TZ Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated, in relation to the application of this standard.

				$
Revenues from ordinary activities	down	22.5%	to	7,975,914
Earnings loss before interest, tax, depreciation and amortisation, adjusted for impairment ('adjusted EBITDA')	up	133.7%	to	(1,279,892)
Loss from ordinary activities after tax attributable to the owners of TZ Limited	up	122.2%	to	(2,170,379)
Loss for the half-year attributable to the owners of TZ Limited	up	122.2%	to	(2,170,379)

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

Comments
The earnings before interest, tax, depreciation and amortisation ('EBITDA') was a loss of $1,279,892 (31 December 2018: loss of $547,728). The loss for the consolidated entity after providing for income tax amounted to $2,170,379 (31 December 2018: $976,661).

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

Refer to 'Review of operations' in the Directors' Report for further commentary on the results for the half-year ended 31 December 2019.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(12.09)	(4.93)

As at 31 December 2019, the net tangible assets per ordinary security of (12.09) presented above is inclusive of right-of-use assets and lease liabilities.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The interim financial statements were subject to a review by the auditors and the review report, which contains an Emphasis of Matter section relating to going concern, is attached thereto.

11. Attachments

Details of attachments (if any):

The Interim Report of TZ Limited for the half-year ended 31 December 2019 is attached.

12. Signed

Signed ______________________________ Date: 27 February 2020

John Wilson
Managing Director
Sydney

TZ Limited

ABN 26 073 979 272

Interim Report - 31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of TZ Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

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

Peter Graham - Chairman (appointed Director on 1 October 2019, appointed Chairman on 29 November 2019)
Graham Lenzner - Chairman (resigned on 29 November 2019)
John Wilson
Thierry Denis
Mario Vecchio

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $2,170,379 (31 December 2018: $976,661).

The close to the half year at 31 December 2020 saw the consolidated entity post a revenue result of A$8.0M, down 22% from A$10.3M from the previous half year. The lower revenue resulted in an EBITDA loss of A$1.3M, which is 134% up on last year's EBITDA loss of $0.5M. The overall loss for the period after providing for income tax amounted to A$2.2M, which is 122% up on last year's loss of A$1.0M.

Although sales came in lower than the previous period, it is important to note that A$1.6M of those sales in the previous period came from one significant sales order from DSV South Africa and a once off order for A$1.5M from Apple for their new Apple Park facility. The DSV project has moved from supply into deployment phases. With everything now operational, we can expect to see DSV considering expansion plans this new calendar year.

The project nature of the TZ business means that project phasings have a significant impact on the consolidated entity's revenue. Although the first half of this year did not benefit from any large once off project orders as in the previous year, it was supported by a strong base of growing run rate business.

The consolidated entity recorded a gross margin of 53% during the first half of the year, up from 50% in the comparative period last year. The improvement in the margin is largely due to the consolidated entity's focus on software licensing coupled with the corresponding growth in annuity revenues.

To cover the loss and to provide on-going operating capital to support project sales, the Company drew down $3,000,000 of its debenture facility with First Samuel. The Company also raised $858,516 before costs through a Share Purchase Plan that was completed on 23 December 2019. Subsequent to the report date, the Company raised a further $1,364,066 before costs through a Placement that was completed on 24 January 2020.

Sales Overview
60% of the consolidated entity's revenue is now generated from the US and our path to profitability is therefore heavily dependent on our growth and profitability in this market. The indicators show a US business which is broadening its sales base, improving its levels of sales engagement and market penetration and becoming less reliant on large once off sales orders. In addition, the US business gross margin has grown from last years' average of 51% to 57% for this half year.

We are 18 months into a US invigoration program with the new US Management Team and a focused push in awareness building and lead generation.

The trends in the US business are positive with:
- The business opportunity pipeline now sitting at over US$26M;
- Customer accounts growing from 437 to 851;
- Customer contacts growing from 1,320 to 3,087;
- Opportunities growing from 376 to 673 (with a typical deal size of between $40,000 and $50,000); and
- The number of quotes issued growing from 296 to 495.

