

## 1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	56.8% to	6,039,802
Loss before interest, tax, depreciation and amortisation, adjusted for impairment	up	107.8% to	(2,784,542)
Loss from ordinary activities after tax attributable to the owners of TZ Limited	up	226.6% to	(11,495,522)
Loss for the half-year attributable to the owners of TZ Limited	up	226.6% to	(11,495,522)

### 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 \$2,784,542 (31 December 2016: loss of \$1,339,792), an earnings decline of 107.8%. The loss for the consolidated entity after providing for income tax amounted to \$11,495,522 (31 December 2016: \$3,520,065), which includes a non-cash impairment of intangible assets of \$7,349,877 (31 December 2016: \$1,118,917).

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

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.42</u>	<u>0.50</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 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 2017 is attached.

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**12. Signed**

Signed  \_\_\_\_\_

Mark Bouris  
Director  
Sydney

Date: 23 February 2018

**TZ Limited**

**ABN 26 073 979 272**

**Interim Report - 31 December 2017**

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 2017.

## **Directors**

The names of directors who held office during or since the end of the half year are:

Mark Bouris - Chairman  
John Wilson (appointed on 4 September 2017)  
Graham Lenzner (appointed on 8 September 2017)  
Kenneth Ting (resigned on 4 September 2017)  
Paul Casey (resigned on 29 November 2017)

## **Review of operations**

The last six months has been a period of significant change for the company with restructuring of the Board, appointment of a new Non-Executive Director and Managing Director, a resetting of business expectations, recapitalisation of the company through a rights issue and a refocus on core technology and profitable revenue growth.

It marks a transition of the company in many aspects across the business including increased corporate governance, a restructuring of the organisation and management team, adjusting operational costs in line with revenue expectations, and a conscious pursuit of growth opportunities in higher margin sales application areas in favour of large volume, low margin Postal and Logistics business.

The results of the first half of the financial year 2017/18 reflect the impact of these changes with the consolidated entity posting a first half revenue result of A\$6,039,802, a 57% decrease against the first half result last year of \$13,981,347. More than 50% of the sales recorded last year relate to sales to the Postal and Logistics sector although these sales made a small contribution to profitability.

The consolidated entity's first half revenue result was noticeably affected by the absence of similar large contracts with Postal and Logistics customers. The shift of sales into more attractive market sectors including smart locker sales to the corporate, residential and educational sectors has contributed to an improvement in overall gross margin from 38% in the first half of last year to this year's half year result of 52%.

Changes in organizational structure and head count reduction has helped to reduce operating costs by 12% compared to last year's expenditure. Savings were assisted by the reduction in board operating costs resulting from the board restructure, however most of the financial benefit of the board restructure will be realised in the second half of the year. The Infinity Design business has also been sold for a nominal amount.

The net result is an EBITDA loss of \$2,784,542 (2016: \$1,339,792). The recorded loss after tax of \$11,495,522 (31 December 2016: \$3,520,065) includes a non-cash impairment of intangible assets of \$7,349,877 (2016: \$1,118,917).

With the business now focused on achieving steady and sustainable revenue growth, business expectations for the year have been reset. Given the requirements of AASB 136 "Impairment of Assets", the directors have taken a conservative view regarding the valuation of the consolidated entity's intangible assets, and assessed that the carrying value of intangibles exceed the recoverable amounts. As a result, the intangible assets have been impaired in full at 31 December 2017. We believe this now undervalues the worth of our patents, trademarks and IP.

Other significant events in the half year include the company completing a 2 for 5 rights issue in November which raised \$5.5m, of which \$1.0M was used to reduce the Company's loan drawdown to A\$3.0M, leaving a remaining undrawn facility of \$2.0M. A 10:1 share consolidation was completed in December, reducing the number of issued shares to 70.6M.

### *Sales Summary*

PAD sales into the corporate sector continue to gain momentum with our channel partner Ricoh. This is supporting expansion of the current customer base to new corporations such as Disney, Nike and Capital One while retained customers such as Apple, Microsoft and Genentech continue to expand their corporate campuses with new deployments. Promotional marketing into the University sector is yielding favourable results in the US with sales to the University of Maine, George Washington University, Rutgers University, Columbia University resulting in deployments and new purchases with many scheduled for June/July installation to coincide with the school holiday period.

The Ricoh Europe partnership is also starting to yield results with business development efforts being actively pursued. A supply and technology contract with a logistics customer in South Africa is currently being finalised through Ricoh South Africa which further validates the potential for the partnership.

