

### 1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

### 2. Results for announcement to the market

			<b>\$'000</b>
Revenues from ordinary activities	up	31.8% to	13,981
Earnings loss before interest, tax, depreciation and amortisation, adjusted for impairment	down	43.3% to	(1,339)
Loss from ordinary activities after tax attributable to the owners of TZ Limited	up	9.0% to	(3,520)
Loss for the half-year attributable to the owners of TZ Limited	up	9.0% to	(3,520)

#### *Dividends*

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

#### *Comments*

The earnings before interest, tax, depreciation and amortisation ('EBITDA'), adjusted for impairment, was a loss of \$1,339,000 (31 December 2015: loss of \$2,363,000), an improvement of 43%. The loss for the consolidated entity after providing for income tax amounted to \$3,520,000 (31 December 2015: \$3,229,000).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity.

### 3. Net tangible assets

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>0.50</u>	<u>0.79</u>

### 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.

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**7. Dividend reinvestment plans**

Not applicable.

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**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 were subject to a review by the auditors and the review report, modified to include a material uncertainty related to going concern, is attached as part of the Interim Report.

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**11. Attachments**

*Details of attachments (if any):*

The Interim Report of TZ Limited for the half-year ended 31 December 2016 is attached.

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**12. Signed**

Signed 

Date: 27 February 2017

Mark Bouris  
Director  
Sydney

**TZ Limited**

**ABN 26 073 979 272**

**Interim Report - 31 December 2016**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of TZ Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

### **Directors**

The following persons were directors of TZ Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mark Bouris - Chairman  
Kenneth Ting  
Paul Casey

### **Principal activities**

During the financial half-year the principal continuing activities of the consolidated entity consisted of the development of intelligent devices and smart device systems that enable the commercialisation of hardware and software solutions for the management, control and monitoring of business assets and the provision of associated value added services through Telezygology Inc. and TZI Australia Pty Limited ('TZI').

All of the operations of the consolidated entity are based in Australia, the United States of America and Singapore.

### **Review of operations**

The earnings before interest, tax, depreciation and amortisation ('EBITDA'), adjusted for impairment, was a loss of \$1,339,000 (31 December 2015: loss of \$2,363,000), an improvement of 43%. Including an IXP impairment cost of \$1,119,000, the loss for the consolidated entity after providing for income tax amounted to \$3,520,000 (31 December 2015: \$3,229,000).

#### *Group overview*

TZ Limited ("TZL" or the "Company") posted a half-year revenue of \$13,981,000 at 31 December 2016, which represented a 32% increase against the half-year result last year. The year-on-year revenue growth was underpinned by the on-going Smart Locker supply contracts to Postal and Logistics customers in Australia, Singapore, Malaysia and the USA and a ramp up in Smart Locker sales to existing and new customers in the corporate, residential and higher education sectors.

Our Packaged Asset Delivery ("PAD") business or Smart Locker business continues to maintain year-on-year growth, with a strong half-year performance, delivering a 42% uplift against the same period last year. About 50% of the revenue was derived from the lower margin Postal and Logistics business with the balance of sales coming from the more attractive corporate, residential and educational sectors, particularly in the US, where sales were very strong, doubling that of the same period last year.

Our Infrastructure Protection ("IXP") or Data Centre Locking business was down 25% compared to the same period last year but this was primarily due to project timing issues, not from a reduction in demand or market potential. Several projects, which are anticipated to start in Q3 and Q4 of this fiscal year 2017, should boost sales over the second half and deliver the expected year-on-year growth.

Infinity Design continued to sustain its fee-for-service design business generally in line with last year's strong performance. Supported by a solid pipeline of projects from its established base of clients, the business is on track to deliver annual plan expectations.

Operating costs were slightly higher than last year's expenditure largely due to a small increase in salary costs, unrealised losses on the translation of balances of intercompany loans to overseas subsidiary companies and higher occupancy expenditure relating to the opening of the San Mateo office. Travel expenses were some 20% lower than last year's expenditure and will continue to be closely managed.

