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Sydney NSW 2000 Australia
Telephone (+61) 2 9137 7300

TZ Limited
ABN 26 073 979 272

www.tz.net

26th February 2021

ASX Announcement

APPENDIX 4D AND INTERIM REPORT FOR 31 DECEMBER 2020

TZ Limited ("TZ" or "the Company") (ASX:TZL) is pleased to provide its report for the half year ended 31 December 2020.

Overview of the half year

- Revenue of $8.6m, an increase of 8% (1HFY20: $8.0m), despite the effect of COVID which pushed delivery of some projects in the USA into 2021.
- Strong improvement in EBITDA by 115% to $0.2m (1HFY20: loss of $1.3m).
- Annual recurring revenues of $1.0m, an increase of 16%.

Outlook

TZ is on track to meet its objective to trade cash flow positive in the near term. Uplift in demand, revenue growth, operational efficiency gains and increasing contribution from annual recurring revenues lay a very positive foundation for the future of the Company.

Moving forward, the business focus is to continue to grow its everyday and annual recurring revenues in line with our previously stated goal of achieving annual recurring revenues of over $10 million by financial year 2023. This will be achieved with a proactive push towards hosted subscription-based software-as-a-service (SaaS) offerings. Annual maintenance services will continue to have a significant impact on the growth in annuity revenue, particularly as the Company converts its many perpetual software licensees to service-based subscriptions.

The board and executive team continue to look at many new business opportunities to expand the business as well as opportunities to strengthen the TZ balance sheet.

For further information, please contact:

Scott Beeton
Chief Executive Officer
Phone: +61 400 252 425
Email: s.beeton@tz.net

This ASX Announcement has been approved by the board of directors of TZ Limited.

Think SMArt. Think TZ.

TZ Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	8.1%	to	8,620,442
Earnings before interest, tax, depreciation and amortisation, adjusted for impairment ('adjusted EBITDA')	up	114.6%	to	187,077
Loss from ordinary activities after tax attributable to the owners of TZ Limited	down	69.1%	to	(670,685)
Loss for the half-year attributable to the owners of TZ Limited	down	69.1%	to	(670,685)

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

Comments
The earnings before interest, tax, depreciation and amortisation adjusted for impairment ('adjusted EBITDA') was $187,077 (31 December 2019: loss of $1,279,892). The loss for the consolidated entity after providing for income tax amounted to $670,685 (31 December 2019: $2,170,379).

Adjusted EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items. The Directors consider 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 2020.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(11.97)	(12.09)

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.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

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

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11. Attachments

Details of attachments (if any):

The Interim Report of TZ Limited for the half-year ended 31 December 2020 is attached.

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12. Signed

Signed ______________________ Date: 26 February 2021

Scott Beeton
Managing Director
Sydney

TZ Limited

ABN 26 073 979 272

Interim Report - 31 December 2020

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 2020.

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

Peter Graham - Chairman
Scott Beeton - Managing Director (appointed on 9 September 2020)
John D'Angelo - Non-Executive Director (appointed on 6 October 2020)
John Wilson - Managing Director (resigned on 9 September 2020)
Mario Vecchio - Non-Executive Director (resigned on 6 October 2020)

Review of operations
Through on-going technology investment and a commitment to building market awareness, TZ has worked hard to establish a differentiated technology leadership position with best-in-class hardware and software. Today, this position is validated by the consolidated entity's impressive global client base of well-known market and brand leaders across several industry sectors including corporate, residential, educational, logistics and data centre markets.

With the advent of COVID-19 and the associated impact on businesses and on the business environment, Peter Graham, Chairman of TZ, prudently initiated several business changes to stop on-going losses and to fast track the achievement of profitable business growth. Scott Beeton was appointed as Group Chief Executive Officer in March 2020 and then took over from John Wilson as Managing Director at the end of John's contracted term, allowing John to focus on building new business and new application opportunities for the consolidated entity. Simon Van Es joined in May 2020 as Group Chief Operating Officer to further strengthen the executive team. Rounding out the changes, the board was further reorganised with John D'Angelo joining Peter and Scott on the board in the first half of this financial year.