As for our other markets, our focus on structured lead generation and business development is starting to show signs of positive traction.

In EMEA, the new calendar year should see expansion opportunities from DSV in South Africa as well as conversion of projects in the UK which are finally coming to fruition. Our partner, Ricoh Europe is actively engaging in the promotion of our solutions in a number of European markets and is participating on some very large retail click and collect tenders which if successful, could be transformational to our business.

In Asia, we have narrowed our focus to exploiting the opportunities developing in the Singapore market. The Singapore Smart City initiative has been a Singapore-wide approach encouraging the use of digital innovation and technology to drive sustainability and liveability. The Singapore Government has adopted policies to promote innovation in the private and public sectors to enable smarter businesses that can benefit from new possibilities in the digital economy. What this has meant for TZ is an uplift in the number of enquiries and opportunities for Smart Locking, Smart Lockers and IOT Device applications. Despite the wind down of traditional postal business in Asia, our Asian business is continuing to show double-digit growth, strongly supported by annuity software maintenance and service revenues and a growing pipeline of new Smart Locker and Smart Locking Device opportunities.

In ANZ, the consolidated entity has been highly dependent on retained business from the installed base of customers such as Westpac, KPMG, NextDC, etc. With capital projects generally slowing down or being pushed out into calendar year 2021 and beyond, the focus for the ANZ business over the last 12 months has been to aggressively build market awareness, develop new customers and to increase the opportunity pipeline. As at the half year, the pipeline of business opportunities has grown positively to over A$13M and more importantly we have engagement with 7 new channel partners who are able to support penetration into some of the larger corporate accounts.

Overall, tailwinds are positive but the Company will need to be diligent in managing any short term issues that may arise as part of a global economic reaction to coronavirus.

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

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

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

Matters subsequent to the end of the financial half-year
The Company issued 12,991,109 ordinary shares through a share placement on 24 January 2020 which raised $1,364,066 before costs.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors

John Wilson
Managing Director

27 February 2020
Sydney

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 half-year ended 31 December 2019, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE
DATE: 27 FEBRUARY 2020

PKF Brisbane Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	20
Independent auditor's review report to the members of TZ Limited	21

General information

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

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

Registered office

Level 11, 1 Chifley Square
Sydney NSW 2000

Principal place of business

TZ Limited and TZI Australia Pty Limited, Level 11,
1 Chifley Square, Sydney NSW 2000

Telezygology Inc., Suite 460, 999 East Touhy Avenue, Des Plaines, IL 60018

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

TZI UK Limited, 207 Regent Street London WIB 3HH, England UK

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2020.

TZ Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 Restated $
Revenue from contracts with customers	4	7,975,914	10,287,274
Interest revenue calculated using the effective interest method		686	120
Expenses			
Raw materials and consumables used		(3,741,951)	(5,170,048)
Employee benefits expense		(3,936,798)	(3,970,946)
Occupancy expense		(66,227)	(280,295)
Depreciation and amortisation expense		(388,299)	(197,524)
Communications expense		(86,893)	(67,495)
Professional and corporate services		(392,672)	(388,357)
Travel and accommodation expense		(459,466)	(406,791)
Net foreign exchange gain/(loss)		(53,186)	82,941
Other expenses		(518,613)	(634,011)
Finance costs		(502,874)	(220,478)
Loss before income tax expense		(2,170,379)	(965,610)
Income tax expense		-	(11,051)
Loss after income tax expense for the half-year attributable to the owners of TZ Limited		(2,170,379)	(976,661)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(43,576)	(362,344)
Other comprehensive loss for the half-year, net of tax		(43,576)	(362,344)
Total comprehensive loss for the half-year attributable to the owners of TZ Limited		(2,213,955)	(1,339,005)
		Cents	**Cents**
Basic earnings per share	18	(3.06)	(1.38)
Diluted earnings per share	18	(3.06)	(1.38)