Gross margins improved on last year averaging 38% for the half year. While the overall gross margin continues to be impacted by the lower margins of the Postal and Logistics business, the sales mix percentage is expected to move in favour of the higher margin business over the second half of the year. Accordingly, the Company expects an uplift in the average gross margin over the full year.

To support the Company's on-going operating capital requirements, a new loan facility of \$3.0M was established in December 2016. \$2.0M has been used of the facility to help fund operating activities and assist cash flow management.

*Packaged Asset Delivery (PAD)*

The PAD business is split into two key areas of activity: the established supply contracts in the Postal and Logistics sector; and a range of Smart Locker application sales to the corporate, residential and higher education sectors. Smart Locker applications continue to expand beyond traditional mail/parcel management and day locker systems into new application areas including retail “click and collect” opportunities and decentralised inventory management solutions.

The Company currently has five supply contracts in the Postal and Logistics sector covering Locker Bank sales in Australia, Singapore, Malaysia, Italy and the USA. All contracts are currently in Locker deployment mode meaning fabrication and delivery of all Locker Banks has been completed, and installation and commissioning is progressing as Locker sites become available. By Q4 of FY 2017, the balance of around 200 Locker Banks should all be installed and operational, bringing the total number of TZ Postal Locker Banks supplied to date to over 580. The Company currently has service and support contracts to maintain these Locker Banks into the foreseeable future. Further supply orders are also expected as the existing customer base expand their networks. All of our postal and logistics business is predicated on customers who require specialist requirements and extensive systems integration. The Company does not participate on postal tenders where commoditised locker supply is the prevailing expectation.

Smart Locker sales to the corporate, residential and higher education sectors is growing steadily in all markets as TZ maintains its first mover advantage and leadership position. Corporate sales fall into the following applications: mail management lockers, day lockers and more recently inventory management lockers. Mail management sales continue to be the dominant category in the US market, while Australia and Singapore continue to grow day locker engagements. Sales growth is underpinned by large repeat purchases from the established customer base such as Microsoft, Apple, and Westpac, as well as initial sales to new clients such as Nike and Capital One. The pipeline continues to expand as strategic partners such as Ricoh build their sales momentum and identify new opportunities. Conversion rates have been traditionally high although the timing of projects has been a little unpredictable as sales are usually tied to capex budget approvals and the progress of major construction and/or refurbishment plans. Inventory management locker sales are gaining traction in all markets with many corporates, particularly financial institutions and technology players, seeking to manage the distribution and tracking of valuable assets within their organisations. In Australia, Q3 of fiscal 2017 will see a major banking customer fully embrace all of TZ corporate Smart Locker solutions, namely Day Lockers, Parcel Lockers and Inventory Management Lockers as part of their new Sydney office plans.

High-density residential sales are growing strongly as Parcel Lockers become a standard utility for apartment living. The market, particularly in the US, is dominated by start-up metal locker supply companies, who offer lockers under a transactional fee based supply model. TZ's segment focus is the high-end property owner / property developer and the Company has been successful in securing multi-site supply contracts with major operators on the West, South East and East Coast markets, who value custom-built millwork and more sophisticated electronics and integration capability. The Company's new Residential Software Suite will more readily differentiate the benefits of the TZ solution over the competition.

Higher-education sector sales is also a focus for the Company with the recent launch of the TZ Campus Software Suite. Sales are highly seasonal, traditionally falling in the May to August timeframe for delivery, but the level of enquiries and tender requests have noticeably increased which is good indicator for potential new business.

The Company is continuing to strongly differentiate itself as the only Smart Locker provider with application specific offerings developed in association with key segment leading customers. This positioning is proving to serve the Company well, enabling it to maintain its margins, competitive advantage and strong value proposition against commoditised offerings.

A potentially large and growing opportunity in the US is “Click and Collect” Retail Lockers. Although well established in other geographies, the concept of click and collect is relatively new in the US and is yet to be fully embraced as a key enabler for e-commerce strategies. The Company is currently participating on a number of proof of concept and pilot programs with major “bricks and mortar” retailers in the US, which could ultimately lead to very large deployment opportunities.

