointed 8 January 2004 & resigned 15 July 2004)
Dickory Ruddock	Executive Director (appointed 8 January 2004 & resigned 15 July 2004)
Martin Hadaway	Non Executive Director (appointed 8 January 2004 & resigned 15 July 2004)
John Nissen	Non Executive Director (resigned 8 January 2004)
John Whiting	Non Executive Director (resigned 8 January 2004)
Kenneth Whiteman	Non Executive Director (resigned 24 February 2004)

b) Directors' Remuneration

	Primary		
	Salary, Fees & Commissions	Superannuation contribution	Total
2004			
A Leibowitz	47,616	-	47,616
C Kelliher	133,332	-	133,332
A Sigalla	116,663	-	116,663
J Wilson	156,000	9,000	165,000
D Rudduck	123,000	9,000	132,000
J Nissen	30,000	-	30,000
J Whiting	16,667	1,500	18,167
K Whiteman	56,667	1,500	58,167
Total	679,945	21,000	700,945
2003			
J Nissen	65,455	-	65,455
J Whiting	33,000	3,000	36,000
K Whiteman	33,000	3,000	36,000
Total	131,455	6,000	137,455

15. DIRECTORS' AND EXECUTIVES' REMUNERATION (Cont.)

c) Options and Rights Holdings

Number of unquoted options held by Directors

	Balance 1/7/03	**Options conversion (i)**	**Balance 30/6/04**
C Kelliher	-	3,727,812	3,727,812
A Sigalla	-	1,491,125	1,491,125
J Wilson	-	1,491,125	1,491,125
D Rudduck	-	1,491,125	1,491,125
Total	-	9,589,369	9,589,369

d) Shareholdings

	Balance 1/7/03	**Share conversion (i)**	**Net change other**	**Balance 30/6/04**
A Leibowitz	-	372,781	-	372,781
C Kelliher	-	1,416,569	-	1,416,569
A Sigalla	-	1,092,249	-	1,092,249
J Wilson	-	4,832,004	-	4,832,004
D Ruddock	-	7,976,189	-	7,976,189
J Nissen	2,192,916	-	(2,192,916)	-
Total	2,192,916	15,689,792	(2,192,916)	15,689,792

(i) The Company issued the shares and options in the above tables on completion of the Telezygology Inc acquisition and in consideration for the shares and options held by them in Telezygology Inc. the shares and unquoted options set above are subject a restricted securities provision of the ASX listing Rules and are further detailed in Note 12.

e) Remuneration Practices

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

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

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

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

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

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$

16. RELATED PARTY TRANSACTIONS

(a) Controlled Entities

Loan to Controlled Entities - Non-Current	-	-	11,670,030	596,044
Loan from Controlled Entities - Non-Current	-	-	3,691,156	695,948

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

(b) Transaction with Directors

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

Mr T Leibowitz being a director of Tandem Corporate Pty Limited. Tandem Corporate Pty Limited provided services to the Company during the recent reconstruction and capital raising and charges for it services provided during the year amounted to $1,200,000 (2003: Nil).

Mr J Falconer being a director of Dunbar Associates Pty Ltd. Dunbar Associates Pty Ltd provided corporate service to the Company and charged for it service that amounted to $44,539 (2003: Nil)

