

30 July 2015

Lodged by ASX Online

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

Dear Sir/Madam

SHAREHOLDER UPDATE & APPENDIX 4C – JUNE QUARTER 2015

Please find attached the shareholder update and ASX Appendix 4C (unaudited) – Quarterly Report for entities admitted on the basis of commitments for TZ Limited for the quarter ended 30 June 2015.

Yours faithfully

TZ LIMITED



Kenneth Ting
Director

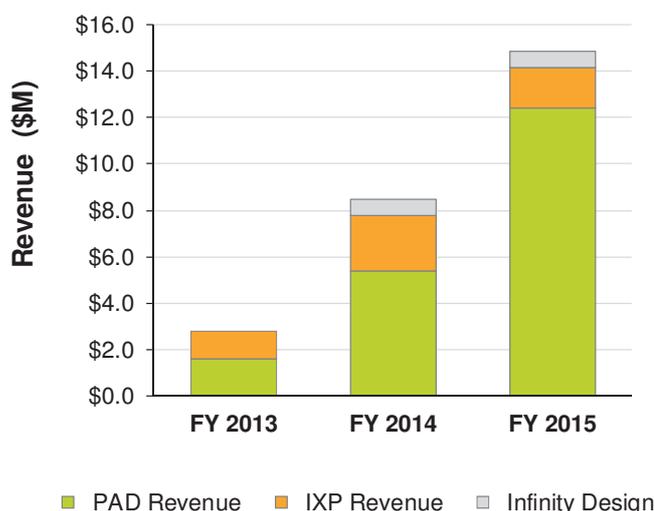
For personal use only

TZ LIMITED – SHAREHOLDER UPDATE

June Quarter 2015

TZ Limited (“TZL” or the “Company”) continues to perform strongly with large growth particularly in its PAD business across multiple sectors. Unaudited Q4 revenue was approximately \$5M with unaudited revenue for the fiscal year finishing at approximately \$15.1M.

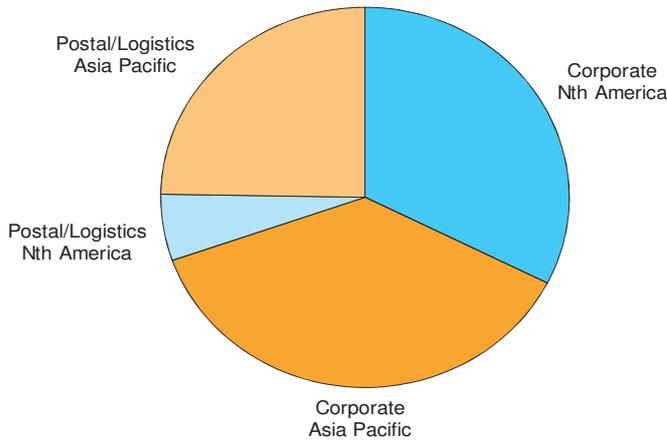
The Company continues to deliver strong year on year growth with unaudited full year revenues up 78%. Our Corporate and Postal PAD revenues continued to grow strongly on the back of sales to a list of blue chip clients globally including major banking corporations such as Westpac, professional services firms like KPMG, well known US West Coast technology corporations like Microsoft and Postal and Logistics leaders such as Singapore Post.



- The PAD business revenues continued outstanding growth of 130% year on year, exceeding with sales of \$12.7M. Growth continues strongly in all our key markets namely the US, Australia and Asia as we continue to penetrate the segments we have chosen to participate in. We expect continued and sustainable growth in our key markets and on-going substantial business from our Corporate Accountable Mail, Corporate Day Locker, Residential, University and Postal Locker customers.
- IXP sales fell 28% to \$1.7M as projects that were anticipated to come on-stream this year have been pushed into 2016. IXP sales are heavily dependent on infrastructure project schedules. Although our solutions have been specified as the product of choice of a number of projects, delays in deployment have impacted the timing of sales.
- Overall cash declined by \$1.3M during the quarter to \$5.7M. The cash receipts for the quarter decreased to \$3.1M due to sales occurring at the end of the quarter. Collections are expected to be very strong in Q1 FY16. Operating payments were also lower than the previous periods.