PAD sales into the Australian market were slower than expected due to delays in commencements of large customer day locker projects that were outside of TZ's control. These projects are now likely to deploy over the next three months which will also go towards supporting a much stronger second half business performance.

On the production engineering and technology development front, efforts are being made to improve and simplify the company's core smart locking device technology for cost down manufacturing as well as to implement refinements to its smart locker designs to reduce cost, improve functionality, simplify installation and improve serviceability. Soft launches for the company's new MailBox System have been successfully deployed and performance trials are progressing favourably.

The Company is in the process of transition but the directors are confident that steady progress is being made to improve overall performance and that the foundations for longer term prospects of the business.

Based on January and February sales to date, the full year EBITDA forecast is now in the range of minus \$1.0 - \$1.5 million. As always, final dates of installation remain a key determinant of revenue and are sometimes out of our control.

### **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.

### **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.

### **Matters subsequent to the end of the financial half-year**

In January 2018, TZ Limited completed the sale of the assets of the Infinity Design business for \$60,000. In the half year ended 31 December 2017, the Infinity Design business contributed revenue of \$327,798 and a net loss before tax of \$52,514, including an impairment of goodwill of \$85,133.

No other matter or circumstance has arisen since 31 December 2017 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.

### **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 4.

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



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Mark Bouris  
Director

23 February 2018  
Sydney

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## 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 2017. 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, 23 February 2018

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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., 3 Twin Dolphin Drive, Suite 325,  
Redwood City, CA 94065, USA

TZI Singapore Pte Limited, Centennial Business Suites,  
Suntec Tower 2, 9 Temasek Boulevard #29-01 Singapore  
038989

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 23 February 2018. 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 2017**



		<b>Consolidated</b>	
		<b>6 months ended 31 Dec 2017</b>	<b>6 months ended 31 Dec 2016</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	3	6,039,802	13,981,347
Other income	4	10,722	-
<b>Expenses</b>			
Raw materials and consumables used		(2,981,301)	(8,629,830)
Employee benefits expense		(3,973,931)	(4,558,184)
Occupancy expense		(290,638)	(344,263)
Depreciation and amortisation expense		(1,193,905)	(1,079,551)
Impairment of assets		(7,349,877)	(1,118,917)
Communications expense		(91,082)	(115,951)
Professional and corporate services		(442,373)	(337,019)
Travel and accommodation expense		(303,060)	(366,271)
Other expenses		(749,476)	(959,124)
Finance costs		(159,144)	(8,393)
<b>Loss before income tax (expense)/benefit</b>		(11,484,263)	(3,536,156)
Income tax (expense)/benefit		(11,259)	16,091
<b>Loss after income tax (expense)/benefit for the half-year attributable to the owners of TZ Limited</b>		(11,495,522)	(3,520,065)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(223,744)	436,885
Other comprehensive income/(loss) for the half-year, net of tax		(223,744)	436,885
<b>Total comprehensive loss for the half-year attributable to the owners of TZ Limited</b>		<u>(11,719,266)</u>	<u>(3,083,180)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17	(20.44)	(6.99)
Diluted earnings per share	17	(20.44)	(6.99)

*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 2017**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,426,645	669,004
Trade and other receivables	5	3,837,896	5,860,683
Inventories		913,118	699,346
Other	6	709,354	555,235
Total current assets		<u>7,887,013</u>	<u>7,784,268</u>
<b>Non-current assets</b>			
Property, plant and equipment		426,831	449,665
Intangibles	7	60,000	7,774,549
Total non-current assets		<u>486,831</u>	<u>8,224,214</u>
<b>Total assets</b>		<u>8,373,844</u>	<u>16,008,482</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	3,878,870	4,298,109
Provisions		433,370	378,552
Total current liabilities		<u>4,312,240</u>	<u>4,676,661</u>
<b>Non-current liabilities</b>			
Borrowings	9	3,000,000	4,000,000
Total non-current liabilities		<u>3,000,000</u>	<u>4,000,000</u>
<b>Total liabilities</b>		<u>7,312,240</u>	<u>8,676,661</u>
<b>Net assets</b>		<u>1,061,604</u>	<u>7,331,821</u>
<b>Equity</b>			
Issued capital	10	210,400,125	204,951,076
Reserves		(3,832,280)	(3,608,536)
Accumulated losses		(205,506,241)	(194,010,719)
<b>Total equity</b>		<u>1,061,604</u>	<u>7,331,821</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 2017**