17. NOTES TO THE STATEMENTS OF CASH FLOWS

a). Reconciliation of Cash				
For the purpose of the statements of cash flows, cash includes:				
Cash at Bank and on Hand	6,146,577	478,585	7,011	34,728
Term Deposit	1,264,386	-	1,199,305	-
	7,410,963	478,585	1,206,316	34,728
b). Reconciliation of Cash Flow from Operations with Operating Result After Income Tax				
Operating Profit/(Loss) after Income Tax	(1,809,880)	(1,379,637)	580,013	(899,579)
Non-Cash Flows in Operating Profit/(Loss):				
Depreciation	202,798	228,453	166,322	126,076
Amortisation of Goodwill	387,945	-	-	-
Unrealised Exchange Loss	97,447	-	-	-
Employee Entitlements	(578)	(23,135)	30,080	(26,687)
Doubtful Debts	-	(3,542)	-	(3,542)
Restructure	-	(45,752)	-	(45,752)
Loss on Disposal of Controlled Entity	-	179,230	-	-
Loss on Sale of Fixed Assets	-	5,175	-	5,175
Outside Equity Interest	-	8,450	-	-
Changes in Assets and Liabilities				
(Increase)/Decrease in Trade Debtors	(59,018)	139,169	40,011	5,955
(Increase)/Decrease in Prepayments and Other Debtors	(2,098,314)	-	(2,075,941)	-
(Increase)/Decrease in Inventories	12,315	46,491	4,264	37,493
(Decrease)/Increase in Creditors and Accruals	268,135	(764,661)	542,032	(821,865)
(Decrease) in Deferred Membership Income and Sales	-	(661)	-	(661)
Cash Flows Provided by/(Used in) Operations	(2,999,150)	(1,610,420)	(713,219)	(1,623,387)

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$

17. NOTES TO THE STATEMENTS OF CASH FLOWS

c). Acquisition of Entities

During the year 100% of the controlled entity Telezygology Inc was acquired.
Details of this transaction are:

	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Purchase Consideration	20,183,612	-	20,183,612	-
Cash consideration	-	-	-	-
Cash outflow/inflow	-	-	-	-

Assets and liabilities held at acquisition date:

	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Cash	207,670	-		
Receivable	1,231,756	-		
Property, Plant and equipment	53,897	-		
Intangibles	4,414,987	-	-	-
Payables	(460,210)	-	-	-
Interest bearing liabilities	(782,295)	-	-	-
	4,665,805	-	-	-
Goodwill on consolidation	15,517,807	-	-	-
	20,183,612	-	-	-

d). Deposal of Entities

During the year the controlled entity Golf Links Partners Pty Limited was sold (2003: CED Asia Pacific Pte Ltd) aggregate details of this transaction are:

	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Consideration received	2,000,000	-	-	-
Amount due under contact of sale	(2,000,000	-	-	-
Cash inflow/(outflow)	-	-	-	-
Assets and liabilities held at disposal date:	-	-	-	-
Cash	-	28,937		
Debtors	-	154,148	-	-
Inventory	-	100,932	-	-
Investments	-	6,301	-	-
Plant and Equipment	267,968	78,970	-	-
Trade Creditors	(788,145)	(548,518)	-	-
Net Gain/(loss) on disposal	(520,177)	(179,230)	-	-

e). Non Cash Financing and Investing Activities

Share Issued.

-On the 8 January 2004 the Company issued 70,734,446 ordinary shares issued at 25 cents as part consideration for the purchased of Telezygology Inc.

-On the 30 March the Company issued 7,455,625nordinary shares on the conversion of the Convertible Notes that have been issued as part consideration for the purchase of Telezygology Inc.

18. Segment Information

Segment Revenues

	2004 $	2003 $
Technology Licensing	140,026	-
Membership Business	1,048,267	1,243,042
Investments	2,454,556	28,485
Total of all segments	3,642,849	1,271,527
Unallocated	6,851	6,198
Consolidated	3,649,700	277,725

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

Segment Results

	2004	2003
Technology Licensing	(1,665,224)	-
Membership Business	(1,027,473)	(1,339,506)
Investments	925,845	46,059
Total of all segments	(1,766,852)	(1,385,565)
Eliminations	-	-
Unallocated	(43,028)	6,198
Profit from ordinary activities before income tax expense	(1,809,880)	(1,379,367)
Income tax expense relating to ordinary activities	-	-
Profit from ordinary activities after related income tax expense	(1,809,880)	(1,379,367)
Extraordinary items	-	-
Net profit	(1,809,880)	(1,379,367)

	Assets		Liabilities	
Segment Assets and Liabilities	2004 $	2003 $	2004 $	2003 $
Technology Licensing	20,025,666	-	284,531	-
Membership Business	-	267,812	-	174,758
Investments	9,410,973	478,585	-	-
Total of all segments	29,436,639	746,397	284,531	174,758
Unallocated	1,295,161	-	2,539,717	-
Consolidated	30,928,351	746,397	2,824,248	571,639

