

TZ Limited
ABN 26 073 979 272



31 August 2010

Lodged by ASX Online

The Manager
Company Announcement Office
ASX Ltd.
Level 4, 20 Bridge Street
Sydney, NSW 2000

Dear Sir/Madam

PRELIMINARY FINAL REPORT

Please find attached the unaudited ASX Appendix 4E - Preliminary Final Report for TZ Limited for the year ended 30 June 2010.

Yours faithfully,
TZ LIMITED

A handwritten signature in black ink that reads 'Mark Bouris'.

Mark Bouris
Chairman

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**Preliminary Final Report of
TZ Limited
and its Controlled Entities
for the Financial Year Ended 30 June 2010
ABN 26 073 979 272**

**This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under
ASX Listing Rule 4.3A.**

Current Reporting Period: Financial Year ending 30 June 2010

Previous Corresponding Period: Financial Year ending 30 June 2009

**TZ Limited
and its Controlled Entities**

**ASX Appendix 4E
Preliminary Final Report for the Year Ended 30 June 2010**

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**TZ Limited
and its Controlled Entities**

**Results For Announcement To The Market
For the Financial Year Ended 30 June 2010**

		Percentage Change	Amount
Revenue and Net Loss		%	\$A'000
Revenue	down	(3.2%)	To \$17,635
Loss after tax & impairment loss	down	(17.7%)	To (\$21,168)
Net Loss attributable to members	down	(17.7%)	To (\$21,168)

Dividends (Distributions)		Amount per security	Franked amount per security
Final dividend		Nil ¢	Nil ¢
Interim dividend		Nil ¢	Nil ¢

Brief Explanation of Revenue, Net Loss and Dividends

No dividend was paid or declared during the year.

**TZ Limited
and its Controlled Entities**

**Consolidated Statement of Comprehensive Income
For the Financial Year Ended 30 June 2010**

	Note	2010 \$A'000	2009 \$A'000
Revenue		17,635	18,220
Cost of sales		(11,590)	(12,748)
Gross Profit		6,045	5,472
Other income		81	585
Gain (loss) in movement of fair value of derivative liability		(2,830)	12,647
Gain (loss) on conversion of convertible notes		(5,387)	-
Doubtful debts and impairment losses		-	(16,236)
Employee related expenses		(7,069)	(8,895)
Occupancy expenses		(934)	(609)
Communications expenses		(247)	(377)
Depreciation expenses		(1,278)	(978)
Amortisation of intangibles		-	(1,062)
Professional and corporate services		(4,907)	(2,540)
Travel and accommodation		(514)	(2,078)
Development costs		(991)	(2,964)
Finance cost		(5,223)	(3,887)
Other expenses		(1,406)	(1,615)
Loss from continuing operations before income tax expense	2	(24,660)	(22,537)
Income tax expense (benefit)		(3,492)	3,179
Net Loss for the period		(21,168)	(25,716)
Net Loss attributable to outside equity interests		-	-
Net Loss Attributable to Members of the Parent Entity		(21,168)	(25,716)

**TZ Limited
and its Controlled Entities**

**Consolidated Statement of Financial Position
As at 30 June 2010**

	Note	2010 \$A'000	2009 \$A'000
Current Assets			
Cash and cash equivalent	5(a)	232	566
Trade and other receivables		4,482	2,834
Work in process		37	687
Total Current Assets		4,751	4,087
Non-Current Assets			
Property, plant and equipment		1,974	3,027
Intangible assets		25,017	27,141
Deferred tax assets		2,423	1,039
Total Non-Current Assets		29,414	31,207
Total Assets		34,165	35,294
Current Liabilities			
Trade and other payables		9,666	6,107
Provisions		246	391
Borrowings		18,815	11,539
Total Current Liabilities		28,727	18,037
Non-Current Liabilities			
Borrowings		-	-
Provision		644	792
Deferred tax liabilities		2,525	4,650
Total Non-Current Liabilities		3,169	5,442
Total Liabilities		31,896	23,479
Net Assets		2,269	11,815
Equity			
Issued Capital	12	121,723	110,343
Reserves		(5,477)	(3,377)
Accumulated Losses	3	(113,977)	(95,151)
Total Equity		2,269	11,815

**TZ Limited
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**Consolidated Statement of Changes in Equity
For the Financial Year Ended 30 June 2010**

