



**2023  
ANNUAL  
REPORT**

## 1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	32% to	13,808,095
Earnings before interest, tax, depreciation and amortisation, adjusted for impairment ('adjusted EBITDA')	up	523% to	(4,673,012)
Loss from ordinary activities after tax attributable to the owners of TZ Limited	up	200% to	(5,985,562)
Loss for the year attributable to the owners of TZ Limited	up	200% to	(5,985,562)

### *Dividends*

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

### *Comments*

The loss for the consolidated entity after providing for income tax amounted to \$5,985,562 (30 June 2022: loss of \$1,996,149).

The earnings before interest, tax, depreciation and amortisation ('EBITDA'), adjusted for impairment, was a loss of \$4,673,012 (30 June 2022: loss of \$750,124).

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 adjusted EBITDA to reflect the core earnings of the consolidated entity.

Additional information supporting the Appendix 4E disclosure requirements can be found in the Annual Report which contains the Directors' report and the 30 June 2023 Financial Statements and accompanying notes.

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.75)</u>	<u>0.40</u>

As at 30 June 2023, the net tangible assets per ordinary security of (1.75) presented above is inclusive of right-of-use assets and lease liabilities.

NOTE: The \$3.5m debenture with First Samuel has been moved to "Current Liabilities" as it matures 31 January 2024.

## 4. Control gained over entities

Not applicable.

## **5. Loss of control over entities**

Not applicable.

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## **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 have been audited and an unmodified opinion has been issued.

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## **11. Signed**

As authorised by the Board of Directors

Signed  \_\_\_\_\_

Date: 31 August 2023

Peter Graham  
Chairman  
Sydney



**TZ Limited**

**ABN 26 073 979 272**

**Annual Report - 30 June 2023**



Corporate directory	2
CEO's message	4
Directors' report	5
Auditor's independence declaration	17
Statement of profit or loss and other comprehensive income	18
Statement of financial position	19
Statement of changes in equity	20
Statement of cash flows	21
Notes to the financial statements	22
Directors' declaration	57
Independent auditor's report to the members of TZ Limited	58
Shareholders information	63

Directors	Peter Graham John D'Angelo Simon White Cary Peter Stynes
Company secretary	Mathew Watkins
Annual General Meeting	Thursday, 23 November 2023
Registered office	Level 2, 40 Gloucester Street The Rocks NSW 2000 Head office Tel: +61 2 9053 6753
Principal place of business	TZ Limited and TZI Australia Pty Limited Level 2, 40 Gloucester Street The Rocks NSW 2000  Telezygology, Inc. 200 Howard Avenue, Suite 280, Des Plaines, IL 60018 USA  TZI Singapore Pte Limited, Suntec Tower 2, 9 Temasek Boulevard #29-01 Singapore 038989  TZI UK Limited – no operating office
Share register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Tel: 1300 787 272 Fax: +61 3 9473 2500
Auditor	PKF Brisbane Audit Level 6, 10 Eagle Street Brisbane QLD 4000
Solicitors	K&L Gates Level 31, 1 O'Connell Street Sydney NSW 2000
Bankers	St George Bank Limited Level 3, 1 Chifley Square Sydney NSW 2000
Stock exchange listing	TZ Limited shares are listed on the Australian Securities Exchange (ASX code: TZL)
Website	<a href="http://www.tz.net">www.tz.net</a> TZ Limited's public website contains information regarding its products and the company, including an investor services section E-mail: <a href="mailto:info@tz.net">info@tz.net</a>



Corporate Governance Statement    The directors and management are committed to conducting the business of TZ Limited in an ethical manner and in accordance with the highest standards of corporate governance. TZ Limited has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved at the same time as the annual report can be found at <http://tz.net/investors/corporate-governance/>

Dear Shareholders,

Since taking up the reins again as CEO of TZ Limited in February of this year, the last six months have been an operational whirlwind with substantial changes to the way we do business. The truth is that the business needed to change ... it needed to be shocked back into a heightened sense of purpose and operational and financial discipline. Basic business building blocks had to be reinstated, business principles had to be aligned with strategy and organisational structure, and employees needed to understand their responsibilities, be held accountable and have a clear execution focus.

I am pleased to say that we have made some significant headway and there are many initiatives that we are still working hard to implement that will make a difference. We have re-aligned our sales organisation to deliver simple and compelling value propositions to a customer base that truly values what we have to offer. We've stripped our business back to simplify our cost base and to fully understand the drivers that deliver profitability. We have started down the road again to rebuild our product offer and reinforce our competitive advantage and most importantly, we're tapping our existing installed base to leverage the potential for Cloud services and recurring maintenance and support revenues. We've also refocused on the customer and are working to consolidate our key partner relationships through more proactive collaboration to help drive new sales opportunities.

We unfortunately find ourselves back in a phase of rebuilding ... rebuilding our market offerings, our competencies, our organisation, our people, and most of all our focus and drive. The short term focus of the Company remains unchanged – to achieve a sustainable cashflow positive and profitable business and to continue to grow our recurring revenue. I am confident, however, that we have the enabling conditions in place for a successful FY24.



John Wilson  
Chief Executive Officer  
31 August 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'TZ') 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 year ended 30 June 2023.

### **Directors**

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

Peter Graham - Chairman

John D'Angelo - Non-Executive Director

Simon White - Non-Executive Director

Duncan McCulloch - Non-Executive Director (appointed on 14 September 2022, resigned on 31 January 2023)

Cary Stynes – Non-Executive Director (appointed on 1 February 2023)

### **Principal activities**

During the financial 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., TZI Australia Pty Limited ('TZI'), TZI Singapore Pte Ltd and TZI UK Limited.

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

### **Dividends**

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

### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$5,985,562 (30 June 2022: loss of \$1,996,149).

The Company's operating performance deteriorated significantly during the financial year leading the Board of Directors and a number of senior long-time personnel to become increasingly concerned with the performance of the business on a number of fronts, especially in the area of corporate costs and expenses relative to revenues. Wage costs had progressively increased and there appeared to be a lack of financial discipline by management on costs, coupled with numerous accounting issues including overstatement of certain revenues and understatement of some cost of goods sold items. This resulted in the Board conducting a wide-ranging management review at the end of calendar year 2022. This review led to the resignation of the CEO and a number of recently appointed senior executives in both the USA and Australia and the rightsizing of costs to revenues. An overall reduction of operating costs of approximately \$4m was implemented during H2 FY23 (salaries and wages were reduced by approx. \$3m, accounting and marketing costs \$0.5m and other costs by a further \$0.5m).

These cost savings (particularly in the reduction of senior and middle management positions) are now being reflected in the recent and current performance of the business and the Company is aiming to achieve a cashflow positive result in the current 2024 financial year. The first two months of FY 2024 are indicative of this turnaround and improved performance, and this improved performance and stringent cost controls, while focussing on building annuity and other revenues, is expected to continue through the 2024 FY.

As part of the management restructure, Mr John Wilson, the founder and previous Chief Executive Officer of the Company, has resumed his position as CEO of the Group and Mr Chris Kelliher, a long-time senior employee, shareholder and former Group CEO, has taken on the role as President of the USA operations. Both senior executives have significant experience and expertise in all facets of the Company's operations and their influence on the Company's operations is already being reflected in its improved performance.

The Company entered fiscal year 2023 with very clear business objectives collectively aimed to support TZ achieving a sustainable and profitable business model. These objectives can be summarised and categorised as follows:

#### **SALES FOCUS**

- Grow sales revenue through focused sales strategies in profitable segments
- Grow recurring revenue through the migration of customers to cloud based subscription models
- Build strategic partnerships to expand integration possibilities and access to broader market opportunities
- Introduce new product offers to support competitive positioning in an increasingly commoditised market

#### *OPERATIONAL FOCUS*

- Rebuild core IT competence to support the development and enhancement of existing and new software offerings
- Deliver significant operational efficiencies through the implementation of integrated global management system
- Improve product delivery experiences by simplifying deployment processes

These high-level objectives are sound in principle but could not be effectively implemented at the grass roots execution level under the previous management team.

Specifically:

#### *Sales Revenue Growth*

Sales performance in the US was disappointing with the business delivering less than 50% of their budgeted sales targets. While inflationary triggers did have an impact on purchasing decisions and project completion cycles, other factors such as the lack of sales focus and customer account management contributed to the underwhelming performance. With the change in US business leadership at the start of the calendar year and a refocusing of sales effort and approach, including reinvigoration of segment specific sales and marketing initiatives, and implementation of proactive account management programs, we are seeing positive sales momentum, which should help uplift business performance and bring US Sales back to expected levels of performance in fiscal year 2024.

Performance in our European, Asian, and Australian operations, however, was in line with plan expectations with a number of major Day Locker project deployments in Australia and Singapore to support achievement of sales targets.

#### *Recurring Revenue Growth*

The push to cloud-based annuity is continuing and double-digit growth is expected. The migration of existing customers to new cloud instances, however, is taking significantly longer to implement as customers require substantial internal IT security review and approval to proceed. New customers are embracing our fully managed cloud solutions. The simplification of our cloud service offerings and the associated optimisation of cloud infrastructure will continue to support the building of a profitable subscription base.

In addition to our software annuity streams, we have also recently introduced new hardware maintenance offerings in the US which had previously been missing in our post warranty service offering. The positive traction received for annual hardware preventative maintenance and extended warranty offerings with some of our established customers, has prompted an aggressive roll out of the offering to our installed base of more than one hundred customers. We can see the potential for a new stream of recurring business revenue as we tap this addressable opportunity.

#### *Strategic Partnerships*

As TZ continues to broaden its software platform capability to support “Other People’s Locks”, opportunities are starting to emerge for TZ to offer a range of white-listed cloud-based enterprise solutions that extend and enhance the offerings of existing smart locker providers. Negotiations are progressing, albeit at the early stage, with a major global player who is interested in formalising such a licensing relationship.