The PAD business continues to leverage its strong growth potential through sales expansion within the established customer base, broader penetration of existing segments through new channels to market such as Ricoh and extension into new application areas with new offerings. Australia, Asia and US have a solid base to grow off with a strong record of accomplishments and proven performance, and an extensive and impressive list of repeat purchase corporate clients.

Introduction of corporate, residential and higher education Smart Locker solutions to the European market through Ricoh Europe and their expansive base of operating subsidiaries throughout Europe, opens the door to the untapped potential of a new geography and new business growth.

Collectively, the outlook for the PAD business is extremely positive.

#### *Infrastructure Protection (IXP)*

Much work has been done to refine and expand the current IXP offerings and maintain the Company's position in the data centre space. New IXP device launches over the last 18 months, including TZ SwingHandle and TZ Push Lock, are expanding the scope of application of TZ in a data centre environment and enabling the Company to accommodate possibly 90% of the large range of data centre cabinets used on the market today.

These developmental efforts maintain the relevance of our products in this market segment particularly as new security protocols continue to emerge. Compliance is becoming increasingly a driving factor in certain industry sectors such as the financial sector, and this is seeing pockets of opportunity and growth for the Company's solutions. Although the trend is slow, the increasing reliance by corporations on complex IT systems and operations will drive a need for improved technology risk management and the adoption of electronic cabinet locking systems such as TZ's IXP solutions that are more readily able to handle the emerging requirements for IT physical security.

The overhaul and release of the new Centurion Server Software Suite scheduled for the start of Q4 of FY2017 should significantly strengthen our offering in this market and bring the overall solution onto a new platform and architecture that will serve the business well into the future.

IXP sales in the next twelve months are expected to recover strongly from the project delays that affected revenue in the first half of this year in some countries. IXP sales are dependent on new data centre infrastructure starts and/or expansion within established facilities and sales are typically long cycle, driven through distribution channels and heavily dictated by project timings.

While the directors are confident about IXP's long term growth opportunities and first half revenues outperformed against plan in some countries, revenues also fell short against plan in other countries, resulting in total IXP revenues being lower in the first six months of this year than in the corresponding period last year. As a result, the Company has made the conservative decision in compliance with the Accounting Standards to write off the carrying value of the IXP assets. The directors are confident that the Company's customer engagement and ongoing technology development programs will return growth rates to longer term levels. In line with this, the forecasts for IXP in the second half of 2017 and for 2018 indicate significant revenue opportunities from some large upcoming projects.

#### *Other Developments*

The Company has been communicating a desire to broaden its business into new application areas and to consider opportunities to license its technology. The last 6 months has seen a significant level of development activity pushing the technology boundaries and bringing the Company's smart device technology to the forefront of IOT (internet of things) thinking.

The Company is well down the path to establishing its new smart device architecture and is in the process of piloting the production of its next generation of TZ Smart Device elements. This work encompasses a holistic view of the technology across mechanism design, up-to-date processing, sensing and networking electronics, firmware development and software application. It will take the Company back to its founding vision and into new areas of commercial opportunity for intelligent fastening and locking.

The development of wireless, low energy, battery powered devices will enable the ease of adoption and proliferation of the technology and allow the Company to enter larger volume addressable segments such as home security and industrial access control.

The Company is well advanced in its discussions with early adopter customers that should see the first sales of these next generation solutions by Q4 of FY 2017.

*Closing Statement*

The Company continues to improve its business performance and the foundations for business growth and operational efficiencies are well established. The delivery of positive financial results has taken longer than originally anticipated and has been impacted by project starts and completions, often outside the Company's control. The Company however continues to work hard to turn the corner and from the perspective of management believes the future is looking very positive in terms of potential and prospects.

