TZ Limited
ABN 26 073 979 272

30 August 2016

Lodged by ASX Online

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

Dear Sir/Madam

APPENDIX 4E PRELIMINARY FINAL REPORT

Please find attached the ASX Appendix 4E Preliminary Final Report for TZ Limited for the year ended 30 June 2016.

Yours faithfully

TZ LIMITED

Kenneth Ting
Director

TZ LIMITED – Preliminary Final Report – YE 30 June 2016

- **Revenues up 37% to $20.8M, which does not include a large number of outstanding, booked purchase orders which did not ship by 30th June 2016. Had the current programs shipped as scheduled, the Company would have been on track to report revenues of approximately $24M. Assuming no further deployment delays, the Company should recognise at least 50% of the current A$10M backlog in the first quarter ending 30 September 2017.**

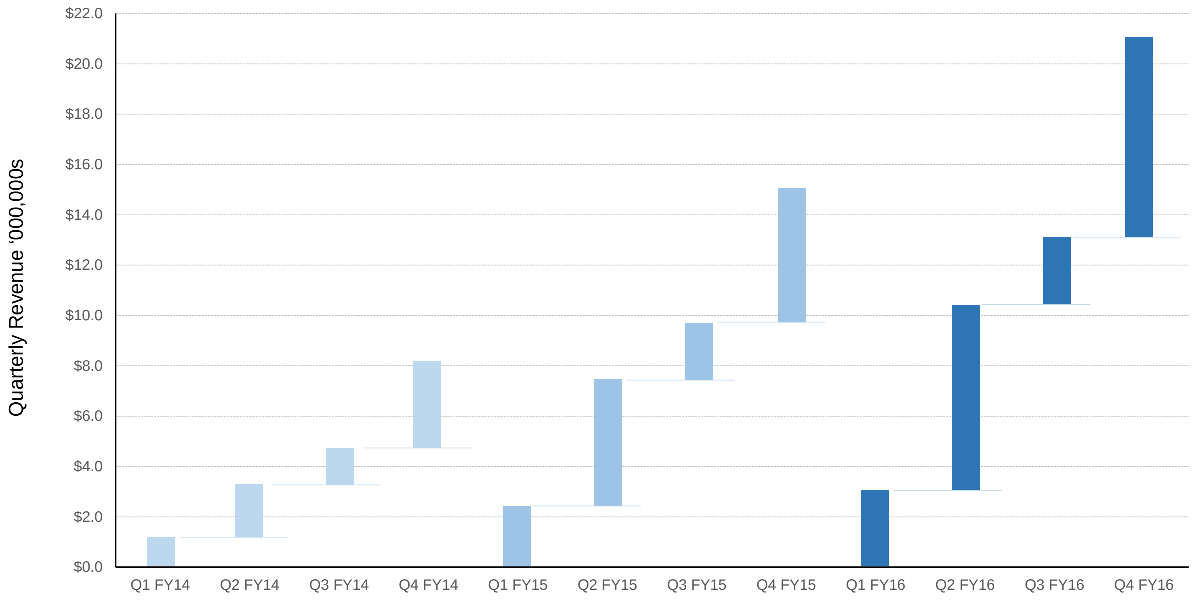
- **Overall Gross Margin expectations was negatively impacted by the concentration of sales to the US Transport and Logistics provider in the last quarter of FY2016. This project contributed significantly to overall margins dropping to 33%.**

- **Operating expenses were up 9% due to the need to employ additional technical and project management deployment resources to support the US contract, particularly in the initial phases of roll-out. On-going roll-out will be managed by the structured contracting network currently being implemented by Ricoh USA.**

- **The anticipated strong start to the new fiscal year plus the foundations for continued high margin PAD growth through the relationship with Ricoh in the US and other parts of the world should underpin improved business performance in the coming year.**

	2016 Preliminary	2015 Audited	Change %	
Operating Revenue	$20,826	$15,195	37%	↑
Other Income	$92	$183		↓
Gross Margin	$6,823	$6,528	5%	↑
Gross Margin %	**33%**	**43%**		
Employee Benefits	$8,119	$6,976	16%	↑
Occupancy	$514	$356	44%	↑
Communications	$232	$242	4%	↓
Professional Fees	$1,079	$1,157	7%	↓
Travel and Accommodation	$893	$984	9%	↓
Other Expenses	$1,354	$1,466	8%	↓
Total Expenses	**$12,192**	**$11,180**	**9%**	↑
EBITDA	**-$5,278**	**-$4,469**	**18%**	↓
Impairment	$0	-$401		
Depreciation and Amortisation	-$1,894	-$1,563		
Interest income	$28	$49		
Finance Costs	-$15	$0		
Loss before income tax	**-$7,158**	**-$6,383**	**12%**	↓
Income Tax	$124	-$53		
Loss after income tax	**-$7,034**	**-$6,436**	**9%**	↓

