TZ Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	26.3%	to	12,852,402
Earnings loss before interest, tax, depreciation and amortisation, adjusted for impairment ('adjusted EBITDA')	up	7.5%	to	(3,739,568)
Loss from ordinary activities after tax attributable to the owners of TZ Limited	up	17.4%	to	(5,120,229)
Loss for the year attributable to the owners of TZ Limited	up	17.4%	to	(5,120,229)

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 $5,120,229 (30 June 2019: $4,359,688).

The earnings before interest, tax, depreciation and amortisation ('EBITDA'), adjusted for impairment, was a loss of $3,739,568 (30 June 2019: loss of $3,480,093).

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.

Refer to 'Review of operations' in the Directors' report for further commentary on the results for the year ended 30 June 2020.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(12.21)	(10.75)

As at 30 June 2020, the net tangible assets per ordinary security of (12.21) 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 financial statements have been audited and an unqualified opinion has been issued. The auditor's report contains a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Annual Report of TZ Limited for the year ended 30 June 2020 is attached.

12. Signed

As authorised by the Board of Directors

Signed ______________________ Date: 28 August 2020

John Wilson
Managing Director
Sydney

Annual Report 2020

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

Suite 48, Level 35 International Tower One
100 Barangaroo Avenue, Sydney NSW 2000

Principal place of business

TZ Limited and TZI Australia Pty Limited, Suite 48, Level 35
International Tower One, 100 Barangaroo Avenue
Sydney NSW 2000

Telezygology Inc., 999 E. Touhy Avenue, Suite 460
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 28 August 2020. The directors have the power to amend and reissue the financial statements.

TZ Limited
Corporate directory
30 June 2020

Directors	Peter Graham John Wilson Mario Vecchio
Company secretary	Craig Sowden
Notice of annual general meeting	The details of the annual general meeting of TZ Limited are: 10:00am, Wednesday, 4 November 2020 at: K&L Gates 1 O'Connell Street Sydney NSW 2000
Registered office	Suite 48, Level 35 International Tower One 100 Barangaroo Avenue, Sydney NSW 2000 Head office Tel: +61 2 9137 7300
Principal place of business	TZ Limited and TZI Australia Pty Limited Suite 48, Level 35 International Tower One 100 Barangaroo Avenue, Sydney NSW 2000 Telezygology Inc., 999 E. Touhy Avenue, Suite 460, Des Plaines, IL 60018 TZI Singapore Pte Limited, Suntec Tower 2, 9 Temasek Boulevard #29-01 Singapore 038989 TZI UK Limited, Third Floor, 207 Regent Street, London WIB 3HH, England UK
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 25, South Tower, 525 Collins Street Melbourne VIC 3000
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	www.tz.net TZ Limited's public website contains information regarding its products and the company, including an investor services section E-mail: info@tz.net

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 (Third 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

While stating the obvious, this year has been extremely challenging for the Company.

As expected, COVID-19 has certainly had a major impact on our sales over the last four months of the 2020 fiscal year. Although the Company was tracking behind targeted expectations at the half year, we were expecting to make up ground in the second half with a better result. Despite positive uplifts in our sales pipeline and significant growth in new customer engagements, our US and Australian businesses have been unable to bring these pipeline opportunities to fruition, with the major challenge being the predictability on when projects will proceed and when purchase orders are likely to be placed. COVID-19 has made this task even more difficult with many large corporations re-evaluating their workplace requirements and revisiting capital expenditure programs.

With 90% of our revenue derived from our Smart Locker business, the main impact from COVID-19 on our results in the 2020 fiscal year has been the delay and postponement of many corporate and educational refurbishment projects. The 56% drop in revenue for the final quarter of this fiscal year compared to the final quarter of last year is a direct reflection of these delays. Our Q4 result in previous years has consistently been a strong sales result for the Company.

COVID-19 has definitely re-shaped organisations' work practices, interaction preferences and attitudes towards technology. Organisations have effectively been forced to take their workforce virtual with the mass adoption of remote working practices for their employees. While this will have an impact on TZ's large enterprise customer accounts, interestingly, the effective market-wide end of fixed workplace attendance means employee mobility is the new norm. This change is driving the need for the adoption of agile and flexible workplace solutions, particularly for small to medium-sized organisations. So, while the large corporate deals have been delayed, we have seen an upsurge in enquiry levels for Day Storage, Package Management and IT Asset Management solutions from smaller businesses or satellite operations looking to eliminate the need for physical interaction and facilitate agility in the workplace. Fiscal year 2021 could be a good year for TZ as enterprise corporate contracts should come back into play later in the year, and these new sales enquiries potentially represent an increased area of business and a new addressable market for TZ.

COVID-19 impact aside, FY2020 was targeted as being the year that the TZ business would break into profitability and to have in place the foundations for sustainable growth.

Many of the initiatives that support achievement of this objective have been implemented.

- We have continued to develop our business across a broader base of retained and new customers transitioning away from the low margin hardware dominant contracts that underpinned the business three years ago. Today, our deals are categorised by a strong software licensing element and are increasingly annuity driven. This has helped the business to maintain its targeted margins of greater than 50% and show an overall 6% improvement over last year. Our challenge has been the speed of scaling this.

- With subscription-based software licensing and managed services now extending the range of the TZ offering, we have seen good customer adoption of these annuity service offerings. This has supported a 20% growth in our annuity revenues over the year. We envisage that the majority of our deals going forward will involve an annuity component of either hosting, managed services or software-as-a-service. It is our goal to see our annuity revenues reach a base line of over A$10M per annum within three years which will require this revenue stream to double each year.

- We have continued the restructure of the business, taking out an additional $800,000 of operating costs. Together with improved margins, these operational cost savings have helped to off-set some of the impact due to the significant drop off in revenue. Although loss-making, the annual EBIT result would have shown an improved performance if similar revenue levels were attained this year.

- The Company needs to grow its revenue base and to do so, needs to expand from its predominantly direct sales channel to one supported by multiple channel partners and new avenues to market. To realise this, TZ needs to simplify its technology implementation, enable greater flexibility for adoption and support a more open platform for third party integration. We are pleased to say that the new modular TZ SMArtBus platform is now in production and is scheduled for formal launch in Q2 of the fiscal year. This platform will enable TZ to broaden its market engagement by significantly simplifying the TZ infrastructure so that it is easy to deploy as a modular hardware and software offering together with the ability to work more openly with third party hardware and software systems. This is a significant building block to enable a new hardware and software distribution business, outside of the traditional turn-key supply and installation of Locker Systems.

- In conjunction with the modularisation of the TZ hardware technology platform, development effort has been applied to the creation of a new multi-tenanted, cloud-based subscription service, SMArtWork, which will support the adoption of TZ solutions by small to medium businesses. TZ's focus has been primarily in the enterprise space and to this end, has secured business with many of the world leading corporations. This new platform, due for release before the end of the calendar year, will open the door to a more cost-effective solution to be pitched at the small to medium enterprise businesses where complex layers of security and third-party integration are not a pre-requisite. This is the domain of the current electronic lock vendors and is an area where we believe we can participate with a differentiated value proposition across both the hardware and software offerings.

- Sales focus and sales management is incredibly important for the success of the business going forward. Ensuring that we engage effectively with prospects and we maximise our potential for sales conversion is a priority for the Company. To this end, we have successfully implemented a company-wide integrated sales and marketing platform that provides transparency on sales activities and enables the Company to implement better sales engagement processes and stronger sales performance management KPIs. We are also aligning our sales commission policies to better drive sales focus, activities and results in FY2021.

- Additional steps are now being taken to implement more effective tools for financial, inventory and services management in the Company. We envisage this bringing a greater level of operational efficiency and consistency of practice across the business in FY2021.