Refer to note 2 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 31 December 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Assets			
Current assets			
Cash and cash equivalents		1,124,754	535,269
Trade and other receivables	5	2,428,056	3,316,171
Contract assets		605,820	563,779
Inventories		1,546,635	1,810,335
Other assets	6	599,528	467,497
Total current assets		6,304,793	6,693,051
Non-current assets			
Property, plant and equipment		304,659	371,079
Right-of-use assets	7	377,949	-
Intangibles	8	1,710,246	1,213,163
Total non-current assets		2,392,854	1,584,242
Total assets		8,697,647	8,277,293
Liabilities			
Current liabilities			
Trade and other payables	9	3,051,496	4,546,131
Contract liabilities	10	1,544,666	1,611,830
Lease liabilities		252,295	-
Provisions		522,891	493,816
Total current liabilities		5,371,348	6,651,777
Non-current liabilities			
Borrowings	11	11,000,000	8,000,000
Lease liabilities		135,841	-
Total non-current liabilities		11,135,841	8,000,000
Total liabilities		16,507,189	14,651,777
Net liabilities		(7,809,542)	(6,374,484)
Equity			
Issued capital	12	211,153,904	210,400,125
Reserves		(4,407,226)	(4,388,768)
Accumulated losses		(214,556,220)	(212,385,841)
Total deficiency in equity		(7,809,542)	(6,374,484)

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

TZ Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2018	210,400,125	(3,723,340)	(208,026,153)	(1,349,368)
Loss after income tax expense for the half-year	-	-	(976,661)	(976,661)
Other comprehensive loss for the half-year, net of tax	-	(362,344)	-	(362,344)
Total comprehensive loss for the half-year	-	(362,344)	(976,661)	(1,339,005)
Balance at 31 December 2018	210,400,125	(4,085,684)	(209,002,814)	(2,688,373)

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2019	210,400,125	(4,388,768)	(212,385,841)	(6,374,484)
Loss after income tax expense for the half-year	-	-	(2,170,379)	(2,170,379)
Other comprehensive loss for the half-year, net of tax	-	(43,576)	-	(43,576)
Total comprehensive loss for the half-year	-	(43,576)	(2,170,379)	(2,213,955)
Transactions with owners in their capacity as owners:				
Share-based payments	-	25,118	-	25,118
Contributions of equity, net of transaction costs	753,779	-	-	753,779
Balance at 31 December 2019	211,153,904	(4,407,226)	(214,556,220)	(7,809,542)

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

	Note	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,945,115	10,929,198
Payments to suppliers and employees (inclusive of GST)		(10,775,568)	(12,436,455)
		(1,830,453)	(1,507,257)
Interest received		686	120
Interest and other finance costs paid		(502,874)	(194,373)
Income taxes (paid)/refunded		-	(11,051)
Net cash used in operating activities		(2,332,641)	(1,712,561)
Cash flows from investing activities			
Payments for property, plant and equipment		(45,831)	(61,288)
Payments for intangibles	8	(645,815)	(287,935)
Net cash used in investing activities		(691,646)	(349,223)
Cash flows from financing activities			
Proceeds from issue of shares		753,779	-
Proceeds from borrowings		3,000,000	1,500,000
Repayment of lease liabilities		(140,005)	-
Net cash from financing activities		3,613,774	1,500,000
Net (decrease)/increase in cash and cash equivalents		589,487	(561,784)
Cash and cash equivalents at the beginning of the financial half-year		535,269	1,002,682
Effects of exchange rate changes on cash and cash equivalents		(2)	15
Cash and cash equivalents at the end of the financial half-year		1,124,754	440,913

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Interpretation 23 Uncertainty over Income Tax
The consolidated entity has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 ‘Income Taxes’ in circumstances where uncertain tax treatments exists. The interpretation requires: the consolidated entity to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the consolidated entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the consolidated entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