#### *New Product Offers*

The establishment of a supply relationship with a low-cost Asian-based metal locker manufacturer has enabled the successful launch of our OPeL range of Lockers with early adopter customers in Europe, USA and South America. The litmus test for the success of our OPeL product offering, was our ability to successfully integrate our software applications with the third-party hardware and to remotely commission third-party technology in regions where we have no on-ground resources other than through contracted service providers, such as in Europe and in South America. The success of these deployments has built confidence in the offering and the US team are aggressively promoting the new Locker solution in segments where a lower cost, more competitive locker configuration is needed.

#### *Rebuilding our IT Capability*

A substantial restructure of our software capability was implemented in the first quarter of this year, with a focus and approach more closely aligned to the needs of the business. These changes have not only delivered cost savings but also improved throughput of development activities with more effective in-house management and outsourcing of development tasks. In the last quarter of fiscal 2023, the Company successfully released a number of product updates, including major security and capability enhancements to the Enterprise Day Locker Platform, the first of the Company’s new Mobile App releases and an upgrade to the Company’s Package Management software, Courier PRO. We believe that the strong refocus on design-led development will pay dividends to our customer base and help to reestablish the Company’s position as best-in-class.

#### *Integrated Management System*

The hard push to automate company-wide Accounting, ERP and CRM Systems has met with significant challenges. The high degree of customisation to support internal business processes has been an expensive exercise not only in outsourced development but also in resource heavy support. While simplification was the goal, the approach taken by previous management has over-complicated the implementation. Work is currently being done to simplify processes and better align these tools to support a more efficient operation.

#### *Product Delivery*

The resounding feedback from customers particularly in the US, has been a consistently poor experience with TZ deployment. Not only has this impacted the reputational brand of TZ but also cost the Company in time and resources to resolve legacy quality and customer concerns. In unpacking the issues, we have identified a number of gaps in the US approach from project management, supply chain through to deployment management. Resolving the current situation has been a significant focus for the new management team with a major restructure in US operations, including establishment of a clear deployment framework, rebuilding of the team with the appropriate competencies, and greater structure and discipline in deployment activities. This is work in progress however the last quarter of fiscal 2023 has shown significant performance improvements, cost management and delivery of project profitability objectives.

#### *Outlook*

The business continues to be work in progress, but there are solid signals for a positive fiscal year 2024. Management is confident that the changes and processes that have been implemented are expected to enable the business to be cash flow positive in FY24.

#### **In Summary**

The aim by the end of next year is to have achieved sustainably higher margins on a technically superior product and service offering. This will set the stage for a sustained focus on new business development, including cross-selling within existing enterprise customers, as well as broadening our offers to develop opportunities in adjacent case-use defined markets. TZ plans to disrupt the Smart Locker market with the innovation created in its Edge Logistics IT solutions platform.

#### **Significant changes in the state of affairs**

On 9 December 2022, the Company extended the Debenture Facility with First Samuel Limited from \$2.5m to \$3.5m. The facility is fully drawn. The maturity date was also extended until 31 January 2024.

On 23 March 2023, the Company, upon completion of a placement, issued 30,000,000 shares at \$0.04 per share and raised \$1,200,000 before cost. Successful participants in the placement also received one free attaching option for every two shares subscribed for under the placement with an exercise price of \$0.075 cents per option with a two-year expiry date from 23 March 2023.

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

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

No matter or circumstance has arisen since 30 June 2023 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.

#### **Likely developments and expected results of operations**

Further information on the future strategies is detailed in the Chief Executive Officer's message which precedes the Directors' report and Annual Financial Statements.

#### **Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on the directors in office as at the date of this report**

**Name:** Peter Graham  
**Title:** Non-Executive Chairman  
**Experience and expertise:** Peter is an experienced corporate advisor with a unique financial background. Initially in chartered accounting with Ernst and Young, before a decade in Treasury roles with Westpac and UBS, and ultimately corporate finance and equities with Patersons. Peter was an institutional dealer and corporate advisor for over 20 years. Today, Peter is the Head of Delcor Corporate Advisory; Delcor Advisory Investment Group Pty Ltd is a substantial shareholder of TZ Limited. Peter brings significant finance and capital market experience to the TZ Board.

**Other current directorships:** None  
**Former directorships (last 3 years):** Chairman of Carpentaria Resources Ltd (ASX: CAP)  
**Special responsibilities:** None  
**Interests in shares:** 14,041,074 fully paid ordinary shares  
**Interests in options:** None

**Name:** John D'Angelo  
**Title:** Non-Executive Director  
**Experience and expertise:** John has vast international experience in the areas of Marketing, Finance and Engineering. He spent 15 years based in Singapore in senior management positions for JP Morgan and Hartree Partners (part owned by the investment firm Oaktree Capital). Prior to this, he held management positions at Chase Manhattan Bank and Mitsui Commodities. John began his career as an Engineer at BHP before moving into the Marketing and Financial Risk Management areas for the company where he spent some time based in the U.S.A. John holds a Bachelor Of Engineering (Hons).

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** None  
**Interests in shares:** 2,000,000 ordinary shares  
**Interests in options:** None

**Name:** Cary Peter Stynes  
**Title:** Non-Executive Director  
**Qualifications:** LLB.(Melb.) MAICD  
**Experience and expertise:** Cary holds a current Victorian legal practising certificate and specialises in advising early-stage companies, raising capital, corporate restructuring and advising ASX listed companies. He was previously a lawyer with large international law firm Minter Ellison before establishing his own legal and consulting firm which he has operated for the past 28 years. He also co-founded media and advertising company Media Entertainment Group Limited which was ultimately acquired by CPH Limited in 1999. He is a former Non-Executive Director of Traffic Technologies Limited, MCM Entertainment Limited, Teys Limited (now OAR Resources Limited). He is a former General Legal Counsel of a USA based digital media and advertising company. He is also currently Executive Chairman of unlisted public Company Botanic Wellness Limited and Chief Executive Officer of Botanic Bioplastics Pty Ltd. He is also a former director of children's cancer charity The Koala Foundation and a director of a number of private investment companies. Cary's extensive legal, capital raising, corporate restructuring and corporate governance background will be beneficial to the TZ Limited board.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** None  
**Interests in shares:** None  
**Interests in options:** None

Name:	Simon White
Title:	Non-Executive Director
Experience and expertise:	Post a successful AFL career, Simon worked in corporate advisory and equity capital markets, with initial experience at Patersons Stockbroking before joining Sequoia Financial Group (SEQ) and then the Delcor Family office. In this time Simon worked on IPO's, equity placements, corporate advisory and restructuring. He has worked on a variety of deals across many business sectors. Recently, Simon has been Director of Investor Relations with Paradigm Biopharma, an ASX Top 300 company. Simon's skills in corporate governance will be most beneficial to the TZ Limited board.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

### Company secretary

Mathew Watkins was appointed Company Secretary on 25 November 2021. Mr. Watkins is a Chartered Accountant who has extensive ASX experience within several industries including biotechnology, bioscience, resources and information technology. He specialises in ASX statutory reporting, ASX compliance, corporate governance and board and secretarial support. Mr. Watkins is appointed Company Secretary on a number of ASX listed companies. Mr. Watkins is employed at Vistra, a global corporate services provider. Vistra has vast experience working with listed entities and brings a strong background of working with growing companies within the technology hardware and equipment industry.

### Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Peter Graham - Chairman	13	13
John D'Angelo	13	13
Simon White	13	13
Duncan McCulloch (appointed 14 September 2022; resigned 31 January 2023)	5	5
Cary Stynes (appointed 1 February 2023)	6	6

Held: represents the number of meetings held during the time the director held office.

### Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and key management personnel remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### ***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate demanding performance hurdles for variable executive remuneration.

The Board reviews and is responsible for the consolidated entity's remuneration policies, procedures and practices.

TZ Limited's employee Equity Incentive Plan ('EIP') was approved by shareholder during the Company's 2021 Annual General Meeting held on 27 January 2022. The Plan was designed to attract, retain, motivate and reward eligible persons (employees and directors) of the Company (collectively the 'Participants') by issuing securities to the Participants. The vesting of those securities may be subject to certain performance criteria to be determined by the Board.

### ***Non-executive directors' remuneration***

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually. The Board considers advice from shareholders and takes into account the fees paid to non-executive directors of comparable companies, when undertaking the annual review process. Non-executive directors are NOT entitled to participate in the EIP.

ASX listing rules require that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The most recent determination was at the AGM held on 30 November 2006, where the shareholders approved an aggregate remuneration of \$500,000.

### ***Executive remuneration***

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value for the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI's can include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') includes long service leave and share-based payments. As noted above, the EIP Plan has been set up to reward executives based on long term incentive measures in the form of fully paid ordinary shares, options and rights. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

*Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. Executives and other employees can be issued with options and rights to acquire shares in the company. The number and the terms of the options and rights issued are determined by the Board after consideration of the employee's performance and their ability to contribute to the achievement of the consolidated entity's objectives. Refer to the additional information section of the remuneration report for details of the last five years earnings and total shareholders' return ('TSR').

