



TZ Limited

ABN 26 073 979 272

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www.tz.net

27 February 2023

ASX Announcement

TZ LIMITED ANNOUNCES HY23 RESULTS

TZ Limited (the 'Company') (ASX: TZL) announces its results for the half year ended 31 December 2022.

HIGHLIGHTS

- Revenues for the six-month period were AUD\$8.7m, up 13.7% on 1H FY22
- As at 31 December 2022 the Company's monthly recurring revenue had reached \$288,000
- The negative cashflow of \$1.9m from operating activities in 1H FY23, mainly due to:-
 - revenue and earnings decreased as the company continues its transformation to a "SaaS fee model" from a "Perpetual License Model"
 - Development costs associated with implementing TZ's software platform to be utilised on "Other People's e-lectronic Locks" – the OPeL products – peaked during 1H FY23

ORGANISATION RESTRUCTURE

The Company undertook substantive review of its organisational structure, costs reduction, sales improvements, and revenue recognition. The following changes were initiated:

- **Change of Management**

Appointment of Mr John Wilson, the founder and leading salesperson, as group CEO, following Mr Mario Vecchio's resignation.

Mr Chris Kelliher, a long standing senior executive of the company, assumes management responsibility for the US operations.

- **Improving Internal Control**

TZ deployed a new finance team who, in conjunction with the auditors, reviewed the US account reconciliations and are in the process of implementing better controls.

- **Costs Reduction**

The Company group implemented a significant cost-cutting program during the current quarter, which will see our costs reduce by circa \$2.5m to \$3m per annum. The objective is for average monthly fixed costs to fall by approximately \$200,000.

CONTINUED COMMITMENT TO SAAS MRR

- TZ is firmly of the view that once MRR exceeds AUD\$500,000 per month, that the overall company will be operating cashflow and earnings positive.

Think SMART. Think TZ.

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Authorised for release by the Board of Directors.

For further information, please contact:

Peter Graham
Chairman
TZ Limited
Telephone (+61) 2 9137 7300

For additional information on TZ Limited, please visit www.tz.net

About TZ Limited

At TZ, we engineer solutions to improve physical access control using smart devices and even smarter technology. We invent solutions to solve real-world problems, solutions designed to work in harmony with existing technology for total connectivity. That's why we are the trusted partner of global corporations like Apple, Microsoft, SunCorp, Adidas and WesTrac.

With offices in Australia, Singapore, India, America and the United Kingdom, TZ solutions support agile workplaces, contactless e-commerce deliveries, campus package management; first responder's chain of custody; data cabinet security, and so much more. Our products implement rules to control who can access what, when and where. – then report on these actions for intelligent business insights.

As the world evolves, so does our technology. We call this "Edge Logistics IT". TZ has always provided connected devices and the software that controls them. TZ solutions will deliver intelligent access for every device to enable a new level of customer control.

For additional information on TZ Limited, please visit www.tz.net.

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1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	13.7% to	8,722,258
Earnings before interest, tax, depreciation and amortisation, adjusted for impairment ('adjusted EBITDA')	up	63.6% to	(3,467,580)
Loss from ordinary activities after tax attributable to the owners of TZ Limited	up	45.2% to	(4,030,529)
Loss for the half-year attributable to the owners of TZ Limited	up	45.2% to	(4,030,529)

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 \$4,030,529 (31 December 2021: \$2,776,738).

The earnings before interest, tax, depreciation and amortisation adjusted for impairment ('adjusted EBITDA') was a loss of \$3,467,580 (31 December 2021: loss of \$2,119,552).

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

Refer to 'Review of operations' in the Directors' Report for further commentary on the results for the half-year ended 31 December 2022.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.27)</u>	<u>(0.12)</u>

The net tangible assets 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 were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of TZ Limited for the half-year ended 31 December 2022 is attached.

12. Signed



Signed _____

Date: 27 February 2023

Peter Graham
Chairman
Sydney



TZ Limited

ABN 26 073 979 272

Interim Report - 31 December 2022

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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 half-year ended 31 December 2022.