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

19. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

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

2004	Note	Floating interest rate	Fixed Interest maturing in 1 year or less	Fixed Interest maturing in over 1 to 5 years	Non interest bearing	Total
		$	$	$	$	$
Financial assets						
Cash		6,143,435	1,264,386	-	3,142	7,410,963
Receivables		-	-	-	3,295,161	3,295,161
Total financial assets		6,143,435	1,264,386	-	3,298,303	10,706,124
Weighted average interest rate		1.14%	4.53%	0.00%	-	
Financial liabilities						
Trade and sundry creditors		-	-	-	2,751,113	2,751,113
Total financial liabilities		-	-	-	2,751,113	2,751,113
Weighted average interest rate		0.00%	0.00%	0.00%	-	
Net financial assets		6,143,435	1,264,386	-	547,190	7,955,011
2003						
Financial assets						
Cash		478,585	-	-	-	478,585
Receivables		-	-	-	40,011	40,11
Total financial assets		478,585	-	-	40,011	518,596
Weighted average interest rate		5.61%	0.00%	0.00%	-	
Financial liabilities						
Trade and sundry creditors		-	-	-	101,045	101,045
Total financial liabilities		-	-	-	101,045	101,045
Weighted average interest rate		0.00%	0.00%	0.00%	-	
Net financial assets		478,585	-	-	(61,034)	417,551

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

19 FINANCIAL INSTRUMENTS (continued)

	2004	2003
	$	$
Reconciliation of net financial assets to net assets:		
Net financial assets above	7,955,011	417,551
Non-financial assets and liabilities:		
Inventories	-	12,315
Investments	10	10
Property, plant and equipment	90,997	215,476
Intangibles	19,934,669	-
Provision for employee entitlements	(73,135)	(73,713)
Net assets per statement of financial position	27,907,552	571,639

(b) Net fair values of financial assets and liabilities

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

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

(c)Foreign exchange risk exposure

The Company is not exposed to any currency exchange risk through primary financial assets or liabilities or anticipated future transactions.

(d)Credit risk exposure

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

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

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

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

20. COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Operating Lease Commitments				
Payable:				
- Not later than one year	109,640	110,825	-	110,825
- Later than one year but not later than five years	54,820	281,532	-	281,532
- Later than five years	-	-	-	-
	164,460	392,357	-	392,357

21. EARNINGS PER SHARE

	Consolidated Entity 2004	Consolidated Entity 2003
Basic Earnings Per Share (cents per share)	(1.69)	(2.0)
Diluted Earnings Per Share (cents per share)	(1.69)	(2.0)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:	106,854,322	65,849,373
Earnings used in the calculation of basic earnings per share:	($1,809,880)	($1,379,367)

22. EVENTS SUBSEQUENT TO REPORTING DATE

At the general meeting of shareholder held on the 15 July 2004, it was resolved that a total of 6,000,000 shares be issued to ZMS Investments Pty Limited, as foreshadowed in the Company recent prospectus for services rendered to the Company. The full amount of this accrued liability of $2,244,000 has been included in these financial accounts.

23. AUDITOR'S REMUNERATION

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Auditors of the Parent Entity – Taylor's & Co	8,650	-	-	-
Other Services from Auditors of the Parent Entity	46,254	-	46,254	-
Other Auditors – PKF	20,000	25,000	20,000	25,000
Other Services from Other Auditors	19,050	3,850	19,050	3,850

The auditors received no other fees or benefits.

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes of the company and of the economic entity:

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

   (b) give 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;

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

This declaration is made in accordance with a resolution of the Board of Directors.

J Falconer
Director

Dated this 30th day of September 2004
Sydney

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TZ LIMITED

SCOPE

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for TZ Limited (the company) and the consolidated entity for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during the year.

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

Audit Approach

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

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

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

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

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

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

Independence

We are independent of the company and have met the independent 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 note to the financial statements. The provision of the services have not impaired our independence.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TZ LIMITED (Cont.)

AUDIT OPINION

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

a) the Corporations Act 2001 including:

   i) giving a true and fair view of the financial position of TZ Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and

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

b) other mandatory financial reporting requirements in Australia.