<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2016	204,731,436	(3,299,908)	(187,530,479)	13,901,049
Loss after income tax benefit for the half-year	-	-	(3,520,065)	(3,520,065)
Other comprehensive income for the half-year, net of tax	-	436,885	-	436,885
Total comprehensive income/(loss) for the half-year	-	436,885	(3,520,065)	(3,083,180)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	219,640	-	-	219,640
Balance at 31 December 2016	<u>204,951,076</u>	<u>(2,863,023)</u>	<u>(191,050,544)</u>	<u>11,037,509</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	204,951,076	(3,608,536)	(194,010,719)	7,331,821
Loss after income tax expense for the half-year	-	-	(11,495,522)	(11,495,522)
Other comprehensive loss for the half-year, net of tax	-	(223,744)	-	(223,744)
Total comprehensive loss for the half-year	-	(223,744)	(11,495,522)	(11,719,266)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	5,449,049	-	-	5,449,049
Balance at 31 December 2017	<u>210,400,125</u>	<u>(3,832,280)</u>	<u>(205,506,241)</u>	<u>1,061,604</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 2017**



	<b>Consolidated</b>	
	<b>6 months ended 31 Dec 2017</b>	<b>6 months ended 31 Dec 2016</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	8,195,530	11,638,384
Payments to suppliers and employees (inclusive of GST)	<u>(9,808,637)</u>	<u>(16,882,184)</u>
	(1,613,107)	(5,243,800)
Interest received	3,205	10,497
Interest and other finance costs paid	(134,207)	(8,393)
Income taxes refunded/(paid)	<u>(11,259)</u>	<u>(538)</u>
Net cash used in operating activities	<u>(1,755,368)</u>	<u>(5,242,234)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(64,882)	(54,618)
Payments for intangibles	<u>(869,130)</u>	<u>(887,140)</u>
	(934,012)	(941,758)
Net cash used in investing activities	<u>(934,012)</u>	<u>(941,758)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	5,543,827	221,996
Share issue transaction costs	(94,778)	(2,356)
Proceeds from borrowings	-	2,000,000
Repayment of borrowings	<u>(1,000,000)</u>	<u>-</u>
Net cash from financing activities	<u>4,449,049</u>	<u>2,219,640</u>
Net increase/(decrease) in cash and cash equivalents	1,759,669	(3,964,352)
Cash and cash equivalents at the beginning of the financial half-year	669,004	6,102,486
Effects of exchange rate changes on cash and cash equivalents	<u>(2,028)</u>	<u>(25,455)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,426,645</u></u>	<u><u>2,112,679</u></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 2017 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 2017 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 2017 and are not expected to have any significant impact for the full financial year ending 30 June 2018. 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 a loss of \$11,495,522 and negative operating cash flows of \$1,755,368 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 2017/18 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 2019 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*

	<b>Sales to external customers</b>		<b>Geographical non-current assets</b>	
	<b>6 months ended 31 Dec 2017</b>	<b>6 months ended 31 Dec 2016</b>	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Australia	1,408,759	4,988,943	450,348	546,505
United States of America	4,122,737	8,534,275	32,817	7,672,939
United Kingdom	-	103,019	1,907	-
Singapore	264,793	338,823	1,759	4,770
Italy	120,220	-	-	-
Malaysia	119,893	-	-	-
	<u>6,036,402</u>	<u>13,965,060</u>	<u>486,831</u>	<u>8,224,214</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 and impairment ('Adjusted EBITDA')*

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

	<b>Consolidated</b>	
	<b>6 months ended 31 Dec 2017</b>	<b>6 months ended 31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
Adjusted EBITDA	(2,784,542)	(1,339,792)
Interest income	3,205	10,497
Interest expense	(159,144)	(8,393)
Depreciation and amortisation	(1,193,905)	(1,079,551)
Impairment of assets	(7,349,877)	(1,118,917)
Income tax benefit/(expense)	(11,259)	16,091
Loss after income tax expense	<u>(11,495,522)</u>	<u>(3,520,065)</u>

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>6 months ended 31 Dec 2017</b>	<b>6 months ended 31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Sales and services revenue	6,036,402	13,965,060
<i>Other revenue</i>		
Interest	3,205	10,497
Royalty	195	5,790
	3,400	16,287
Revenue	<u>6,039,802</u>	<u>13,981,347</u>

**Note 4. Other income**

	<b>Consolidated</b>	
	<b>6 months ended 31 Dec 2017</b>	<b>6 months ended 31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange gain	10,722	-

**Note 5. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	2,819,101	4,021,151
Less: Provision for impairment of receivables	(7,921)	(72,100)
	<u>2,811,180</u>	<u>3,949,051</u>
Other receivables	103,259	103,223
Accrued revenue	884,234	1,808,409
Goods and services tax receivable	39,223	-
	<u>3,837,896</u>	<u>5,860,683</u>

