

27 January 2016

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 – DECEMBER 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 31 December 2015.

Yours faithfully

TZ LIMITED



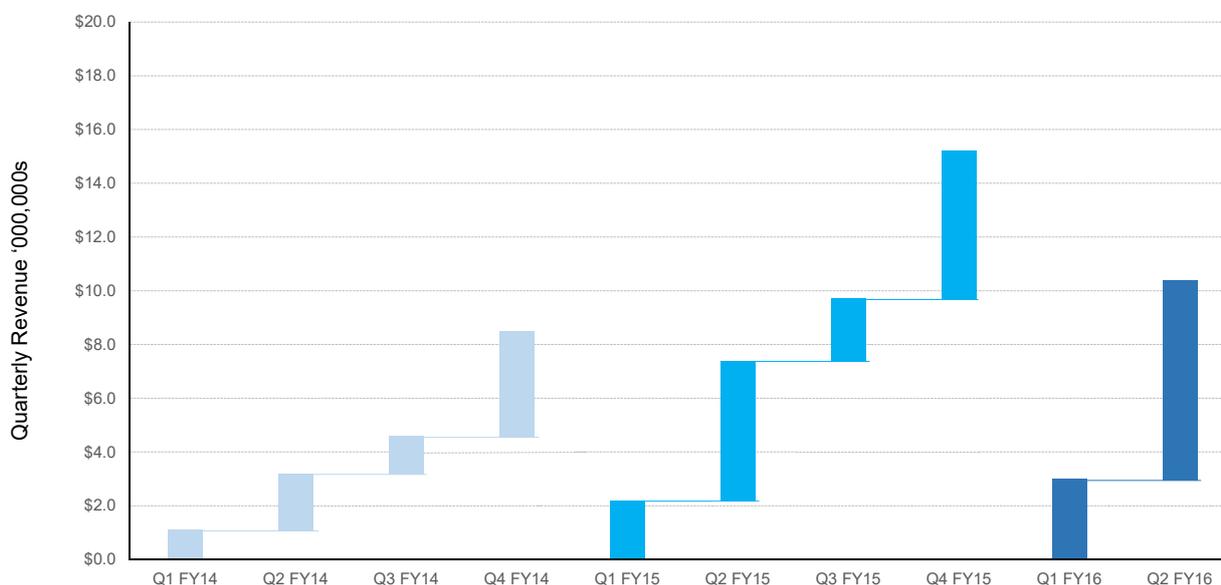
Kenneth Ting
Director

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TZ LIMITED – SHAREHOLDER UPDATE

December Quarter 2015

The December quarter saw continued growth with Q2 FY16 sales up 34% compared to the same period last year. The quarter delivered unaudited sales revenue of A\$7.4M bringing the YTD unaudited total to approximately A\$10.4M. With a pipeline of over A\$10M either from purchase orders in hand and/or contracts anticipated to close within the next month, the Company is set to continue its strong growth performance.



- Quarterly sales performance exceeded overall plan expectations delivering a 34% increase on the same period in FY15. The US and Asian business growth was fueled primarily by strong sales to the Postal and Logistics sector, while the Australian business continued to sustain its growth momentum through Day Locker sales to the Corporate sector.
- Two significant contracts are in the process of final negotiation and should close within the next few weeks. These contracts alone should underpin the continued growth performance that the Company has consistently achieved.
- Small scale production in Asian was completed successfully in mid-December. Full scale production was scheduled for January, however our contract manufacturer has moved our production time slot until after Chinese New Year due to delays in their internal testing, production review and finalization of production unit rates. The good news however is that manufacturing efficiencies are reasonably aligned to original plan expectations and the pricing gains originally forecasted are now locked in with the contract manufacturer.

- Overall cash declined by A\$1.6M during the quarter to A\$2.3M. However it is important to note that over A\$2.75M, which was expected for payment in late December, was received in the first weeks of January and therefore represents a significant and material post-closing event.

Packaged Asset Delivery (PAD):

- There continues to be favourable movements in TZ's Postal and Logistics business although formal supply contracts are still pending:
 - Discussions are well underway with Singapore Post for a regional locker supply contract that will accommodate the requirements for Couriers Please in Australia, potential expansion of the POPStation network in Singapore and prospective regional business opportunities.