Corporate Highlights:



- PAD business revenues continue to grow strongly to A$17.7M. Extension of supply contracts with Singapore Post, Pos Malaysia, Poste Italiane, the roll-out of Postal Lockers in Australia with Couriers Please and the large contract with the US Transport and Logistic Company underpins a substantial amount of current and future business with deployment scheduled over the balance of this calendar year and into 2017. The higher margin Corporate PAD business remains strong and should provide a balanced offset to the lower margin Postal business, as sales in the Corporate Mail, Corporate Day Locker and Higher Education continue to develop on the back of the established customer base. Growth is also expected through increased market penetration as the potential of the Ricoh relationship is fully leveraged.

- IXP business revenues continue to grow steadily to A$2.1M representing an uplift on last year's performance and maintaining a general trend of 20% to 30% compound average growth year-on-year. The business remains dependent on infrastructure starts and project timings, however increasing awareness of compliance, monitoring and reporting requirements in the data centre environment is driving greater market awareness and therefore potentially greater demand for the Company's products. A solid baseline of run-rate business has been secured supported by the established customer base and OEM technology partners, who continue to standardise their sites with TZ's IXP offerings.

- Infinity Design revenues grew strongly to over A$1.0M for the year with the business beginning to develop a number of long term, retained contractual engagements that enable optimum utilization of fee-for-service design resources. The large pipeline of secured and upcoming business suggest that this level of performance can be sustained.

- Total Operating Expenses grew 9% to A$12.2M due to the following:

  - Establishment of the San Mateo office on the West Coast in order to continue to nurture and develop the large community of major technology customers in the San Jose, Cupertino and Mountain View area including the relationships with Google, Apple and Microsoft.

- Investment in additional technical and project management resources in the US to support the large US contract. The dependency on our resources at the start-up phase of the US roll-out has necessitated the relocation of skilled technical resources from Australia and recruitment of localised technical resources to enable broader geographic capability.

- The year also saw the Company continue to invest in its core technologies, with over A$1.4M directed towards the next generation device programs including:

  - Development of next generation electronics and firmware to support significant enhancement of the current Smart Device capability;

  - Development of new mechanical devices including miniaturisation of SMA actuation options to enable smaller form factors to enable access to new markets;

  - Development of peer-to-peer mesh network architecture to enable a truly smart device environment; and

  - Cloud based platform software developments to support future interface, control and system management capability.

- The full year loss after tax was disappointingly A$7.0M which offered no improvement on last years' performance. Net cash outflows to 30 June 2016 totalled $1.3M with the last two quarters showing positive cash contribution.

- Performance improvement in the coming year is anticipated through a number of focal areas:

  - Further cost optimization with current supply chain and contract manufacturing;

  - Focus on developing our higher margin segments particularly in the US where foundations have been put in place with strategic channel partners such as Ricoh and Novitex to enable the business to scale more readily;

  - Roll-out of traditional Corporate Mail and Corporate Day Locker solutions to the European and Asian market primarily through the relationship with Ricoh Europe and Ricoh Asia Pacific respectively; and

  - Implementation of the Company's technology and application licensing programs which are currently underway and should yield positive annuity based revenues in the coming 12 months.

- The Company successfully raised A$3.8M (net of fees) from various institutional and sophisticated investors in June of this year and successfully closed a Share Purchase Plan for existing shareholders which raised a further A$222,000.

US Business:

- The US subsidiary doubled the size of its business this year achieving revenues of around A$13M with the bulk of the growth driven by the significant contract with the US Transport and Logistics provider. This contract has been a significant focus for the US management team given the scale and speed of the desired deployment.

- The project has proven challenging due to the size of the order and speed of implementation which has impacted supply chain, production management, engineering, software development, project management and commissioning. The scope of work and the geographic scale of deployment has also expanded beyond initial indications.