*Voting and comments made at the company's 2022 Annual General Meeting ('AGM')*

At the last AGM 99.63% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

**Details of remuneration**

*Amounts of remuneration*

The key management personnel of the consolidated entity consisted of the directors of TZ Limited and the following persons:

- Peter Graham - Chairman
- Duncan McCulloch - Non-Executive Director (appointed on 14 September 2022, resigned on 31 January 2023)
- John D'Angelo - Non-Executive Director
- Simon White - Non-Executive Director
- Cary Stynes – Non-Executive Director (appointed on 1 February 2023)
- John Wilson – Chief Executive Officer (appointed on 30 January 2023) (previously VP, APAC and EMEA)
- Chris Kelliher - President of Telezygology Inc. (appointed 1 February 2023) (previously Head of Global Products)
- Mario Vecchio - Chief Executive Officer (resigned on 30 January 2023)
- Simon Van Es - Chief Operating Officer (resigned on 30 April 2023)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Other**	Bonus	Super-annuation	Employee leave	Options	Share grants	
2023	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
P Graham	120,000	-	-	-	-	-	-	120,000
J D'Angelo	75,000	-	-	-	-	-	-	75,000
S White	75,000	-	-	-	-	-	-	75,000
D McCulloch*	12,500	-	-	-	-	-	-	12,500
C Stynes*	31,250	-	-	-	-	-	-	31,250
<i>Other Key Management Personnel:</i>								
M Vecchio*	175,000	-	-	14,840	-	-	-	189,840
S Van Es*	222,715	(6,250)	-	20,726	-	-	-	237,191
J Wilson	218,182	(2,409)	-	22,909	18,444	3,185	-	260,311
C Kelliher*	118,012	-	22,282	-	-	-	-	140,294
	<u>1,047,659</u>	<u>(8,659)</u>	<u>22,282</u>	<u>58,475</u>	<u>18,444</u>	<u>3,185</u>	<u>-</u>	<u>1,141,386</u>

\* Represents remuneration from date of appointment and/or to date of resignation

\*\* Represents changes in the accrued amounts of annual leave over the year

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Other**	Bonus	Super-annuation	Employee leave	Options	Share grants	
2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
P Graham	105,000	-	-	-	-	-	-	105,000
J D'Angelo	67,500	-	-	-	-	-	-	67,500
S White*	57,500	-	-	-	-	-	-	57,500
<i>Executive Directors:</i>								
S Beeton*	206,297	-	-	16,066	-	-	-	222,363
<i>Other Key Management Personnel:</i>								
M Vecchio	235,385	18,106	-	17,676	-	-	-	271,167
S Van Es	229,545	6,250	-	22,239	-	-	1,686	259,720
A Forsyth*	174,740	-	-	24,239	-	-	2,529	201,508
C Sowden*	145,482	-	-	8,951	-	-	-	154,433
J Wilson	248,182	11,748	-	22,256	-	5,516	2,529	290,231
B Leary*	213,892	23,955	-	3,809	-	-	2,529	244,185
	1,683,523	60,059	-	115,236	-	5,516	9,273	1,873,607

\* Represents remuneration from date of appointment and/or to date of resignation

\*\* Represents changes in the accrued amounts of annual leave over the year

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors*:</i>						
P Graham	100%	100%	-	-	-	-
J D'Angelo	100%	100%	-	-	-	-
S White	100%	100%	-	-	-	-
C Stynes	100%	-	-	-	-	-
<i>Executive Directors:</i>						
S Beeton	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
M Vecchio	100%	100%	-	-	-	-
S Van Es	100%	99%	-	-	-	1%
J Wilson	99%	99%	-	-	1%	1%
C Kelliher	90%	-	9%	-	1%	-
B Leary	-	99%	-	-	-	1%
A Forsyth	-	99%	-	-	-	1%
C Sowden	-	100%	-	-	-	-

\* Per company policy the directors ONLY receive Director's Fees. The directors are NOT entitled to STI or LTI benefits.

**Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: John Wilson  
 Title: Chief Executive Officer  
 Agreement commenced: 1 July 2023 Updated  
 Term of agreement: No fixed term  
 Details: Remuneration of AU\$300,000 plus superannuation and notice period of 3 months.

In addition to total annual remuneration and subject to any approval required by the shareholders or regulatory approvals pursuant to the Company's constitution, access to the Company's incentive program.

Short Term Incentives (STI) against established and agreed Key Performance indicators (KPI's) which are to be determined by the Board from time to time.

Further entitlement to participate in the Long-Term Employee Incentive Plan that may be offered from time to time at the discretion of the Board.

Name: Chris Kelliher  
 Title: President of US Operations  
 Agreement commenced: 1 February 2023 (Updated in September 2023)  
 Term of agreement: No fixed term  
 Details: Remuneration of US\$175,000 plus entitlements and notice period of 3 months (Updated to \$190,000 plus entitlements in September 2023)

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

**Share-based compensation**

*Issue of shares*

No shares were issued during the year ended 30 June 2023.

*Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Expiry date	Exercise price	Fair value per option at grant date
J Wilson	165,000	6 August 2019	31 August 2024	\$0.25	\$0.0605
J Wilson	165,000	6 August 2019	31 August 2025	\$0.40	\$0.0679
J Wilson	165,000	6 August 2019	31 August 2026	\$0.45	\$0.0654

**Additional information**

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023 \$	2022 \$ Restated	2021 \$	2020 \$	2019 \$
Sales revenue	13,808,095	20,401,634	16,378,223	12,852,402	17,430,926
Adjusted EBITDA *	(4,673,012)	(750,124)	137,364	(3,739,568)	(3,480,093)
Profit/(loss) after income tax	(5,985,562)	(1,996,149)	(1,658,204)	(5,120,229)	(4,359,688)

\* Earnings before interest, tax, depreciation, amortisation and other non-operating items

The factors that are considered to affect total shareholder remuneration ('TSR') are summarised below:

	2023	2022 Restated	2021	2020	2019
Share price at financial year end (\$)	0.026	0.110	0.110	0.030	0.090
Basic earnings per share (cents per share)	(2.592)	(0.955)	1.549	(6.360)	(6.180)

***Additional disclosures relating to key management personnel***

***Shareholding***

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Disposals	Other*	Balance at the end of the year
<i>Ordinary shares</i>					
J D'Angelo	1,500,950	499,050	-	-	2,000,000
P Graham	14,041,074	-	-	-	14,041,074
J Wilson	195,730	8,230	-	-	203,960
C Kelliher	32,550	-	-	-	32,550
M Vecchio	-	165,000	(165,000)	-	-
S Van Es	125,000	-	-	(125,000)	-
	<u>15,895,304</u>	<u>672,280</u>	<u>(165,000)</u>	<u>(312,500)</u>	<u>16,277,584</u>

\* Other represents no longer being designated as a KMP, not necessarily a disposal of holding.

***Option holding***

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Expired	Forfeited/ other*	Balance at the end of the year
<i>Options over ordinary shares</i>					
J Wilson	495,000	-	-	-	495,000
C Kelliher	75,000	-	-	-	75,000
	<u>570,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,000</u>

\* Forfeited/other may represent no longer being designated as a KMP. It does not necessarily represent options that have been forfeited.

No options were exercised during the year ended 30 June 2023.

***Other transactions with key management personnel and their related parties***

There were no other transactions with KMP personnel and their related parties during the year ended 30 June 2023.

***This concludes the remuneration report, which has been audited.***

**Shares issued as remuneration**

No shares were issued as remuneration during the year ended 30 June 2023.

### Shares under option

Unissued ordinary shares of TZ Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
6 August 2019	31 August 2024	\$0.2500	359,000
6 August 2019	31 August 2025	\$0.4000	359,000
6 August 2019	31 August 2026	\$0.4500	697,000
23 March 2023	23 March 2025	\$0.0750	<u>15,000,000</u>
			<u><u>16,415,000</u></u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

### Shares issued on the exercise of options

There were no ordinary shares of TZ Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

### Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including independence standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### Officers of the Company who are former partners of PKF Brisbane Audit

There are no officers of the Company who are former partners of PKF Brisbane Audit.



**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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in cursive script that reads "Peter J. Graham".

---

Peter Graham  
Chairman

31 August 2023  
Sydney



**PKF Brisbane Audit**  
ABN 33 873 151 348  
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Australia

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pkf.com.au

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**  
**TO THE DIRECTORS OF TZ LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TZ Limited and the entities it controlled during the year.

PKF

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'Shaun Lindemann', written in a cursive style.

SHAUN LINDEMANN  
PARTNER

BRISBANE  
31 AUGUST 2023

**TZ Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**



	Note	Consolidated 2023 \$	2022 \$ Restated
<b>Revenue</b>	6	13,808,095	20,401,634
Other income	7	3,511	1,117,895
Interest income		1,126	128
<b>Expenses</b>			
Raw materials and consumables used		(8,407,647)	(11,240,921)
Employee benefits expense		(7,424,832)	(8,330,540)
Occupancy expense		(272,903)	(204,831)
Depreciation and amortisation expense	8	(804,745)	(975,644)
Communications expense		(57,062)	(102,274)
Professional and corporate services		(556,020)	(922,483)
Travel and accommodation expense		(349,560)	(274,761)
Net foreign currency exchange losses		(110,592)	(28,743)
Other expenses		(1,501,916)	(1,175,492)
Finance costs	8	<u>(278,927)</u>	<u>(235,315)</u>
<b>Loss before income tax expense</b>		(5,951,472)	(1,971,347)
Income tax expense	9	<u>(34,090)</u>	<u>(24,802)</u>
<b>Loss after income tax expense for the year attributable to the owners of TZ Limited</b>		(5,985,562)	(1,996,149)
<b>Other comprehensive losses</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(770,831)</u>	<u>(17,501)</u>
Other comprehensive losses for the year, net of tax		<u>(770,831)</u>	<u>(17,501)</u>
<b>Total comprehensive loss for the year attributable to the owners of TZ Limited</b>		<u><u>(6,756,393)</u></u>	<u><u>(2,013,650)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	35	(2.592)	(0.955)
Diluted earnings per share	35	(2.592)	(0.955)

Refer to note 4 for detailed information on Restatement of comparatives.