Note 1. Significant accounting policies (continued)

	1 July 2019 $
Operating lease commitments as at 1 July 2019 (AASB 117)	618,556
Operating lease commitments discount based on the weighted average incremental borrowing rate of 10.55% (AASB 16)	(54,294)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(42,683)
Right-of-use assets (AASB 16)	521,579
Lease liabilities - current (AASB 16)	(318,225)
Lease liabilities - non-current (AASB 16)	(203,354)
Net impact in opening retained profits as at 1 July 2019	-

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.

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. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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.

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

While the consolidated entity incurred losses for the financial half-year ended 31 December 2019, in assessing the appropriateness of the going concern concept the following factors have been taken into consideration by the Directors:
- The Directors are of the view the consolidated entity is on track to meet revenue targets for the 30 June 2020 financial year. It is expected that, as the monthly revenue levels increase, the consolidated entity’s operating business units will be in a position to contribute positive cash to the bottom line;
- The Directors maintain a positive outlook on achieving profitability in the 30 June 2020 financial year based on the strength of the sales pipeline; and
- The consolidated entity has a net current asset position as at 31 December 2019 and subsequent to balance date, raised a further $1,364,066 as outlined in note 19.

Note 1. Significant accounting policies (continued)

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

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

Note 2. Restatement of comparatives

Restatement of comparatives
As disclosed in the Annual Report for 2019, as part of the consolidated entity's adoption of AASB 15 'Revenue from Contracts with Customers' in the financial year ended 30 June 2019 ('FY2019'), it was identified that $4.2M of revenues previously recognised in the financial year ended 30 June 2018 had to be recognised again in FY2019 (along with the associated costs of sales) to align with when the performance obligations under those contracts were satisfied. $4.1M of this revenue (and the associated costs of sales) was recognised in the second half of FY2019 although it related to contracts that were delivered in the first half of FY2019. Therefore, a restatement of the comparatives for the period ending 31 December 2018 is required in the Statement of profit or loss and other comprehensive income.

The restatement of the comparatives did not result in any adjustments to the statement of financial position at 30 June 2019 or 1 July 2018.

The impact of the adjustment is outlined below:

Statement of profit or loss and other comprehensive income

	Consolidated		
	31 Dec 2018		31 Dec 2018
	$	$	$
Extract	**Reported**	**Adjustment**	**Restated**
Revenue from contracts with customers	6,131,169	4,156,105	10,287,274
Expenses			
Raw materials and consumables used	(3,250,777)	(1,919,271)	(5,170,048)
Loss before income tax expense	(3,202,444)	2,236,834	(965,610)
Income tax expense	(11,051)	-	(11,051)
Loss after income tax expense for the half-year attributable to the owners of TZ Limited	(3,213,495)	2,236,834	(976,661)
Other comprehensive loss for the half-year, net of tax	(362,344)	-	(362,344)
Total comprehensive loss for the half-year attributable to the owners of TZ Limited	(3,575,839)	2,236,834	(1,339,005)

	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	(4.55)	3.17	(1.38)
Diluted earnings per share	(4.55)	3.17	(1.38)

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity operates in four operating segments being Australia, United States of America ('USA'), Europe 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 one off-items ('Adjusted EBITDA').

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

Intersegment transactions
Transactions between segments are carried out at arm’s length and are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment receivables, payables and loans are eliminated on consolidation.