Packaged Asset Delivery (PAD):

PAD continues to perform strongly with unaudited revenue of around \$12.7M for the full year with 70% derived from sales in the corporate sectors in Asia Pacific and North America. These markets continue to be our most immediate opportunities and our most important priorities. A backlog in excess of \$5 million is in hand with Day Locker orders and/or secured supply relationships with Westpac and KPMG as they expand to their new sites and with further Locker Bank orders and expansion plans as Singapore Post aggressively broaden their network.



The Company has successfully established a solid run rate business in the US and Australia in the corporate sector and with companies like Singapore Post in rapid expansion mode, the backlog continues to grow to fuel on-going revenue growth.

In the US, the Company continues to strongly penetrate the technology corporate sector with further orders from established customers which represent the largest technology companies in the world. The Company also received an aggregated order of over \$0.5M from two new customers including a major cloud computing company and a leading electronics hardware and major mobile phone supplier. With many of these customers expanding their operations, building new facilities and/or relocating to new office premises, the outlook for sustained growth remains extremely positive.

The Directors estimate that the potential for campus wide deployments with our US West Coast customer base is in excess of \$15M over the next three or so years. In the last three years alone, TZ has grown from a zero base to dominating this sector as the leading provider of smart locker solutions for accountable mail management. Looking forward to fiscal 2016, with the strong sales pipeline, quotation levels at new highs and a growing backlog of purchase orders, the US business is positioned for significant growth in the coming 12 months and beyond.

In the higher education sector, the US business has been working on the software integration for the Vanderbilt University contract which will be installed in early August. The Vanderbilt deployment will demonstrate a fully integrated end-to-end software solution that interfaces with the University's established mail management system. Successful implementation will serve as a very strong reference customer to support TZ's penetration into this segment. Although this sector is highly seasonal with installs limited to the July and August months during semester breaks, the Company is

For personal use only

building high awareness in this sector and is confident that it is positioned strongly in the coming 12 months to win more business as other Universities follow the Vanderbilt example.

In the residential sector, the US business continues to sell systems to new and established property owners on the West Coast and South East. This sector remains highly contested with a number of start-up companies providing commoditised locker solutions and low capex transactional commercial models. TZ believes that it can command a niche in the high end residential sector focusing on those property owners who value customisation, flexible aesthetics and high-end services to their tenants. A systematic and disciplined approach that leverages our technology competitive advantage ensures we focus on delivering the targeted margins and shareholder returns.

In Australia, Day Locker solutions underpinned significant growth over the year. Despite only being launched in Australia in March 2014, TZ's Day Locker annual sales exceeded \$4M on the back of sales to Westpac, KPMG and another major banking group. On-going Day Locker sales to these customers in line with their progressive office establishment plans, together with already identified new pipeline business in Australia will drive revenue growth for our Australian business in the coming 12 months. There is already a strong backlog of sales with KPMG scheduled for major installs in Sydney and Melbourne later this calendar year. The Company is now promoting Day Locker solutions to its established US corporate client base and expects demand in the USA.

In the Postal and Logistics sector, work continues to support the current customer base with their existing deployment programs:

- Singapore Post is aggressively developing its network and has indicated it will expand POPStations to over 200 locations. TZ has purchase orders in hand to take the current 100 Locker Banks to 150. With an average distance between POPStations of only 2.5km, this is one of the densest networks in the world. Singapore Post also won the prestigious 2015 World Mail Award for their POPStation network in the Retail Customer Access category. Winning this award further reinforces TZ's ability to deliver state-of-the-art technology that is not only world class but is recognised as being best practice for our customers.
- Pos Malaysia's deployment has been slower than originally anticipated with Pos Malaysia's new IT infrastructure development delaying implementation. The Company does expect deployment to begin in earnest in Malaysia in the next three months.
- Support is also continuing with Pos Indonesia, Poste Italiane and the US Transportation and Logistics Corporation as they evaluate the success of their initial programs and explore options for broader deployment. We understand that consumer acceptance so far has been positive and that the lockers have performed well notwithstanding the broad operating environments. However with the significant capex involved in broader expansion, the process for review, business case evaluation and for management approval, particularly within large and/or government corporations, is significant.
- Negotiations are also underway to move the ADAM Parcel Locker Network forward in Australia on the back of the initial pilot deployments last year. The Company also continues to respond to tender requests and pursue opportunities in markets where it makes commercial sense for TZ to operate in.