The attached financial statements detail the performance and financial position of the consolidated entity for the half-year ended 31 December 2016. It also contains an independent auditor's report which has been modified to include a material uncertainty related to going concern. For further information, refer to note 1 to the financial statements, together with the independent auditor's report.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

**Rounding of amounts**

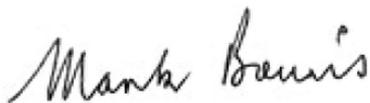
The company is of a kind referred to in Corporations Instrument 2016/191, issued on 24 March 2016 by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in cursive script that reads 'Mark Bouris'.

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Mark Bouris  
Director

27 February 2017  
Sydney

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### **Auditor's Independence Declaration To The Directors of TZ Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of TZ Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M R Leivesley  
Partner - Audit & Assurance

Sydney, 27 February 2017

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### **General information**

The financial statements cover TZ Limited as a consolidated entity consisting of TZ Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is TZ Limited's functional and presentation currency.

TZ Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

#### **Registered office**

Level 11, 1 Chifley Square  
Sydney NSW 2000

#### **Principal place of business**

TZ Limited and TZI Australia Pty Limited, Level 11,  
1 Chifley Square, Sydney NSW 2000  
Telezygology Inc., 1017 W. Washington Blvd, Unit 2C,  
Chicago IL 60607, USA

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2017. The directors have the power to amend and reissue the financial statements.

**TZ Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2016**



		<b>Consolidated</b>	
	<b>Note</b>	<b>6 months ended 31 Dec 2016 \$'000</b>	<b>6 months ended 31 Dec 2015 \$'000</b>
<b>Revenue</b>	3	13,981	10,605
<b>Expenses</b>			
Raw materials and consumables used		(8,630)	(6,816)
Employee benefits expense		(4,558)	(4,276)
Occupancy expense		(344)	(229)
Depreciation and amortisation expense	4	(1,080)	(933)
Impairment of assets	4	(1,119)	-
Communications expense		(116)	(128)
Professional and corporate services		(337)	(274)
Travel and accommodation expense		(366)	(473)
Other expenses		(959)	(752)
Finance costs		(8)	-
<b>Loss before income tax benefit</b>		<u>(3,536)</u>	<u>(3,276)</u>
Income tax benefit		16	47
<b>Loss after income tax benefit for the half-year attributable to the owners of TZ Limited</b>		<u>(3,520)</u>	<u>(3,229)</u>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		437	(442)
Other comprehensive income/(loss) for the half-year, net of tax		437	(442)
<b>Total comprehensive loss for the half-year attributable to the owners of TZ Limited</b>		<u><u>(3,083)</u></u>	<u><u>(3,671)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17	(0.70)	(0.69)
Diluted earnings per share	17	(0.70)	(0.69)

*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 31 December 2016**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	2,113	6,102
Trade and other receivables	6	6,168	6,067
Inventories		697	805
Other		588	344
<b>Total current assets</b>		<u>9,566</u>	<u>13,318</u>
<b>Non-current assets</b>			
Property, plant and equipment		506	549
Intangibles	7	8,583	9,503
<b>Total non-current assets</b>		<u>9,089</u>	<u>10,052</u>
<b>Total assets</b>		<u>18,655</u>	<u>23,370</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	5,232	8,975
Provisions		282	336
<b>Total current liabilities</b>		<u>5,514</u>	<u>9,311</u>
<b>Non-current liabilities</b>			
Borrowings	9	2,000	-
Deferred tax		85	102
Provisions		18	56
<b>Total non-current liabilities</b>		<u>2,103</u>	<u>158</u>
<b>Total liabilities</b>		<u>7,617</u>	<u>9,469</u>
<b>Net assets</b>		<u>11,038</u>	<u>13,901</u>
<b>Equity</b>			
Issued capital	10	204,951	204,731
Reserves		(2,863)	(3,300)
Accumulated losses		(191,050)	(187,530)
<b>Total equity</b>		<u>11,038</u>	<u>13,901</u>

