17 October 2014

Lodged by ASX Online

The Manager
Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney, NSW 2000

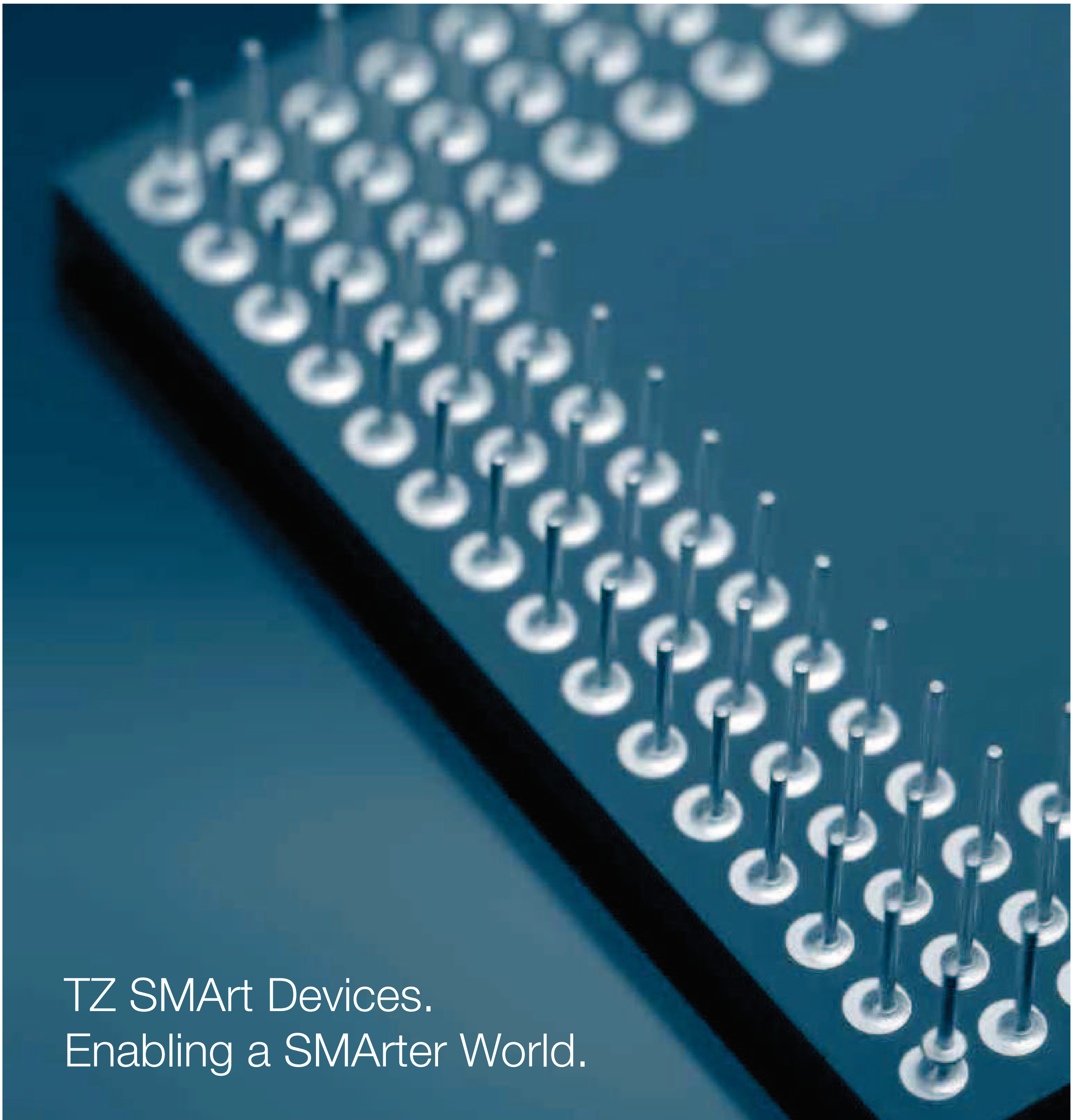
Dear Sir/Madam

2014 ANNUAL REPORT

TZ Limited (the "**Company**") advises that the attached 2014 annual report was dispatched to shareholders today.

Yours faithfully,
TZ LIMITED

Kenneth Ting
Executive Director and Company Secretary



TZ SMArt Devices.
Enabling a SMArter World.

TZ Limited

Annual Report 2014

> Singapore Post's POPStation, Singapore.