Under the new leadership, the business was right-sized and stream-lined with the goal of reducing fixed annual costs by $2 million to ensure its future viability. Changes included:
- Closing of the Brisbane office and centralising engineering functions out of the Sydney CBD head office.
- Reducing senior executive and management salaries.
- Reducing headcount across the business.
- Investing in new global systems to remove duplication across the business.
- Prioritising capital expenditure towards important product updates such as the upgrade of TZ's Data Centre Security Software Platform, Centurion Enterprise, and the release of TZ's new Smart Work locker system to enable expansion of our customer base to small to medium enterprise customers.
- Prioritising capital expenditure on various global management systems such as for sales and CRM, inventory and resource planning, and a new global accounting system. This new operating platform is not only improving efficiencies but is also providing a foundation for new growth and importantly, transparency and accountability over the key functional areas of the business. This will allow TZ to continue to improve the effectiveness of its centralised operations, product development and head office functions out of Sydney, Australia.
- Focusing on new business opportunities in Europe with Chief Technology Officer Adam Forsyth relocating to the UK to pursue identified growth opportunities with Ricoh Europe and new distribution partners.
- Changing reporting lines of the marketing, finance and operations teams based on functional rather than regional management to reduce role duplication and complexity across the regions.

As a result of these changes and despite the challenges and business disruptions with COVID-19, the consolidated entity has achieved growth in revenue and delivered a substantial improvement in its operating performance for the first half of this fiscal year.

For the reporting period, the consolidated entity recorded:
- A revenue result of $8.6M for the half year to 31 December 2020, an increase of 8% from $8.0M for the previous half year.
- A positive EBITDA result of $0.2M, a significant turn-around from the EBITDA loss of $1.3M last year.
- An overall loss for the period after providing for income tax of $0.7M, which is a 70% improvement on last year's loss of $2.2M. The net loss included several one-off expenditures relating to uncapitalised product development, upgrades to business systems and restructuring costs.

Overhead expenses in the half year were lower than the prior half year by $1.0M due mostly to the consolidated entity's restructure program. Half of the overhead expense reduction was due to lower employee costs.

TZ received $242,000 of COVID-related government support in this half year.

The company drew down $250,000 of its debenture facility with First Samuel in July and subsequently converted this amount plus interest into shares, following approval by shareholders at the company's AGM.

Sales Overview
COVID-19 continues to re-shape work practices as organisations are effectively forced to embrace employee mobility and flexibility in the workplace. On the one hand, the effective market-wide end of fixed workplace attendance is driving demand for systems that can offer agility and flexibility, and also address the requirement for contactless interaction. As a result, TZ has seen a tangible increase in the number of smart locker opportunities for corporations, particularly small to medium enterprises, who are trying to come to grips with managing employee day storage, package management and IT asset distribution requirements. The number of opportunities and the aggregated size of those opportunities continue to fill the consolidated entity's deal pipeline, as demand for the consolidated entity's solutions grow. While this is positive, on the other hand, COVID-19 has also caused major delays in project implementation as many corporate and educational refurbishment projects have been either delayed, postponed or slow to proceed.

The half year revenue of $8.6M shows an 8% increase over the corresponding period in the previous year. When you take into consideration that last year's result is from a pre-COVID business environment, this year's improvement reinforces the increased demand for the consolidated entity's products. The consolidated entity has purchase orders in hand that it has been unable to recognise as revenue, owing to delays to delivery and deployment due to COVID-19.

Of particular note are the following achievements in the half year:
- the award by a global sports retailer for the supply of TZ Day Lockers to their new North American headquarters;
- the establishment of a supply relationship with one of the world's largest retailers to roll out click and collect lockers as a proof of concept in the US marketplace;
- the delivery and deployment of 130 click and collect lockers for a major South African bank who is pioneering contactless delivery of its debit and credit cards; and
- Specification of the consolidated entity's smart locker system for major day locker projects in Western Australia, Brisbane and Melbourne scheduled for supply in the coming 6 to 12 months.

The consolidated entity is also realising the opportunity to upgrade its existing installed technology base in both the data centre environment and with smart locker network customers. Many of the consolidated entity's largest customers have deployments that date over 5 to 7 years. These systems are now due for major hardware and operating system upgrades. Upgrade programs are either underway or customers are budgeting for upgrades in Australia, US and Singapore, including the potential to migrate these systems to new cloud hosted software subscription models. The on-going and progressive upgrade of the current installed base will underpin our annual revenue streams. For example, 70% of our ASIAN revenue is due to predictable HW upgrades, annuity maintenance, and annual support services.