- The foundations for US PAD business growth in FY2017 have been put in place starting with the strategic alliance relationship with Ricoh. This relationship while still in the early phases is showing strong promise with a growing pipeline of qualified corporate opportunities. The potential benefits of working with such a large partner are obvious, judging by the size of opportunities currently in discovery and a couple of encouraging recent sales to new corporate accounts. FY2017 should see the Ricoh sales engagement fully effective as new processes and engagement models become standard operating practice.

ANZ, ASIA and EMEA Business:

- Our Asian postal business is set to continue with the extension of the supply contract with Singapore Post, which will see POPStations continue to roll-out in Singapore, and in Australia through Couriers Please over the life of the contract until 31 December 2018.

- The successful winning of the Pos Malaysia tender will see on-going supply of EziBox Locker Banks to Malaysia starting with their next phase of supply of 50 Locker Banks which is anticipated to be completed by the end of the 2017 calendar year.

- The solid base of Australian Corporate Day Locker customers, such as Westpac and KPMG, should see a strong base of on-going sales as they continue to expand their deployments to new sites nationally. The strong reference base of customers should also support efforts to develop further sales with other corporations who are also considering their agile workplace practices.

- The launch of our Smart Locker solutions to the European market with Ricoh Europe provides a new area of opportunity for the Company. Leveraging the relationship with Ricoh USA and the successful deployment of the first Corporate Mail Locker sale to a European headquartered global Jewellery manufacturer and retailer, provides a great foundation for the on-going development of the market for our products.

TZ Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the year ended 30 June 2016
Previous period:	For the year ended 30 June 2015

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	37.1%	to	20,826
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	18.1%	to	(5,277)
Loss from ordinary activities after tax attributable to the owners of TZ Limited	up	9.3%	to	(7,034)
Loss for the year attributable to the owners of TZ Limited	up	9.3%	to	(7,034)

Comments
The loss for the consolidated entity after providing for income tax amounted to $7,034,000 (30 June 2015: $6,436,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.88	1.62

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited. It is expected that the audit report will contain an emphasis of matter paragraph in relation to going concern.

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11. Attachments

Details of attachments (if any):

The Preliminary Financial Report of TZ Limited for the year ended 30 June 2016 is attached.

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12. Signed

Signed Mark Bouris

Date: 30 August 2016

Mark Bouris
Director
Sydney

TZ Limited

ABN 26 073 979 272

Preliminary Financial Report - 30 June 2016

TZ Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 (unaudited) $'000	2015 $'000
Revenue	1	20,826	15,195
Other income	2	120	233
Expenses			
Raw materials and consumables used		(14,004)	(8,666)
Employee benefits expense		(8,119)	(6,976)
Occupancy expense		(514)	(356)
Depreciation and amortisation expense		(1,894)	(1,563)
Impairment of assets		-	(401)
Communications expense		(232)	(242)
Professional and corporate services		(1,079)	(1,157)
Travel and accommodation expense		(893)	(984)
Other expenses		(1,354)	(1,466)
Finance costs		(15)	-
Loss before income tax (expense)/benefit		(7,158)	(6,383)
Income tax (expense)/benefit		124	(53)
Loss after income tax (expense)/benefit for the year attributable to the owners of TZ Limited		(7,034)	(6,436)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		230	1,603
Other comprehensive income for the year, net of tax		230	1,603
Total comprehensive income for the year attributable to the owners of TZ Limited		(6,804)	(4,833)
		Cents	**Cents**
Basic earnings per share	9	(1.51)	(1.57)
Diluted earnings per share	9	(1.51)	(1.57)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

TZ Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 (unaudited) $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents		6,102	5,688
Trade and other receivables	3	6,067	5,007
Inventories		805	336
Other		344	325
Total current assets		13,318	11,356
Non-current assets			
Property, plant and equipment	4	549	794
Intangibles	5	9,503	9,310
Total non-current assets		10,052	10,104
Total assets		23,370	21,460
Liabilities			
Current liabilities			
Trade and other payables	6	8,975	4,201
Provisions		336	266
Total current liabilities		9,311	4,467
Non-current liabilities			
Deferred tax		102	110
Provisions		56	51
Total non-current liabilities		158	161
Total liabilities		9,469	4,628
Net assets		13,901	16,832
Equity			
Issued capital	7	204,731	200,998
Reserves		(3,300)	(3,530)
Accumulated losses		(187,530)	(180,636)
Total equity		13,901	16,832