The uncertainty of COVID-19 has prompted the Company to take aggressive measures to ensure we achieve our targeted objectives in the coming year. The aggregated effect of additional cost savings, tighter fiscal control, better systems, more efficient operation and a new suite of products and channels to market, will help the Company continue to improve its business performance.

The journey has been long and disappointing for shareholders but the changes that started three years ago and the new initiatives by management in this COVID-19 environment will make the difference and will support delivery of the stated objectives.

John Wilson
Managing Director

28 August 2020
Sydney

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 2020.

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 (appointed Director on 1 October 2019, appointed Chairman on 29 November 2019)
John Wilson
Mario Vecchio
Thierry Denis (resigned on 31 March 2020)
Graham Lenzner (resigned on 29 November 2019)

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 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

For the year ended 30 June 2020, the consolidated entity recorded operating revenue of $12.8M for the year, a decrease of 26.3% on FY2019 revenues. Gross margin was 51.8%, EBITDA* was -$3.7M and Net Loss After Tax of $5.1M.

COVID-19 had a significant but unquantified impact on the final third of FY2020. Although TZ was tracking behind its targeted revenue objectives in the first two-thirds of the year due to project lead-times and commencement delays, there was an expectation that the last quarter would deliver a positive result. COVID-19 unfortunately exacerbated these delays and also introduced short term freezes to some projects, leaving the consolidated entity with a Q4 result 56% lower than the corresponding period last year.

A silver lining to the FY2020 results is an improvement in the consolidated entity's gross margin from 48.7% last year to 51.8% this year.

As a result of TZ's cost savings program implemented a year ago, consolidated entity overhead costs decreased to $11.2M this year from $12.0M last year, a reduction by 6.6%. In the light of COVID-19, a more aggressive restructure program has recently been implemented which will deliver further annualised cost reductions of circa $2.0M including consolidation of ANZ operations into Sydney and relocation into new premises from the Chifley Square office address.

Net operating cash outflows were $3.8M this year which is similar to the outflows of $3.7M last year. The net operating cash outflow this year was affected by the slower sales in the final quarter, although the negative effects of COVID-19 on business activity were offset by support received from the Australian government of $0.2M in FY2020. TZ also received $0.5M in research and development grant funding during the year.

Investment in product development increased this year. Total investment in FY2020 was $1.0M compared to $0.7M last year as the consolidated entity completed the development of its SMArtBus technology platform and pushed it into production. These new products will be extended across the suite of existing system to reduce cost and complexity of implementations. The consolidated entity also delivered on major software improvements enhancing third party integration capability and improving enterprise level security in keeping with increasing corporate privacy and information security requirements.

* 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.

To fund the operating cash outflows, TZ drew down $3.0M against its debt facility with First Samuel Limited ('First Samuel'). To assist with the effects of COVID-19, TZ and First Samuel also agreed to temporary interest relief for a period of eight months from November 2019 to June 2020 that deferred interest costs on $3.0M of the facility and waived interest costs on $8.0M of the facility. In May 2020, TZ entered into an amended deed with First Samuel that provided for an increase in the facility of $0.5M and introduced new terms allowing for conversion of parts of the existing loan should certain future events occur such as a strategic placement or the sale of the business. The loan balance at year-end of $11.0M remains repayable on 31 July 2021.

In addition to the COVID-19 support received from the Australian government, TZ also received a loan from the US government under their Payroll Protection Plan ('PPP') for US$464,862. The loan matures in two years and carries an interest cost of 1% per annum.

The company raised $0.8M through a Share Purchase Plan in December 2019 as well as $1.4M through a Placement in January 2020. $0.2M of costs were incurred as part of the transactions.

In line with the shareholder approved employee share option plan, the company issued 2.9 million share options to directors and senior managers in August 2019. The options were issued in three tranches that vest over time provided that the performance thresholds of positive EBITDA results in future years are achieved.

In March 2020, Mr Scott Beeton was engaged as a consultant to take on the role of CEO of TZ and to enable Mr John Wilson, our Managing Director, to focus his efforts on strategic business development and the pursuit of new commercialisation opportunities. Mr Beeton was previously the founder and CEO of Sequoia Financial consolidated entity. Mr John Wilson will step down from the Board as Managing Director when his three year contract expires at the beginning of September and Mr Beeton will take over the reins as Managing Director and CEO. Mr Wilson will move into a senior executive position with the company to manage global business development with responsibilities including the management of strategic partnerships, oversight of sales and commercialisation of the consolidated entity’s technology.

There were several changes to the board of directors of TZ during the year. Mr Peter Graham joined the board as a director in October 2019 and then replaced Mr Graham Lenzner as Chairman when he resigned at the AGM in November 2019. Mr Thierry Denis also resigned from the board at the end of March 2020.

As approved at the 2019 AGM, the company changed its audit firm and appointed PKF Brisbane Audit (‘PKF’) to replace Grant Thornton. PKF was selected after the company performed a market review of audit firms taking industry expertise and proposed fee structures into account. PKF conducted the interim review and year end audit for FY2020.

Further information about the consolidated entity’s activities this past year and plans for next year can be found in the Managing Director’s report on page 4.

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

Matters subsequent to the end of the financial year
The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 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 Managing Director's report 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 directors

Name:	Peter Graham
Title:	Non-Executive Chairman
Experience and expertise:	Peter is an experienced corporate advisor with a unique financial background. From chartered accounting with Ernst and Young early in his career, through Treasury roles with Westpac and UBS, and roles in corporate finance and equities particularly in the gold and base metal resources sector, Peter built a successful finance career before branching into corporate advisory in 1995. As a corporate advisor over 20 years, Peter developed an extensive institutional client base for Tolhurst and Pattersons before joining Sequoia in 2015. Today, Peter is the Head of Delcor Corporate Advisory; Declor 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:	Chairman of Carpentaria Resources Ltd (ASX: CAP)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

Name:	John Wilson
Title:	Executive Director
Experience and expertise:	John has extensive global business experience, having spent most of his 20 year career in the development of international businesses in Asia, Europe and the US including establishment of major strategic alliances and partnerships, technology licenses and driving market entry strategies through new product innovation and commercialization. John specializes in the field of strategic business development, innovation management and product commercialization. He has a post graduate qualification in international marketing and has received skills development from graduate schools in the US and in Europe in the areas of value based management and innovation management. John successfully co-founded and built TZ from the ground up into a global publicly listed technology company before exiting the Company in early 2007. He returned to TZ in a consulting capacity to support the new Board of TZ Limited in 2011. John also has significant executive management experience having spent a decade in his earlier years working for a major multinational manufacturing corporation in a range of senior roles across marketing, business development, strategy development, technology management and business unit general management.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	8,230 ordinary shares
Interests in options:	495,000 options over ordinary shares

Name:	Mario Vecchio
Title:	Independent Non-Executive Director
Experience and expertise:	Mario has run various businesses in the technology industry including sectors such as networking, enterprise software, telecommunications and healthcare. He has had over 35 years' experience in information technology and related markets working with companies including Cisco Systems, Siemens, Juniper Networks and Amdocs. He established a number of businesses since 1998 which have been involved in the development of many technology projects for the telecommunications, healthcare and utility industries. Mario founded Progility PLC which became public on the UK AIM Index. Mario is currently Managing Director APJC for Big Swithch Networks Inc. His technology experience includes networking/cloud, security solutions, GEO location systems, voice, telecommunications, encryption technologies and wireless systems. As a director of ASK Solutions Victoria Pty Ltd, Mario facilitated a number of significant fund raising events for the Childrens Cancer Institute of Australia (CCIA) to assist research projects into childhood cancers.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration & Nomination Committee and Chair of the Audit & Risk Committee
Interests in shares:	85,000 ordinary shares
Interests in options:	120,000 options over ordinary shares