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

**TZ Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2016**



<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2015	200,998	(3,530)	(180,636)	16,832
Loss after income tax benefit for the half-year	-	-	(3,229)	(3,229)
Other comprehensive loss for the half-year, net of tax	-	(442)	-	(442)
Total comprehensive loss for the half-year	-	(442)	(3,229)	(3,671)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	-	111	111
Balance at 31 December 2015	<u>200,998</u>	<u>(3,972)</u>	<u>(183,754)</u>	<u>13,272</u>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2016	204,731	(3,300)	(187,530)	13,901
Loss after income tax benefit for the half-year	-	-	(3,520)	(3,520)
Other comprehensive income for the half-year, net of tax	-	437	-	437
Total comprehensive income/(loss) for the half-year	-	437	(3,520)	(3,083)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	220	-	-	220
Balance at 31 December 2016	<u>204,951</u>	<u>(2,863)</u>	<u>(191,050)</u>	<u>11,038</u>

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

**TZ Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2016**



	Note	Consolidated	
		6 months ended 31 Dec 2016 \$'000	6 months ended 31 Dec 2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		11,638	8,743
Payments to suppliers and employees (inclusive of GST)		(16,880)	(11,233)
		(5,242)	(2,490)
Interest received		10	20
Interest and other finance costs paid		(8)	-
Income taxes refunded/(paid)		(1)	39
Net cash used in operating activities		(5,241)	(2,431)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(55)	(231)
Payments for intangibles	7	(887)	(789)
Net cash used in investing activities		(942)	(1,020)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		222	-
Share issue transaction costs		(2)	-
Proceeds from borrowings		2,000	-
Net cash from financing activities		2,220	-
Net decrease in cash and cash equivalents		(3,963)	(3,451)
Cash and cash equivalents at the beginning of the financial half-year		6,102	5,688
Effects of exchange rate changes on cash and cash equivalents		(26)	13
Cash and cash equivalents at the end of the financial half-year		<u>2,113</u>	<u>2,250</u>

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

## **Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### *Comparatives*

Comparatives in the statement of profit or loss and other comprehensive income have been reclassified, where necessary, to align with the current period presentation. There was no effect on profit or net assets.

### **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.

While the consolidated entity incurred losses for the half year, in assessing the appropriateness of the going concern concept the following factors have been taken into consideration by the Directors:

- The Directors are of the view the consolidated entity is on track to meet revenue targets for the second half of the 2016/17 financial year. It is expected that, 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 and positive cash flows in the 2018 financial year based on 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 2. Operating segments**

### *Identification of reportable operating segments*

The consolidated entity operates in one segment being the development and commercialisation of hardware and software products primarily in the US, Australian and Asian markets. The identification of a single reportable segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The information reported to the CODM, on at least a monthly basis, is profit or loss and adjusted earnings before interest, tax, depreciation and amortisation and other one off-items ('Adjusted EBITDA').

**Note 2. Operating segments (continued)**

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity.

*Geographical information*

	Sales to external customers		Geographical non-current assets	
	6 months ended 31 Dec 2016 \$'000	6 months ended 31 Dec 2015 \$'000	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Australia	4,989	3,520	876	940
United States of America	8,534	4,583	8,212	9,110
United Kingdom	103	187	-	-
Singapore	339	1,729	1	2
Italy	-	417	-	-
Malaysia	-	58	-	-
Hong Kong	-	89	-	-
	<u>13,965</u>	<u>10,583</u>	<u>9,089</u>	<u>10,052</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post employment benefits assets and rights under insurance contracts.