	Share Capital	Reserves	Accumulated Losses	Total
	Ordinary	Foreign Currency Translation		
	\$A'000	\$A'000		
Balance at 1 July 2008	109,342	(5,251)	(69,435)	34,657
Foreign currency translation reserve differences	-	1,874	-	1,874
Other comprehensive income	-	1,874	-	1,874
Loss for the year	-	-	(25,716)	(25,716)
Total comprehensive income	-	1,874	(25,716)	(23,842)
Issue of capital during the period	1,000	-	-	1,000
Share issue cost	-	-	-	-
Dividends paid	-	-	-	-
Share buy back excess	-	-	-	-
Share-based payment expense	-	-	-	-
Balance at 30 June 2009	110,342	(3,377)	(95,151)	11,815
Balance at 1 July 2009	110,342	(3,377)	(95,151)	11,815
Foreign currency translation reserve differences	-	(2,100)	-	(2,100)
Other comprehensive income	-	(2,100)	-	(2,100)
Loss for the year	-	-	(21,168)	(21,168)
Total comprehensive income	-	(2,100)	(21,168)	(23,268)
Issue of capital during the period	1,300	-	-	1,300
Conversion of convertible notes	10,080	-	-	10,080
Dividends paid	-	-	-	-
Share buy back excess	-	-	-	-
Share-based payment expense	-	-	2,342	2,342
Balance at 30 June 2010	121,722	(5,477)	(113,977)	2,269

**TZ Limited
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**Consolidated Statement of Cash Flows
For the Financial Year Ended 30 June 2010**

	Note	2010 \$A'000	2009 \$A'000
Cash Flows From Operating Activities			
Receipts from customers		16,465	18,041
Payments to suppliers and employees		(22,429)	(32,454)
Interest received		63	898
Interest paid		(27)	(60)
Income tax refund (paid)		12	(197)
Net cash used in operating activities	5(b)	(5,916)	(13,772)
Cash Flows From Investing Activities			
Payment for property, plant and equipment		(256)	(1,027)
Payment for intangible assets		(13)	(511)
Proceeds for sale of plant and equipment		4	-
Net cash used in investing activities		(265)	(1,539)
Cash Flows From Financing Activities			
Proceeds from share issues		50	1,000
Proceeds from convertible note issue		6,441	-
Repayment of borrowings		(680)	(366)
Proceeds from borrowings		221	539
Payment to former directors' related entities		-	(9,544)
Net cash provided by financing activities		6,032	(8,372)
Net (Decrease) / Increase In Cash Held		(149)	(23,683)
Cash at the Beginning of the Financial Year		566	23,909
Effects of exchange rate changes on the balance of cash held in foreign currencies		(185)	340
Cash at the End of the Financial Year	5(a)	232	566

**TZ Limited
and its Controlled Entities**

**Notes to the Consolidated Financial Statements
For the Financial Year Ended 30 June 2010**

1 Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcement made by the Company during the reporting period in accordance with the continuous disclosure requirement of the Corporations Act 2001.

	2010 \$A'000	2009 \$A'000
2 Loss from Ordinary Activities		
Loss from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Revenue		
Sales revenue	17,616	17,696
Interest revenue	19	524
(b) Expenses		
Cost of sales	(11,590)	(12,748)
Doubtful debts and impairment losses	-	(16,236)
Depreciation of non-current assets	(1,278)	(978)
Amortisation of non-current assets	-	(1,062)
Finance cost - external	(5,223)	(3,887)
Share based payment	(2,342)	-
3 Accumulated Losses		
Balance at beginning of financial year	(95,151)	(69,435)
Net loss	(21,168)	(25,716)
Balance at end of financial year	(116,319)	(95,151)

**TZ Limited
and its Controlled Entities**

**Notes to the Consolidated Financial Statements
For the Financial Year Ended 30 June 2010**

4 Correction of errors

(i) Review of Opening Balance Sheet accounts - 1 July 2009

The Directors have undertaken a review of the past financial statements of TZL with a view to substantiating the assets and liabilities to be reported in the financial statements for the year ended 30 June 2010.

The investigative work performed to date has included going back as far as the back door listing of Telezygology Inc. in 2004 and scrutinizing the accounting entries that were recorded at the time that have impacted TZL's financial statements on and since that date.

As a consequence of the preliminary results of this investigative work, the Directors will be writing to former Directors and the former auditor of TZL seeking additional information regarding the accounting for the acquisition of Telezygology Inc. in 2004, the acquisition of PDT Holdings Inc. in 2005, the re-acquisition of the Intevia Licence in 2007, and various consolidation entries that have been recorded over the years.

The investigative work that has been performed so far indicates the accounting for these transactions was either done incorrectly, or that sufficient records have not been maintained to enable the substantiation of the amounts recorded.

For the purpose of the Preliminary Final Report for the financial year ended 30 June 2010 the Directors have decided to take a conservative view of the abovementioned transactions in light of the investigative work performed, and to reflect in the consolidated Balance Sheet of TZL as at 30 June 2010, adjustments in the order of \$26.5 million relating to mis-stated intangible assets. These amounts have been booked as prior period adjustments and therefore there will be no expected impact on the current years trading results.