The opportunity to offer cloud-based solutions will also increase everyday revenues and annual recurring revenues (ARR). Annual recurring revenues for the first half of the year was A$1M, a 16% increase over equivalent revenues in the comparative period in the previous year. Our proactive push towards hosted subscription-based software-as-a-service (SaaS) offerings and annual maintenance services will continue to have a significant impact on the annuity growth rate, particularly as the consolidated entity converts its many perpetual software licensees to service-based subscriptions.

Technology Update
The consolidated entity has continued to invest in hardware and software product and technology extensions in an endeavour to maintain a strong leadership position in the market.

Of particular note are the following:
- Extension of the consolidated entity's Gateway technology that enables TZ to manage and control third-party electronic locking devices. This initiative has been expanded to support the application of TZ Software to control competitor lock and locker systems. This extends the addressable market for TZ and allows for customers to convert their existing locker infrastructure to TZ controlled systems without a major overhaul of their sunk investment.
- The launch of Centurion Enterprise, a major architectural upgrade of TZ's Centurion Server Software that incorporates the new Gateway and SmartBus technology. This major upgrade allows TZ to establish a more robust, scalable, and secure platform for its DC Cabinet Security products that is capable of better meeting the latest security standards and communication protocols.
- The launch of the SmartWork platform, a multi-tenanted cloud-based locker management solution that is designed specifically for small to medium corporations, who are seeking an easy to adopt, "pay-by-month" multi-utility locker system.

Operations Update
In addition to investment in technology, the consolidated entity also invested in the major upgrade of its business systems covering improved and more efficient tools for Sales Management, CRM, Marketing, Service, Finance, Supply Chain and Project Implementation.

The Sales Management, CRM, Marketing and Service tools have been implemented successfully to date and the Finance, Supply Chain and Project implementations are underway and will be completed in the next six months.

These tools have been diligently adopted across the consolidated entity and are a part of standard operating practice which is being embraced by all employees. The improved discipline, transparency, automation, accountability, and reporting enabled by these tools have revolutionised how TZ conducts its business and has allowed far greater visibility and control on driving sales and marketing effectiveness and to improving the quality of our support services in meeting customer expectations.

We expect to see on-going improvements to the way we operate which should manifest in on-going cost and efficiency gains.

Outlook
A pleasing first half year result demonstrates that TZ is on track to meet its objective to trade cashflow positive in the near term. Uplift in demand, revenue growth, operational efficiency gains and increasing contribution from annuity revenue lay a very positive foundation for the future of the consolidated entity.

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

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

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

Matters subsequent to the end of the financial half-year
On 7 January 2021, the company issued 2,000,000 fully paid ordinary shares at an issue price of $0.09 per share to an institutional investor.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and 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 31 December 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.

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

Scott Beeton
Managing Director

26 February 2021
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 2020, there have been:

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

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

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

26 FEBRUARY 2021
BRISBANE

PKF Brisbane Audit ABN 33 873 151 348
Level 6, 10 Eagle Street, Brisbane, QLD 4000 | GPO Box 1568, Brisbane, QLD 4001 | T: +61 7 3839 9733
Brisbane | Rockhampton www.pkf.com.au

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

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 26 February 2021.

TZ Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Revenue from contracts with customers	3	8,620,442	7,975,914
Other income	4	922,771	-
Interest revenue calculated using the effective interest method		4,970	686
Expenses			
Raw materials and consumables used		(4,810,126)	(3,741,951)
Employee benefits expense		(3,476,422)	(3,936,798)
Occupancy expense		(95,944)	(66,227)
Depreciation and amortisation expense		(419,334)	(388,299)
Communications expense		(51,670)	(86,893)
Professional and corporate services		(333,732)	(392,672)
Travel and accommodation expense		(53,041)	(459,466)
Net foreign exchange losses		(46,408)	(53,186)
Other expenses		(488,793)	(518,613)
Finance costs		(447,535)	(502,874)
Loss before income tax benefit		(674,822)	(2,170,379)
Income tax benefit		4,137	-
Loss after income tax benefit for the half-year attributable to the owners of TZ Limited		(670,685)	(2,170,379)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		130,798	(43,576)
Other comprehensive income/(loss) for the half-year, net of tax		130,798	(43,576)
Total comprehensive loss for the half-year attributable to the owners of TZ Limited		(539,887)	(2,213,955)
		Cents	**Cents**
Basic earnings per share	18	(0.72)	(3.06)
Diluted earnings per share	18	(0.72)	(3.06)