Taylor & Co.

Name: Stephen Taylor

Sydney, 30th September 2004

CORPORATE GOVERNANCE

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

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

Principle 1: Lay solid foundations for management and oversight

Role of the Board

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

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

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

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

Principle 2: Structure the board to add value

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

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

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

Director	Appointed	Non-Executive	Independent	Retiring at 2004 AGM	Seeking re-election at 2004 AGM
Tony Leibowitz	11 December 2003	Yes	No	Yes	Yes
Chris Kelliher	11 December 2003	No	Not Applicable	Not Applicable	Not Applicable
John Falconer	6 February 2004	Yes	No	Yes	Yes

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

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

CORPORATE GOVERNANCE (Contd.)

Principle 3: Promote ethical and responsible decisions-making

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

The directors will not deal in Company shares:

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

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

Principle 4: Safeguard integrity in financial reporting

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

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

Principle 6: Respects the rights of shareholders

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

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

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

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

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

Principle 7: Recognise and manage risk

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

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

CORPORATE GOVERNANCE (Contd.)

Principle 8: Encourage enhanced performance

The Company does not have a Remuneration Committee.

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

Principle 9: Remunerate fairly and responsibly

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

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

Principle 10: Recognise the legitimate interests of stakeholders

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

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

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STOCK EXCHANGE INFORMATION

Statement of quoted securities as at 29 September 2004

- there are 1694 shareholders holding a total of 134,435,177 ordinary fully paid shares.
- the twenty largest shareholders between them hold 52.04% of the total shares on issue.
- voting rights are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every fully paid share held and for each partly paid share held shall have a fraction of a vote pro-rata to the amount paid up on each partly paid share relative to its issue price.

Distribution of quoted shares and options as at 29 September 2004

	Shares
Range	Number of holders
1 - 1,000	115
1,001 - 5,000	414
5,001 - 10,000	355
10,001 - 100,000	659
100,001 - and over	151
Total holders	1694

There were 82 shareholders whose total holding had a market value of less than $500 at 29 September 2004.

Substantial shareholdings as at 29 September 2004

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

Substantial shareholder	Total relevant interest	% of total voting rights at 29 September 2004
Pontego Investments Inc	8,173,228	6.1%
Asia eMarket Limited	7,623,140	5.7%
D Ruddock	7,976,169	5.9%

Directors' shareholdings

As at 29 September 2004 directors of the Company held a relevant interest in the following securities on issue by the Company.

Director	Ordinary shares	Unquoted options
A Leibowitz	372,781	1,000,000
C Kelliher	1,416,569	4,727,812
J Falconer	1,388,182	1,388,182

On-market buy-backs

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

STOCK EXCHANGE INFORMATION (Contd.)

Top twenty holders of ordinary shares at 29 September 2004

Shareholder name	Number of shares held	% of total
Nefco Nominees Pty Ltd	12,748,203	9.48
National Nominees Limited	8,384,010	6.24
Best Start Services Ltd	6,132,015	4.56
Pontego Investments Inc.	5,664,353	4.21
Worthington International Limited	5,633,140	4.19
Intellectual Exchange Pty Ltd	4,772,479	3.55
Profit Pearl Holding Ltd	4,505,328	3.35
Mr Lindsay James Gallagher	3,266,129	2.43
ANZ Nominees Limited	2,107,932	1.57
Tematec International Pty Ltd	1,866,053	1.39
Merrill Lynch (Australia) Nominees Pty Ltd	1,776,382	1.32
Ms Linda Lau	1,548,427	1.15
Davambros Pty Ltd	1,491,125	1.11
Up Crown International Ltd	1,491,125	1.11
Mainland Air Services Limited	1,416,569	1.05
Moggs Creek Pty Ltd	1,411,863	1.05
JFT Nominees Pty Ltd	1,197,007	0.89
Moonlight Investment Pty Ltd	1,118,343	0.83
Mr R & Ms S Wall	1,118,343	0.83
Blackmort Nominees Pty Ltd	1,046,680	0.78
Total held by top twenty holders of ordinary shares	68,695,506	51.10

(e) Voting Rights

All shares have equal voting rights.