

27 April 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 & UPDATED APPENDIX 4C – MARCH QUARTER 2016

The Appendix 4C (unaudited) released to the ASX this morning contained an adjustment entry against work in progress that should have been included in receipts from customers. The adjustment does not have any impact on the net operating cash flow.

Please find attached the shareholder update and updated ASX Appendix 4C (unaudited) – Quarterly Report reflecting the appropriate amendments.

Yours faithfully

TZ LIMITED



Kenneth Ting
Director

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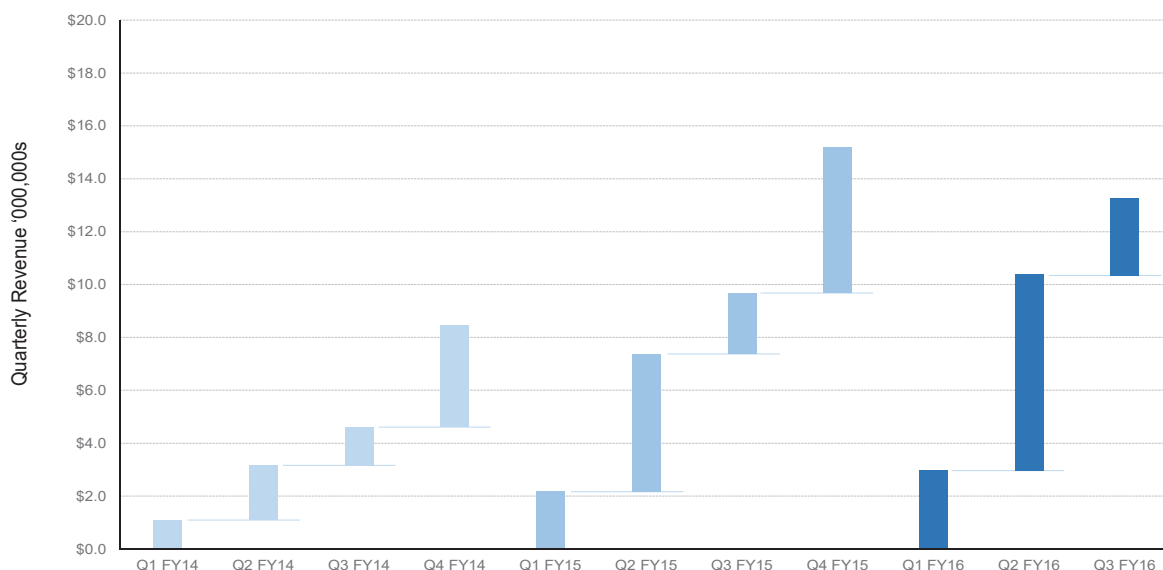
TZ LIMITED – SHAREHOLDER UPDATE

March Quarter 2016

This March Quarter has been an incredibly important quarter for the Company in terms of business achievements:

1. Quarterly cash flow from operations for the March Quarter was around A\$40,000. This is the first time in the Company's history that it has achieved positive quarterly cash flow from operations. This is made even more significant because a A\$1.1M overdue payment was received on the first day of April and represented a significant and material post-closing event. This income was not reflected in the accounts.
2. Contracts with Singapore Post/Couriers Please and a US Transportation and Logistics company came to fruition, not only driving strong sales revenue for the balance of fiscal 2016 but delivering a significant pipeline of on-going business to carry the Company forward through 2017.
3. The first full scale commercial production of the Company's proprietary smart locking devices by our Asian based contract manufacturer, which will deliver significant finished goods cost reduction and underpin an uplift in the Company's overall profit margins.
4. The establishment of a strategic relationship with Ricoh USA, laying the foundations for the broader distribution and potential acceleration of market adoption of the Company's smart locker offerings particularly in the US market.

The March quarter, which is traditionally the Company's slowest quarter, saw continued growth with quarterly sales up 22% compared to the same period last year. Sales to the Postal and Logistics sector in Asia and USA and on-going Corporate Day Locker sales in Australia continue to fuel the growth and are expected to continue to do so for at least the 2017 financial year.



Overall year-to-date (YTD) revenue is up 27%, bringing the unaudited turnover for the current year to A\$13.3M. With a backlog of purchase orders and major contracts with potential value in excess of A\$15M, the Company is looking good to deliver a strong performance in the last quarter of fiscal year 2016 and solid sales momentum into fiscal year 2017.

On the cost management front, year-to-date controllable expenses are down 10% over the same period last year. This is in line with the Board's objective of growing top line revenue while minimizing incremental controllable expenses.

Lower cost Asian supply and far more favourable credit terms are also delivering positive outcomes for the Company, as has the ability of management to negotiate upfront contractual deposits and improved progress payment terms from our customers. Collectively, this is delivering a positive impact on the Company's working capital.

Underpinned by strong contracts, the Company is now in a position to explore appropriate credit facilities to help bridge working capital requirements if needed.