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 2020

	Note	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Assets			
Current assets			
Cash and cash equivalents		596,915	1,043,158
Trade and other receivables	5	2,247,511	2,120,702
Contract assets		181,463	325,042
Inventories		1,509,845	1,597,756
Other assets	6	828,486	759,544
Total current assets		5,364,220	5,846,202
Non-current assets			
Property, plant and equipment		216,628	275,951
Right-of-use assets	7	29,931	62,350
Intangibles	8	1,657,430	1,845,580
Total non-current assets		1,903,989	2,183,881
Total assets		7,268,209	8,030,083
Liabilities			
Current liabilities			
Trade and other payables	9	2,250,237	2,537,934
Contract liabilities		2,018,252	2,293,752
Borrowings	10	11,476,579	-
Lease liabilities		32,773	65,648
Provisions		503,871	662,996
Total current liabilities		16,281,712	5,560,330
Non-current liabilities			
Borrowings	11	603,133	11,824,625
Total non-current liabilities		603,133	11,824,625
Total liabilities		16,884,845	17,384,955
Net liabilities		(9,616,636)	(9,354,872)
Equity			
Issued capital	12	212,680,522	212,426,391
Reserves		(4,134,496)	(4,275,193)
Accumulated losses		(218,162,662)	(217,506,070)
Total deficiency in equity		(9,616,636)	(9,354,872)

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 2020

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2020	212,426,391	(4,275,193)	(217,506,070)	(9,354,872)
Loss after income tax benefit for the half-year	-	-	(670,685)	(670,685)
Other comprehensive income for the half-year, net of tax	-	130,798	-	130,798
Total comprehensive income/(loss) for the half-year	-	130,798	(670,685)	(539,887)
Transactions with owners in their capacity as owners:				
Share-based payments	-	23,992	-	23,992
Contributions of equity, net of transaction costs	254,131	-	-	254,131
Options cancelled during the period	-	(14,093)	14,093	-
Balance at 31 December 2020	212,680,522	(4,134,496)	(218,162,662)	(9,616,636)

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 2020

	Note	Consolidated 31 Dec 2020 $	31 Dec 2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,528,512	8,945,115
Payments to suppliers and employees (inclusive of GST)		(9,753,365)	(10,775,568)
		(1,224,853)	(1,830,453)
Interest received		4,970	686
Government grants received		859,262	-
Interest and other finance costs paid		(119,527)	(502,874)
Income taxes refunded		4,137	-
Net cash used in operating activities		(476,011)	(2,332,641)
Cash flows from investing activities			
Payments for property, plant and equipment		(5,484)	(45,831)
Payments for intangibles	8	(162,542)	(645,815)
Net cash used in investing activities		(168,026)	(691,646)
Cash flows from financing activities			
Proceeds from issue of shares		256,915	753,779
Share issue transaction costs		(2,784)	-
Proceeds from borrowings		-	3,000,000
Repayment of lease liabilities		(32,875)	(140,005)
Net cash from financing activities		221,256	3,613,774
Net (decrease)/increase in cash and cash equivalents		(422,781)	589,487
Cash and cash equivalents at the beginning of the financial half-year		1,043,158	535,269
Effects of exchange rate changes on cash and cash equivalents		(23,462)	(2)
Cash and cash equivalents at the end of the financial half-year		596,915	1,124,754

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 2020 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 2020 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 2020, the consolidated entity incurred a net loss after tax of $670,685 (31 December 2019: $2,170,379) and a cash outflow from operating activities of $476,011 (31 December 2019: $2,332,641). As at 31 December 2020, the consolidated entity had a net current asset deficiency of $10,917,492 (30 June 2020: net current assets of $285,872) and net liabilities of $9,616,636 (30 June 2020: $9,354,872).

While the consolidated entity incurred losses for the financial half-year ended 31 December 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 and break-even in the short term, the generation of positive cash flows, the continued support of shareholders and lenders, particularly First Samuel Limited, and the ability of the consolidated entity to raise additional share capital as and when required in the future.

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

Note 2. 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.

Note 2. Operating segments (continued)

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').

