



31 January 2013

Lodged by ASX Online

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

Dear Sir/Madam

SHAREHOLDER UPDATE & APPENDIX 4C – DECEMBER QUARTER 2012

Please find attached the shareholder update and ASX Appendix 4C (unaudited) – Quarterly Report for entities admitted on the basis of commitments for TZ Limited for the quarter ended 31 December 2012.

Yours faithfully,
TZ LIMITED

A handwritten signature in black ink, appearing to read 'Ken Ting', with a large, stylized flourish above the name.

Kenneth Ting
Director

TZ LIMITED – SHAREHOLDER UPDATE

December Quarter 2012

TZ Group:

- The Group delivered an unaudited half year sales result of approximately USD\$11.8M. Investments to support Singapore Post implementation and the establishment of the TZ Parcel Locker Network in Australia had an impact on overall cash spending including the need for increased operating capital to build inventory in line with secured purchase orders.
- The TZI business continues to show solid sales growth with an expanding base of high profile reference customers. These engagements continue to reinforce the market leadership position of the business in the micro-protection of data centre assets and as a credible provider of intelligent locker solutions. While the business is still dependent on infrastructure spending, the broader and deeper customer set is playing an important role to fuel continued business growth particularly given the securement of several multiple year supply relationships.
- PDT achieved its forecast targets for the half year although overall profitability has room for improvement. Work continues to be done to improve business efficiencies and staff utilisation rates.
- In the December Quarter the Company successfully completed a rights issue and raised approximately AUD\$4.6 million (before capital raising cost).

TZI Update:

- The quarter sales closed out the year with an unaudited half year result of approximately USD \$1.1M along with a backlog of purchase orders of approximately USD\$500,000. Overall, this result demonstrates significant revenue growth over the same period last year with planned gross margins also achieved.
- The US business had a record sales quarter with strong sales in both IXP and PAD. The Certified Integrator Channel has also shown great traction with project registrations reaching approximately USD\$2 million in qualified leads.
- With Singapore Post and other major projects scheduled for deployment in Q3, there is a strong pipeline of secured sales which should reflect positively in the Q3 and Q4 numbers.

PAD

- Focus for the quarter has been split across a number of major deployments:
 - Singapore Post Phase 1 deployment
 - Coles Phase 1 deployment
 - ADAM - TZ Parcel Locker Network deployment planning
- There has been significant investment this last quarter in developing the Singapore Post locker management infrastructure and building inventory in advance of the Phase 1 deployment which will commence at the start of February 2013. Progress is on plan with the locker banks currently being assembled by Dexion in Kuala Lumpur in anticipation of installation. Singapore Post has approved the budget for 2013 which should see roll-out of Phase 2 progressing immediately after Phase 1 completion. This represents broader scale deployment of the locker network across Singapore.

- While deployment plans were put on hold for almost six months, we are pleased to advise that in November, Coles commenced deployment of their refrigerated locker banks across QLD, NSW, VIC and ACT as part of an initial trial program. The system is up and running, locker banks are fully operational and the new service has been very well received by Click and Collect customers. We are hopeful that Coles progress beyond the trial to a broad national deployment program later this year.
- A significant amount of work has also been invested in the development of the ADAM Parcel Locker Network, culminating with a soft launch of the system to the market in late December. Over 200 sites have now been identified for the network with discussions currently underway with a large number of major retail, commercial and industrial property owners. In the light of significant market interest, the initial deployment plan has been expanded to take into consideration location opportunities in other Australian cities outside of Sydney. This will delay the planned January deployment until late March, due to the impact of Chinese New Year on the lead-times for the manufacture of additional locker banks. This will however, see a far broader, initial reach for the network.
- In the US, Q2 saw additional PAD locker banks deployed into Cisco and Microsoft, with new deployments into additional fortune 500 accounts including American Express, General Electric and Charles Schwab.

IXP

- Traction within the Australian market continues to take shape with NEXTDC and Macquarie Telecom progressing their deployment plans. The next six months should see NEXTDC expand deployment in Melbourne and open their new data centre operation in Sydney. Macquarie Telecom is also planning deployment of TZ SlideHandles at their IntelliCentre 4 in Canberra.
- We also received our first orders from an Australian Government agency through our relationship with SRA in Canberra. We believe that there is untapped potential in the Australian Government sector and that this will be focal point for future local growth mirroring the same success we have seen in the US and Canada.
- The US and EMEA region has also made great progress with IXP deployments this quarter. The US team have actively participated on some large tenders for multi-year, global contracts with a number of Fortune 100 accounts and are hopeful of a positive outcome. Progress with OEM partners is also being made in both regions with the shipment of pre-production samples of SwingHandles for evaluation. Feedback so far has been positive and it is anticipated that OEM agreement for SwingHandle will be signed before 30 June 2013.
- As communicated in last quarter's update, the US team was expecting to receive two additional IXP orders from US government agencies. We are pleased to advise that these orders have been secured which will see an initial deployment of SlideHandles to secure approximately 200 cabinets.
- Our Canadian region also closed many new pieces of business during the quarter including additional orders from a co-location facility, new government agencies and a new 100 cabinet deployment from one of the largest and oldest insurance and financial services provider in Canada and Europe.
- Progress is also being made in Europe with the successful establishment of EDP as a new distribution partner. We have also been successful in securing IXP sales to new end users in the financial sector achieving multiple deployments with one of the largest global managed hosting and co-location providers with over 50 data centres in North America, Europe and Asia.