Name:	Graham Lenzner (resigned on 29 November 2019)
Title:	Independent Non-Executive Director
Experience and expertise:	Graham brings a wealth of Corporate experience to the Board as an Independent Director. He has had a career spanning over four decades with particular emphasis on investment management and financial markets. He was an Executive Director of the Armstrong Jones Group for twelve years, the last four years as Joint Managing Director until it's takeover by ING. Other previous roles include Finance and Deputy Managing Director Aquila Steel and General Manager Finance and Investments MMI Insurance Ltd. He has served on the Board of a number of both listed and private companies.
Other current directorships:	Independent Non-Executive Director of 360 Capital Group Limited (ASX: TGP)
Former directorships (last 3 years):	None
Special responsibilities:	N/A
Interests in shares:	N/A
Interests in options:	N/A

Name:	Thierry Denis (resigned on 31 March 2020)
Title:	Independent Non-Executive Director
Experience and expertise:	Thierry is a technology executive with more than 20 years' international experience in business management, company turnaround and transformation. He built an accomplished career with billion-dollar technology company Ingenico, leading a diverse range of mandates across dynamically different regions and markets. Thierry has led culture and process change, while leveraging his strong foundation expertise in IT solutions. Thierry was successful at Ingenico in delivering revenue and profit growth through the creation of scalable, lean and efficient business models and engaged, empowered and high performing team environments. This accomplishment earned him industry recognition through receipt of 'President of the Year' Award by TMT News.
Other current directorships:	Non-Executive Director of Splitit Ltd (ASX: SPT)
Former directorships (last 3 years):	None
Special responsibilities:	N/A
Interests in shares:	N/A
Interests in options:	N/A

'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
Craig Sowden is the Company Secretary and also the Chief Financial Officer of the company. Craig has over 20 years of financial and commercial experience in various listed and unlisted corporations across a diverse range of industries. Craig joined the company as Chief Financial Officer in October 2016 and was appointed Company Secretary in September 2017.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Peter Graham	10	10	1	1	1	1
Mario Vecchio	12	13	3	3	1	1
John Wilson	13	13	3	3	1	1
Graham Lenzner	5	5	2	2	-	-
Thierry Denis	8	10	3	3	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

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. A Remuneration and Nomination Committee is responsible for the remuneration policies of the consolidated entity.

The consolidated entity established a TZ Employee Incentive Scheme ('TZEIS') in 2009 to attract, retain, motivate and reward senior executives and directors (including non-executive directors) of the company (collectively the 'Participants') by issuing options to the Participants to allow the Participants to acquire fully paid ordinary class shares in the company upon exercising the options. The exercise of each option entitles the holder of that option to acquire one fully paid ordinary class share in the capital of the company.

Under the TZEIS, the number of options that may be issued to a Participant and the performance criteria and hurdles to be met prior to the issue or exercise of such options is to be set by the Remuneration and Nomination Committee.

At the 2018 Annual General Meeting, the shareholders re-approved the TZEIS. During the year ended 30 June 2020, 2,901,000 options were granted to the directors and executives as follows:
- 120,000 options were granted to each of the Non-Executive Directors;
- 495,000 options were granted to the Managing Director; and
- 2,046,000 options were granted to the senior executives.

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 by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee 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 entitled to participate in the TZEIS but do not receive any other incentives.

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 Remuneration and Nomination Committee, 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 TZEIS Plan has been set up to reward executives based on long term incentive measures in the form of 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 Remuneration and Nomination Committee 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 2019 Annual General Meeting ('AGM')
At the last AGM 98.8% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2019. 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:
- Scott Beeton - Chief Executive Office (appointed on 6 March 2020)
- Craig Sowden - Chief Financial Officer of TZ Limited
- Adam Forsyth - Chief Technical Officer of TZ Limited
- Brian Leary - President of Telezygology Inc.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees $	Other $	Bonus $	Super-annuation $	Employee leave $	Options $	Total $
Non-Executive Directors:							
P Graham	56,250	-	-	-	-	-	56,250
M Vecchio	68,493	-	-	6,507	-	2,562	77,562
G Lenzner*	28,539	-	-	2,711	-	888	32,138
T Denis*	51,370	-	-	4,880	-	1,854	58,104
Executive Directors:							
J Wilson	450,000	25,962	-	25,000	-	10,570	511,532
Other Key Management Personnel:							
S Beeton*	60,000	-	-	-	-	-	60,000
C Sowden	250,000	14,423	-	23,750	-	9,225	297,398
A Forsyth	225,000	3,462	-	21,375	-	9,225	259,062
B Leary	298,055	7,700	-	5,854	-	9,225	320,834
	1,487,707	51,547	-	90,077	-	43,549	1,672,880

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

2019	Short-term benefits: Cash salary and fees $	Short-term benefits: Other $	Short-term benefits: Bonus $	Post-employment benefits: Super-annuation $	Long-term benefits: Employee leave $	Share-based payments: Options $	Total $
Non-Executive Directors:							
G Lenzner	68,493	-	-	6,507	-	-	75,000
M Vecchio	68,493	-	-	6,507	-	-	75,000
T Denis	68,493	-	-	6,507	-	-	75,000
M Bouris*	70,228	-	-	-	-	-	70,228
Executive Directors:							
J Wilson	450,000	53,077	-	25,000	-	-	528,077
Other Key Management Personnel:							
B Leary	209,628	8,543	-	2,911	-	-	221,082
A Forsyth	220,321	-	-	21,177	-	-	241,498
C Sowden	250,000	673	-	23,631	-	-	274,304
	1,405,656	62,293	-	92,240	-	-	1,560,189

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

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

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - STI 2020	At risk - STI 2019	At risk - LTI 2020	At risk - LTI 2019
Non-Executive Directors:						
P Graham	100%	-	-	-	-	-
M Vecchio	97%	100%	-	-	3%	-
G Lenzner	97%	100%	-	-	3%	-
T Denis	97%	100%	-	-	3%	-
M Bouris	-	100%	-	-	-	-
Executive Directors:						
J Wilson	98%	100%	-	-	2%	-
Other Key Management Personnel:						
S Beeton	100%	-	-	-	-	-
C Sowden	97%	100%	-	-	3%	-
A Forsyth	96%	100%	-	-	4%	-
B Leary	97%	100%	-	-	3%	-

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:	Managing Director
Agreement commenced:	8 September 2017
Term of agreement:	Three years
Details:	Base salary of $450,000. Notice period is 12 months in first year, 9 months in second year and 6 months in the third year.

Name:	Scott Beeton
Title:	Chief Executive Officer
Agreement commenced:	1 March 2020
Term of agreement:	6 months
Details:	Base salary of $180,000 and notice period of 1 month

Name:	Craig Sowden
Title:	Chief Financial Officer
Agreement commenced:	10 October 2016
Term of agreement:	No fixed term
Details:	Base salary of $250,000 and notice period 2 months

Name:	Adam Forsyth
Title:	Chief Technical Officer
Agreement commenced:	2 May 2016
Term of agreement:	No fixed term
Details:	Base salary of $225,000 and notice period of 1 month

Name:	Brian Leary
Title:	President of Telezygology Inc
Agreement commenced:	1 October 2018
Term of agreement:	2 years
Details:	Base salary of USD$200,000 and notice period of 3 months

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

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

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	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Mario Vecchio	40,000	6 August 2019	1 September 2019	31 August 2024	$0.2500	$0.0605
	40,000	6 August 2019	1 September 2020	31 August 2025	$0.4000	$0.0579
	40,000	6 August 2019	1 September 2021	31 August 2026	$0.4500	$0.0654
John Wilson	165,000	6 August 2019	1 September 2019	31 August 2024	$0.2500	$0.0605
	165,000	6 August 2019	1 September 2020	31 August 2025	$0.4000	$0.0579
	165,000	6 August 2019	1 September 2021	31 August 2026	$0.4500	$0.0654
Craig Sowden	144,000	6 August 2019	1 September 2019	31 August 2024	$0.2500	$0.0605
	144,000	6 August 2019	1 September 2020	31 August 2025	$0.4000	$0.0579
	144,000	6 August 2019	1 September 2021	31 August 2026	$0.4500	$0.0654
Brian Leary	144,000	6 August 2019	1 September 2019	31 August 2024	$0.2500	$0.0605
	144,000	6 August 2019	1 September 2020	31 August 2025	$0.4000	$0.0579
	144,000	6 August 2019	1 September 2021	31 August 2026	$0.4500	$0.0654
Adam Forsyth	144,000	6 August 2019	1 September 2019	31 August 2024	$0.2500	$0.0605
	144,000	6 August 2019	1 September 2020	31 August 2025	$0.4000	$0.0579
	144,000	6 August 2019	1 September 2021	31 August 2026	$0.4500	$0.0654

There were no options over ordinary shares vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020 (2019: nil).