Consolidated - 31 Dec 2019	Australia $	USA $	EMEA $	Asia $	Other segments $	Total $
Revenue						
Sales to external customers	1,314,401	5,682,166	363,260	616,087	-	7,975,914
Intersegment sales	189,255	23,053	-	-	-	212,308
Total sales revenue	1,503,656	5,705,219	363,260	616,087	-	8,188,222
Interest	686	-	-	-	-	686
Total segment revenue	1,504,342	5,705,219	363,260	616,087	-	8,188,908
Intersegment eliminations						(212,308)
Total revenue						7,976,600
Adjusted EBITDA	255,346	(84,834)	204,933	221,013	(1,876,350)	(1,279,892)
Depreciation and amortisation						(388,299)
Interest revenue						686
Finance costs						(502,874)
Loss before income tax expense						(2,170,379)
Income tax expense						-
Loss after income tax expense						(2,170,379)

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2018 Restated	Australia $	USA $	EMEA $	Asia $	Other segments $	Total $
Revenue						
Sales to external customers	1,881,661	6,064,344	1,889,972	451,297	-	10,287,274
Intersegment sales	278,346	241,644	-	89,364	-	609,354
Total sales revenue	2,160,007	6,305,988	1,889,972	540,661	-	10,896,628
Interest	120	-	-	-	-	120
Total segment revenue	2,160,127	6,305,988	1,889,972	540,661	-	10,896,748
Intersegment eliminations						(609,354)
Total revenue						10,287,394
Adjusted EBITDA	600,768	648,175	331,536	128,767	(2,256,974)	(547,728)
Depreciation and amortisation						(197,524)
Interest revenue						120
Finance costs						(220,478)
Loss before income tax expense						(965,610)
Income tax expense						(11,051)
Loss after income tax expense						(976,661)

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

Geographical information

	Geographical non-current assets	
	31 Dec 2019 $	30 Jun 2019 $
Australia	2,145,148	1,426,290
United States of America	236,142	155,945
United Kingdom	10,900	1,129
Singapore	664	878
	2,392,854	1,584,242

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

Note 4. Revenue from contracts with customers

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 Restated $
Sales and services revenue	7,975,914	10,287,274

Note 4. Revenue from contracts with customers (continued)

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

	Consolidated	
	31 Dec 2019	31 Dec 2018 Restated
	$	$
Major product lines		
Sale of hardware and software	6,108,487	8,627,691
Installation and commissioning services	521,074	553,069
Maintenance and support services	991,489	726,933
Professional services	354,864	379,581
	7,975,914	10,287,274
Timing of revenue recognition		
Goods transferred at a point in time	6,984,425	9,560,341
Services transferred over time	991,489	726,933
	7,975,914	10,287,274

Refer to note 3 for details of revenue disaggregated by geographical regions.

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
Trade receivables	2,294,754	3,216,063
Less: Allowance for expected credit losses	(3,673)	(62,570)
	2,291,081	3,153,493
Other receivables	128,898	162,678
BAS receivable	8,077	-
	2,428,056	3,316,171

Note 6. Current assets - other assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
Prepayments	142,852	210,061
Supplier deposits	289,286	74,103
Security deposits	62,920	62,920
Other deposits	104,470	120,413
	599,528	467,497

Note 7. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
Right-of-use assets	522,663	-
Less: Accumulated depreciation	(144,714)	-
	377,949	-

The consolidated entity leases various premises under non-cancellable operating leases expiring between 1 and 5 years, in some cases, 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.

Note 8. Non-current assets - intangibles

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
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)
	-	-
Patents - at cost	2,646,068	2,626,704
Less: Accumulated amortisation	(753,358)	(753,358)
Less: Impairment	(1,786,542)	(1,786,542)
	106,168	86,804
Development costs - at cost	10,147,320	9,521,313
Less: Accumulated amortisation	(3,893,954)	(3,893,954)
Less: Impairment	(4,649,288)	(4,501,000)
	1,604,078	1,126,359
	1,710,246	1,213,163

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

Consolidated	Patents $	Development costs $	Total $
Balance at 1 July 2019	86,804	1,126,359	1,213,163
Additions	19,808	626,007	645,815
Exchange differences	(444)	-	(444)
Amortisation expense	-	(148,288)	(148,288)
Balance at 31 December 2019	106,168	1,604,078	1,710,246

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Trade payables	1,608,775	3,105,185
Employee expense payables	135,110	191,685
BAS payable	-	86,400
Other payables	1,307,611	1,162,861
	3,051,496	4,546,131

Note 10. Current liabilities - contract liabilities

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Contract liabilities	1,544,666	1,611,830

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Loan - First Samuel	11,000,000	8,000,000

The loan comprises of a facility from First Samuel Limited totalling $11,000,000 (30 June 2019: $9,000,000). The facility comprises of two revolving tranches.