TZ® Limited

Contents

Chairman's Letter

Dear Shareholders,

This time last year I stated that anything short of extraordinary growth for TZ would be an unacceptable outcome for the Company. For the first time since my appointment as Executive Chairman of TZ Limited, I am incredibly pleased to say that 2014 was a milestone year for us. The hard work and challenges that we have faced and overcome in previous years are starting to bear the results that we have systematically been working towards. In years to come, I am sure that 2014 will be seen as a pivotal time for the Company.

The growth we have experienced has been phenomenal and demonstrates the strength of our business model, our ability to win in a competitive global marketplace and to be recognised as the leading technology solution provider in the segments that we have chosen to participate in.

The achievements were significant:

> Exponential growth in our IXP and PAD businesses, respectively 100% and 288% growth on last year;

> Maintaining a gross margin of 50% of sales in a competitive market environment categorised by tender submissions, multi-year supply contracts and volume price negotiations;

> Expanding sales into new geographies such as South America and the Middle East and the establishment of new distribution in Africa and Asia;

> Building an impressive portfolio of globally recognised corporate customers who have adopted our technology and now provide a solid track record of credible product performance in the market;

> Acquiring Infinity Design and investing ahead of the curve in new product development and product improvements to create solutions that our customers truly value;

> Increasing our capability to expand our software offerings and grow our on-going software licensing and maintenance annuity business;

> Establishing the foundations for Asian based sourcing, supply chain management and contract manufacturing to substantially improve our on-going cost base; and

> Successfully securing the conversion of the QVT convertible notes to equity to enable the Company for the first time since 2009, to be debt free and with a markedly improved balance sheet.

> Chairman and Executive Director Mark Bouris with Singapore Post's POPStation, Singapore.

This Company is extremely well positioned to benefit from the global growth trends we see in E-commerce and Cloud Computing. Our IXP and PAD businesses are closely aligned to both of these market trends and are rapidly gaining market share on a global scale and succeeding as leading solutions in each of these sectors.

We are creating a 'pure IT', capital light, high return business model through our investment in proprietary software offerings that embed us in our customer's infrastructure, workplaces and business activities. Not only does this mean multi-year supply and underpins on-going annuity revenues through licensing and maintenance strategies but it also ensures that the barriers of entry for our competition are extremely high.

The success of our IXP and PAD business on the world stage is giving us well deserved market and technology recognition and as a result, the Company is starting to attract possible partnership and licensing opportunities that can help to expand market adoption. These opportunities will continue to develop as we become more relevant and strategic to our customers and I am excited by the prospect of the commercial possibilities that could lie ahead.

I have always maintained a strong belief that the ingredients for success for this Company lie with our people and our technology.

Over the last five years we've worked hard to build both areas. The results this year could not have been achieved without the investment in new product development and innovation and the dogged determination of our people.

To our Shareholders, thank you for your patience and the trust you continue to place in us. To my fellow Directors, thank you for your on-going support, commitment and contribution. To our Management and Operational Teams, thank you for your talent, discipline and focus to make it happen for our Customers.

Finally, in memory of Dickory Rudduck, the founder of our Company, thank you for your foresight and vision, and for the rich intellectual property portfolio that will continue to serve this Company well for many years to come.

In closing, I'd like to reiterate the words from my first address to Shareholders in 2010.

"I am excited about the future and I am privileged to be involved in what I consider to be an extraordinarily bright future for this Company."

Mark Bouris

Directors' Report

TZ® Limited

GENERAL OVERVIEW

Looking back over the 2014 year, there have been a number of significant events that have laid the foundation for the tremendous growth that the business has experienced. Several of these events also underpin the ongoing growth that is anticipated for 2015 given the nature of the project deployment schedules, which will run across multiple periods.

From a sales perspective, we saw major contract wins for both our data centre security and intelligent locker businesses. These wins demonstrate that TZ's product offers are being recognised by the market as the leading technology solution and that we have a very clear and compelling value proposition over the competition in these segments.

Many of these supply contracts have come through lengthy tender processes where TZ has been evaluated against the competition and come out on top. Despite the competitive environment, the Company has also been able to maintain a healthy gross margin of 50% on our sales, demonstrating that the business is being won on value and not on price.

Over the last five years we have listened to our customers and systematically developed, launched and enhanced our various hardware and software offerings. We have delivered solutions that now stand out amongst the competition. The large list of major corporate clients that have adopted our technology and purchased our products is testimony to the competitive position that we have built through our investment in new product development and improvements.