Additional information
The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016 $
Sales revenue	12,852,402	17,430,926	17,388,505	21,507,189	20,785,385
Adjusted EBITDA *	(3,739,568)	(3,480,093)	(2,636,165)	(2,948,311)	(5,278,049)
Loss after income tax	(5,120,229)	(4,359,688)	(11,687,882)	(6,479,240)	(7,033,966)

* 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:

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.03	0.09	0.17	0.02	0.10
Basic earnings per share (cents per share)	(6.36)	(6.18)	(18.45)	(12.86)	(15.10)

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
Ordinary shares					
Mario Vecchio	85,000	-	-	-	85,000
John Wilson	8,230	-	-	-	8,230
Craig Sowden	3,500	-	-	-	3,500
Adam Forsyth	16,730	-	-	-	16,730
Graham Lenzner	600,000	-	-	(600,000)	-
Thierry Denis	200,000	-	-	(200,000)	-
	913,460	-	-	(800,000)	113,460

* 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
Options over ordinary shares					
John Wilson	-	495,000	-	-	495,000
Mario Vecchio	-	120,000	-	-	120,000
Craig Sowden	-	432,000	-	-	432,000
Adam Forsyth	-	432,000	-	-	432,000
Brian Leary	-	432,000	-	-	432,000
Graham Lenzner	-	120,000	-	(120,000)	-
Thierry Denis	-	120,000	-	(120,000)	-
	-	2,151,000	-	(240,000)	1,911,000

* 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 2020.

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 2020.

During the year ended 30 June 2019, rent and serviced office expenditure, administration fees and storage costs of $67,829 were paid to YBR Services Pty Limited, 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 financial year ended 30 June 2019 represents expenses for the period from 1 July 2018 to 20 November 2018.

This concludes the remuneration report, which has been audited.

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	787,000
6 August 2019	31 August 2025	$0.4000	787,000
6 August 2019	31 August 2026	$0.4500	787,000
			2,361,000

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 2020 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 26 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 26 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 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.

Auditor
PKF Brisbane Audit continues in office in accordance with section 327 of the Corporations Act 2001.

PKF Brisbane Audit was appointed auditor during the financial year ended 30 June 2020, replacing the previous auditor, Grant Thornton.

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

John Wilson
Managing Director

28 August 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 year ended 30 June 2020, 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 BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE

28 AUGUST 2020

PKF Brisbane Audit
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	Note	Consolidated 2020 $	2019 $
Revenue	4	12,852,402	17,430,926
Other income	5	836,116	59,436
Interest income		780	431
Expenses			
Raw materials and consumables used		(6,196,423)	(8,939,309)
Employee benefits expense		(8,038,250)	(8,665,242)
Occupancy expense		(149,796)	(569,344)
Depreciation and amortisation expense	6	(841,921)	(315,086)
Communications expense		(221,207)	(138,356)
Professional and corporate services		(784,058)	(759,874)
Travel and accommodation expense		(703,279)	(771,331)
Net foreign currency exchange gains		(87,429)	70,503
Other expenses		(1,247,014)	(1,197,502)
Finance costs		(504,781)	(549,725)
Loss before income tax expense		(5,084,860)	(4,344,473)
Income tax expense	7	(35,369)	(15,215)
Loss after income tax expense for the year attributable to the owners of TZ Limited		(5,120,229)	(4,359,688)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		51,629	(665,428)
Other comprehensive income for the year, net of tax		51,629	(665,428)
Total comprehensive income for the year attributable to the owners of TZ Limited		(5,068,600)	(5,025,116)
		Cents	**Cents**
Basic earnings per share	33	(6.36)	(6.18)
Diluted earnings per share	33	(6.36)	(6.18)

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 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Assets			
Current assets			
Cash and cash equivalents	8	1,043,158	535,269
Trade and other receivables	9	2,120,702	3,316,171
Contract assets	10	325,042	563,779
Inventories	11	1,597,756	1,810,335
Other	12	759,544	467,497
Total current assets		5,846,202	6,693,051
Non-current assets			
Property, plant and equipment	13	275,951	371,079
Right-of-use assets	14	62,350	-
Intangibles	15	1,845,580	1,213,163
Total non-current assets		2,183,881	1,584,242
Total assets		8,030,083	8,277,293
Liabilities			
Current liabilities			
Trade and other payables	16	2,537,934	4,546,131
Contract liabilities	17	2,293,752	1,611,830
Lease liabilities		65,648	-
Provisions	18	662,996	493,816
Total current liabilities		5,560,330	6,651,777
Non-current liabilities			
Borrowings	19	11,824,625	8,000,000
Total non-current liabilities		11,824,625	8,000,000
Total liabilities		17,384,955	14,651,777
Net liabilities		(9,354,872)	(6,374,484)
Equity			
Issued capital	20	212,426,391	210,400,125
Reserves	21	(4,275,193)	(4,388,768)
Accumulated losses		(217,506,070)	(212,385,841)
Total deficiency in equity		(9,354,872)	(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 year ended 30 June 2020

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 year	-	-	(4,359,688)	(4,359,688)
Other comprehensive income for the year, net of tax	-	(665,428)	-	(665,428)
Total comprehensive income for the year	-	(665,428)	(4,359,688)	(5,025,116)
Balance at 30 June 2019	210,400,125	(4,388,768)	(212,385,841)	(6,374,484)

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 year	-	-	(5,120,229)	(5,120,229)
Other comprehensive income for the year, net of tax	-	51,629	-	51,629
Total comprehensive income for the year	-	51,629	(5,120,229)	(5,068,600)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 20)	2,026,266	-	-	2,026,266
Share-based payments (note 34)	-	61,946	-	61,946
Balance at 30 June 2020	212,426,391	(4,275,193)	(217,506,070)	(9,354,872)

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 2020

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		15,352,015	20,030,338
Payments to suppliers (inclusive of GST)		(19,522,316)	(23,227,292)
Interest received		780	431
Government grants received		754,919	-
Interest and other finance costs paid		(356,210)	(461,938)
Income taxes paid		(35,369)	(15,215)
Net cash used in operating activities	32	(3,806,181)	(3,673,676)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(74,894)	(153,221)
Payments for intangibles	15	(1,006,886)	(654,056)
Net cash used in investing activities		(1,081,780)	(807,277)
Cash flows from financing activities			
Proceeds from issue of shares	20	2,222,582	-
Transaction costs on shares issued		(196,316)	-
Proceeds from borrowings		3,676,054	4,500,000
Repayment of borrowings		-	(500,000)
Repayment of lease liabilities		(292,915)	-
Net cash from financing activities		5,409,405	4,000,000
Net (decrease)/increase in cash and cash equivalents		521,444	(480,953)
Cash and cash equivalents at the beginning of the financial year		535,269	1,002,682
Effects of exchange rate changes on cash and cash equivalents		(13,555)	13,540
Cash and cash equivalents at the end of the financial year	8	1,043,158	535,269

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

Note 1. 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.