*Adjusted earnings before interest, tax, depreciation, amortisation, impairment, and head office income and expenses ('Adjusted EBITDA')*

A reconciliation to loss after income tax expense is as follows:

	Consolidated	
	6 months ended 31 Dec 2016 \$'000	6 months ended 31 Dec 2015 \$'000
Adjusted EBITDA	(1,339)	(2,363)
Interest income	10	20
Interest expense	(8)	-
Depreciation and amortisation	(1,080)	(933)
Impairment of assets	(1,119)	-
Income tax benefit/(expense)	16	47
Loss after income tax expense	<u>(3,520)</u>	<u>(3,229)</u>

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>6 months ended 31 Dec 2016 \$'000</b>	<b>6 months ended 31 Dec 2015 \$'000</b>
<i>Sales revenue</i>		
Sales and services revenue	13,965	10,583
<i>Other revenue</i>		
Interest	10	20
Royalty	6	2
	<u>16</u>	<u>22</u>
Revenue	<u><u>13,981</u></u>	<u><u>10,605</u></u>

**Note 4. Expenses**

	<b>Consolidated</b>	
	<b>6 months ended 31 Dec 2016 \$'000</b>	<b>6 months ended 31 Dec 2015 \$'000</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	2	3
Plant and equipment	51	47
Office equipment	38	29
Total depreciation	<u>91</u>	<u>79</u>
<i>Amortisation</i>		
Re-acquired rights (Intevia Licence)	430	449
Other intangibles	559	405
Total amortisation	<u>989</u>	<u>854</u>
Total depreciation and amortisation	<u>1,080</u>	<u>933</u>
<i>Impairment</i>		
Re-acquired rights (Intevia Licence)	380	-
Other intangibles	739	-
Total impairment	<u>1,119</u>	<u>-</u>
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	<u>217</u>	<u>35</u>

**Note 5. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	2,113	4,902
Cash on deposit	-	1,200
	<u>2,113</u>	<u>6,102</u>

**Note 6. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	3,624	4,366
Other receivables	49	52
Accrued revenue	2,482	367
Work in progress	-	1,197
Goods and services tax receivable	13	85
	<u>6,168</u>	<u>6,067</u>

**Note 7. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill - at cost	4,155	4,155
Less: Impairment	<u>(4,010)</u>	<u>(4,010)</u>
	145	145
Trade names - at cost	13	13
Less: Accumulated amortisation	<u>(13)</u>	<u>(13)</u>
	-	-
Re-acquired right (Intevia Licence) - at cost	10,342	10,240
Less: Accumulated amortisation	(7,188)	(6,758)
Less: Impairment	<u>(380)</u>	<u>-</u>
	2,774	3,482
Other intangibles - at cost	9,754	8,668
Less: Accumulated amortisation	(3,351)	(2,792)
Less: Impairment	<u>(739)</u>	<u>-</u>
	5,664	5,876
	<u>8,583</u>	<u>9,503</u>

**Note 7. Non-current assets - intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<b>Goodwill \$'000</b>	<b>Trade names \$'000</b>	<b>Re-acquired right \$'000</b>	<b>Other intangibles* \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	145	-	3,482	5,876	9,503
Additions	-	-	-	887	887
Exchange differences	-	-	102	199	301
Impairment of assets	-	-	(380)	(739)	(1,119)
Amortisation expense	-	-	(430)	(559)	(989)
Balance at 31 December 2016	<u>145</u>	<u>-</u>	<u>2,774</u>	<u>5,664</u>	<u>8,583</u>

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

*Impairment of intangibles*

An impairment of \$1,119,000 was recognized for internally developed hardware & software and re-acquired rights that support the IXP cash generating unit (CGU). The recoverable amount for the IXP CGU was determined on a value-in-use basis. The directors considered the requirements of AASB 136 "Impairment of Assets" and the irregular nature of project-based IXP revenues and have assessed that the carrying value exceeded the recoverable amount. The IXP asset value has been impaired in full.

**Note 8. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2016 \$'000</b>	<b>30 Jun 2016 \$'000</b>
Trade payables	3,528	6,219
Employee expense payables	54	78
Unearned income	503	1,419
Other payables	1,147	1,259
	<u>5,232</u>	<u>8,975</u>

**Note 9. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2016 \$'000</b>	<b>30 Jun 2016 \$'000</b>
Loan - First Samuel	<u>2,000</u>	<u>-</u>

On 18 November 2016, the consolidated entity entered into a debenture deed with First Samuel Limited which provides the consolidated entity with a secured loan facility of up to \$3,000,000. As at 31 December 2016, the consolidated entity has drawn down \$2,000,000. The remaining facility may be drawn down at any time during the term of the loan.