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

**TZ Limited**  
**Statement of financial position**  
**As at 30 June 2023**



	Note	Consolidated 2023 \$	2022 \$ Restated
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	862,946	2,051,162
Trade and other receivables	11	1,781,913	4,130,232
Contract assets	12	878,771	1,137,355
Inventories	13	1,878,250	2,686,840
Other current assets	14	607,533	1,233,935
<b>Total current assets</b>		<u>6,009,413</u>	<u>11,239,524</u>
<b>Non-current assets</b>			
Property, plant and equipment	16	120,876	219,132
Right-of-use assets	15	339,811	378,325
Intangibles	17	706,176	991,716
<b>Total non-current assets</b>		<u>1,166,863</u>	<u>1,589,173</u>
<b>Total assets</b>		<u>7,176,276</u>	<u>12,828,697</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	3,663,621	3,146,217
Contract liabilities	19	2,867,579	4,275,853
Borrowings	20	3,500,000	2,500,000
Lease liabilities	21	224,622	200,032
Provisions	22	461,206	609,877
<b>Total current liabilities</b>		<u>10,717,028</u>	<u>10,731,979</u>
<b>Non-current liabilities</b>			
Lease liabilities	21	144,562	206,050
Provisions	22	35,571	-
<b>Total non-current liabilities</b>		<u>180,133</u>	<u>206,050</u>
<b>Total liabilities</b>		<u>10,897,161</u>	<u>10,938,029</u>
<b>Net assets/(liabilities)</b>		<u>(3,720,885)</u>	<u>1,890,668</u>
<b>Equity</b>			
Issued capital	23	228,420,393	227,279,703
Reserves	24	(5,071,225)	(4,304,544)
Accumulated losses		<u>(227,070,053)</u>	<u>(221,084,491)</u>
<b>Total equity/(deficiency)</b>		<u>(3,720,885)</u>	<u>1,890,668</u>

Refer to note 4 for detailed information on Restatement of comparatives.

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

**TZ Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2023**



<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2021	221,876,795	(4,232,391)	(219,150,181)	(1,505,777)
Loss after income tax expense for the year	-	-	(1,996,149)	(1,996,149)
Other comprehensive loss for the year, net of tax	-	(17,501)	-	(17,501)
Total comprehensive loss for the year	-	(17,501)	(1,996,149)	(2,013,650)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	5,187,033	-	-	5,187,033
Share-based payments (note 36)	215,875	7,187	-	223,062
Options cancelled during the period	-	(61,838)	61,838	-
Balance at 30 June 2022 (restated)	<u>227,279,703</u>	<u>(4,304,544)</u>	<u>(221,084,491)</u>	<u>1,890,668</u>

Refer to note 4 for detailed information on Restatement of comparatives.

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total deficiency in equity</b> <b>\$</b>
Balance at 1 July 2022 (restated)	227,279,703	(4,304,544)	(221,084,491)	1,890,668
Loss after income tax expense for the year	-	-	(5,985,562)	(5,985,562)
Other comprehensive loss for the year, net of tax	-	(770,831)	-	(770,831)
Total comprehensive loss for the year	-	(770,831)	(5,985,562)	(6,756,393)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, (note 23)	1,200,000	-	-	1,200,000
Less: transaction costs on shares issued, (note 23)	(59,310)	-	-	(59,310)
Share-based payments (note 36)	-	4,150	-	4,150
Balance at 30 June 2023	<u>228,420,393</u>	<u>(5,071,225)</u>	<u>(227,070,053)</u>	<u>(3,720,885)</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 year ended 30 June 2023**



	<b>Note</b>	<b>Consolidated</b>	
		<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		16,387,533	21,513,683
Payments to suppliers and employees (inclusive of GST)		(19,115,737)	(23,357,466)
Interest received		1,126	128
Government grants received		3,511	476,411
Interest and other finance costs paid		(166,378)	(233,811)
Income taxes paid		(34,089)	(24,802)
		<u>                    </u>	<u>                    </u>
Net cash used in operating activities	34	(2,924,034)	(1,625,857)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	16	(24,208)	(127,538)
Payments for intangibles	17	(166,456)	(79,857)
		<u>                    </u>	<u>                    </u>
Net cash used in investing activities		(190,664)	(207,395)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	23	1,200,000	3,446,250
Transaction costs on shares issued		(59,310)	(259,217)
Proceeds from borrowings		1,000,000	2,500,000
Repayment of borrowings		-	(2,000,000)
Repayment of lease liabilities		(208,852)	(191,032)
		<u>                    </u>	<u>                    </u>
Net cash from financing activities		1,931,838	3,496,001
Net (decrease)/increase in cash and cash equivalents		(1,182,860)	1,662,749
Cash and cash equivalents at the beginning of the financial year		2,051,162	373,926
Effects of exchange rate changes on cash and cash equivalents		(5,356)	14,487
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the financial year	10	<u>862,946</u>	<u>2,051,162</u>

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

## **Note 1. 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 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 2, 40 Gloucester Street  
The Rocks NSW 2000 Australia

### **Principal place of business**

TZ Limited and TZI Australia Pty Limited, Level 2  
40 Gloucester Street, The Rocks NSW 2000 Australia

Telezygology Inc., 200 Howard Avenue, Suite 280,  
Des Plaines, IL 60018 USA

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

TZI UK Limited – no

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 31 August 2023. The directors have the power to amend and reissue the financial statements.

## **Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **Going concern**

During the financial year ended 30 June 2023, the consolidated entity recognised a net loss after tax of \$5,985,562 (30 June 2022: loss of \$1,996,149) and a cash outflow from operating activities of \$3,249,361 (30 June 2022: outflow \$1,625,857). As at 30 June 2023, the consolidated entity recorded a net current asset deficiency of \$4,743,186 (30 June 2022: surplus of \$507,545) and net liabilities of \$3,720,855 (30 June 2022: net assets of \$1,890,668).

While the consolidated entity incurred losses and cash outflows from operating activities for the financial year ended 30 June 2023, in assessing the appropriateness of the going concern concept the following factors have been taken into consideration by the Directors:

- Significant costs have been cut across the consolidated group, including senior management level costs, which have significantly reduced the cash outflows of the group. As reported to the ASX in the Appendix 4C for the June 2023 quarter, the net cash outflows from operating activities for that period had been reduced to \$200k, and the Board expect that this trend will continue into cashflow positive results during FY24;
- There has been a significant change in key management during the past six months, with a renewed focus on profitability and financial discipline, with a strategy put in place to increase the likelihood of achieving targeted sales and profitability;
- It is expected that the company will continue to receive the support of shareholders and its financiers, and if required, will have the ability to raise additional share capital through either an equity raise, or through the exercise of options on issue.

## **Note 2. Significant accounting policies (continued)**

In making their assessment, the Directors have relied upon the above considerations, and 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.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

#### *Rounding*

Amounts in this report have been rounded off to the nearest dollar.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TZ Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. TZ Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

## **Note 2. Significant accounting policies (continued)**

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is TZ Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Revenue recognition**

The consolidated entity recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

#### *Sale of software and hardware*

Sales of software and hardware are recognised at the point of sale, which is where the customer has taken delivery of the goods.

#### *Rendering of installation and commissioning services*

Rendering of installation and commissioning services revenue is recognised at the point in time when software and hardware has been installed.

#### *Rendering of maintenance services*

Revenue from maintenance services is typically paid in advance on an annual, quarterly or monthly basis. Revenue is recognised over the period the customer support/hosting relates to (the coverage period). Fees received in advance of the performance of services are deferred and recognised as contract liabilities.

#### *Rendering of professional services*

Rendering of professional services revenue is recognised when the service to the customer is completed.

### **Interest revenue**

Interest revenue is recognised as it accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## **Note 2. Significant accounting policies (continued)**

### **Government grants**

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss as other income over the periods necessary to match them with the costs that they are intended to compensate.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### **Reclassification**

Comparative figures in the statement of profit or loss and other comprehensive income and in the statement of financial position have been reclassified to conform to the current year presentation.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **Note 2. Significant accounting policies (continued)**

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30-60 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

### **Contract assets**

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

### **Inventories**

Finished goods are stated at the lower of cost and net realisable value on an average cost basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	20 - 33%
Plant and equipment	20%
Office equipment	15 - 35%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity.

### **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## **Note 2. Significant accounting policies (continued)**

### **Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### *Patents*

Expenditure directly attributable to the registration of patents is capitalised at cost and is amortised over the useful life of 15 years.

#### *Research and development costs*

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and an appropriate portion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and are amortised over the period of expected future sales from the related projects which vary from 3 to 5 years.

### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Contract liabilities**

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

## **Note 2. Significant accounting policies (continued)**

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

Employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification had not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

## **Note 2. Significant accounting policies (continued)**

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

## **Note 2. Significant accounting policies (continued)**

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of TZ Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## **Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### **Note 3. Critical accounting judgements, estimates and assumptions (continued)**

#### *Revenue from contracts with customers*

Determining when to recognise revenues from maintenance services recognised over time is dependent on the extent to which the performance obligations have been satisfied. For maintenance service agreements, revenue recognition requires an understanding of the customer's use of the related products, historical experience and knowledge of the market.

Recognised amounts of contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of ongoing contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

#### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

#### *Capitalised development costs*

Distinguishing the research and development phases of a new project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

#### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions.

#### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement and estimates are required in recognising and measuring current and deferred tax amounts. For any uncertain tax treatment adopted relating to transactions or events, the consolidated entity recognises and measures tax related amounts having regard to both the probability that such amounts may be challenged by a tax authority and the expected resolution of such uncertainties. In such circumstances, tax balances are determined based on either most-likely amount or expected-value probability based outcomes. Where final tax outcomes vary from what is estimated, such differences will impact the current and deferred tax provisions recognised in the financial statements.

#### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### *Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

**Note 4. Restatement of comparatives**

*Correction of error*

Following completion of the financial statements for the financial year ended 30 June 2022, the following errors were identified:

As announced to the market in October 2022, management discovered that the consolidated entity's US subsidiary, Telezygology Inc. ('TZUSA'), overstated revenue, customer deposits and accrued revenue at 30 June 2022. The error occurred during the year ended 30 June 2022 with the impact of \$1,026,926 decrease in revenue, a \$419,000 decrease in contract liabilities, a \$1,472,166 decrease in contract assets and a \$26,240 increase in foreign currency translation reserve for the financial year ended 30 June 2022.

A further error was identified upon the completion of half-year reconciliation processes in TZUSA, a portion of which related to an understatement of cost of goods sold (disclosed as raw materials and consumables sold) and understatement of contract liabilities. The impact related to an increase in cost of goods sold (raw materials and consumables used) of \$1,012,119 for the year ended 30 June 2022, an increase in contract liabilities of \$1,078,519 and an increase of foreign currency translation reserve of \$66,401 as at 30 June 2022.