With the exception of *AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19-Related Rent Concessions* any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:
- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Note 1. Significant accounting policies (continued)

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 the statement of financial position as at 1 July 2019 was as follows (increase/(decrease)):

	1 July 2019 $
Assets	
Right-of-use assets (AASB 16)	521,579
Total assets	521,579
Liabilities	
Lease liabilities - current (AASB 16)	(318,225)
Lease liabilities - non-current (AASB 16)	(203,354)
Total liabilities	(521,579)
Equity	
Accumulated losses	-
Total equity	-

Reconciliation from operating lease commitments disclosure at 30 June 2019 to the opening lease liability at 1 July 2019

	1 July 2019 $
Operating lease commitments as at 30 June 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)
Lease liability recognised at 1 July 2019	521,579

AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19-Related Rent Concessions
The consolidated entity has early adopted the amendment to AASB 16 from 1 July 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period. The consolidated entity has applied the practical expedient to all rent concessions that meet the abovementioned criteria and the profit or loss impact from the adoption of this amendment is detailed in note 14.

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.

During the financial year ended 30 June 2020, the consolidated entity incurred a net loss after tax of $5,120,229 (30 June 2019: $4,359,688) and a cash outflow from operating activities of $3,806,181 (30 June 2019: $3,673,676). As at 30 June 2020, the Group had net liabilities of $9,354,872 (30 June 2019: $6,374,484).

Note 1. Significant accounting policies (continued)

While the consolidated entity incurred losses for the financial year ended 30 June 2020, 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 2021 financial year. It is expected that, as the monthly revenue levels increase, the consolidated entity's operating business units will be in a position to contribute positive cash to the bottom line; and
- The Directors maintain a positive outlook on achieving profitability in the 30 June 2021 financial year based on the strength of the sales pipeline.

In making their assessment, the Directors acknowledge that the ability of the consolidated entity to continue as a going concern is dependent on meeting sales and profitability forecasts, the generation of positive cash flows, the continued support of shareholders and 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.

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 2.

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 30.

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 2020 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.

Note 1. Significant accounting policies (continued)

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 is responsible for the allocation of resources to operating segments and assessing their performance.

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 is 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.

Note 1. Significant accounting policies (continued)

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.

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period 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 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.

Note 1. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the 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 includes 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.

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 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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.

Stock in transit is stated at the lower of cost and net realisable value. 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.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Note 1. Significant accounting policies (continued)

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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.

Leases (under AASB 117, applicable from 1 July 2018 to 30 June 2019)
Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Where assets are acquired by means of finance leases, the present value of minimum lease payments is established as an asset at the beginning of the lease term and amortised on a straight line basis over the expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense.

Right-of-use assets (under AASB 16, applicable from 1 July 2019)
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 1. 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
These amounts 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 (under AASB 16, applicable from 1 July 2019)
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 1. 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 1. 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.

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.

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.

Note 1. Significant accounting policies (continued)

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 shares assumed to have been issued for no consideration in relation to 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 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

Note 2. 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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

With regard to the prior year, 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 9, 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 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 fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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.

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 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.

Note 3. Operating segments (continued)

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 4.

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.

Major customers
During the year ended 30 June 2020, 2 customers (2019: 1 customers) each contributed more than 10% to the external revenue of the consolidated entity. These 2 customers contributed 22% (2019: 1 customer contributed 20%) of the consolidated entity's external revenue.

Operating segment information

Consolidated - 2020	Australia $	USA $	EMEA $	Asia $	Other segments $	Total $
Revenue						
Sales to external customers	1,969,024	9,109,946	833,844	939,588	-	12,852,402
Interest	-	-	-	-	780	780
Total revenue	1,969,024	9,109,946	833,844	939,588	780	12,853,182
Adjusted EBITDA	(16,772)	(1,318,934)	562,956	304,771	(3,271,589)	(3,739,568)
Depreciation and amortisation						(841,291)
Interest revenue						780
Finance costs						(504,781)
Loss before income tax expense						(5,084,860)
Income tax expense						(35,369)
Loss after income tax expense						(5,120,229)

Consolidated - 2019	Australia $	USA $	EMEA $	Asia $	Other segments $	Total $
Revenue						
Sales to external customers	3,118,924	9,357,013	4,013,430	941,559	-	17,430,926
Interest	-	-	-	-	431	431
Total revenue	3,118,924	9,357,013	4,013,430	941,559	431	17,431,357
Adjusted EBITDA	919,786	(813,253)	828,451	137,509	(4,552,586)	(3,480,093)
Depreciation and amortisation						(315,086)
Interest revenue						431
Finance costs						(549,725)
Loss before income tax expense						(4,344,473)
Income tax expense						(15,215)
Loss after income tax expense						(4,359,688)

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

Note 3. Operating segments (continued)

Geographical information

	Geographical non-current assets	
	2020	2019
	$	$
Australia	1,904,518	1,426,290
United States of America	268,307	155,945
United Kingdom	8,426	1,129
Singapore	2,630	878
	2,183,881	1,584,242

Note 4. Revenue

	Consolidated	
	2020	2019
	$	$
Sale and service revenue	12,852,402	17,430,926

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

	Consolidated	
	2020	2019
	$	$
Major product lines		
Sale of hardware and software	9,494,588	14,295,061
Installation and commissioning services	1,036,389	911,514
Maintenance and support services	1,756,423	1,478,713
Professional services	565,002	745,638
	12,852,402	17,430,926
Timing of revenue recognition		
Goods and services transferred at a point in time	11,095,979	15,952,213
Services transferred over time	1,756,423	1,478,713
	12,852,402	17,430,926

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

Note 5. Other income

	Consolidated 2020 $	2019 $
Government grant - Research and development incentive	457,549	-
Government grant - JobKeeper	225,000	-
Government grant - Cash Boost	50,000	-
Government grant - export market development	66,285	-
Government grant - other	31,085	59,436
Other	6,197	-
Other income	836,116	59,436

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.

Government grant - JobKeeper
Government grant - JobKeeper represents JobKeeper support payments received from the Australian Government which are passed on to eligible employees during the Coronavirus ('COVID-19') pandemic. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The JobKeeper payment scheme in its current form runs for the fortnights from 30 March until 27 September 2020. The consolidated entity is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

Government grant - Cash Boost
Government grant - Cash Boost represents cash boost support payments received payments from the Australian Government as part of its 'Boosting Cash Flow for Employers' scheme in response to the Coronavirus ('COVID-19') pandemic. These non-tax amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the consolidated entity will comply with any conditions attached.

Note 6. Expenses

	Consolidated 2020 $	Consolidated 2019 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	1,260	1,617
Plant and equipment	122,548	108,510
Office equipment	47,562	55,935
Right-of-use assets	296,213	-
Total depreciation	467,583	166,062
Amortisation		
Patents	4,374	4,378
Development costs	369,964	144,646
Total amortisation	374,338	149,024
Total depreciation and amortisation	841,921	315,086
Finance costs		
Interest and finance charges paid/payable on borrowings	479,135	549,725
Interest and finance charges paid/payable on lease liabilities	25,646	-
Finance costs expensed	504,781	549,725
Leases		
Minimum lease payments (AASB 117)	-	522,408
Short-term lease payments	68,287	-
	68,287	522,408
Defined contribution superannuation expense	351,815	425,837

Note 7. Income tax expense

	Consolidated 2020 $	Consolidated 2019 $
Income tax expense		
Current tax	35,369	15,215
Aggregate income tax expense	35,369	15,215
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(5,084,860)	(4,344,473)
Tax at the statutory tax rate of 27.5%	(1,398,337)	(1,194,730)
Current year tax losses not recognised	1,278,740	1,148,904
Difference in overseas tax rates/refunds	154,966	61,041
Income tax expense	35,369	15,215

Note 7. Income tax expense (continued)