PDT Update:

- Unaudited management accounts show PDT achieved revenue of USD\$5.2 million for the fiscal quarter bringing the half year result to approximately USD\$10.7 million. This represents achievement of approximately 99% of management's internal projections.
- Profitability over the half year has been maintained but below expectations. Although there has been significant improvement over the same period of last year where losses were incurred, there is still work to do to bring profitability up to acceptable levels. Management continues to explore initiatives for optimisation and improved staff utilisation.
- The second quarter as expected was impacted by the US Election with several Defense contractors delaying decisions on new projects pending the election result and the finalisation of the federal budget.
- PDT has continued to quote on projects that capitalize on its software and Android capabilities and were successful in being awarded some very creative projects in the fields of specialized cell phones and second and third generation class 2 and 3 medical devices.
- In the awards area, PDT along with Perkins Products was honoured with a Good Design Award for designing a SMART Braille for the Perkins School of the Blind. The new generation Braille is designed for use by people new to Braille. Note that Good Design is the oldest and most recognized global award for design excellence.
- PDT and PRIMALx7 were also honoured with a Gold Spark Product Design award for designing a revolutionary modular fitness product aimed at people who have disabilities or are not capable of normal exercise routines. The product has gained wide acceptance in military and rehab centres.
- Looking forward to the 3rd quarter, PDT's current backlog of firm orders sits at USD\$4.1 million. The quarter will see an aggressive marketing push with attendance at a number of industry conferences including:
 - Consumer Electronics Show in Las Vegas – Jan 10-12
 - The 24th Annual NDIA SO/LIC (Special Operations/Low Intensity Conflict) Symposium & Exhibition in Washington DC – Jan 28-30
 - Medical Design and Manufacturing West in Los Angeles – Feb 12-14
 - West 2013, the leading conference for US Defense related communications, intelligence, electronics, and imaging and information systems.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005

Name of entity

TZ Limited

ABN

26 073 979 272

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	4,638	10,615
1.2 Payments for		
(a) staff costs	(3,237)	(6,462)
(b) advertising and marketing	(123)	(217)
(c) research and development	(70)	(87)
(d) leased assets	(214)	(425)
(e) other working capital	(3,670)	(6,679)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	28
1.5 Interest and other costs of finance paid	(21)	(28)
1.6 Income taxes refund/(paid)	22	22
1.7 Other Income (Refund of withholding tax announced to ASX on 7 November 2012)	646	646
Net operating cash flows	(2,021)	(2,587)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,021)	(2,587)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	(71)	(89)
(d) physical non-current assets	(57)	(110)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	1	1
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other - Investment in cash trust	(1,500)	(1,500)
Net investing cash flows	(1,627)	(1,698)
1.14 Total operating and investing cash flows	(3,648)	(4,285)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, notes, etc.	4,613	4,613
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(209)	(224)
1.19 Dividends paid	-	-
1.20 Other - Share issue Cost	(328)	(328)
Net financing cash flows	4,076	4,061
Net increase (decrease) in cash held	428	(224)
1.21 Cash at beginning of quarter/year to date	233	903
1.22 Exchange rate adjustments to item 1.21	35	17
1.23 Cash at end of quarter/year to date	696	696

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	788
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Being directors' fees & allowances, accounting fees, rent, administration and marketing costs paid to the directors and their related entities during the period.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

The Company issued 1,799 Series IV Convertible Notes to QVT Fund LP and Quintessence Fund LP (together, the "QVT Funds") with a face value of \$1,000 per note on 7 December 2012 to satisfy the Company's liability to the QVT Funds in respect of interest expenses for the 2011 calendar year on the existing notes issued.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	892	892
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	411	59
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other – Foreign currencies held overseas	285	174
Total: cash at end of quarter (item 1.23)	696	233

Note: the Company invested an amount of \$1.5 million to a cash trust during the quarter ended 31 December 2012. Although this amount has not been included in the table above for cash reconciliation, the investment can be redeemed at anytime at the Company's request to meet cash flow requirements for business operations.

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity/business	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: 

(Director/Company secretary)

Date: 31 January 2013

Print name: Kenneth Ting

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

- 2 The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information

- 3 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.