In the event that new information becomes available as a result of the enquiries to the former Directors and former auditor, any necessary changes to the Preliminary Final Report can be incorporated into the audited financial statements of TZL for the financial year ended 30 June 2010 for lodgement on or before 30 September 2010.

(ii) Amendment to the terms of Convertible Notes issued

As a result of the various amendments made to the convertible note terms, there was a requirement under the accounting standard to change how the convertible notes were initially recognised and subsequently reported.

The change has resulted in the recognition of a Financial Liability and a Derivative Liability on inception. The debt component has interest expense charged through the profit and loss, and the derivative liability component is revalued at each reporting date to reflect the current market value.

**TZ Limited
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**Notes to the Consolidated Financial Statements
For the Financial Year Ended 30 June 2010**

	2010 \$A'000	2009 \$A'000
5 Notes to the Statement of Cash Flows		
(a) Reconciliation of Cash		
<p>For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:</p>		
Cash	232	232
Deposit at call	-	334
	232	566
	232	566
(b) Reconciliation of Loss After Related Income Tax to Net Cash Flows From Operating Activities		
Loss after related income tax	(21,168)	(25,716)
Depreciation and amortisation of non-current assets	1,278	2,040
Unrealised exchange losses/(gains)	17	(23)
Unrealised losses		
Share based payments	2,342	-
Accrued interest on convertible notes	5,196	3,424
Doubtful debts and impairment losses	-	16,236
Unrealised loss (gains) in movement of fair value of derivative liability	2,830	(12,647)
Unrealised loss on conversion of convertible notes	5,387	-
(Increase)/decrease in assets:		
Current trade receivables	(1,474)	(2)
Prepayments and other debtors	(174)	(230)
Work in process	650	(630)
Deferred tax asset	(1,384)	(925)
Increase/(decrease) in liabilities:		
Current trade payables & accruals	2,854	1,585
Employee entitlements	(145)	(108)
Deferred tax liability	(2,125)	3,224
Net cash used in operating activities	(5,916)	(13,772)
	(5,916)	(13,772)

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**TZ Limited
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**Notes to the Consolidated Financial Statements
For the Financial Year Ended 30 June 2010**

6 Earnings Per Share	2010	2009
	¢ per share	¢ per share
Continuing operations		
Basic EPS	(39.74)	(53.00)
Diluted EPS	(39.74)	(53.00)

Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2010	2009
	\$A'000	\$A'000
Net (Loss)/Profit attributable to equity holders from continuing operations	(21,168)	(25,716)

	No.	No.
Weighted average number of ordinary shares – basic	53,268,007	48,520,421
Weighted average number of ordinary shares – diluted	53,268,007	48,520,421

7 Net Tangible Assets per ordinary share	2010	2009
	¢ per share	¢ per share
Net tangible assets per ordinary share	(36.20)	(30.97)

8 Details of Entities Over Which Control Has Been Gained or Lost During the Period

Control gained over entities

Name of entity (or group of entities)
Date control gained

N/A

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**TZ Limited
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**Notes to the Consolidated Financial Statements
For the Financial Year Ended 30 June 2010**

	2010	2009
	\$A'000	\$A'000
9 Contingent Liabilities & Assets		
Contingent Asset		
Litigation proceedings - Australia (a)	14,056	13,940
Net contingent asset	14,056	13,940

(a) A hearing is scheduled in the Supreme Court of New South Wales for 22 November 2010. The group is seeking to recover \$13,230,536 loans to and receivables from directors and related entities, plus costs to 30 June 2010 of \$826,406.79. Due to the sensitive nature of the proceedings, further details can not be disclosed at this time. It is anticipated that significant additional costs will be incurred between now and the completion of the Supreme Court Hearing. The costs are undetermined at this point in time. One of the defendants, Mr Andrew Sigalla, has recently been declared a bankrupt however, TZL has the Court's leave to proceed with its claim.

Contingent Liabilities

(i) A Sigalla Claim

A claim was received by the Group from former director Andrew Sigalla in the amount of A\$1,160,000 plus health care and related Visa costs which Mr Sigalla claims is owing to him and ZMS Investments Pty Limited. The claim is made in respect of Mr Sigalla's resignation as an employee in June 2009. A statement of claim has been received from the plaintiffs and the Group has filed a defence denying liability for the claim. Mr Sigalla is now a bankrupt and his trustee has not yet elected whether to proceed or not with the claim.