Furthermore, as we gain recognition, build market share and position ourselves strongly in these chosen segments, the Company is starting to attract new areas of opportunity including possible partnerships and licensing opportunities that can help expand market adoption. It is envisaged that these opportunities will continue to grow particularly as our businesses become more relevant and strategic to our customers.

"Over the last five years we have listened to our customers and systematically developed, launched and enhanced our various hardware and software offerings."

> OUR Pad home delivery system.

> Pos Indonesia parcel delivery lockers, Indonesia.

> Macquarie Telecom data centre installation, Sydney Australia.

As the Company cements its position as a technology leader, the solid foundation we have built will allow us to revisit previous areas of participation such as aerospace, defence and automotive and to begin pursuing the myriad of applications that are emerging as the internet of things and smart devices becomes an important part of today's reality.

> Westpac Bank corporate day lockers, Kent Street Sydney.

Directors' Report

infrastructure
protection

IXP BUSINESS REVIEW

The securing of major wins with deal sizes in the $500,000 to $1 million range is a clear signal that our solutions are now being fully embraced and adopted by governments, corporates and major data centre operators. There were two very large IXP contracts that were announced this year, one securing supply to a major defence agency project in Europe and the other, our largest order to date, for a new South American data centre facility.

This year saw committed expansion into Asia and Africa where we have now appointed new distribution partners. The appointment of these distributors not only expands our geographic coverage but also validates the global nature of our offering. Asia, in particular, is a very important market for new growth. The Asian data centre capacity is forecast to grow by 40% in the near term and the Company is leveraging its strong base of reference customers in the Americas, Europe and Australia to push and establish its credentials in Asia.

This year, there were three key initiatives to support our IXP offering.

The development of our TZ SwingHandle™ product has been a major focus for the Company. We initially communicated our intentions with the SwingHandle™ back in late 2012 and despite an extended development program, we have now launched phase one of the product, which is the mechanical swing handle lock. The electronic upgrade module will follow early next year after certification testing is completed. Several OEM customers are in the process of evaluating the product and we are confident that we will see our first sales of this new product before the end of this calendar year.

Work has also been done on developing our software product offers in terms of both embedded firmware in our hardware components and in the application software, our Centurion™ Server offering.

"The securing of major wins with deal sizes in the $500,000 to $1 million range is a clear signal that our solutions are now being fully embraced and adopted by governments, corporates and major data centre operators."

> NextDC server cabinets with SlideHandle™ security.

> TZ Centurion™ Server software.

These upgrade releases have systematically addressed the feedback and requests from customers and the Company firmly believes that we have a comprehensive set of functionality in place that puts our offering in a very favourable light. In fact, we've seen an increasing proportion of software sales as a percentage of total contract value in the last year, which goes to underpinning growth in our annuity revenue.

> TZ IXP Praetorian™ Junction installation.

These software sales also create opportunities for support and service packages that we have now formalised as our third key initiative. These new service offerings will provide new and potentially substantial on-going revenues.

Directors' Report

packaged asset delivery

PAD BUSINESS REVIEW

The PAD business experienced some serious sales momentum this last year, categorised by a number of significant events. In just 12 months, the Company has gone from a few lockers in Singapore and a growing number in the USA, to launching our own Parcel Locker Network in Australia – the ADAM Network, Parcel Lockers in Indonesia for Pos Indonesia, Parcel Lockers in Italy for Poste Italiane, dozens of Corporate Lockers with the biggest names in the tech world across the USA, the launch of Corporate Day Lockers in Australia and over 120 tonnes of Parcel Lockers with integrated payment systems in 60 locations around Singapore. Each of these events establishes a new building block of growth for the PAD business.

To elaborate, the Company successfully delivered a total end-to-end hardware and software locker solution for Singapore Post, prompting the expansion of the initial pilot program to a national roll-out of 100 locker banks to be completed by December of this year. This is a multi-year program with phased service offerings involving on-going expansion of the network.

The Company backed up the winning of the Singapore Post tender and won the supply contracts to deliver end-to-end solutions for Pos Indonesia, Poste Italiane and a major logistics and transportation company in the US. This demonstrates that we are on the radar screen of postal and logistics organisations around the world and we can compete and win against recognised parcel locker providers in this segment.

The corporate locker business in the US achieved major wins with sales to the large university and college market underpinning a new sector of growth opportunity. Even more significant is that our Intelligent Locker Systems are fast becoming the solution of choice in the US Corporate Sector with adoption by major corporations that are well known global brands in the technology, IT and financial services sectors.