Given Couriers Please has publicly announced its plans for an extensive national Parcel Locker network in Australia and their recent acquisition of our ADAM Lockers, the TZ Board believes this signals a significant opportunity for the Company in Australia.
 - The Company is also expecting to finalize a sizable supply contract with a major logistics provider in the US within the next few weeks.
 - Shipment of Poste Italiane Locker Banks was completed in December representing a major production milestone for the first commercial sales of the Company's next generation and proprietary Locker System. The Poste Italiane deployments, earmarked for a major city in Italy, is scheduled for completion in March 2016.
 - The next batch of Pos Malaysia Locker Banks are set for imminent delivery to Kuala Lumpur. So far, the performance of the system in Malaysia and customer receptiveness has been very positive. The new Lockers are anticipated to be deployed by March 2016 as locations are identified and secured.
- Although the US Corporate pipeline of potential sales opportunities continues to grow and quotation levels remain very strong, US sales to the corporate sector only delivered modest growth on the same period of last year. There is anticipation that strong conversion of opportunities in the forthcoming half year should make up some ground towards targeted plan expectations.
- The newly formed partnership with a leading Managed Services Provider should start to expand the breadth of engagement in the Americas, albeit the official national launch is not anticipated until April 2016. Given the size of the organization we are dealing with and their expansive corporate customer base, managing a launch of this type requires significant organisation and planning. In the interim, the Company is continuing to progress opportunities with their various sales operations.
- In Australia, Day Locker sales exceeded expectations, fueled by expansion within existing customers. Both Westpac Barangaroo and Westpac Kogarah completed commissioning this last quarter. A major milestone for TZ however, was the successful development and deployment of a custom built Enterprise Server Software within the Westpac IT infrastructure which ensures seamless integration into Westpac's back-end management systems. Looking forward, there are two further Westpac projects of significance which will be started in the second half of 2016 and will flow into 2017.

- Included in the December quarter sales numbers is the KPMG Day Locker electronic purchases for their Sydney and Melbourne offices. Although working to a very tight time frame, TZ successfully delivered KPMG Sydney in Q2, with KPMG Melbourne completing its delivery program on time and in full in January. Both of these projects are being progressively commissioned with installation commencing in Q3 and expected to be completed in early FY 2017.
- In Europe, despite a lack of active promotion, TZ has been fielding multiple enquiries from subsidiaries of US corporations and/or enquiries from our web-site to price and support fairly significant Accountable Mail Locker, Day Locker and Residential Locker sales. A plan is currently being formulated on how best to increase our representation and participation in this part of the world, as the potential for on-going sales looks highly probably.

Infrastructure Protection (IXP):

- The performance of the IXP business in the Americas was consistent with plan expectations.
- The overall US IXP business mix was a relatively even balance between new project initiation within strategic accounts and new customer wins. It is worth noting that TZ Centurion Systems, TZ Centurion Server Software and recurring software maintenance is the fastest growing part of the product mix with a number of new TZ Centurion installations scheduled for the coming months.
- The outlook for the second half of FY 2016 in the US remains positive and in line with plan performance, reinforced by the anticipated release of two new products including the complimentary TZ PushLock in Q3 (which will extend compatibility to almost 100% of the cabinets available on the market) and the much anticipated TZ Electronic SwingHandle in Q4.
- The Australian IXP business continues to show consistent sales growth as sales exceeded plan targets for the first half of the fiscal year. Underpinning the IXP revenue was the successful completion of Stage 1 and Stage 2 of our first major deployment in Hong Kong for a well-known technology corporation. On-going sales to NextDC and Macquarie Telecom Data Centers also helped to maintain the sales momentum.
- In Europe, the IXP business also continued to see steady growth with a number of new projects getting underway, including a new Data Center for a major Global Systems Integrator in Newcastle in the UK, a TZ Praetorian System deployment in Turkey, and the installation of the TZ Centurion System on multiple cabinets for two major credit card providers in the UK, who are looking to secure their payment gateways to ensure PCI-DSS compliance.

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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")

31 December 2015

Consolidated statement of cash flows

	Current quarter	Year to date
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	4,359	8,743
1.2 Payments for		
(a) staff costs	(2,551)	(4,736)
(b) advertising and marketing	(177)	(299)
(c) research and development		
(d) leased assets	(103)	(209)
(e) other working capital	(2,629)	(5,989)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	4	20
1.5 Interest and other costs of finance paid		
1.6 Income taxes refund/(paid)	(2)	39
1.7 Other Income		
Net operating cash flows	(1,099)	(2,431)

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

		Current quarter \$A'000	Year to date \$A'000
1.8	Net operating cash flows (carried forward)	(1,099)	(2,431)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses		
	(b) equity investments		
	(c) intellectual property	(424)	(790)
	(d) physical non-current assets	(76)	(231)
	(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	(500)	(1,021)
1.14	Total operating and investing cash flows	(1,599)	(3,452)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, notes, etc.		
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings		
1.18	Repayment of borrowings		
1.19	Proceeds from investment redemption		
1.20	Other - Share issue costs		
	Net financing cash flows	0	0
	Net increase (decrease) in cash held	(1,599)	(3,452)
1.21	Cash at beginning of quarter/year to date	3,855	5,688
1.22	Exchange rate adjustments to item 1.21	(7)	13
1.23	Cash at end of quarter/year to date	2,249	2,249

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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	291
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	-	-

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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	2,153	3,676
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other – Foreign currencies held overseas	96	179
Total: cash at end of quarter (item 1.23)	2,249	3,855

Acquisitions and disposals of business entities

31/12/2015

- 5.1 Name of entity/business
- 5.2 Place of incorporation or registration
- 5.3 Consideration for acquisition or disposal
- 5.4 Total net assets
- 5.5 Nature of business

Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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 ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 27 January 2016

Print name: Kenneth Ting

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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.

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