Directors

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

- Peter Graham - Chairman
- John D'Angelo - Non-Executive Director
- Simon White - Non-Executive Director
- Duncan McCulloch - Non-Executive Director (appointed on 15 September 2022, resigned on 31 January 2023)
- Cary Stynes - Non-Executive Director (appointed on 1 February 2023)

Dividends

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

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Review of operations

Company commitment to growing Monthly Recurring Revenue (MRR)

As at 31 December 2022, TZ had a monthly recurring revenue base ('MRR') of \$280,000. The focus remains on growing our MRR through customers signing on to our TZ Cloud service, which includes over 100 new or resigned subscriptions. TZ continues to see support from customers wishing to migrate them to TZ Cloud.

TZ is firmly of the view that once MRR exceeds \$500,000 per month the overall company will be operating cashflow and earnings positive. The \$500,000 per month is the target calculated by the Board and Management that shows that the "fixed overhead costs" of the business will be largely covered by the "recurring monthly revenue".

Sales Overview

Sales for the six-month period were \$8.7m which was 13.7% higher than the first half of FY22 which was a good result in a challenging market.

Financial Performance Review

That review and the disappointing financial performance of the past 18 months, with negative cashflow and various "accounting adjustments", resulted in the following changes:-

1. Mr Mario Vecchio resigned as CEO and was replaced by founder and leading salesperson in Mr John Wilson.
2. Mr Chris Kelliher, long standing senior executive of the company, assumes management responsibility for the US operations.
3. TZ deployed a new finance team which has conducted a review, in conjunction with the auditors, of the US account reconciliations. The "understatement of Cost of Goods Sold and Contract Liabilities" relating to FY22, was discovered during 1H FY23 and brought to account as outlined in the notes to the financial report. The new finance team, in consultation with the auditors, are implementing better controls over this process.
4. Board changes saw Duncan McCulloch resign in January with Cary Stynes appointed February. The board thanks Duncan for his efforts with the new accounting team in developing better financial modelling. Cary Stynes brings significant legal and corporate expertise to the board (refer ASX Announcement February 1st) 2023).
5. The consolidated entity implemented a significant cost-cutting program during the current quarter, which will see our costs reduce by circa \$2.5m to \$3m per annum. The objective is for average monthly fixed costs to fall by approximately \$200,000.

Product and Technology Update

TZ recognised that, apart from its own locking solution, there was an opportunity for TZ's software platform to be utilised on "Other People's *e-lectronic Locks*" – this has led to the development of the OPeL products. TZ Limited retains the SaaS fees (high margin) while the hardware system was "Other People's build".

As the US market readies for the seasonal educational sector spend in quarter 4 of 2023 financial year ('Q4 FY23'), our new OPeL offering is expected to have a meaningful impact, allowing TZ to be more competitive with its hardware offer whilst improving underlying gross margins. Introducing TZ Cloud Services to support the OPeL offering will help build our SaaS fee business in the educational sector.

The consolidated entity expects cash flow to remain negative through Q3 FY23 as the transformation business continues, or at least until the \$500,000 per month recurring revenue threshold is achieved by the company.

TZ continues to focus on new software development and the upgrade of TZ's technology stack is on track. The consolidated entity is planning the release of its new TZ Day Locker Express Application for small to medium enterprise corporate market in Q4 2023 to match the consolidated entity's success in Day Locker offerings to the enterprise customer category. This represents a new sector of growth for the consolidated entity and one that could contribute significantly to the ongoing growth of MRR. As MRR grows, this will reduce the negative impacts associated with large-scale lumpy project revenue.

The consolidated entity is also looking to launch a major enhancement to the Campus offering to the educational sector to compliment and further improve the appeal of the new OPeL product offering.



The ability of our software to work with traditional TZ Smart Locks and other third party Locks coupled with the attractiveness of a fully managed Cloud Service offering greatly expands our addressable market and breadth of possible participation areas.

Collectively, these innovations to TZ's hardware and Software platform will dramatically improve our position relative to competitors, provide industry leading total cost of ownership, reducing TZ's internal costs and enable increased sales and increased margins.