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

Note 8. Current assets - cash and cash equivalents

	Consolidated 2020 $	2019 $
Cash and cash equivalents	1,043,158	535,269

Note 9. Current assets - trade and other receivables

	Consolidated 2020 $	2019 $
Trade receivables	2,018,818	3,216,063
Less: Allowance for expected credit losses	-	(62,570)
	2,018,818	3,153,493
Other receivables	75,000	162,678
Goods and services tax receivable	26,884	-
	2,120,702	3,316,171

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

Consolidated	Expected credit loss rate 2020 %	2019 %	Carrying amount 2020 $	2019 $	Allowance for expected credit losses 2020 $	2019 $
Not overdue	-	-	1,694,513	2,317,842	-	-
0 to 3 months overdue	-	6.966%	202,031	898,221	-	62,570
3 to 6 months overdue	-	-	122,274	-	-	-
			2,018,818	3,216,063	-	62,570

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2020 $	2019 $
Opening balance	62,570	43,000
Additional provisions recognised	-	19,570
Receivables written off during the year as uncollectable	(37,993)	-
Unused amounts reversed	(24,577)	-
Closing balance	-	62,570

Note 10. Current assets - contract assets

	Consolidated 2020 $	Consolidated 2019 $
Contract assets	325,042	563,779

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

	2020 $	2019 $
Opening balance	563,779	1,126,773
Additions	325,042	563,779
Transfer to trade receivables	(563,779)	(1,126,773)
Closing balance	325,042	563,779

Allowance for expected credit losses
The allowance for expected credit losses on contract assets for the year ended 30 June 2020 is $nil (2019: $nil).

Note 11. Current assets - inventories

	Consolidated 2020 $	Consolidated 2019 $
Finished goods - at cost	1,634,086	1,810,335
Less: Provision for impairment	(209,719)	-
	1,424,367	1,810,335
Stock in transit - at cost	173,389	-
	1,597,756	1,810,335

Note 12. Current assets - other

	Consolidated 2020 $	Consolidated 2019 $
Prepayments and deferred expenses	617,904	284,164
Security deposits	62,920	62,920
Other deposits	78,720	120,413
	759,544	467,497

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2020 $	Consolidated 2019 $
Leasehold improvements - at cost	418,955	418,955
Less: Accumulated depreciation	(418,846)	(417,586)
	109	1,369
Plant and equipment - at cost	2,087,285	2,033,465
Less: Accumulated depreciation	(1,884,760)	(1,762,212)
	202,525	271,253
Office equipment - at cost	837,221	814,799
Less: Accumulated depreciation	(763,904)	(716,342)
	73,317	98,457
	275,951	371,079

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

Consolidated	Leasehold improvements $	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2018	2,986	286,190	92,297	381,473
Additions	-	93,573	59,648	153,221
Exchange differences	-	-	2,447	2,447
Depreciation expense	(1,617)	(108,510)	(55,935)	(166,062)
Balance at 30 June 2019	1,369	271,253	98,457	371,079
Additions	-	53,820	21,074	74,894
Exchange differences	-	-	1,348	1,348
Depreciation expense	(1,260)	(122,548)	(47,562)	(171,370)
Balance at 30 June 2020	109	202,525	73,317	275,951

Note 14. Non-current assets - right-of-use assets

	Consolidated 2020 $	Consolidated 2019 $
Land and buildings - right-of-use	193,058	-
Less: Accumulated depreciation	(130,708)	-
	62,350	-

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.

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

Note 14. Non-current assets - right-of-use assets (continued)

Consolidated	Right-of-use assets $
Balance at 1 July 2019 - initial recognition	521,579
Adjustments*	(163,016)
Depreciation expense	(296,213)
	62,350

* The consolidated entity's Sydney office lease was terminated during the financial year ahead of the expected end date.

Note 15. Non-current assets - intangibles

	Consolidated 2020 $	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	2,709,165	2,626,704
Less: Accumulated amortisation	(757,732)	(753,358)
Less: Impairment	(1,786,542)	(1,786,542)
	164,891	86,804
Development costs - at cost	10,445,607	9,521,313
Less: Accumulated amortisation	(4,263,918)	(3,893,954)
Less: Impairment	(4,501,000)	(4,501,000)
	1,680,689	1,126,359
	1,845,580	1,213,163

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

Consolidated	Patents $	Development costs $	Total $
Balance at 1 July 2018	37,344	589,078	626,422
Additions	50,875	603,181	654,056
Exchange differences	2,963	78,746	81,709
Amortisation expense	(4,378)	(144,646)	(149,024)
Balance at 30 June 2019	86,804	1,126,359	1,213,163
Additions	82,592	924,294	1,006,886
Exchange differences	(131)	-	(131)
Amortisation expense	(4,374)	(369,964)	(374,338)
Balance at 30 June 2020	164,891	1,680,689	1,845,580

Note 15. Non-current assets - intangibles (continued)

Impairment of other intangible assets during the years ended 30 June 2020 and 30 June 2019
For the purpose of impairment testing of re-acquired rights and other intangibles the following CGUs are determined to be those that benefit from the core patented technology and product development costs. The net carrying values of intangible assets (excluding goodwill) allocated to those CGUs is as follows:

	Consolidated	
	2020	**2019**
	$	**$**
Package Asset Delivery - PAD	1,845,580	1,213,163

Impairment test performed
During the year ended 30 June 2020 and 30 June 2019, 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 specialists.

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	2020	2019
Growth rate	2.25%	2.25%
Discount rate	12.10%	14.30%
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 2020 (30 June 2019: 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 16. Current liabilities - trade and other payables

	Consolidated	
	2020	**2019**
	$	**$**
Trade payables	1,920,932	3,105,185
Employee expense payables	71,762	191,685
Goods and services tax payable	-	86,400
Other payables	545,240	1,162,861
	2,537,934	4,546,131

Refer to note 23 for further information on financial instruments.

Note 17. Current liabilities - contract liabilities

	Consolidated 2020 $	Consolidated 2019 $
Contract liabilities	2,293,752	1,611,830

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

	2020 $	2019 $
Opening balance	1,611,830	841,498
Payments received in advance	1,284,044	1,972,659
Transfer to revenue - included in the opening balance	(602,122)	(841,498)
Transfer to revenue - other balances	-	(360,829)
Closing balance	2,293,752	1,611,830

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 $2,293,752 as at 30 June 2020 ($1,611,830 as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2020 $	Consolidated 2019 $
Within 6 months	1,980,068	1,323,880
Greater than 6 months	313,684	287,950
	2,293,752	1,611,830

Note 18. Current liabilities - provisions

	Consolidated 2020 $	Consolidated 2019 $
Employee benefits	662,996	493,816

Note 19. Non-current liabilities - borrowings

	Consolidated 2020 $	Consolidated 2019 $
Loan - First Samuel	11,000,000	8,000,000
Loan - First Samuel - capitalised interest	148,571	-
Loan - PPP	676,054	-
	11,824,625	8,000,000

Refer to note 23 for further information on financial instruments.

Loan - First Samuel
The loan comprises of a facility from First Samuel Limited totalling $11,500,000 (30 June 2019: $9,000,000). The facility comprises of four tranches.

Note 19. Non-current liabilities - borrowings (continued)

First tranche
The first tranche 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. For a period of eight months, commencing on 1 November 2019, interest on the drawn facility was capitalised. Outside of this period interest is payable 6 monthly in arrears. The first tranche matures on 31 July 2021.

Second tranche
The second tranche comprises of a $8,000,000 facility (30 June 2019: $6,000,000). For an 8 month period, commencing 1 November 2019, this facility was interest free. Outside of this period, the interest rate applicable to the facility is 90 day BBSW plus 9% per annum, payable 6 monthly in arrears. The second tranche matures on 31 July 2021.