*Reclassification*

Certain comparatives have been reclassified to conform with current year presentation. Other payables totalling to \$105,788 has been reclassified from trade and other payables to contract liabilities. This has not had any impact on the financial position of the consolidated entity at 30 June 2022 or the results for the year then ended.

The impact on the statement of profit or loss and other comprehensive income and statement of financial position is as follows:

	<b>2022</b>	<b>Consolidated</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Extract</b>	<b>Reported</b>	<b>Adjustment</b>	<b>Restated</b>
<b>Revenue</b>	21,428,560	(1,026,926)	20,401,634
<b>Expenses</b>			
Raw materials and consumables used	(10,228,802)	(1,012,119)	(11,240,921)
<b>Profit/(loss) before income tax expense</b>	67,698	(2,039,045)	(1,971,347)
Income tax expense	(24,802)	-	(24,802)
<b>Profit/(loss) after income tax expense for the year attributable to the owners of TZ Limited</b>	42,896	(2,039,045)	(1,996,149)
<b>Other comprehensive income / (loss)</b>			
Foreign currency translation	75,139	(92,640)	(17,501)
Other comprehensive income / (loss) for the year, net of tax	75,139	(92,640)	(17,501)
<b>Total comprehensive income / (loss) for the year attributable to the owners of TZ Limited</b>	<u>118,035</u>	<u>(2,131,685)</u>	<u>(2,013,650)</u>

**Note 4. Restatement of comparatives (continued)**

	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	0.021	(0.976)	(0.955)
Diluted earnings per share	0.021	(0.976)	(0.955)

*Statement of financial position at the end of the earliest comparative period*

Extract	2022 \$ Reported	Consolidated \$ Adjustment	2022 \$ Restated
<b>Assets</b>			
<b>Current assets</b>			
Contract assets	2,609,521	(1,472,166)	1,137,355
Total current assets	<u>12,711,690</u>	<u>(1,472,166)</u>	<u>11,239,524</u>
<b>Total assets</b>	<u>14,300,863</u>	<u>(1,472,166)</u>	<u>12,828,697</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	3,252,005	(105,788)	3,146,217
Contract liabilities	3,510,546	765,307	4,275,853
Total current liabilities	<u>10,072,460</u>	<u>659,519</u>	<u>10,731,979</u>
<b>Total liabilities</b>	<u>10,278,510</u>	<u>659,519</u>	<u>10,938,029</u>
<b>Net assets</b>	<u>4,022,353</u>	<u>(2,131,685)</u>	<u>1,890,668</u>
<b>Equity</b>			
Reserves	(4,211,903)	(92,641)	(4,304,544)
Accumulated losses	(219,045,447)	(2,039,044)	(221,084,491)
<b>Total equity</b>	<u>4,022,353</u>	<u>(2,131,685)</u>	<u>1,890,668</u>

**Note 5. Operating segments**

*Identification of reportable operating segments*

The consolidated entity operates in four operating segments being Australia, United States of America ('USA'), Europe (including the United Kingdom) Middle East and Africa ('EMEA') and Asia. The principal activities of each operating segment are identical, being the sale of hardware and software products. These segments are 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.

Other segments represent the activities of the corporate headquarters.

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 specific items ('Adjusted EBITDA').

For information about revenue from products and services, refer to note 6.

*Intersegment transactions*

Transactions between segments are carried out at arm's length and are eliminated on consolidation.

**Note 5. Operating segments (continued)**

*Intersegment receivables, payables and loans*

Intersegment receivables, payables and loans are eliminated on consolidation.

*Major customers*

Two customer contributed more than 10% to the external revenue of the consolidated entity for the year ended 30 June 2023. These two customers contributed 20% of the consolidated entity's external revenue. During the year ended 30 June 2022, two customers each contributed more than 10% to the external revenue of the consolidated entity. These two customers contributed 23% of the consolidated entity's external revenue.

*Operating segment information*

	Australia \$	USA \$	EMEA \$	Asia \$	Other segments \$	Total \$
<b>Consolidated - 2023</b>						
<b>Revenue</b>						
Sales to external customers	4,863,707	6,978,721	719,372	1,246,295	-	13,808,095
Total sales revenue	4,863,707	6,978,721	719,372	1,246,295	-	13,808,095
Interest	-	-	-	-	1,126	1,126
<b>Total revenue</b>	<b>4,863,707</b>	<b>6,978,721</b>	<b>719,372</b>	<b>1,246,295</b>	<b>1,126</b>	<b>13,809,221</b>
<b>Adjusted EBITDA</b>	<b>400,533</b>	<b>(5,227,541)</b>	<b>(92,226)</b>	<b>69,612</b>	<b>(19,304)</b>	<b>(4,673,012)</b>
Depreciation and amortisation						(804,745)
Impairment						(194,788)
Interest revenue						1,126
Finance costs						(278,927)
<b>Loss before income tax expense</b>						<b>(5,951,472)</b>
Income tax expense						(34,090)
<b>Loss after income tax expense</b>						<b>(5,985,562)</b>
	Australia \$	USA \$	EMEA \$	Asia \$	Other segments \$	Total \$
<b>Consolidated - 2022</b>						
<b>Revenue</b>						
Sales to external customers	6,198,753	12,652,358	651,319	899,204	-	20,401,634
Other income	463,491	641,484	12,920	-	-	1,117,895
Interest	128	-	-	-	-	128
<b>Total revenue</b>	<b>6,662,372</b>	<b>13,293,842</b>	<b>664,239</b>	<b>899,204</b>	<b>-</b>	<b>21,519,657</b>
<b>Adjusted EBITDA</b>	<b>(1,281,583)</b>	<b>757,461</b>	<b>(464,367)</b>	<b>84,349</b>	<b>143,624</b>	<b>(760,516)</b>
Depreciation and amortisation						(975,644)
Interest revenue						128
Finance costs						(235,315)
<b>Loss before income tax expense</b>						<b>(1,971,347)</b>
Income tax expense						(24,802)
<b>Loss after income tax expense</b>						<b>(1,996,149)</b>

All assets and liabilities, including taxes are not allocated to the operating segments as they are managed on an overall group basis.

**Note 5. Operating segments (continued)**

*Geographical information*

	<b>Geographical non-current assets</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Australia	794,833	1,333,307
United States of America	370,182	251,899
EMEA	1,472	3,011
Asia (Singapore)	376	956
	<u>1,166,863</u>	<u>1,589,173</u>

**Note 6. Revenue**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Sale and service revenue	<u>13,808,095</u>	<u>20,401,634</u>

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Major product and service lines</i>		
Sale of hardware and software	9,584,908	16,528,998
Installation and commissioning services	882,335	1,417,886
Maintenance and support services	3,340,852	2,441,734
Professional services	-	13,016
	<u>13,808,095</u>	<u>20,401,634</u>
<i>Timing of revenue recognition</i>		
Goods and services transferred at a point in time	10,467,243	17,959,900
Services transferred over time	<u>3,340,852</u>	<u>2,441,734</u>
	<u>13,808,095</u>	<u>20,401,634</u>

Refer to note 5 for details of revenue disaggregated by geographical regions.

The Group provides warranties on hardware sales which generally covers a period of 12 months from the date of product acceptance by the customer. The Group has not recognised a provision for future warranty costs, on the basis that this has been assessed based on historic actual warranty claims and is immaterial to the Group.

**Note 7. Other income**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Government grant - Research and development incentive	3,511	245,822
Forgiveness of loan	-	641,484
Government grant - JobSaver	-	217,668
Government grant - other	-	12,921
	<hr/>	<hr/>
Other income	<u>3,511</u>	<u>1,117,895</u>

*Forgiveness of loan*

In May 2020, the Company's USA subsidiary, Telezygology, Inc., secured a PPP loan of US\$464,862 under the US Small Business Administration Paycheck Protection Programme ('PPP') established by the Coronavirus Aid, Relief and Economic Security ('CARES') Act. The loan term had a two-year term and carried an interest rate of 1% per annum. During the year ended 30 June 2022, the loan was forgiven in full.

*Government grant - Research and development incentive*

Government grant - Research and development incentive represents reimbursements received from the Australian Government for eligible research and development expenditure incurred by the consolidated entity.

**Note 8. Expenses**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	63,764	74,200
Office equipment	61,981	11,699
Right-of-use assets	220,358	212,959
Total depreciation	<u>346,103</u>	<u>298,858</u>
<i>Amortisation</i>		
Development costs	458,641	676,786
Total depreciation and amortisation	<u>804,745</u>	<u>975,644</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	251,809	201,472
Interest and finance charges paid/payable on lease liabilities	27,118	33,843
Finance costs expensed	<u>278,927</u>	<u>235,315</u>
<i>Inventory</i>		
Inventory write-downs / (write-ups)	485,126	(4,931)
<i>Leases</i>		
Short-term lease payments	272,462	203,427
Defined contribution superannuation expense	<u>329,942</u>	<u>342,059</u>
<i>Share-based payments</i>		
Options	6,446	7,187
Share grants	26,144	20,148
	<u>32,590</u>	<u>27,335</u>

**Note 9. Income tax expense**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
Current tax	34,090	24,802
Aggregate income tax expense	<u>34,090</u>	<u>24,802</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(5,951,472)	(1,971,347)
Tax at the statutory tax rate of 27.5% (2022: 25%)	(1,636,655)	(492,837)
Current year tax losses not recognised	1,670,745	509,762
Current year temporary differences not recognised	-	-
Difference in overseas tax rates/refunds	-	7,877
Under/(over) provision for prior years	-	-
Income tax expense	<u>34,090</u>	<u>24,802</u>

The consolidated entity is in the process of determining its tax loss position to carry forward.

*Change in corporate tax rate*

The corporate tax rate applicable to base rate entities increased from 25% to 27.5% for the 2022-23 income year. The consolidated entity qualifies as a base rate entity as it has a turnover of less than \$50 million and less than 80% of its assessable income is derived from base rate entity passive income. The consolidated entity has remeasured its deferred tax balances, and any unrecognised potential tax benefits arising from carried forward tax losses, based on the effective tax rate that is expected to apply in the year the temporary differences are expected to reverse or benefits from tax losses realised. The impact of the change in tax rate on deferred tax balances has been recognised as tax expense in profit or loss or as an adjustment to equity to the extent to which the deferred tax relates to items previously recognised outside profit or loss.