Principal activities

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

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

Significant changes in the state of affairs

On 9 December 2022, the Company extended the Debenture Facility with First Samuel Limited from \$2.5 million to \$3.5m. The facility is fully drawn. The maturity date was also extended until 31 January 2024. There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

The operating cash outflows of \$1.9m for the current period resulted in the board reviewing the short-term financial impacts. The board will consider various options should additional funding be required. No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the Directors

A handwritten signature in black ink that reads 'Peter J. Graham'.

Peter Graham
Chairman

27 February 2023
Sydney

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

27 FEBRUARY 2023
BRISBANE

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

General information

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

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

Registered office

Level 2, 40 Gloucester Street
The Rocks NSW 2000

Principal place of business

TZ Limited and TZI Australia Pty Limited, Level 2
40 Gloucester Street, The Rocks 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, New Road, Oxford, OX11BY, UK

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 February 2023.

TZ Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



	Note	Consolidated 31 Dec 2022 \$	31 Dec 2021 \$
Revenue from contracts with customers	4	8,722,258	7,669,114
Other income	5	17,711	225,124
Interest revenue calculated using the effective interest method		76	95
Expenses			
Raw materials and consumables used		(6,599,462)	(5,061,333)
Employee benefits expense		(4,281,827)	(3,951,246)
Occupancy expense		(109,638)	(89,122)
Depreciation and amortisation expense		(420,269)	(519,170)
Communications expense		(43,573)	(45,364)
Professional and corporate services		(284,288)	(387,873)
Travel and accommodation expense		(179,835)	(57,842)
Net foreign exchange losses		(29,655)	(12,947)
Other expenses		(696,639)	(408,063)
Finance costs		(122,017)	(128,136)
Loss before income tax expense		(4,027,158)	(2,766,763)
Income tax expense		(3,371)	(9,975)
Loss after income tax expense for the half-year attributable to the owners of TZ Limited		(4,030,529)	(2,776,738)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		148,219	62,154
Other comprehensive income for the half-year, net of tax		148,219	62,154
Total comprehensive loss for the half-year attributable to the owners of TZ Limited		(3,882,310)	(2,714,584)
		Cents	Cents
Basic earnings per share	19	(1.81)	(1.41)
Diluted earnings per share	19	(1.81)	(1.41)

Refer to note 2 for detailed information on Restatement of comparatives.

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

TZ Limited
Statement of financial position
As at 31 December 2022



		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		841,581	2,051,162
Trade and other receivables	6	2,396,694	4,130,232
Contract assets		453,127	1,137,355
Inventories		2,005,449	2,686,840
Other assets	7	569,412	1,233,935
Total current assets		<u>6,266,263</u>	<u>11,239,524</u>
Non-current assets			
Property, plant and equipment		178,545	219,132
Right-of-use assets	8	275,106	378,325
Intangibles	9	837,059	991,716
Total non-current assets		<u>1,290,710</u>	<u>1,589,173</u>
Total assets		<u>7,556,973</u>	<u>12,828,697</u>
Liabilities			
Current liabilities			
Trade and other payables	10	2,915,813	3,146,217
Contract liabilities	11	2,144,494	4,275,853
Borrowings	12	-	2,500,000
Lease liabilities		228,431	200,032
Provisions		683,062	609,877
Total current liabilities		<u>5,971,800</u>	<u>10,731,979</u>
Non-current liabilities			
Borrowings	12	3,500,000	-
Lease liabilities		74,376	206,050
Total non-current liabilities		<u>3,574,376</u>	<u>206,050</u>
Total liabilities		<u>9,546,176</u>	<u>10,938,029</u>
Net (liabilities)/assets		<u>(1,989,203)</u>	<u>1,890,668</u>
Equity			
Issued capital	13	227,279,703	227,279,703
Reserves		(4,153,886)	(4,304,544)
Accumulated losses		(225,115,020)	(221,084,491)
Total (deficiency in equity)/equity		<u>(1,989,203)</u>	<u>1,890,668</u>

Refer to note 2 for detailed information on Restatement of comparatives.