**Note 6. Current assets - other**

	<b>Consolidated</b>	
	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
Prepayments	555,094	406,979
Security deposits	62,920	62,920
Other deposits	91,340	85,336
	<u>709,354</u>	<u>555,235</u>

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

	<b>Consolidated</b>	
	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	4,154,830	4,154,830
Less: Impairment	(4,094,830)	(4,009,697)
	<u>60,000</u>	<u>145,133</u>
Trade names - at cost	13,459	13,459
Less: Accumulated amortisation	(13,459)	(13,459)
	<u>-</u>	<u>-</u>
Re-acquired right (Intevia Licence) - at cost	10,120,055	10,156,444
Less: Accumulated amortisation	(8,032,713)	(7,617,831)
Less: Impairment	(2,087,342)	(363,063)
	<u>-</u>	<u>2,175,550</u>
Patents - at cost	2,519,409	2,518,820
Less: Accumulated amortisation	(747,382)	(652,951)
Less: Impairment	(1,772,027)	-
	<u>-</u>	<u>1,865,869</u>
Development costs - at cost	8,160,726	7,383,409
Less: Accumulated amortisation	(3,691,876)	(3,095,000)
Less: Impairment	(4,468,850)	(700,412)
	<u>-</u>	<u>3,587,997</u>
Other intangibles - at cost	483,130	483,130
Less: Accumulated amortisation	(226,000)	(226,000)
Less: Impairment	(257,130)	(257,130)
	<u>-</u>	<u>-</u>
	<u><u>60,000</u></u>	<u><u>7,774,549</u></u>

**Reconciliations**

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

	<b>Goodwill</b>	<b>Re-acquired right</b>	<b>Patents</b>	<b>Development costs</b>	<b>Total</b>
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2017	145,133	2,175,550	1,865,869	3,587,997	7,774,549
Additions	-	-	31,798	837,332	869,130
Exchange differences	-	(36,389)	(31,209)	(60,015)	(127,613)
Impairment of assets	(85,133)	(1,724,279)	(1,772,027)	(3,768,438)	(7,349,877)
Amortisation expense	-	(414,882)	(94,431)	(596,876)	(1,106,189)
Balance at 31 December 2017	<u><u>60,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>60,000</u></u>

**Impairment of goodwill**

Owing to the sale of the Infinity Design business shortly after the report date, the carrying value of goodwill and the Infinity Design CGU to which it belongs was tested for impairment as at 31 December 2017. The recoverable amount for the CGU was determined on a fair value basis (less likely costs of disposal) and an impairment of \$85,133 was recognised.



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

*Impairment of re-acquired rights, patents and development costs*

Intangibles and the CGU's that it belongs to are tested annually for impairment or at the end of each reporting date where an indicator of impairment exists. During the half year ended 31 December 2017, the consolidated entity did not achieve its budgeted results, which gave rise to an indicator of potential impairment. Impairment testing was therefore conducted across the IXP and PAD CGU's at 31 December 2017.

	<b>Consolidated</b>	
	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
Infrastructure Protection - IXP	-	243,744
Package Asset Delivery - PAD	-	7,385,672
	-	7,629,416

The recoverable amounts of the CGU's were determined based on value-in-use calculations covering a detailed five year forecast and followed by an extrapolation of expected cash flows using the growth rates noted below. Management consider the CGU's operate in the global markets for IXP and PAD products. The growth rates reflect estimates for each CGU noting current contracts and expected expansion of the same and general market growth over the forecast period.

The key assumptions used are as follows:

IXP

Revenue growth (average)	17%
Margins (average)	48%
Discount rate	14%

PAD

Revenue growth (average)	9.1%
Margins (average)	53%
Discount rate	14%

*Impairment test results - IXP CGU*

Based on the testing performed an impairment of \$421,302 was recognized for internally developed hardware & software and re-acquired rights that support the IXP 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 under performance against budgeted results in the half year to 31 December 2017 and have assessed that the carrying value exceeded the recoverable amount. The impairment charge represents the carrying value of the IXP assets at 31 December 2017, the date at which the respective assets were fully impaired.

*Impairment test results - PAD CGU*

Based on the testing performed an impairment of \$6,843,442 was recognized for internally developed hardware & software and reacquired rights that support the PAD CGU. The recoverable amount for the PAD CGU was determined on a value-in-use basis. The directors considered the requirements of AASB 136 "Impairment of Assets" and the under performance against budgeted results in the half year to 31 December 2017 and have assessed that the carrying value exceeded the recoverable amount. The impairment charge represents the carrying value of the PAD assets at 31 December 2017, the date at which the respective assets were fully impaired.