**Note 10. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Cash and cash equivalents	862,946	2,051,162

**Note 11. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Trade receivables	<u>1,781,913</u>	<u>4,130,232</u>

**Note 11. Trade and other receivables (continued)**

*Allowance for expected credit losses*

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023	2022	2023	2022	2023	2022
Consolidated	%	%	\$	\$	\$	\$
Not overdue	-	-	1,209,716	2,542,333	-	-
0 to 3 months overdue	-	-	436,113	1,227,797	-	-
3 to 6 months overdue	-	-	40,933	334,439	-	-
Over 6 months overdue	-	-	95,151	25,663	-	-
			<u>1,781,913</u>	<u>4,130,232</u>	<u>-</u>	<u>-</u>

**Note 12. Contract assets**

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Contract assets	<u>878,771</u>	<u>1,137,355</u>

*Reconciliation*

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

Opening balance	1,137,355	1,672,307
Additions	19,647,454	11,540,623
Restatement of comparatives (note 4)	-	(1,472,166)
Transfer to trade receivables	<u>(19,906,038)</u>	<u>(10,603,409)</u>
Closing balance	<u>878,771</u>	<u>1,137,355</u>

*Allowance for expected credit losses*

The allowance for expected credit losses on contract assets for the year ended 30 June 2023 is \$nil (2022: \$nil).

**Note 13. Inventories**

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Finished goods - at cost	2,365,560	2,979,362
Less: Provision for impairment	<u>(487,310)</u>	<u>(292,522)</u>
	<u>1,878,250</u>	<u>2,686,840</u>

**Note 14. Other current assets**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Current assets</i>		
Prepayments and deferred expenses	484,705	1,079,140
Security deposits	122,828	154,795
	<u>607,533</u>	<u>1,233,935</u>

**Note 15. Right-of-use assets**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	805,775	614,921
Less: Accumulated depreciation	(465,964)	(236,596)
	<u>339,811</u>	<u>378,325</u>

The consolidated entity leases various premises under non-cancellable operating leases expiring between 1 and 5 years, in some cases, with options to extend. All leases have annual CPI escalation clauses. The above commitments do not include commitments for any renewal options on leases. Lease conditions do not impose any restrictions on the ability of TZ Limited and its subsidiaries from borrowing further funds or paying dividends.

*Reconciliations*

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

<b>Consolidated</b>	Right -of use assets \$
Balance at 1 July 2021	591,012
Exchange differences	272
Depreciation expense	<u>(212,959)</u>
Balance at 30 June 2022	378,325
Additions	183,566
Disposals	(2,906)
Exchange differences	1,184
Depreciation expense	<u>(220,358)</u>
Balance at 30 June 2023	<u><u>339,811</u></u>

**Note 16. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Leasehold improvements - at cost	418,955	418,955
Less: Accumulated depreciation	<u>(418,955)</u>	<u>(418,955)</u>
	-	-
Plant and equipment - at cost	2,118,012	2,115,249
Less: Accumulated depreciation	<u>(2,104,172)</u>	<u>(2,040,409)</u>
	<u>13,840</u>	<u>74,840</u>
Office equipment - at cost	996,903	941,505
Less: Accumulated depreciation	<u>(889,867)</u>	<u>(797,213)</u>
	<u>107,036</u>	<u>144,292</u>
	<u><u>120,876</u></u>	<u><u>219,132</u></u>

*Reconciliations*

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

<b>Consolidated</b>	Leasehold improvements \$	Plant and equipment \$	Office equipment \$	Total \$
Balance at 1 July 2021	-	148,005	25,519	173,524
Additions	-	1,035	126,503	127,538
Exchange differences	-	-	3,969	3,969
Depreciation expense	-	<u>(74,200)</u>	<u>(11,699)</u>	<u>(85,899)</u>
Balance at 30 June 2022	-	74,840	144,292	219,132
Additions	-	-	24,208	24,208
Exchange differences	-	2,764	517	3,281
Depreciation expense	-	<u>(63,764)</u>	<u>(61,981)</u>	<u>(125,745)</u>
Balance at 30 June 2023	<u><u>-</u></u>	<u><u>13,840</u></u>	<u><u>107,036</u></u>	<u><u>120,876</u></u>

**Note 17. Intangibles**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Re-acquired right (Intevia Licence) - at cost	10,138,090	10,138,090
Less: Accumulated amortisation	(8,035,887)	(8,035,887)
Less: Impairment	(2,102,203)	(2,102,203)
	<u>-</u>	<u>-</u>
Patents - at cost	2,842,881	2,748,670
Less: Accumulated amortisation	(819,128)	(765,810)
Less: Impairment	(1,840,886)	(1,786,542)
	<u>182,867</u>	<u>196,318</u>
Development costs - at cost	11,059,116	10,892,660
Less: Accumulated amortisation	(6,034,807)	(5,596,262)
Less: Impairment	(4,501,000)	(4,501,000)
	<u>523,309</u>	<u>795,398</u>
	<u>706,176</u>	<u>991,716</u>

*Reconciliations*

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

<b>Consolidated</b>	Patents \$	Development costs \$	Total \$
Balance at 1 July 2021	168,265	1,403,460	1,571,725
Additions	11,133	68,724	79,857
Exchange differences	16,920	-	16,920
Amortisation expense	-	(676,786)	(676,786)
	<u>196,318</u>	<u>795,398</u>	<u>991,716</u>
Balance at 30 June 2022	196,318	795,398	991,716
Additions	-	166,456	166,456
Exchange differences	6,645	-	6,645
Amortisation expense	(20,096)	(438,545)	(458,641)
	<u>182,867</u>	<u>523,309</u>	<u>706,176</u>
Balance at 30 June 2023	<u>182,867</u>	<u>523,309</u>	<u>706,176</u>

*Impairment testing*

At 30 June 2023, the cash generating units ('CGU') to which intangible assets belong was tested for impairment. For the purpose of impairment testing, the Package Asset Delivery ('PAD') CGU is determined to be the sole CGU that benefits from the core patented technology and product development costs. The net carrying value of the CGU is as follows:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Package Asset Delivery - PAD	<u>706,176</u>	<u>991,716</u>

*Impairment test performed*

The recoverable value of the CGU was assessed on a fair value basis (less likely costs of disposal). The fair value was determined by management, through the assistance of a third party valuations specialist.

**Note 17. Intangibles (continued)**

The fair value hierarchy within which the fair value measurement of the asset is categorised in its entirety is Level 3. The valuation techniques used to measure the fair value less likely costs of disposal were the Relief from Royalty Method and Multi Period Excess Earnings Method. Management used the following key estimates and assumptions in the valuation calculation:

Key items	2023	2022
Growth rate	1.50%	1.50%
Discount rate	12.40%	10.60%
Royalty rate	5.00%	5.00%
Customer attrition rate	10.00%	10.00%
EBITDA margin	50.00%	50.00%

*Impairment test results*

Based on the testing performed, the recoverable amount of the CGU exceeded the carrying value and no impairment existed at 30 June 2023 (30 June 2022: no impairment).

*Impairment test sensitivity*

A reasonable possible change in the key assumptions used to determine the recoverable amount of the CGU would not cause the remaining carrying value of the CGU to exceed its recoverable amount.

**Note 18. Trade and other payables**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Trade payables	2,227,204	1,734,299
Employee expense payables	269,969	322,942
Goods and services tax payable	146,930	289,616
Other payables	1,019,518	799,360
	<u>3,663,621</u>	<u>3,146,217</u>

Refer to note 26 for further information on financial instruments.

**Note 19. Contract liabilities**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Contract liabilities	<u>2,867,579</u>	<u>4,275,853</u>

*Reconciliation*

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

Opening balance	4,275,853	1,692,768
Amounts invoiced in advance	12,530,112	16,443,141
Restatement of comparative (note 4)	(765,307)	765,307
Transfer to revenue - included in the opening balance	(3,510,545)	(1,692,768)
Transfer to revenue - performance obligations satisfied in previous periods	(9,662,534)	(13,085,474)
Transfer to revenue - other balances	-	152,879
Closing balance	<u>2,867,579</u>	<u>4,275,853</u>

*Unsatisfied performance obligations*

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$2,867,579 as at 30 June 2023 (\$4,275,853 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Within 6 months	2,198,698	3,245,546
Greater than 6 months	<u>668,881</u>	<u>1,030,307</u>
	<u>2,867,579</u>	<u>4,275,853</u>

**Note 20. Borrowings**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Loan - First Samuel	<u>3,500,000</u>	<u>2,500,000</u>

Refer to note 26 for further information on financial instruments.

*Loan - First Samuel*

The full debenture facility was established with First Samuel on 30 June 2021 and matures on 31 January 2024. This facility carries a coupon rate of BBSW + 4.5% per annum and a facility fee of 1% per annum payable in advance. On 9 December 2022, the Company extended the debenture facility with First Samuel from \$2,500,000 to \$3,500,000.

As at 30 June 2023, the total loan facility is \$3,500,000 (30 June 2022: \$2,500,000) of which \$3,500,000 (30 June 2022: \$2,500,000) was utilised.

**Note 20. Borrowings (continued)**

*Total secured liabilities*

The total secured liabilities are as follows:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Loan - First Samuel	<u>3,500,000</u>	<u>2,500,000</u>

*Assets pledged as security*

The facilities are secured by first ranking security interest over the assets of the consolidated entity.

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Total facilities		
Loan - First Samuel (current facility)	<u>3,500,000</u>	<u>2,500,000</u>
Used at the reporting date		
Loan - First Samuel (current facility)	<u>3,500,000</u>	<u>2,500,000</u>
Unused at the reporting date		
Loan - First Samuel (current facility)	<u>-</u>	<u>-</u>

**Note 21. Lease liabilities**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>224,622</u>	<u>200,032</u>
<i>Non-current liabilities</i>		
Lease liability	<u>144,562</u>	<u>206,050</u>
	<u><u>369,184</u></u>	<u><u>406,082</u></u>

Refer to note 26 for further information.