Third and fourth tranche
The third and fourth tranche first comprise of 2 separate $250,000 facilities (2019: $nil). If drawn, the additional 2 tranches are repayable on 31 October 2020 and 20 April 2021 respectively. The interest rate applicable to the facility is 90 day BBSW plus 6% per annum, payable 6 monthly in arrears.

Of the total facility drawn down at 30 June 2020:
- $2,000,000 is convertible into ordinary shares of the company if a placement of shares to a strategic investor is completed. The conversion price will be the issue price per share paid by the strategic investor.
- $3,000,000 is convertible into ordinary shares of the company in the event of a successful takeover bid. The conversion price will be 83.33% of the price per share payable by the successful bidder.

All conversions are subject to approval by the company's shareholders.

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

Loan - PPP
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 is two years and carries and interest rate of 1% per annum.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2020	**2019**
	$	**$**
Loan - First Samuel	11,000,000	8,000,000
Loan - First Samuel - capitalised interest	148,571	-
	11,148,571	8,000,000

Note 19. Non-current liabilities - borrowings (continued)

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:

	Consolidated 2020 $	2019 $
Total facilities		
Loan - First Samuel	11,500,000	9,000,000
Loan - PPP	676,054	-
	12,176,054	9,000,000
Used at the reporting date		
Loan - First Samuel	11,000,000	8,000,000
Loan - PPP	676,054	-
	11,676,054	8,000,000
Unused at the reporting date		
Loan - First Samuel	500,000	1,000,000
Loan - PPP	-	-
	500,000	1,000,000

Note 20. Equity - issued capital

	Consolidated 2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	91,725,605	70,558,162	212,426,391	210,400,125

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	70,558,162		210,400,125
Balance	30 June 2019	70,558,162		210,400,125
Issue of shares	23 December 2019	8,176,340	$0.1050	858,516
Issue of shares	24 January 2020	12,991,103	$0.1050	1,364,066
Less: share issue costs		-	$0.0000	(196,316)
Balance	30 June 2020	91,725,605		212,426,391

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.

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

Note 20. Equity - issued capital (continued)

Unquoted options
At 30 June 2020 there were 2,361,000 (2019: 500,000) options on issue. Each option entitles the holder to subscribe for one fully paid share in the company at the exercise price per share at any time from the date the vesting condition have been satisfied until expiry of the options subject to various vesting dates.

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 optimum 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 2019 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 21. Equity - reserves

	Consolidated 2020 $	Consolidated 2019 $
Foreign currency reserve	(4,337,139)	(4,388,768)
Share-based payments reserve	61,946	-
	(4,275,193)	(4,388,768)

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.

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

Consolidated	Foreign currency $	Share-based payments $	Total $
Balance at 1 July 2018	(3,723,340)	-	(3,723,340)
Foreign currency translation	(665,428)	-	(665,428)
Balance at 30 June 2019	(4,388,768)	-	(4,388,768)
Foreign currency translation	51,629	-	51,629
Share-based payments	-	61,946	61,946
Balance at 30 June 2020	(4,337,139)	61,946	(4,275,193)

Note 22. Equity - dividends

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

Note 23. 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, foreign exchange 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 2020 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.

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 consolidated entity invests surplus cash in term deposits with fixed returns. The Board makes investment decisions after considering advice received from professional advisors.

The consolidated entity monitors its interest rate exposure continuously.

Note 23. Financial instruments (continued)

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

Consolidated	2020 Weighted average interest rate %	2020 Balance $	2019 Weighted average interest rate %	2019 Balance $
Cash and cash equivalents	0.10%	1,043,158	0.10%	535,269
Loan - First Samuel	8.25%	(11,148,571)	9.72%	(8,000,000)
Loan - PPP	1.00%	(676,054)	-	-
Net exposure to cash flow interest rate risk		(10,781,467)		(7,464,731)

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 $10,781,467 (2019: net cash deficit $7,464,731). An official increase/decrease in interest rates of one (2019: one) percentage point would have an adverse/favourable effect on profit before tax of $107,815 (2019: adverse/favourable $74,647) 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 has a concentration of credit risk exposure with 2 customer (2019: 1 customers), which as at 30 June 2020 owed the consolidated entity $861,711 (2019: $650,539) representing 43% (2019: 20.2%) of trade receivables. Of this balance, $53,537 (2019: $23,171) was outside the customers' respective terms of trade, however management is confident of collection and no impairment was made as at 30 June 2020. There are no guarantees against these receivables but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

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.

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.

Note 23. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2020 $	Consolidated 2019 $
Loan - First Samuel	500,000	1,000,000

During the year ended 30 June 2020, the consolidated entity increased the facility with First Samuel Limited by an additional $2,500,000 providing the consolidated entity with a total secured loan facility of up to $11,648,571. Refer to note 19 for further details.

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.

Consolidated - 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,920,932	-	-	-	1,920,932
Other payables	-	617,002	-	-	-	617,002
Interest-bearing - variable						
Loan - First Samuel	8.25%	919,731	11,206,750	-	-	12,126,481
Interest-bearing - fixed rate						
Loan - PPP	1.00%	6,761	681,221	-	-	687,982
Lease liability	10.55%	65,853	-	-	-	65,853
Total non-derivatives		3,530,279	11,887,971	-	-	15,418,250

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,105,185	-	-	-	3,105,185
Other payables	-	1,440,946	-	-	-	1,440,946
Interest-bearing - variable						
Loan - First Samuel	9.72%	747,850	747,850	8,063,516	-	9,559,216
Total non-derivatives		5,293,981	747,850	8,063,516	-	14,105,347

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

Note 24. 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 25. 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:

	Consolidated	
	2020	**2019**
	$	**$**
Short-term employee benefits	1,539,254	1,467,949
Post-employment benefits	90,077	92,240
Share-based payments	43,549	-
	1,672,880	1,560,189

Note 26. 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, and its network firms:

	Consolidated	
	2020	**2019**
	$	**$**
Audit services - PKF Brisbane Audit (2019: Grant Thornton)		
Audit or review of the financial statements	85,000	202,647
Other services - PKF Brisbane Audit (2019: Grant Thornton)		
Transfer pricing review	-	9,500
Corporate advisory	-	29,912
Independent tax advice and tax compliance	-	27,250
	-	66,662
	85,000	269,309
Audit services - network firms		
Audit or review of the financial statements	-	31,978
Other services - network firms		
Preparation of the tax return	-	500
	-	32,478

Note 27. Contingent liabilities

The consolidated entity does not have any contingent liabilities at 30 June 2020 and 30 June 2019.

Note 28. Commitments

	Consolidated 2020 $	2019 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	356,712
One to five years	-	261,843
	-	618,555

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

Operating lease commitments were disclosed under the requirements of AASB 117 'Leases'. AASB 117 was superseded by AASB 16 'Leases' effective 1 July 2019. Operating leases commitments are no longer disclosed under AASB 16.

Note 29. Related party transactions

Parent entity
TZ Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

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

	Consolidated 2020 $	2019 $
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	463,420	548,110

* 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 financial year ended 30 June 2019 represents expenses for the period from 1 July 2018 to 20 November 2018.

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

	Consolidated 2020 $	2019 $
Current payables:		
Interest payable to First Samuel Limited - an entity with significant influence	-	87,937

Note 29. Related party transactions (continued)

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

	Consolidated 2020 $	Consolidated 2019 $
Non-current borrowings:		
Loan from First Samuel Limited - an entity with significant influence	11,148,571	8,000,000

Terms and conditions
Refer to note 19 for details of terms and conditions on the First Samuel Limited loan facility.