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

TZ Limited
Statement of changes in equity
For the half-year ended 31 December 2022



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	221,876,795	(4,232,391)	(219,150,181)	(1,505,777)
Loss after income tax expense for the half-year-restated	-	-	(2,776,738)	(2,776,738)
Other comprehensive income for the half-year, net of tax	-	62,154	-	62,154
Total comprehensive income/(loss) for the half-year	-	62,154	(2,776,738)	(2,714,584)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	5,188,780	-	-	5,188,780
Share-based payments	-	7,592	-	7,592
Options cancelled during the period	-	(15,245)	15,245	-
Balance at 31 December 2021- restated	<u>227,065,575</u>	<u>(4,177,890)</u>	<u>(221,911,674)</u>	<u>976,011</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2022	227,279,703	(4,211,903)	(219,045,447)	4,022,353
Adjustment for correction of error (note 2)	-	(92,641)	(2,039,044)	(2,131,685)
Balance at 1 July 2022 - restated	227,279,703	(4,304,544)	(221,084,491)	1,890,668
Loss after income tax expense for the half-year	-	-	(4,030,529)	(4,030,529)
Other comprehensive income for the half-year, net of tax	-	148,219	-	148,219
Total comprehensive income/(loss) for the half-year	-	148,219	(4,030,529)	(3,882,310)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	2,439	-	2,439
Balance at 31 December 2022	<u>227,279,703</u>	<u>(4,153,886)</u>	<u>(225,115,020)</u>	<u>(1,989,203)</u>

Refer to note 2 for detailed information on Restatement of comparatives.

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

TZ Limited
Statement of cash flows
For the half-year ended 31 December 2022



	Note	Consolidated	Consolidated
		31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		9,316,213	8,866,827
Payments to suppliers and employees (inclusive of GST)		<u>(11,203,770)</u>	<u>(10,994,590)</u>
		(1,887,557)	(2,127,763)
Interest received		76	95
Government grants received		3,443	225,124
Interest and other finance costs paid		(109,394)	(192,849)
Income taxes paid		<u>(3,371)</u>	<u>(9,975)</u>
Net cash used in operating activities		<u>(1,996,803)</u>	<u>(2,105,368)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(23,437)	(89,431)
Payments for intangibles	9	(96,913)	(45,832)
Payments for security deposits		(14,651)	-
Proceeds from disposal of property, plant and equipment		<u>1,498</u>	<u>-</u>
Net cash used in investing activities		<u>(133,503)</u>	<u>(135,263)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	3,446,250
Share issue transaction costs		-	(257,470)
Proceeds from borrowings		1,000,000	2,500,000
Repayment of borrowings		-	(2,000,000)
Repayment of lease liabilities		<u>(103,275)</u>	<u>(93,606)</u>
Net cash from financing activities		<u>896,725</u>	<u>3,595,174</u>
Net increase/(decrease) in cash and cash equivalents		(1,233,581)	1,354,543
Cash and cash equivalents at the beginning of the financial half-year		2,051,162	373,926
Effects of exchange rate changes on cash and cash equivalents		24,000	10,228
Cash and cash equivalents at the end of the financial half-year		<u><u>841,581</u></u>	<u><u>1,738,697</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

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 half-year ended 31 December 2022, the consolidated entity incurred a net loss after tax of \$4,030,529 (31 December 2021: net loss after tax \$2,776,738) and a cash outflow from operating activities of \$1,996,803 (31 December 2021: \$2,105,368). As at 31 December 2022, the consolidated entity had net current assets of \$294,463 (30 June 2022: net current assets of \$507,545) and net liabilities of \$1,989,203 (30 June 2022: net asset of \$1,890,668).

While the consolidated entity incurred losses and cash outflows from operating activities for the financial half-year ended 31 December 2022, 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 in the transition from a "Perpetual License Model" to that of "recurring Software-as-a-Service ('SaaS') fees";
- This transition has resulted in a reduction in revenue and margins; and
- Significant cost cuts to the Senior Management level and, as the monthly recurring revenue increases, the consolidated entity's operating business units will be in a position to contribute positive cash to the bottom line.

The Directors remain committed to achieving cash flow positive by the conclusion of the second half of the 30 June 2023 financial year.