(ii) Bombard Technologies Inc. Claim

PDT had commenced recovery action against Bombard Technologies Inc (Bombard) for unpaid work owing. Bombard filed a counterclaim for damages of USD\$1,300,000 claiming that PDT had failed to meet specifications required by Bombard for the development of a recreational watercraft. PDT has chosen to defend the allegations, and Andreou & Casson Ltd, Illinois is the attorney appointed to the matter. The judge recently ordered that both parties re-plead its cases in an unusual ruling. The Plaintiff filed its amended complaint and the Defendant has filed a Motion to Dismiss in response. The parties are currently briefing this Motion to Dismiss and a ruling should be made in late August/early September 2010. At current time the Defendant has not re-filed its counter-suit for breach of contract, but that may happen depending on what the outcome is of the Motion to Dismiss.

(iii) Security Deposit Claim against First National Bank of Joliet

The Plaintiff sued the Defendant for collection of its security deposit in the amount of USD\$44,566, plus costs of this suit. The Plaintiff alleged breach of contract, conversion, unjust enrichment, and the IL Interest Act. This suit came after much negotiation regarding the security deposit. Discovery is complete and the parties are hoping to convene with the judge for a pre-trial conference at the end of the August 2010. If the pre-trial conference does not result in a settlement, the parties will set a trial date.

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**TZ Limited
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**Notes to the Consolidated Financial Statements
For the Financial Year Ended 30 June 2010**

10 Subsequent Events

Circumstances have arisen since the end of the financial year which have not been dealt with in the financial statements that may have significant effect on:

- (i) the operations of the Company;
- (ii) the results of those operations; or
- (iii) the state of affairs of the Company.

New Loan Facility with QVT Fund LP and Quintessence Funds LP

As announced on 28 June 2010 the company negotiated a secured loan facility with QVT Fund LP and Quintessence Funds LP for USD\$4,100,000. The loan proceeds had been received in full by 28 July 2010.

Options & Rights Issues to the Directors

The Company issued a total of 2,880,000 rights and 5,250,000 options under the Director and Executive Equity Plan on 7 July 2010. The issue of rights and options was approved by shareholders at the Company's Annual General Meeting for the financial year ended 30 June 2009 that was held on 26 February 2010.

A total number of 1,480,000 rights were exercised by the Directors and 1,480,000 ordinary fully paid shares were issued on 19 July 2010.

Conversion of Series II Convertible Notes

According to the terms and conditions under the Convertible Note and Subscription Deed for the Series II Convertible Notes, 3,918,500 Series II Convertible Notes with a total face value of \$3,918,500 were converted to 10,000,924 ordinary shares on 15 July 2010.

A further 90,000 Series II Convertible Notes with a total face value of \$90,000 were converted to 228,836 ordinary shares on 22 July 2010.

Resolution of FutureWall Licence Dispute

The company successfully resolved a long standing dispute between TZI and Techbuilt Interiors Pty Limited in relation to a licence of rights pertaining to TZI's FutureWall System granted by TZI to Techbuilt. As a consequence of the settlement, a joint venture has been formed, Intanova Pty Limited, which will leverage the existing awareness and acceptance of the FutureWall System in the marketplace and will carry on the business of marketing, supply and installation of interior fit-out solutions in Australia and New Zealand.

11 Information on Audit

The 2010 accounts are in the process of being audited.

**TZ Limited
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**Notes to the Consolidated Financial Statements
For the Financial Year Ended 30 June 2010**

12 Issuances, repurchases and repayments of securities

	2010 \$A'000	2009 \$A'000	2010 No.	2009 No.
Issued and Paid Up Capital:				
Fully paid ordinary shares	121,723	110,343	62,848,373	49,479,325
Total share capital	121,723	110,343	62,848,373	49,479,325
Movements during the year				
Fully Paid Ordinary Shares				
Opening balance	110,343	109,343	49,479,325	48,479,325
Shares issued during the year:				
17 June 2009 (a)	-	1,000	-	1,000,000
7 January 2010 (b)	1,250	-	1,250,000	-
26 March 2010 (c)	10,080	-	12,000,000	-
30 June 2010 (d)	50	-	119,048	-
Sub Total	121,723	110,343	62,848,373	49,479,325
Share issue costs	-	-	-	-
Closing balance	121,723	110,343	62,848,373	49,479,325

- (a) The Company issued 1,000,000 fully paid ordinary shares for \$1 each to raise a total of \$1,000,000 during the 2009 financial year.
- (b) The Company issued 1,250,000 fully paid ordinary shares for \$1 each for the same amount of expenses paid by QVT Fund and Quintessence Fund.
- (c) 12,000 Series I convertible notes with a total face value of \$12,000,000 were converted to 12,000,000 ordinary shares at \$1 each on 26 March 2010.
- (d) The Company issued 119,048 fully paid ordinary shares for \$0.42 each to raise a total of \$50,000 on 30 June 2010.

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