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2020 $	Parent 2019 $
Loss after income tax	(5,024,378)	(7,207,512)
Total comprehensive income	(5,024,378)	(7,207,512)

Statement of financial position

	Parent 2020 $	Parent 2019 $
Total current assets	2,332,714	6,188,788
Total assets	2,500,314	6,188,788
Total current liabilities	481,106	4,483,069
Total liabilities	11,629,677	12,483,069
Equity		
Issued capital	212,426,391	210,400,125
Share-based payments reserve	61,946	-
Accumulated losses	(221,617,700)	(216,694,406)
Total deficiency in equity	(9,129,363)	(6,294,281)

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 2020 and 30 June 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Note 30. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, 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 31. 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 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	2019 %
Telezygology, Inc.	United States of America	100.00%	100.00%
PDT Holdings, Inc.	United States of America	100.00%	100.00%
Product Development Technologies, Inc.	United States of America	100.00%	100.00%
PDT Tooling, Inc.	United States of America	100.00%	100.00%
TZI Australia Pty Limited	Australia	100.00%	100.00%
A.C.N. 156 637 704 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 32. Cash flow information

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

	Consolidated 2020 $	2019 $
Loss after income tax expense for the year	(5,120,229)	(4,359,688)
Adjustments for:		
Depreciation and amortisation	841,921	315,086
Share-based payments	61,946	-
Foreign exchange differences	63,967	(763,124)
Interest accrued on borrowings	148,571	87,787
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,195,469	1,206,650
Decrease in contract assets	238,737	562,994
Decrease/(increase) in inventories	212,579	(531,439)
Increase in other operating assets	(292,047)	(102,471)
Decrease in trade and other payables	(2,008,197)	(832,400)
Increase in contract liabilities	681,922	770,332
Increase/(decrease) in employee benefits	169,180	(27,403)
Net cash used in operating activities	(3,806,181)	(3,673,676)

Note 32. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Loan - First Samuel $	Loan - PPP $	Lease liabilities $	Total $
Balance at 1 July 2018	4,000,000	-	-	4,000,000
Net cash from financing activities	4,000,000	-	-	4,000,000
Balance at 30 June 2019	8,000,000	-	-	8,000,000
Lease additions	-	-	521,579	521,579
Net cash from financing activities	3,000,000	676,054	(292,915)	3,383,139
Other changes	-	-	(163,016)	(163,016)
Balance at 30 June 2020	11,000,000	676,054	65,648	11,741,702

Note 33. Earnings per share

	Consolidated 2020 $	2019 $
Loss after income tax attributable to the owners of TZ Limited	(5,120,229)	(4,359,688)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	80,468,726	70,558,162
Weighted average number of ordinary shares used in calculating diluted earnings per share	80,468,726	70,558,162
	Cents	**Cents**
Basic earnings per share	(6.36)	(6.18)
Diluted earnings per share	(6.36)	(6.18)

For the purpose calculating the diluted earnings per share the denominator has excluded 2,361,000 options (2019: 500,000 options) as the effect would be anti-dilutive.

Note 34. Share-based payments

The TZ Employee Incentive Scheme
The TZ Employee Incentive Scheme ('TZEIS') was approved by shareholders at the 2009 Annual General Meeting that was held on 26 February 2010 and re-approved by shareholders at the 2019 Annual General Meeting held on 29 November 2019. TZEIS was established to to attract, retain, motivate and reward senior executives and directors (including non-executive directors) of the company (collectively the 'Participants') by issuing options to the Participants to allow the Participants to acquire fully paid ordinary class shares in the company upon exercising the options.

Each tranche of options had a fixed number granted with vesting periods from one to three years. Each option, when validly exercised, entitles the holder to receive one fully paid share in the company.

Note 34. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
15/01/2014	30/06/2020	$6.0000	500,000	-	-	(500,000)	-
06/08/2019	31/08/2024	$0.2500	-	967,000	-	(180,000)	787,000
06/08/2019	31/08/2025	$0.4000	-	967,000	-	(180,000)	787,000
06/08/2019	31/08/2026	$0.4500	-	967,000	-	(180,000)	787,000
			500,000	2,901,000	-	(1,040,000)	2,361,000
Weighted average exercise price			$6.0000	$0.3667	$0.0000	$3.0750	$0.3667

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
15/01/2014	30/06/2019	$4.0000	500,000	-	-	(500,000)	-
15/01/2014	30/06/2020	$6.0000	500,000	-	-	-	500,000
			1,000,000	-	-	(500,000)	500,000
Weighted average exercise price			$5.0000	$0.0000	$0.0000	$4.0000	$6.0000

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
15/01/2014	30/06/2020	-	500,000
		-	500,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 5.2 years (2019: 1 year).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
06/08/2019	31/08/2024	$0.1100	$0.2500	89.00%	-	0.75%	$0.0605
06/08/2019	31/08/2025	$0.1100	$0.4000	88.00%	-	0.83%	$0.0579
06/08/2019	31/08/2026	$0.1100	$0.4500	91.00%	-	0.90%	$0.0654

Note 35. Events after the reporting period

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 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.

TZ Limited
Directors' declaration
30 June 2020

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 1 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 2020 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

John Wilson
Managing Director

28 August 2020
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 2020, 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:

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

ii) 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

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 $5,120,229 and net operating cash outflows of $3,806,181 during the year ended 30 June 2020. 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.

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Key Audit Matter

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matter described below to be the key audit matter to be communicated in our report. 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 2020 the carrying value of intangible assets with finite useful lives was $1,845,580 (2019: $1,213,163), as disclosed in Note 15.

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 1 and 15, 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
  - 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;

- assessing management's estimate of future economic benefits related to the costs capitalised; and
- assessing the appropriateness of the related disclosures in Note 1 and 15.

Other Information

Those charged with governance are responsible for the other information in the annual report. Other information is financial and non-financial information in the annual report of the consolidated entity for the year ended 30 June 2020, 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, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this other information in the financial report and based on the work we have performed on the other information that we obtained prior the date of this auditor's report we have nothing to report.

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, individual 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

Opinion

We have audited the remuneration report included in the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of TZ Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

28 AUGUST 2020
BRISBANE, AUSTRALIA

The shareholder information set out below was applicable as at 7 August 2020.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	1,414	-
1,001 to 5,000	350	-
5,001 to 10,000	116	-
10,001 to 100,000	226	2
100,001 and over	98	7
	2,204	9
Holding less than a marketable parcel	1,854	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Pty Limited	21,125,593	23.03
Delcor Advisory Investment Group Pty Ltd	14,041,074	15.31
HSBC Custody Nominees (Australia) Limited	7,333,407	7.99
Mr David Frederick Oakley (DFO Investment A/C)	2,573,174	2.81
Mr Philip Anthony Feitelson	1,904,762	2.08
Exelmont Pty Ltd	1,818,545	1.98
Mr David Frederick Oakley	1,780,351	1.94
Mrs Margaret Jane Watt	1,209,872	1.32
Surflodge Pty Ltd (JE Lynch Staff Super FD A/C)	1,161,670	1.27
Miss Chia - Hui Hsu	1,084,908	1.18
One Managed Investment Funds Limited (TI Absolute Return A/C)	1,042,217	1.14
Mr Peter Howells	985,714	1.07
Hayward Australasia Pty Ltd	910,268	0.99
One Managed Investment Funds Limited (TI Growth A/C)	880,713	0.96
Surflodge Pty Ltd	777,011	0.85
Guthrie CAD/GIS Software Pty Ltd	640,000	0.70
Guthrie CAD/GIS Software Pty Ltd (Guthrie Super Fund A/C)	633,095	0.69
Citicorp Nominees Pty Limited	606,531	0.66
Mr Chad Loren Williams	604,950	0.66
Mr Scott Joseph Bogue	590,128	0.64
	61,703,983	67.27

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	2,361,000	9

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Pty Limited	21,125,593	23.03
Delcor Advisory Investment Group Pty Ltd	14,041,074	15.31
HSBC Custody Nominees (Australia) Limited	7,333,407	7.99

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
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.

There are no other classes of equity securities.

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