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

	<b>Consolidated</b>	
	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
Trade payables	2,029,858	2,516,636
Unearned income	1,042,367	548,232
Employee expense payables	135,757	218,611
BAS payable	-	30,592
Other payables	670,888	984,038
	<u>3,878,870</u>	<u>4,298,109</u>

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

	<b>Consolidated</b>	
	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
Loan - First Samuel	<u>3,000,000</u>	<u>4,000,000</u>

On 13 December 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. On 3 May 2017, the consolidated entity entered into a second debenture deed with First Samuel Limited which provides the consolidated entity with a secured loan facility of up to \$2,000,000. As at 31 December 2017, the consolidated entity has drawn down \$3,000,000 of the \$5,000,000 facility.

The remaining facility may be drawn down at any time during the term of the loan. The consolidated entity may repay part or all of the funds loans loaned before the end of the term without penalty.

*First debenture deed*

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 months. This option has been exercised and the interest rate will increase to the 90 day BBSW plus 6% per annum for the third 12 month term.

*Second debenture deed*

The interest rate applicable to the facility is the 90 day BBSW plus 9% per annum, payable 6 monthly in arrears. The term of the facility is 36 months.

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

**Note 10. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>70,558,162</u>	<u>503,983,352</u>	<u>210,400,125</u>	<u>204,951,076</u>

**Note 10. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	503,983,352		204,951,076
Rights issue	8 November 2017	201,593,707	\$0.0275	5,543,827
Share consolidation (10 for 1)	14 December 2017	(635,019,353)	\$0.0000	-
Shares issued for rounding purposes	14 December 2017	456	\$0.0000	-
Less: share issue costs		-	\$0.0000	(94,778)
Balance	31 December 2017	<u>70,558,162</u>		<u>210,400,125</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 2017.

**Note 14. Contingent liabilities**

There are no contingent liabilities at 31 December 2017.

**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</b>	<b>6 months</b>
	<b>ended 31</b>	<b>ended 31</b>
	<b>Dec 2017</b>	<b>Dec 2016</b>
	<b>\$</b>	<b>\$</b>
Payment for other expenses:		
Professional fees paid to Yellow Brick Road Accounting and Wealth Management Pty Limited*	-	979
Administration fees, storage and office rent paid to YBR Services Pty Limited*	130,909	133,032

\* A director related 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 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
Current payables:		
Rent, serviced office expenditure and remaining rental bond payable to YBR Services Pty Limited, a director related entity in which Mark Bouris is a director.	15,763	31,526
Administration fees and storage costs payable to YBR Services Pty Limited, a director related entity in which Mark Bouris is a director.	15,426	10,284

*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**

In January 2018, TZ Limited completed the sale of the assets of the Infinity Design business for \$60,000. In the half year ended 31 December 2017, the Infinity Design business contributed revenue of \$327,798 and a net loss before tax of \$52,514, including an impairment of goodwill of \$85,133.

No other matter or circumstance has arisen since 31 December 2017 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</b>	<b>6 months</b>
	<b>ended 31</b>	<b>ended 31</b>
	<b>Dec 2017</b>	<b>Dec 2016</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of TZ Limited	<u>(11,495,522)</u>	<u>(3,520,065)</u>

**Note 17. Earnings per share (continued)**

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>56,236,938</u>	<u>50,379,588</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>56,236,938</u>	<u>50,379,588</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(20.44)	(6.99)
Diluted earnings per share	(20.44)	(6.99)

The weighted average number of ordinary shares for the half-year ended has been restated for the effect of the recapitalisation (1 for 10) completed in November 2017, in accordance with AASB 133 'Earnings per share'.

	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	503,795,874
Adjustment required by AASB 133 'Earnings per share'	<u>(453,416,286)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	<u>50,379,588</u>

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 2017 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 black ink that reads 'Mark Bouris'.

---

Mark Bouris  
Director

23 February 2018  
Sydney

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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

### Report on the Half Year Financial Report

#### Conclusion

We have reviewed the accompanying half year financial report of TZ Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of TZ Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$11,495,522 and net operating cash outflows of \$1,755,368 during the half year ended 31 December 2017. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

#### Directors' Responsibility for the Half Year Financial Report

The Directors of the Group 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 internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with 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 Group's financial position as at 31 December 2017 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.

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 have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M R Leivesley  
Partner - Audit & Assurance

Sydney, 23 February 2018