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

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

Note 2. Restatement of comparatives

Correction of error

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

As announced to the market in October 2022, management discovered that the consolidated entity's US subsidiary, Telezygology Inc. ('TZUSA'), overstated revenue, customer deposits and accrued revenue at 30 June 2022. The error occurred during the year ended 30 June 2022 with the impact on the first half of FY22 (of \$488,906) being disclosed below. The adjustment resulted in a full year \$1,026,926 decrease in revenue, a \$419,000 decrease in contract liabilities, a \$1,472,166 decrease in contract assets and a \$26,240 increase in foreign currency translation reserve for the financial year ended 30 June 2022.

A further error was identified upon the completion of half-year reconciliation processes in TZUSA, a portion of which related to an understatement of cost of goods sold (disclosed as raw materials and consumables sold) and understatement of contract liabilities. The impact relating to the first half of FY22 of \$499,654 is disclosed below. The adjustment resulted in a full year increase in cost of goods sold (raw materials and consumables used) of \$1,012,118, an increase in contract liabilities of \$1,078,519 and an increase of foreign currency translation reserve of \$66,401.

Reclassification

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

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

Statement of profit or loss and other comprehensive income

	31 Dec 2021	Consolidated	31 Dec 2021
	\$	\$	\$
Extract	Reported	Adjustment	Restated
Revenue from contracts with customers	8,158,020	(488,906)	7,669,114
Expenses			
Raw materials and consumables used	(4,561,679)	(499,654)	(5,061,333)
Loss before income tax expense	(1,778,203)	(988,560)	(2,766,763)
Income tax expense	(9,975)	-	(9,975)
Loss after income tax expense for the half-year attributable to the owners of TZ Limited	(1,788,178)	(988,560)	(2,776,738)
Other comprehensive income			
Foreign currency translation	79,588	(17,434)	62,154
Other comprehensive income for the half-year, net of tax	79,588	(17,434)	62,154
Total comprehensive loss for the half-year attributable to the owners of TZ Limited	<u>(1,708,590)</u>	<u>(1,005,994)</u>	<u>(2,714,584)</u>
	Cents	Cents	Cents
	Reported	Adjustment	Restated
Basic earnings per share	(0.91)	(0.50)	(1.41)
Diluted earnings per share	(0.91)	(0.50)	(1.41)

Note 2. Restatement of comparatives (continued)

Statement of financial position at the beginning of the earliest comparative period

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2021. However, as there were no adjustments made as at 1 July 2021, the consolidated entity has elected not to show the 1 July 2021 statement of financial position.

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

Extract	30 Jun 2022	Consolidated	30 Jun 2022
	\$	\$	\$
	Reported	Adjustment	Restated
Assets			
Current assets			
Contract assets	2,609,521	(1,472,166)	1,137,355
Total current assets	12,711,690	(1,472,166)	11,239,524
Total assets	14,300,863	(1,472,166)	12,828,697
Liabilities			
Current liabilities			
Trade and other payables	3,252,005	(105,788)	3,146,217
Contract liabilities	3,510,546	765,307	4,275,853
Total current liabilities	10,072,460	659,519	10,731,979
Total liabilities	10,278,510	659,519	10,938,029
Net assets	4,022,353	(2,131,685)	1,890,668
Equity			
Reserves	(4,211,903)	(92,641)	(4,304,544)
Accumulated losses	(219,045,447)	(2,039,044)	(221,084,491)
Total equity	4,022,353	(2,131,685)	1,890,668

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity operates in four operating segments being Australia, United States of America ('USA'), Europe Middle East and Africa ('EMEA') and Asia. The principal activities of each operating segment are identical, being the sale of hardware and software products. These segments are based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Other segments represent the activities of the corporate headquarters.

The information reported to the CODM, on at least a monthly basis, is profit or loss and adjusted earnings before interest, tax, depreciation and amortisation and other items ('Adjusted EBITDA').

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

Types of products and services

For information about revenue from products and services, refer to note 4.

Note 3. Operating segments (continued)

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.