Packaged Asset Delivery (PAD):

- Postal and Logistics sales drove US and APAC revenues to deliver tremendous growth for the period. Underpinned by multi-year strategic contracts with Singapore Post and a US transport and logistics provider, sales to this sector will be very strong in the quarter ending 30 June 2016 and should maintain its momentum as our customers progress their roll-out plans into the 2017 financial year.
- Poste Italiane and Pos Malaysia are still progressing with the roll-out of their expanded pilot programs and while deployment has been slow, we understand that both organisations are considering plans for broader deployment in 2017.
- The Day Locker business continued its impressive sales performance with further sales in Australia to the established customer base but more importantly, a significant sale was secured from Singapore Post where TZ Day Lockers were deployed last month at their new executive offices at the Singapore Post Centre in Singapore – a great benchmark and reference project for other potential Asian customers.
- New Day Locker sales are also expected in the US within the coming months, starting with a major San Francisco based cloud computing corporation, which should offer significant visibility to other corporations seeking to implement agile work practices in the US.
- With the number of Day Locker engagements growing in the US, and expansion of the Australian business to new customers also anticipated in the coming months, Day Locker sales growth looks extremely promising for the Company.
- In the US PAD corporate sector, the partnership with Ricoh USA, Inc. was formally launched to the market at the start of April and is being positioned strongly to compliment Ricoh's services offering to many of its major US corporate accounts.
- Ricoh's Managed Service and Business Development resources are proactively promoting TZ Locker Solutions to the US Corporate and Higher Education Sectors and while early days, the process of successful collaboration between TZ and Ricoh USA, first established to service a large Bay Area Biotech corporation, continues to be followed to effectively manage the scope of opportunities already registered. The Ricoh opportunity pipeline is substantial.

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- In Australia, the focus on corporate mail room providers is starting to show positive signs, with TZ now working with these providers on multiple customer projects. While mail room providers have traditionally used manpower to run the corporate mailroom, customers are pushing them to embrace modern technology to ensure timely deliveries that can be tracked from the time it enters a building until picked up by the recipient.
- The Company has also received its first PAD Corporate purchase order from a global European retailer with deployment scheduled for July. The importance of this order, is the collaboration between TZ and Ricoh Europe to deliver an end-to-end solution from supply, installation, commissioning to on-going service and maintenance.

Infrastructure Protection (IXP):

- Strong quarterly sales pushed the year-to-date IXP revenue up to almost double that of the same period last year. Fueled by a strong sales recovery this year in APAC, the IXP business overall continues to maintain its steady growth momentum.
- The IXP US business continued to reliably deliver against planned expectations as sales to OEM technology partners continue to develop strongly, particularly as these customers look to standardize with TZ's IXP offerings within their infrastructure. Although project timings in the last quarter may impact the US year-end result, any shortfall in the US will be covered by the strong sales expected from APAC.
- In Australia, NextDC and Macquarie Telecom moved forward with their plans for expansion, resulting in several purchase orders being received in support of their next stages of development.
- Sales in Asia also continued positively with the TZ Centurion System being selected as the system of choice for a major Singaporean Bank. This is the second project within the banking and finance sector in Singapore. This benchmark customer selected TZ over competitive options because of the capability of the TZ software to be able to integrate with third party Data Center Infrastructure Management software, and because the range of TZ Locking Devices has the capability to not only fit onto their new cabinets, but also on to their legacy cabinets in existing data centres.
- TZ is continuing to refine its IXP product range with several new mounting solutions being developed. The introduction of the new TZ Push Lock this quarter not only complements the existing product but further helps TZ to differentiate our solution in the market and drive a clear position as the only system compatible with over 90% of commercially available cabinets.
- The growing trend of consolidating cabinet security with card access control systems is driving the need for software integration with some of the major access control systems on the market. Accordingly, a major upgrade of TZ Centurion Server software is planned which will help to align the IXP product capability with the emerging needs of our customers.

Infinity Design:

- Although not usually mentioned in the Company's commentary, the Infinity Design business has delivered exceptional results year-to-date doubling externally generated revenues from the same period last year through strong retained contracts and extremely high utilization and efficiencies in billable hours. Infinity Design continues to support and deliver on the Company's internal product development initiatives.

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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 March 2016

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	4,588	13,277
1.2 Payments for		
(a) staff costs	(2,223)	(6,669)
(b) advertising and marketing	(53)	(346)
(c) research and development		
(d) leased assets	(115)	(322)
(e) other working capital	(1,611)	(7,864)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	21
1.5 Interest and other costs of finance paid		
1.6 Income taxes refund/(paid)	5	44
1.7 Other Income		
Net operating cash flows	542	(1,859)

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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)	542	(1,859)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses		
(b) equity investments		
(c) intellectual property	(116)	(234)
(d) physical non-current assets	(392)	(1,265)
(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	17	(37)
1.12 Loans repaid by other entities		
1.13 Other - Investment in cash trust		
Net investing cash flows	(491)	(1,536)
1.14 Total operating and investing cash flows	51	(3,395)
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	51	(3,395)
1.21 Cash at beginning of quarter/year to date	2,250	5,688
1.22 Exchange rate adjustments to item 1.21	(10)	(2)
1.23 Cash at end of quarter/year to date	2,291	2,291

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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	280
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	1,863	2,153
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other – Foreign currencies held overseas	428	96
Total: cash at end of quarter (item 1.23)	2,291	2,249

Acquisitions and disposals of business entities

	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

- 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.
- This statement does ~~not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: 

(Director/Company secretary)

Date: 27 March 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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