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

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

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

Operating segment information

Consolidated - 31 Dec 2020	Australia $	USA $	EMEA $	Asia $	Other segments $	Total $
Revenue						
Sales to external customers	769,118	4,703,617	2,700,154	447,553	-	8,620,442
Intersegment sales	239,151	65,148	-	-	-	304,299
Total sales revenue	1,008,269	4,768,765	2,700,154	447,553	-	8,924,741
Interest	4,970	-	-	-	-	4,970
Total segment revenue	1,013,239	4,768,765	2,700,154	447,553	-	8,929,711
Intersegment eliminations						(304,299)
Total revenue						8,625,412
Adjusted EBITDA	(14,428)	(235,648)	967,390	199,582	(729,819)	187,077
Depreciation and amortisation						(419,334)
Interest revenue						4,970
Finance costs						(447,535)
Loss before income tax benefit						(674,822)
Income tax benefit						4,137
Loss after income tax benefit						(670,685)

Note 2. Operating segments (continued)

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

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

Geographical information

	Geographical non-current assets	
	31 Dec 2020 $	30 Jun 2020 $
Australia	1,674,769	1,904,518
United States of America	220,895	268,307
United Kingdom	6,381	8,426
Singapore	1,944	2,630
	1,903,989	2,183,881

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 3. Revenue from contracts with customers

	Consolidated	
	31 Dec 2020 $	31 Dec 2019 $
Sales and services revenue	8,620,442	7,975,914

Note 3. Revenue from contracts with customers (continued)

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

	Consolidated	
	31 Dec 2020 $	31 Dec 2019 $
Major product lines		
Sale of hardware and software	6,814,515	6,108,487
Installation and commissioning services	554,814	521,074
Maintenance and support services	1,017,243	991,489
Professional services	233,870	354,864
	8,620,442	7,975,914
Timing of revenue recognition		
Goods transferred at a point in time	7,603,199	6,984,425
Services transferred over time	1,017,243	991,489
	8,620,442	7,975,914

Refer to note 2 for details of revenue disaggregated by geographical regions.

Note 4. Other income

	Consolidated	
	31 Dec 2020 $	31 Dec 2019 $
Government grants - Research and development incentive	617,150	-
Government grant - JobKeeper	192,112	-
Government grant - Cash Boost	50,000	-
Other income	63,509	-
Other income	922,771	-

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 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 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 5. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2020	30 Jun 2020
	$	$
Trade receivables	2,232,001	2,018,818
Other receivables	-	75,000
Goods and services tax receivable	15,510	26,884
	2,247,511	2,120,702

Note 6. Current assets - other assets

	Consolidated	
	31 Dec 2020	30 Jun 2020
	$	$
Prepayments and deferred expenses	750,928	617,904
Security deposits	6,005	62,920
Other deposits	71,553	78,720
	828,486	759,544

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

	Consolidated	
	31 Dec 2020	30 Jun 2020
	$	$
Right-of-use assets	87,624	193,058
Less: Accumulated depreciation	(57,693)	(130,708)
	29,931	62,350

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 8. Non-current assets - intangibles

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
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	2,705,918	2,709,165
Less: Accumulated amortisation	(761,309)	(757,732)
Less: Impairment	(1,786,542)	(1,786,542)
	158,067	164,891
Development costs - at cost	10,592,886	10,445,607
Less: Accumulated amortisation	(4,592,523)	(4,263,918)
Less: Impairment	(4,501,000)	(4,501,000)
	1,499,363	1,680,689
	1,657,430	1,845,580

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 2020	164,891	1,680,689	1,845,580
Additions	15,263	147,279	162,542
Exchange differences	(18,510)	-	(18,510)
Amortisation expense	(3,577)	(328,605)	(332,182)
Balance at 31 December 2020	158,067	1,499,363	1,657,430

Note 9. Current liabilities - trade and other payables

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Trade payables	1,680,860	1,920,932
Employee expense payables	81,040	71,762
Other payables	488,337	545,240
	2,250,237	2,537,934

Note 10. Current liabilities - borrowings

	Consolidated	
	31 Dec 2020	**30 Jun 2020**
	$	**$**
Loan - First Samuel	11,000,000	-
Loan - First Samuel - capitalised interest	476,579	-
	11,476,579	-

Refer to note 11 for further information on borrowings.

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2020	**30 Jun 2020**
	$	**$**
Loan - First Samuel	-	11,000,000
Loan - First Samuel - capitalised interest	-	148,571
Loan - PPP	603,133	676,054
	603,133	11,824,625

Loan - First Samuel
The loan comprises of a facility from First Samuel Limited totalling $11,500,000 (30 June 2020: $11,500,000). The facility comprises of four tranches.