*Reconciliations*

Reconciliations of the lease liability (current and non-current) at the beginning and end of the current financial year are set out below:

**Note 21. Lease liabilities (continued)**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Opening balance	406,082	596,335
Additions	183,566	33,834
Payments - principal	(235,970)	(191,032)
Payments - interest	27,118	(33,834)
Termination of leases	(11,612)	779
	<u>369,184</u>	<u>406,082</u>
Closing balance	<u>369,184</u>	<u>406,082</u>

**Note 22. Provisions**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Employee benefits	461,206	609,877
<i>Non-current liabilities</i>		
Employee benefits	35,571	-
	<u>496,777</u>	<u>609,877</u>

**Note 23. Issued capital**

	<b>2023</b>	<b>Consolidated</b>		<b>2022</b>
	<b>Shares</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
		<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>252,708,114</u>	<u>222,708,114</u>	<u>228,420,393</u>	<u>227,279,703</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2021	176,508,947		221,876,795
Issue of shares	16 August 2021	16,666,667	\$0.1200	2,000,000
Issue of shares	12 November 2021	27,570,000	\$0.1250	3,446,250
Issue of shares - equity incentive plan	11 March 2022	1,962,500	\$0.1100	215,875
Less: share issue costs		-	\$0.0000	(259,217)
Balance	30 June 2022	222,708,114		227,279,703
Issue of shares - equity incentive plan	23 March 2023	30,000,000	\$0.0400	1,200,000
Less: share issue costs		-		(59,310)
Balance	30 June 2023	<u>252,708,114</u>		<u>228,420,393</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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 23. Issued capital (continued)**

*Share buy-back*

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

*Unquoted options*

At 30 June 2023, there were 1,415,000 (2022: 2,091,000) options on issue associated with share-based payment arrangements (see note 36). Each option entitles the holder to subscribe for one fully paid share in the company upon exercise at any time from the date the vesting conditions have been satisfied until expiry of the options.

*Capital risk management*

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company or invest in growth was seen as value adding.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

**Note 24. Reserves**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(5,110,146)	(4,339,315)
Share-based payments reserve	38,921	34,771
	<u>(5,071,225)</u>	<u>(4,304,544)</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 24. Reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Foreign currency \$	Share-based payments \$	Total \$
Balance at 1 July 2021	(4,321,813)	89,422	(4,232,391)
Foreign currency translation	75,139	-	75,139
Restatement of comparatives (note 4)	(92,641)	-	(92,641)
Share-based payments	-	7,187	7,187
Cancelled options transferred to accumulated losses	-	(61,838)	(61,838)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2022	(4,339,315)	34,771	(4,304,544)
Foreign currency translation	(770,831)	-	(770,831)
Share-based payments	-	4,150	4,150
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2023	<u>(5,110,146)</u>	<u>38,921</u>	<u>(5,071,225)</u>

**Note 25. Dividends**

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

**Note 26. Financial instruments**

***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

***Market risk***

***Foreign currency risk***

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity's foreign exchange risk is managed to ensure sufficient funds are available to meet foreign currency commitments in a timely and cost-effective manner. The consolidated entity will continually monitor this risk and consider entering into forward foreign exchange, foreign currency swap and foreign currency option contracts if appropriate.

Creditors and debtors as at 30 June 2023 were reviewed to assess currency risk at year end. The value of transactions denominated in a currency other than the functional currency of the respective subsidiary was insignificant and therefore the risk was determined as immaterial.

***Price risk***

The consolidated entity is not exposed to any significant price risk.

**Note 26. Financial instruments (continued)**

*Interest rate risk*

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk.

The Board makes investment decisions after considering advice received from professional advisors.

The consolidated entity monitors its interest rate exposure continuously.

As at the reporting date, the consolidated entity had the following variable rate exposures:

<b>Consolidated</b>	<b>2023</b>		<b>2022</b>	
	<b>Weighted average interest rate %</b>	<b>Balance \$</b>	<b>Weighted average interest rate %</b>	<b>Balance \$</b>
Cash and cash equivalents	-	862,946	-	2,051,162
Loan - First Samuel	8.74%	<u>(3,500,000)</u>	5.38%	<u>(2,500,000)</u>
Net exposure to cash flow interest rate risk		<u><u>(2,637,054)</u></u>		<u><u>(448,838)</u></u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

The consolidated entity has a net cash deficit totalling \$2,637,054 (2022: net cash deficit \$448,838). An official increase/decrease in interest rates of 100 basis point (2022: 100 basis point) percentage point would have an adverse/favourable effect on profit before tax of \$26,371 (2022: adverse/favourable \$4,488) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The consolidated entity does not have any concentration of credit risk exposure from its customers as at 30 June 2023. During the year ended 30 June 2022, the consolidated entity had a concentration of credit risk exposure with 1 customer, which as at 30 June 2022 owed the consolidated entity \$594,880 representing 14% of trade receivables.

There is a concentration of credit risk for cash at bank and cash on deposit as most monies in Australia are held with one financial institution, St George Bank.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

**Note 26. Financial instruments (continued)**

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2023</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,227,204	-	-	-	2,227,204
Employee expenses payable	-	269,969	-	-	-	269,969
Other payables	-	1,019,518	-	-	-	1,019,518
GST payable	-	146,930	-	-	-	146,930
<i>Interest-bearing - variable</i>						
Loan - First Samuel	8.74%	3,500,000	-	-	-	3,500,000
<i>Interest-bearing - fixed rate</i>						
Lease liability	8.24%	224,622	43,898	100,664	-	369,184
Total non-derivatives		7,388,243	43,898	100,664	-	7,532,805

<b>Consolidated - 2022</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	1,734,299	-	-	-	1,734,299
Employee expenses payable	-	322,942	-	-	-	322,942
Other payables	-	799,360	-	-	-	799,360
GST payable	-	289,616	-	-	-	289,616
<i>Interest-bearing - variable</i>						
Loan - First Samuel	5.38%	2,500,000	-	-	-	2,500,000
<i>Interest-bearing - fixed rate</i>						
Lease liability	6.87%	200,032	206,050	-	-	406,082
Total non-derivatives		5,846,249	206,050	-	-	6,052,299

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Note 27. 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.

**Note 28. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Short-term employee benefits	1,061,282	1,743,582
Post-employment benefits	76,919	115,236
Share-based payments	3,185	14,789
	<u>1,141,386</u>	<u>1,873,607</u>

**Note 29. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by PKF Brisbane Audit, the auditor of the Company:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Audit services - PKF Brisbane Audit</i>		
Audit or review of the financial statements	74,000	90,250
<i>Other services - PKF Brisbane</i>		
Tax services	12,000	10,550
	<u>86,000</u>	<u>100,800</u>

**Note 30. Contingent liabilities**

The consolidated entity does not have any contingent liabilities at 30 June 2023 and 30 June 2022.

**Note 31. Related party transactions**

*Parent entity*

TZ Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 33.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Payment for other expenses:		
Interest paid/(payable) to First Samuel Limited - an entity with significant influence	221,230	134,449

**Note 31. Related party transactions (continued)**

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date, with the exception of the following amounts:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Payables to directors:</i>		
Amounts owed to directors for outstanding director fees	27,500	-

*Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Current borrowings:		
Loan from First Samuel Limited - an entity with significant influence	3,500,000	2,500,000

*Terms and conditions*

Refer to note 20 for details of terms and conditions on the First Samuel Limited loan facility.

**Note 32. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Loss after income tax	(492,578)	(937,073)
Total comprehensive loss	(492,578)	(937,073)

**Note 32. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Total current assets	10,511,841	8,606,957
Total assets	12,112,655	10,220,093
Total current liabilities	7,536,067	6,295,769
Total liabilities	7,536,067	6,295,769
Equity		
Issued capital	228,420,394	227,279,703
Share-based payments reserve	38,921	34,771
Accumulated losses	(223,882,727)	(223,390,150)
Total equity	<u>4,576,588</u>	<u>3,924,324</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 33. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2023</b> %	<b>2022</b> %
Telezygology, Inc	United States of America	100.00%	100.00%
TZ Holdings Inc	United States of America	100.00%	100.00%
TZ Development Technologies Inc	United States of America	100.00%	100.00%
TZ Tooling Inc	United States of America	100.00%	100.00%
TZI Australia Pty Limited	Australia	100.00%	100.00%
TZ Administration Services Pty Ltd	Australia	100.00%	100.00%
TZI Singapore Pte Ltd	Singapore	100.00%	100.00%
TZI UK Limited	United Kingdom	100.00%	100.00%

**Note 34. Cash flow information**

*Reconciliation of loss after income tax to net cash used in operating activities*

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
		<b>Restated</b>
Loss after income tax expense for the year	(5,985,562)	(1,996,149)
Adjustments for:		
Depreciation and amortisation	804,745	975,644
Share-based payments	4,150	27,335
Foreign exchange differences	(793,818)	15,257
Forgiveness of loan	-	641,484
Interest accrued on borrowings	153,042	112,548
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	2,348,318	(1,574,716)
Decrease in contract assets	258,585	534,952
Decrease/(increase) in inventories	808,591	(1,259,713)
Decrease in other operating assets	594,436	200,230
Increase/(decrease) in trade and other payables	404,854	424,831
Increase/(decrease) in contract liabilities	(1,408,275)	275,854
Decrease in employee benefits	(113,100)	(3,414)
Net cash used in operating activities	<u>(2,924,034)</u>	<u>(1,625,857)</u>

*Non-cash investing and financing activities*

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Shares issued under employee share plan	-	215,875
Shares issued on conversion of loan	1,200,000	2,000,000
Forgiveness of loan	-	641,484
Additions to right-of-use assets	183,566	-
	<u>1,383,566</u>	<u>2,857,359</u>

**Note 34. Cash flow information (continued)**

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	Loan - First Samuel \$	Loan - PPP \$	Lease liabilities \$	Total \$
Balance at 1 July 2021	4,000,000	614,840	596,335	5,211,175
Net cash from/(used in) financing activities	500,000	-	(191,032)	308,968
Shares issued on conversion of loan	(2,000,000)	-	-	(2,000,000)
Forgiveness of loan	-	(641,483)	-	(641,483)
Exchange differences	-	26,643	779	27,422
Balance at 30 June 2022	2,500,000	-	406,082	2,906,082
Net cash from financing activities	1,000,000	-	(208,852)	791,148
Lease additions	-	-	183,566	183,566
Exchange differences	-	-	(11,612)	(11,612)
Balance at 30 June 2023	<u>3,500,000</u>	<u>-</u>	<u>369,184</u>	<u>3,869,184</u>

**Note 35. Loss per share**

	<b>Consolidated</b> <b>2023</b> \$	<b>2022</b> \$
Loss after income tax attributable to the owners of TZ Limited	<u>(5,985,562)</u>	<u>(1,996,149)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>230,927,292</u>	<u>209,125,760</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>230,927,292</u>	<u>209,125,760</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.592)	(0.955)
Diluted earnings per share	(2.592)	(0.955)

For the purpose of calculating the diluted loss per share the denominator has excluded 1,415,000 options (2022: 2,091,000) as the effect would be anti-dilutive.