In Australia, the Company successfully launched our day locker offering to the corporate market and secured specification as Westpac's preferred solution. This has led to the first purchase orders for Westpac facilities, namely their new offices at Collins Street in Melbourne and the initial floor at Kent Street in Sydney.

"The Company backed up the winning of the Singapore Post tender and won the supply contracts to deliver end-to-end solutions for Pos Indonesia, Poste Italiane and a major logistics and transportation company in the US."

> Singapore Post's POPStation console-free mobile app.

The Company has also seen the ADAM Locker Network continue to rollout across several pilot locations in metro Sydney, Melbourne and Brisbane albeit slower than originally anticipated. This initiative has had to take second place to our core business growth due to bandwidth and resourcing. However the Company is continuing to expand the service offerings for couriers, businesses and property partners and is actively pursuing a strategy for broader rollout.

In the PAD business, product development has been focused on expanding our software offerings. Our differentiating feature in the Intelligent Locker arena is our software and technology capability. The expansion of the current offerings to the day locker, corporate mail and postal services arenas puts us in a wonderful position of having a multi-faceted and versatile platform capable of delivering a diverse set of market needs. It's worth noting that for every locker bank that the Company sells, we sell multiple software licenses and on-going software maintenance.

TZ has also invested in expanding its software offering into the mobile platform with the launch of two new applications for use with SMArt Lockers.

> Poste Italiane parcel delivery locker bank trial, Rome Italy.

These mobile applications offer the ability for consumers to use their smart phones to remotely open lockers to retrieve their parcels and to make reservations to the Locker Network.

In the last year, our sales have grown significantly. To meet this demand, we are by necessity, moving into a new era of contract manufacturing and production at a scale that the Company has not seen previously. Coupled with this is the logical transition of manufacturing and sourcing to Asia to improve our cost base. This represents a major initiative for the Company for 2015 and will deliver a cost effective production platform that is scalable for the future.

Directors' Report

Infinity

INFINITY BUSINESS REVIEW

Infinity has had a year of growth and change since its acquisition in August 2013. Although there is a long and close association with TZ as an Infinity customer over a period of almost 10 years, this year has been a new experience for the Infinity team, focused on a new way of working, with tighter cross company team integration and the building of a much closer collaboration on TZ's business and development projects. At an organisational level, staff numbers have grown with the appointment of more senior design and project management resources to better support the growing product development requirements of the TZ business and to enhance on-going delivery of design and development services to Infinity's external customers.

This past year, Infinity has been instrumental in assisting TZ on a number of new design initiatives in support of the key product lines. PAD development work includes the design of the new corporate day locker offering and new custom design extensions for the postal sector. These include design and integration of payment systems, label printers, drop box chutes, registered postal systems, vending solutions and freestanding locker options. On the IXP side, development has been focused on the TZ SwingHandle™ project, together with improvements to the TZ SlideHandle™ product and the development of a new Push Radial for data centre cabinet side panels, a specific requirement for one large contract.

The transition of TZ manufacturing to Asia has also been a big focus for the Infinity team. This initiative should start to make an impact on the TZ business in terms of increased production capacity and manufacturing cost savings in early 2015.

Although industrial design and engineering are core capabilities, the development of a dedicated visual communication and graphic design capability has expanded the internal skillset and provided a significant boost to the quality of TZ proposals and submissions and to the overall presentation of the Infinity business. This capability has also supported improvements to user experience software development through better graphical user interface design.

"Supporting TZ with its several contract wins and the winning of three major 2014 Good Design Awards in the consumer electronics and packaging sector has demonstrated in a very short timeframe of the clear value of the acquisition."

> Acoustic 3D Emergence AP4 – 2014 Good Design Award Winner (Consumer Electronics).

Infinity's loyal external client base continues to grow on the back of successful project deliveries, providing quality work and income for the business over the year. This retained base of clients provides a solid base load of design work that the Infinity business can rely on year on year.

Product manufacturing for Infinity clients is also starting to make a bigger impact on the income stream. The focused promotion of these services to new clients should increase the sales value of each design project and also provide an opportunity for on-going annuity revenue. Royalty based customer arrangements are also starting to yield good returns as new product sales are starting to show good growth with increased market traction. The focus on expanding the customer base, building a broader scope of services and the push to on-going product based manufacturing support should continue to support the growth in Infinity revenues moving forward.

A year of change for Infinity, but one of excitement and growth opportunities. Supporting TZ on several contract wins and achieving three major 2014 Good Design Awards in the consumer electronics and packaging sector has demonstrated, in a very short timeframe, the clear value of the acquisition.