Operating segment information

	Australia \$	USA \$	EMEA \$	Asia \$	Other segments \$	Total \$
Consolidated - 31 Dec 2022						
Revenue						
Sales to external customers	3,558,786	4,042,911	656,541	464,020	-	8,722,258
Intersegment sales	542,072	7,322	10,077	-	-	559,471
Total sales revenue	4,100,858	4,050,233	666,618	464,020	-	9,281,729
Interest	76	-	-	-	-	76
Total segment revenue	4,100,934	4,050,233	666,618	464,020	-	9,281,805
Intersegment eliminations						(559,471)
Total revenue						8,722,334
Adjusted EBITDA	340,420	(1,864,700)	307,334	182,814	(2,433,448)	(3,467,580)
Depreciation and amortisation						(420,269)
Interest revenue						76
Finance costs						(122,017)
Head office revenue/income						(17,368)
Loss before income tax expense						(4,027,158)
Income tax expense						(3,371)
Loss after income tax expense						(4,030,529)
Consolidated - 31 Dec 2021						
Revenue						
Sales to external customers	1,720,489	5,276,224	173,910	498,491	-	7,669,114
Intersegment sales	328,905	-	-	3,222	-	332,127
Total sales revenue	2,049,394	5,276,224	173,910	501,713	-	8,001,241
Interest	95	-	-	-	-	95
Total segment revenue	2,049,489	5,276,224	173,910	501,713	-	8,001,336
Intersegment eliminations						(332,127)
Total revenue						7,669,209
Adjusted EBITDA	246,042	(827,254)	(76,828)	199,663	(1,661,175)	(2,119,552)
Depreciation and amortisation						(519,170)
Interest revenue						95
Finance costs						(128,136)
Loss before income tax expense						(2,766,763)
Income tax expense						(9,975)
Loss after income tax expense						(2,776,738)

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	
	31 Dec 2022	30 Jun 2022
	\$	\$
Australia	1,069,276	1,333,307
United States of America	219,104	251,899
EMEA	1,645	3,011
Asia (Singapore)	685	956
	<u>1,290,710</u>	<u>1,589,173</u>

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

Note 4. Revenue from contracts with customers

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Sales and services revenue	<u>8,722,258</u>	<u>7,669,114</u>

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Major product lines</i>		
Sale of hardware and software	6,513,033	5,960,732
Installation and commissioning services	512,524	710,173
Maintenance and support services	1,681,203	998,209
Professional services	15,498	-
	<u>8,722,258</u>	<u>7,669,114</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	7,041,055	6,670,905
Services transferred over time	1,681,203	998,209
	<u>8,722,258</u>	<u>7,669,114</u>

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

Note 5. Other income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Government grant - JobSaver	-	225,124
Government grant - other	3,443	-
Other income	14,268	-
	<u>17,711</u>	<u>225,124</u>

Government grant - JobSaver

Government grant - JobSaver represents JobSaver support payments received from the Australian Government which are passed on to eligible employees during the Coronavirus ('COVID-19') pandemic.

Note 6. Trade and other receivables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current assets</i>		
Trade receivables	<u>2,396,694</u>	<u>4,130,232</u>

Note 7. Other assets

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current assets</i>		
Prepayments and deferred expenses	399,966	1,079,140
Security deposits	169,446	154,795
	<u>569,412</u>	<u>1,233,935</u>

Note 8. Right-of-use assets

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Right-of-use assets	614,921	614,921
Less: Accumulated depreciation	(339,815)	(236,596)
	<u>275,106</u>	<u>378,325</u>

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

Note 9. Intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Re-acquired right (Intevia Licence) - at cost	10,138,090	10,138,090
Less: Accumulated amortisation	(8,035,887)	(8,035,887)
Less: Impairment	(2,102,203)	(2,102,203)
	<u>-</u>	<u>-</u>
Patents - at cost	2,750,697	2,748,670
Less: Accumulated amortisation	(785,529)	(765,810)
Less: Impairment	(1,786,542)	(1,786,542)
	<u>178,626</u>	<u>196,318</u>
Development costs - at cost	10,989,573	10,892,660
Less: Accumulated amortisation	(5,830,140)	(5,596,262)
Less: Impairment	(4,501,000)	(4,501,000)
	<u>658,433</u>	<u>795,398</u>
	<u>837,059</u>	<u>991,716</u>