The above statement of financial position should be read in conjunction with the accompanying notes

TZ Limited
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2014	192,278	(5,133)	(174,691)	12,454
Loss after income tax expense for the year	-	-	(6,436)	(6,436)
Other comprehensive income for the year, net of tax	-	1,603	-	1,603
Total comprehensive income for the year	-	1,603	(6,436)	(4,833)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 7)	8,720	-	-	8,720
Share-based payments	-	-	491	491
Balance at 30 June 2015	200,998	(3,530)	(180,636)	16,832

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015	200,998	(3,530)	(180,636)	16,832
Loss after income tax benefit for the year	-	-	(7,034)	(7,034)
Other comprehensive income for the year, net of tax	-	230	-	230
Total comprehensive income for the year	-	230	(7,034)	(6,804)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 7)	3,733	-	-	3,733
Share-based payments	-	-	140	140
Balance at 30 June 2016	204,731	(3,300)	(187,530)	13,901

The above statement of changes in equity should be read in conjunction with the accompanying notes

TZ Limited
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 (unaudited) $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,901	13,518
Payments to suppliers (inclusive of GST)		(21,447)	(17,556)
Grants received		120	233
Interest received		28	50
Other revenue		13	16
Interest and other finance costs paid		(15)	-
Income taxes refunded/(paid)		116	(71)
Net cash used in operating activities		(1,284)	(3,810)
Cash flows from investing activities			
Payments for property, plant and equipment		(367)	(259)
Payments for intangibles		(1,668)	(1,637)
Proceeds from release of security deposits		-	10
Net cash used in investing activities		(2,035)	(1,886)
Cash flows from financing activities			
Proceeds from issue of shares	7	4,000	9,000
Transaction costs on shares issued		(267)	(280)
Net cash from financing activities		3,733	8,720
Net increase in cash and cash equivalents		414	3,024
Cash and cash equivalents at the beginning of the financial year		5,688	2,646
Effects of exchange rate changes on cash and cash equivalents		-	18
Cash and cash equivalents at the end of the financial year		6,102	5,688

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Revenue

	Consolidated 2016 (unaudited) $'000	2015 $'000
Sales revenue		
Sale of goods and project revenue	20,785	15,129
Other revenue		
Interest	28	50
Royalty	13	15
Other revenue	-	1
	41	66
Revenue	20,826	15,195

Note 2. Other income

	Consolidated 2016 (unaudited) $'000	2015 $'000
Government grants	120	233

Note 3. Current assets - trade and other receivables

	Consolidated 2016 (unaudited) $'000	2015 $'000
Trade receivables	4,366	3,239
Other receivables	52	-
Work in progress	1,564	1,728
Goods and services tax receivable	85	40
	6,067	5,007

Note 4. Non-current assets - property, plant and equipment

	Consolidated 2016 (unaudited) $'000	Consolidated 2015 $'000
Leasehold improvements - at cost	421	418
Less: Accumulated depreciation	(406)	(400)
	15	18
Plant and equipment - at cost	1,799	1,995
Less: Accumulated depreciation	(1,469)	(1,369)
	330	626
Office equipment - at cost	710	619
Less: Accumulated depreciation	(506)	(469)
	204	150
	549	794

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2014	26	1,141	65	1,232
Additions	2	156	101	259
Exchange differences	1	2	4	7
Impairment of assets	-	(280)	-	(280)
Transfers in/(out)	-	(339)	-	(339)
Depreciation expense	(11)	(54)	(20)	(85)
Balance at 30 June 2015	18	626	150	794
Additions	3	239	125	367
Disposals	-	-	(5)	(5)
Exchange differences	-	-	(2)	(2)
Transfers in/(out)	-	(440)	-	(440)
Depreciation expense	(6)	(95)	(64)	(165)
Balance at 30 June 2016	15	330	204	549

Note 5. Non-current assets - intangibles

	Consolidated 2016 (unaudited) $'000	2015 $'000
Goodwill - at cost	4,155	4,155
Less: Impairment	(4,010)	(4,010)
	145	145
Trade names - at cost	13	13
Less: Accumulated amortisation	(13)	(13)
	-	-
Re-acquired right (Intevia Licence) - at cost	10,240	10,118
Less: Accumulated amortisation	(6,758)	(5,882)
	3,482	4,236
Other intangibles - at cost	8,668	6,868
Less: Accumulated amortisation	(2,792)	(1,939)
	5,876	4,929
	9,503	9,310