First tranche
The first tranche comprises of a $3,000,000 facility (30 June 2020: $3,000,000). The interest rate applicable to this tranche is 90 day BBSW plus 6% per annum. For the period from 1 November 2019 to 30 June 2020, interest on the drawn facility was capitalised. Outside of this period interest is payable six 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 2020: $8,000,000). The interest rates applicable to this tranche are 90 day BBSW plus 9% per annum on $5,000,000 and 90 day BBSW plus 6% per annum on $3,000,000. For the period from 1 November 2019 to 30 June 2020, the drawn facility was interest free and for the period from 1 July 2020 to 30 December 2020, interest on the drawn facility was capitalised. Outside of these periods, interest is payable six monthly in arrears. The second tranche matures on 31 July 2021.

Third tranche
The third tranche comprises of a drawn facility of $250,000 (undrawn at 30 June 2020). The facility was drawn in July 2020 and subsequently converted into ordinary shares in November 2020 following approval by shareholders at the Company's AGM held on 4 November 2020. This facility is not available to be drawn down again.

Fourth tranche
The fourth tranche comprises of an available facility of $250,000 (undrawn at 30 June 2020). If drawn, the tranche matures on 30 April 2021. The interest rate applicable to this tranche is 90 day BBSW plus 9% per annum, payable on maturity date.

Of the total facility drawn down at 31 December 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.

Note 11. Non-current liabilities - borrowings (continued)

As at 31 December 2020, the consolidated entity has drawn $11,250,000 (30 June 2020: $11,000,000) of the total $11,500,000 facility (30 June 2020: $11,500,000) and converted $250,000 of the drawn facility into shares. The facilities are secured by first ranking security interest over the assets of the consolidated entity.

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 an interest rate of 1% per annum.

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2020 Shares	**30 Jun 2020 Shares**	**31 Dec 2020 $**	**30 Jun 2020 $**
Ordinary shares - fully paid	94,172,412	91,725,605	212,680,522	212,426,391

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2020	91,725,605		212,426,391
Issue of shares	31 October 2020	2,446,807	$0.1050	256,915
Less: share issue costs		-	$0.0000	(2,784)
Balance	31 December 2020	94,172,412		212,680,522

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

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

Note 13. Equity - dividends

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

Note 14. Fair value measurement

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

Note 15. Contingent assets

There are no contingent assets at 31 December 2020 and 30 June 2020.

Note 16. Contingent liabilities

There are no contingent liabilities at 31 December 2020 and 30 June 2020.

Note 17. Related party transactions

Parent entity
TZ Limited is the parent entity.

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

	Consolidated	
	31 Dec 2020 $	31 Dec 2019 $
Payment for other expenses:		
Interest paid/(payable) to First Samuel Limited - an entity with significant influence	435,767	473,101

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

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Current payables:		
Interest payable to First Samuel Limited - an entity with significant influence	16,339	-

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

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Current borrowings:		
Interest bearing loan from First Samuel Limited - an entity with significant influence	11,476,579	-
Non-current borrowings:		
Interest bearing loan from First Samuel Limited - an entity with significant influence	-	11,148,571

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

Note 18. Earnings per share

	Consolidated	
	31 Dec 2020	31 Dec 2019
	$	$
Loss after income tax attributable to the owners of TZ Limited	(670,685)	(2,170,379)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	92,550,072	70,913,655
Weighted average number of ordinary shares used in calculating diluted earnings per share	92,550,072	70,913,655
	Cents	Cents
Basic earnings per share	(0.72)	(3.06)
Diluted earnings per share	(0.72)	(3.06)

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

Note 19. Events after the reporting period

On 7 January 2021, the company issued 2,000,000 fully paid ordinary shares at an issue price of $0.09 per share to an institutional investor.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and 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 31 December 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
31 December 2020

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 2020 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

Scott Beeton
Managing Director

26 February 2021
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 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the company and the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020, 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.

PKF Brisbane Audit ABN 33 873 151 348
Level 6, 10 Eagle Street, Brisbane, QLD 4000 | GPO Box 1568, Brisbane, QLD 4001 | T: +61 7 3839 9733
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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 $670,685 and net operating cash outflows of $476,011 during the half year ended 31 December 2020. The consolidated entity has recorded a net current asset deficiency of $10,917,492 as at 31 December 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.

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 Responsibility 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 2020 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 BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

26 FEBRUARY 2021
BRISBANE