Reconciliations

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

Consolidated	Patents	Development costs	Total
	\$	\$	\$
Balance at 1 July 2022	196,318	795,398	991,716
Additions	-	96,913	96,913
Exchange differences	2,027	-	2,027
Amortisation expense	(19,719)	(233,878)	(253,597)
Balance at 31 December 2022	<u>178,626</u>	<u>658,433</u>	<u>837,059</u>

Note 10. Trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,587,622	1,840,073
Employee expense payables	280,622	322,942
Goods and services tax payable	286,945	289,616
Other payables	760,624	693,586
	<u>2,915,813</u>	<u>3,146,217</u>

Note 11. Contract liabilities

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	2,144,494	4,275,853
	<u>2,144,494</u>	<u>4,275,853</u>
<i>Reconciliation</i>		
Reconciliation of the carrying values at the beginning and end of the current and previous financial reporting period are set out below:		
Opening balance	4,275,853	1,692,768
Amounts invoiced in advance	9,223,940	17,208,448
Transfer to revenue - included in the opening balance	(4,275,853)	(1,692,768)
Transfer to revenue - performance obligations satisfied in the current period	(7,079,446)	(13,085,474)
Transfer to revenue - other balances	-	152,879
	<u>2,144,494</u>	<u>4,275,853</u>

Note 12. Borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Loan - First Samuel	-	2,500,000
	<u>-</u>	<u>2,500,000</u>
<i>Non-current liabilities</i>		
Loan - First Samuel	3,500,000	-
	<u>3,500,000</u>	<u>-</u>

Loan - First Samuel

The full debenture facility was established with First Samuel on 30 June 2021 and matures on 31 January 2024. This facility carries a coupon rate of BBSW + 4.5% per annum and a facility fee of 1% per annum payable in advance.

As at 31 December 2022, the total loan facility is \$3,500,000 (30 June 2022: \$2,500,000) of which \$3,500,000 (30 June 2022: \$2,500,000) was utilised.

Note 13. Issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	222,708,114	222,708,114	227,279,703	227,279,703
	<u>222,708,114</u>	<u>222,708,114</u>	<u>227,279,703</u>	<u>227,279,703</u>

Note 14. Dividends

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

Note 15. 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 16. Contingent assets

There are no contingent assets at 31 December 2022 and 30 June 2022.

Note 17. Contingent liabilities

There are no contingent liabilities at 31 December 2022 and 30 June 2022.

Note 18. Related party transactions

Parent entity

TZ Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	Consolidated
	31 Dec 2022	31 Dec 2021
	\$	\$
Payment for other expenses:		
Interest paid/(payable) to First Samuel Limited - an entity with significant influence	77,359	94,099

Receivable from and payable to related parties

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

	Consolidated	Consolidated
	31 Dec 2022	30 Jun 2022
	\$	\$
Current payables:		
Interest payable to First Samuel Limited - an entity with significant influence	140,663	112,548

Loans to/from related parties

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

	Consolidated	Consolidated
	31 Dec 2022	30 Jun 2022
	\$	\$
Current borrowings:		
Interest bearing loan from First Samuel Limited - an entity with significant influence	-	2,500,000
Non-current borrowings:		
Interest bearing loan from First Samuel Limited - an entity with significant influence	3,500,000	-

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. Refer to note 12.

Note 19. Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Loss after income tax attributable to the owners of TZ Limited	<u>(4,030,529)</u>	<u>(2,776,738)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>222,708,114</u>	<u>196,500,795</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>222,708,114</u>	<u>196,500,795</u>
	Cents	Cents
Basic earnings per share	(1.81)	(1.41)
Diluted earnings per share	(1.81)	(1.41)

Options have been excluded from the calculation of diluted earnings per share as they were considered anti-dilutive.

Note 20. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 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
31 December 2022



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

A handwritten signature in black ink that reads "Peter J. Graham." The signature is written in a cursive style.

Peter Graham
Chairman

27 February 2023
Sydney

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

Conclusion

We have reviewed the accompanying half-year financial report of TZ Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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Emphasis of Matter

We draw attention to Note 2 of the financial report which describes the financial effects of prior period restatements and restated information for the comparative periods. Our opinion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

27 FEBRUARY 2023
BRISBANE

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