**Note 36. Share-based payments**

*TZ Limited's employee Equity Incentive Plan*

TZ Limited's employee Equity Incentive Plan ('EIP') was approved by shareholders during the Company's 2021 Annual General Meeting held on 27 January 2022. The Plan was designed to attract, retain, motivate and reward eligible persons (employees and directors) of the Company (collectively the 'Participants') by issuing securities to the Participants. The vesting of those securities may be subject to certain performance criteria to be determined by the Board.



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Peter Graham  
Chairman

31 August 2023  
Sydney

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TZ LIMITED

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of TZ Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2023, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of TZ Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report which describes the events and/or conditions which give rise to 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 its ability to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

## Emphasis of Matter

We draw attention to Note 4 of the financial report which describes the financial effects of prior period restatements and restated information for the comparative periods. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

### 1. Carrying amount of intangible assets with finite useful lives

#### Why significant

As at 30 June 2023, the carrying value of intangible assets with finite useful lives was \$706,176 (2022: \$991,716), as disclosed in Note 17.

The group's accounting policy in respect of intangible assets with finite useful lives is outlined in Note 1.

The carrying amount of intangible assets with finite useful lives is a key audit matter due to:

- the significant audit effort required to test the carrying amount of intangible assets with finite useful lives; and
- the level of judgement applied in evaluating management's assessment of impairment.

As outlined in Notes 2 and 3, management assessed the carrying amount of intangible assets with finite useful lives through impairment testing utilising a fair value less costs of disposal model in which significant judgements are applied in determining key assumptions. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of intangible assets with finite useful lives, and accordingly the amount of any impairment charge, to be recorded in the current financial year.

#### How our audit addressed the key audit matter

In assessing this key audit matter, we involved senior audit team members who understand the industry.

Our audit procedures included, amongst others:

- evaluating management's methodology for determining the carrying amount of intangible assets with finite useful lives by comparing the fair value less costs of disposal model with generally accepted valuation methodology and accounting standard requirements;
- conducting sensitivity analysis on key assumptions such as weighted average cost of capital (WACC) and growth rates, within reasonable foreseeable ranges;
- challenging the key assumptions used in the value in use model by:
  - assessing growth rates used in comparison to historical results;
  - evaluating the WACC rate used in comparison to market and industry information available;
  - assessing yearly revenue forecasts in comparison to historical results and approved budgets; and
  - assessing the impact of the COVID-19 pandemic on all key assumptions;
- assessing the appropriateness of the group's accounting policy for the capitalisation of development costs;
- obtaining a list of additions to intangible assets and assessing against the recognition criteria of AASB 138 *Intangible Assets*;
- assessing management's estimate of future economic benefits related to the costs capitalised; and assessing the appropriateness of the related disclosures in Note 2, 3 and 17.

## 2. Revenue recognition

### Why significant

As at 30 June 2023 the recorded revenue from continuing operations of the group was \$13,808,095 (2022: \$20,401,634), as disclosed in Note 6.

As disclosed in the accounting policy in Note 2, the group has multiple revenue streams including contracts with customers, sale of software and hardware, rendering of installation and commissioning services, maintenance services and professional services. As disclosed in Note 3, management judgement is required in relation to revenue recognition for maintenance services recognised over time.

Revenue recognition is considered a Key Audit Matter (KAM) due to:

- The significance of the balance;
- The different categories of revenue recognised which in some cases require management judgement; and
- The audit effort undertaken in relation to assessing the circumstances giving rise to prior period errors relating to revenue as disclosed in Note 4.

### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Understanding the consolidated entity's accounting policies and processes for recognising contract revenue;
- Tracing revenue samples to contracts, and assessing management's revenue recognition based on the five steps required under AASB 15 *Revenue from Contracts with Customers*;
- Performing cut-off testing to ensure revenue transactions around the year end have been recorded in the correct period and any contract assets or contract liabilities have been properly accounted for;
- Reviewing related balance sheet accounts, including accrued revenue and customer deposits to ensure the completeness and accuracy of recorded revenue; and
- Reviewing the disclosures in Note 2, 3, 4, 6, 12, and 19 to ensure that they are appropriate and in accordance with AASB 15 *Revenue from Contracts with Customers*.



### Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### Opinion

In our opinion, the Remuneration Report of TZ Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

PKF

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'S Lindemann', written over a light blue horizontal line.

SHAUN LINDEMANN  
PARTNER

BRISBANE  
31 August 2023

Following is a summary of shareholder information as at 31 July 2023.

## Equity security holders

### *Distribution of equity securities*

Analysis of number of equity security holders by size of holding:

<i>Holdings Ranges</i>	<i>Ordinary Shares</i>			<i>Unquoted Options</i>		
	<b>Holders</b>	<b>Total Units</b>	<b>%</b>	<b>Holders</b>	<b>Total Units</b>	<b>%</b>
1-1,000	1,287	289,695	0.11	-	-	-
1,001-5,000	356	934,578	0.36	-	-	-
5,001-10,000	154	1,227,820	0.48	-	-	-
10,001-100,000	354	14,039,553	5.47	6	375,000	2.28
100,001-999,999,999	201	240,266,468	93.58	24	16,040,000	97.72
<b>Totals</b>	<b>2,352</b>	<b>256,758,114</b>	<b>100.00</b>	<b>30</b>	<b>16,415,000</b>	<b>100.00</b>

### *Holding less than a marketable parcel*

Based on the closing share price on 31 July 2023 of A\$ 0.0250 per share, there were 1,889 holders of less than a marketable parcel of ordinary shares, holding 3,737,210 shares in aggregate.

### *Voting Rights*

All issued ordinary shares carry one vote per share.

All options do not carry the right to vote.

### *Top 20 largest holders of ordinary shares*

<b>Name</b>	<b>Balance as at 31 July 2023</b>	<b>%</b>
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	59,886,968	23.32
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,006,885	8.18
DELCOR ADVISORY INVESTMENT GROUP PTY LTD	14,041,074	5.47
ONE MANAGED INVESTMENT FUNDS LIMITED <TI GROWTH A/C>	12,944,403	5.04
MR SCOTT JOSEPH BOGUE	12,000,000	4.67
MR DAVID FREDERICK OAKLEY <DFO INVESTMENT A/C>	7,398,174	2.88
BOURSE SECURITIES PTY LTD	6,000,570	2.34
NATIONAL NOMINEES LIMITED	5,601,003	2.18
MR ERICH GUSTAV BROSELL	5,000,000	1.95
MR PHILIP ANTHONY FEITELSON	3,801,500	1.48
ONE MANAGED INVESTMENT FUNDS LIMITED <TI ABSOLUTE RETURN A/C>	3,701,993	1.44
MR DAVID FREDERICK OAKLEY	3,563,684	1.39
APPWAM PTY LTD	2,891,289	1.13
EXELMONT PTY LTD	2,443,545	0.95
MR PETER HOWELLS	2,228,571	0.87
GUTHRIE CAD/GIS SOFTWARE PTY LTD	2,080,000	0.81
BRIAR PLACE PTY LIMITED <MJ FAMILY A/C>	2,000,000	0.78
JOHN ANTHONY D'ANGELO + FONNIE KANLIS	2,000,000	0.78
SURFLODGE PTY LTD <JE LYNCH STAFF SUPER FD A/C>	1,995,670	0.78
CITICORP NOMINEES PTY LIMITED	1,728,662	0.67
Total Securities of Top 20 Holdings	<b>172,313,991</b>	<b>67.11</b>
Total Securities of remaining shareholders	<b>84,444,123</b>	<b>32.89</b>
<b>Total of Securities</b>	<b>256,758,114</b>	<b>100.00</b>

### **Substantial Holders**

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out below:

<b>Name</b>	<b>Number held</b>	<b>% of total shares issued</b>
First Samuel Ltd ACN 086243567 (ANF ITS MDA Clients A/C)	53,032,227	23.81
Delcor Advisory Investment Group Pty Ltd	14,041,074	6.36
Technical Investing Pty Limited	11,818,412	6.10

### **Securities subject to voluntary escrow**

<b>Class</b>	<b>Escrow end date</b>	<b>Number of Securities</b>
Ordinary Shares	27 January 2025	962,500
Ordinary Shares	6 July 2026	5,050,000

### **On-market buy-back**

There is no current on-market buy-back

### **Closing Date for Director Nominations for Annual General Meeting**

An election of Directors will be held at the Company's 2023 Annual General Meeting on 23 November 2023. Notice is hereby given in accordance with ASX Listing Rules 3.13.1 and the Company's constitution that the closing date for receipt of nominations from persons wishing to be considered for election as a Director is 4 October 2023 ('Closing Date').

Nomination must be received in writing no later than 5.00pm (Melbourne Time) on the Closing Date at the Company's registered office.



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