First tranche
The first debenture deed comprises of a $3,000,000 facility (30 June 2019: $3,000,000). The interest rate applicable to the facility is 90 day BBSW plus 6% per annum, payable 6 monthly in arrears. The first debenture deed matures on 31 July 2021.

Second tranche
The second debenture deed comprises of a $8,000,000 facility (30 June 2019: $6,000,000). The interest rate applicable to the facility is 90 day BBSW plus 9% per annum, payable 6 monthly in arrears. The second debenture deed matures on 31 July 2021.

In total, $7,000,000 of the total Loan Facility may be redrawn if repayments are made before the end of the term.

As at 31 December 2019, the consolidated entity has drawn $11,000,000 (30 June 2019: $8,000,000) of the total $11,000,000 facility (30 June 2019: $9,000,000). The facilities are secured by first ranking security interest over the assets of the consolidated entity.

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 $	30 Jun 2019 $
Ordinary shares - fully paid	78,734,502	70,558,162	211,153,904	210,400,125

Note 12. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2019	70,558,162		210,400,125
Issue of shares		8,176,340	$0.1050	858,516
Less: share issue costs		-		(104,737)
Balance	31 December 2019	78,734,502		211,153,904

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

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

Note 13. Equity - dividends

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

Note 14. Fair value measurement

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

Note 15. Contingent assets

There are no contingent assets at 31 December 2019 and 30 June 2019.

Note 16. Contingent liabilities

There are no contingent liabilities at 31 December 2019 and 30 June 2019.

Note 17. Related party transactions

Parent entity
TZ Limited is the parent entity.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2019	**31 Dec 2018**
	$	**$**
Payment for other expenses:		
Administration fees, storage and office rent paid to YBR Services Pty Limited*	-	67,829
Interest paid/(payable) to First Samuel Limited - an entity with significant influence	473,101	219,585

* A director related entity in which Mark Bouris is a director. Mr Bouris resigned as a Director of TZ Limited on 20 November 2018. Therefore the amount for the half-year ended 31 December 2018 represents expenses for the period from 1 July 2018 to 20 November 2018.

Note 17. Related party transactions (continued)

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

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Current payables:		
Interest payable to First Samuel Limited - an entity with significant influence	136,349	51,043

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

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Non-current borrowings:		
Interest bearing loan from First Samuel Limited - an entity with significant influence	11,000,000	8,000,000

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

Note 18. Earnings per share

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 Restated $
Loss after income tax attributable to the owners of TZ Limited	(2,170,379)	(976,661)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	70,913,655	70,558,162
Weighted average number of ordinary shares used in calculating diluted earnings per share	70,913,655	70,558,162
	Cents	Cents
Basic earnings per share	(3.06)	(1.38)
Diluted earnings per share	(3.06)	(1.38)

Note 19. Events after the reporting period

The Company issued 12,991,109 ordinary shares through a share placement on 24 January 2020 which raised $1,364,066 before costs.

No other matter or circumstance has arisen since 31 December 2019 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

John Wilson
Managing Director

27 February 2020
Sydney

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

Conclusion

We have reviewed the accompanying half-year financial report of TZ Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the company and the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019, and of its financial performance for the half-year ended on that date; and

(b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $2,170,379 and net operating cash outflows of $2,332,641 during the half year ended 31 December 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

PKF Brisbane Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of TZ Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PKF

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

27 FEBRUARY 2020
BRISBANE