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Trade names $'000	Re-acquired right $'000	Other intangibles $'000	Total $'000
Balance at 1 July 2014	145	10	4,131	2,967	7,253
Additions	-	-	-	1,637	1,637
Exchange differences	-	1	880	678	1,559
Transfers in/(out)	-	-	-	339	339
Amortisation expense	-	(11)	(775)	(692)	(1,478)
Balance at 30 June 2015	145	-	4,236	4,929	9,310
Additions	-	-	-	1,668	1,668
Exchange differences	-	-	122	132	254
Amortisation expense	-	-	(876)	(853)	(1,729)
Balance at 30 June 2016	145	-	3,482	5,876	9,503

* Other intangibles in the above reconciliation includes Patents and Development costs.

Note 6. Current liabilities - trade and other payables

	Consolidated 2016 (unaudited) $'000	2015 $'000
Trade payables	6,219	3,175
Employee expense payables	78	143
Unearned income	1,419	-
Other payables	1,259	883
	8,975	4,201

Note 7. Equity - issued capital

	Consolidated 2016 (unaudited) Shares	2015 Shares	2016 (unaudited) $'000	2015 $'000
Ordinary shares - fully paid	501,965,203	465,601,566	204,731	200,998

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2014	384,874,293		192,278
Issue of shares	3 December 2014	8,000,000	$0.12	1,000
Issue of shares	5 March 2015	14,840,780	$0.11	1,632
Issue of shares	18 March 2015	57,886,493	$0.11	6,368
Less: share issue costs		-	$0.00	(280)
Balance	30 June 2015	465,601,566		200,998
Issue of shares	24 June 2016	36,363,637	$0.11	4,000
Less: share issue costs		-	$0.00	(267)
Balance	30 June 2016	501,965,203		204,731

Share buy-back
There is no current on-market share buy-back.

Note 8. Contingent liabilities

The consolidated entity does not have any contingent liabilities at 30 June 2016 and 30 June 2015.

Note 9. Earnings per share

	Consolidated 2016 (unaudited) $'000	2015 $'000
Loss after income tax attributable to the owners of TZ Limited	(7,034)	(6,436)

Note 9. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	466,197,691	410,883,317
Weighted average number of ordinary shares used in calculating diluted earnings per share	466,197,691	410,883,317

	Cents	Cents
Basic earnings per share	(1.51)	(1.57)
Diluted earnings per share	(1.51)	(1.57)

For the purpose calculating the diluted earnings per share the denominator has excluded the number of options as the effect would be anti-dilutive.

Note 10. Going concern

These financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

In making the assessment of the applicability of the going concern assumption, the directors conducted a comprehensive review of the consolidated entity's affairs including, but not limited to:
- the consolidated entity's financial position as at 30 June 2016;
- the cash flow forecast for the consolidated entity for the period of 12 months from the date of the issuance of these financial statements;
- sales and profitability forecasts for the consolidated entity for not only the current financial year, but beyond 30 June 2017; and
- The continued support of the consolidated entity's shareholders.

For the year ended 30 June 2016, the consolidated entity incurred losses after income tax of $7,034,000 and net cash outflows from operating activities of $1,284,000.

While the consolidated entity incurred losses for the financial year, in assessing the appropriateness of the going concern concept the following factors have been taken into consideration:
- the directors are of the view the consolidated entity is on track to meet revenue targets for the 2017 financial year and that this is strongly supported by a substantial backlog of purchase orders and secured contracts. It is expected, as the monthly revenue levels increase, the consolidated entity's operating business units will be in a position to contribute positive cash to the bottom line; and
- the directors maintain a positive outlook on achieving profitability in the 2017 financial year based upon forward orders and the strength of the sales pipeline.

In making their assessment, the directors acknowledge that the ability of the consolidated entity to continue as a going concern is dependent on meeting sales and profitability forecasts, the generation of positive cash flows, the continued support of shareholders and the raising of additional share capital as and when required in the future.

The financial statements have been prepared on the going concern basis for the above reasons. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 11. Events after the reporting period

On 19 July 2016, the Company issued 2,018,149 new ordinary shares at an issue price of $0.11 per share under Share Purchase Plan first announced on 20 June 2016. The issue price of the new shares was the same issue price under the Placement which was completed in 20 June 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.