For personal use only

Infrastructure Protection (IXP):

The IXP business continues to show steady sales albeit at a slower rate than originally anticipated, dictated heavily by the timing of infrastructure projects. Overall revenue fell 28% on last year's numbers with both US and Australia contributing to the shortfall as datacenter projects that were anticipated have been delayed or put on hold until fiscal 2016.

In the US, sales continued steadily but failed to meet last year's numbers which were underpinned by a US\$800,000 sale to major datacenter in South America. Without the project high, run rate business showed steady growth. Growth is supported by the established base of customers and growing new customer base as the specification of our solutions as the product of choice remain strong. Several very large opportunities remain on the foreseeable horizon and fuel a solid pipeline of new business. In particular, South America looks very promising in terms of large infrastructure opportunities for fiscal 2016.

Product specification remains strong in both Australia and Asia with TZ being selected as the cabinet locking solution of choice on a number of datacentre projects with major technology customers. We are fortunate to have strong customer endorsements to prove our credentials.

In Australia, the last quarter sales came back strongly as projects started to move forward with several purchase orders being received. With NextDC and Macquarie Telecom anticipated to buy strongly in the new fiscal year, IXP revenues should come back in line with growth expectations. Strong interest in the SwingHandle product should also see purchase orders come to fruition this fiscal 2016.

In Europe sales grew strongly on a low base with new distribution partners starting to demonstrate their capability of promoting and marketing TZ products. Specification of our solutions as the product of choice for a number of projects is solid and fiscal 2016 looks set to continue the growth.

The Company is also pleased to announce the launch of its new web-sites covering TZ Limited and the IXP, PAD and Aerospace businesses. The new web-sites incorporate the new corporate branding and have been redesigned to comprehensively communicate the Company's core technology, competencies and business offerings.

For personal use only

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005

Name of entity

TZ Limited

ABN

26 073 979 272

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

	Current quarter	Year to date
	\$A'000	(12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	3,090	13,713
1.2 Payments for		
(a) staff costs	(2,175)	(7,075)
(b) advertising and marketing	(172)	(665)
(c) research and development	-	-
(d) leased assets	(112)	(362)
(e) other working capital	(1,825)	(11,358)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	44
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refund/(paid)	(27)	(71)
1.7 Other Income	59	234
Net operating cash flows	(1,140)	(5,540)

+ See chapter 19 for defined terms.

For personal use only

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,140)	(5,540)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	(83)	(230)
(d) physical non-current assets	(160)	(259)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other - Investment in cash trust	-	-
Net investing cash flows	(243)	(489)
1.14 Total operating and investing cash flows	(1,383)	(6,029)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, notes, etc.	-	8,720
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Proceeds from investment redemption	-	334
1.20 Other - Share issue costs	-	-
Net financing cash flows	0	9,054
Net increase (decrease) in cash held	(1,383)	3,025
1.21 Cash at beginning of quarter/year to date	7,071	2,646
1.22 Exchange rate adjustments to item 1.21	1	18
1.23 Cash at end of quarter/year to date	5,689	5,689

+ See chapter 19 for defined terms.

For personal use only

Payments to directors of the entity and associates of the directors

Payments to related entities and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	250
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Being directors' fees & allowances, office rent, accounting fees, administration and marketing costs paid to the directors and their related entities during the period.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

For personal use only

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	5,203	6,942
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other – Foreign currencies held overseas	487	129
Total: cash at end of quarter (item 1.23)	5,689	7,071

Acquisitions and disposals of business entities

30/06/2015

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity/business	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~not~~* *(delete one)* give a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 30 July 2015

Print name: Kenneth Ting

+ See chapter 19 for defined terms.

For personal use only

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
- 3 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

For personal use only