The interest rate applicable to the facility is 90 day BBSW plus 4% per annum, payable 6 monthly in arrears. The term of the facility is 24 months with an option to extend for an additional 12 month. If this option is exercised, the interest rate will increase to 90 day BBSW plus 6% per annum for the second 12 month term.

The loan is secured over the assets of the consolidated entity.

**Note 10. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	<u>503,983,352</u>	<u>501,965,203</u>	<u>204,951</u>	<u>204,731</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 July 2016	501,965,203		204,731
Issue of shares	18 July 2016	2,018,149	\$0.11	222
Less: share issue costs		<u>-</u>	\$0.00	<u>(2)</u>
Balance	31 December 2016	<u>503,983,352</u>		<u>204,951</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Note 11. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Note 12. Fair value measurement**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs.

**Note 13. Contingent assets**

There are no contingent assets at 31 December 2016.

**Note 14. Contingent liabilities**

There are no contingent liabilities at 31 December 2016.

**Note 15. Related party transactions**

*Parent entity*

TZ Limited is the parent entity.

**Note 15. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>6 months ended 31 Dec 2016</b>	<b>6 months ended 31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
Payment for other expenses:		
Professional fees paid to Yellow Brick Road Accounting and Wealth Management Pty Limited*	979	2,905
Administration fees, storage and office rent paid to YBR Services Pty Limited*	133,032	114,028
Marketing expenses paid to Yellow Brick Road Group Pty Limited*	-	60,000

\* A commonly controlled entity in which Mark Bouris is a director

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
Current payables:		
Administration fees, storage and office rent payable to YBR Services Pty Limited*	20,905	41,810

\* A commonly controlled entity in which Mark Bouris is a director

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 16. Events after the reporting period**

No matter or circumstance has arisen since 31 December 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.

**Note 17. Earnings per share**

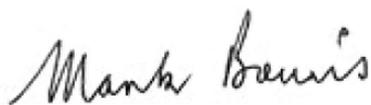
	<b>Consolidated</b>	
	<b>6 months ended 31 Dec 2016 \$'000</b>	<b>6 months ended 31 Dec 2015 \$'000</b>
Loss after income tax attributable to the owners of TZ Limited	<u>(3,520)</u>	<u>(3,229)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>503,795,874</u>	<u>465,601,566</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>503,795,874</u>	<u>465,601,566</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.70)	(0.69)
Diluted earnings per share	(0.70)	(0.69)

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in cursive script that reads 'Mark Bouris'.

---

Mark Bouris  
Director

27 February 2017  
Sydney

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## **Independent Auditor's Review Report To The Members of TZ Limited**

We have reviewed the accompanying half-year financial report of TZ Limited (the "Group"), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' Responsibility for the Half-year Financial Report**

The Directors of TZ Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the TZ Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of TZ Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of TZ Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

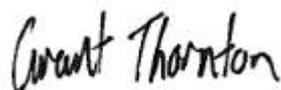
### **Emphasis of Matter - Material Uncertainty Related to Going Concern**

Without qualification to the audit opinion expressed above, we draw attention to the following matters that are described in Note 1 to the financial report.

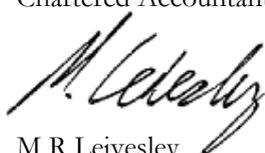
For the half-year ended 31 December 2016, the consolidated entity incurred losses after income tax of \$3,520,000 and net cash outflows from operating activities of \$5,241,000.

The ability of the consolidated entity to continue as a going concern is dependent upon it achieving sufficient profitability and operating cash flows to enable it to maintain working capital and the raising of additional share capital or borrowings in the future to support the working capital needs of the consolidated entity, when and if required.

These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M R Leivesley  
Partner - Audit & Assurance

Sydney, 27 February 2017