> Industrial product prototyping and assessment.

> Product testing and development team meeting.

> OUR Pad home delivery system.

2014 Financial Statements

TZ Limited

TZ Limited
Corporate directory
30 June 2014

Directors	Mark Bouris - Chairman Kenneth Ting Paul Casey
Company secretary	Kenneth Ting
Notice of annual general meeting	The annual general meeting of TZ Limited will be held at: Press Rooms - Lower Ground Floor Radisson Blu Hotel Sydney 27 O'Connell Street Sydney NSW 2000, Australia on Tuesday 18 November 2014 at 10:00 AM
Registered office	Level 11, 1 Chifley Square Sydney NSW 2000 Tel: +61 2 9222 8890
Principal place of businesses	TZ Limited and TZI Australia Pty Limited Level 11, 1 Chifley Square Sydney NSW 2000 Australia Telezygology Inc. 1017 W. Washington Blvd, Unit 2C Chicago IL 60607 USA TZI Singapore Pte Limited Centennial Business Suites, Suntec Tower 2, 9 Temasek Boulevard #29-01 Singapore 038989 Singapore
Share register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Tel: 1300 787 272 Fax: +61 3 9473 2500
Auditor	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney NSW 2000
Solicitors	Landerer & Company Level 31, 133 Castlereagh Street Sydney NSW 2000
Bankers	St George Bank Limited Level 3, 1 Chifley Square Sydney NSW 2000
Stock exchange listing	TZ Limited shares are listed on the Australian Securities Exchange (ASX code: TZL)
Website	www.tz.net TZ Limited's public website contains information regarding its products and the company, including an investor services section E-mail: info@tz.net

TZ Limited
Directors' report
30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of TZ Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors
The following persons were directors of TZ Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mark Bouris - Chairman
Kenneth Ting
Paul Casey

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. and TZI Australia Pty Limited ('TZI').

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

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $11,798,000 (30 June 2013: $23,204,000).

Further information on the review of operations, financial position and future strategies is detailed in Section One of the Annual Report.

Significant changes in the state of affairs
On 31 July 2013, the consolidated entity's wholly-owned subsidiary, Infinity Design Pty Limited, acquired certain assets and employees of Infinity Design Development Pty Limited for the total consideration transferred of $491,608 being $291,608 in cash and an issue of 1,719,690 fully paid ordinary shares at an agreed issue price of 11.63 cents per share.

In addition, the company agreed with QVT Fund LP and Quintessence Fund L.P. ('the QVT Funds') that the conversion price per ordinary share applying to all the outstanding convertible notes issued by the company to the QVT Funds would not be affected as a result of the issue of the new shares.

The consolidated entity entered into a binding Letter of Intent to convert convertible notes with a face value of $19,788,000 held by the QVT Funds and accrued interest of $4,223,000 on the convertible notes into new ordinary shares in the company. The new share issue of 136,536,768 shares was approved by shareholders in the Extraordinary General Meeting held on 17 February 2014.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Further information on the future strategies is detailed in Section One of the Annual Report.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

TZ Limited
Directors' report
30 June 2014

Information on directors

Name:	Mark Bouris
Title:	Executive Chairman
Qualifications:	BCom (UNSW), MCom (UNSW), HonDBus (UNSW), HonDLitt (UWS), FCA
Experience and expertise:	Mark Bouris is the Executive Chairman of TZ Limited and has over 25 years' experience in the finance and property sectors. Mark is also the Executive Chairman of Yellow Brick Road, Non-Executive Chairman of Anteo Diagnostics Limited and a board member of the Sydney Roosters. He is an Adjunct Professor at the University of New South Wales Australian School of Business and he sits on boards for the University of NSW Business Advisory Council and the University of Western Sydney Foundation Council. Mark is also the author of three business and finance books.
Other current directorships:	Executive Chairman of Yellow Brick Road Holdings Limited (ASX: YBR) and Chairman of Anteo Diagnostics Limited (ASX: ADO).
Former directorships (last 3 years):	Chairman of Serena Resources Limited (until January 2014)
Special responsibilities:	None
Interests in shares:	2,831,951 ordinary shares
Interests in options:	10,500,000 options over ordinary shares

Name:	Kenneth Ting
Title:	Executive Director and Company Secretary
Qualifications:	BCom, BLaw, CA
Experience and expertise:	Kenneth Ting has a background in accounting, law and investment banking with a focus on the commercialisation of technology and public and private equity raisings. Kenneth joined Deutsche Bank in 1997 after 4 years at PricewaterhouseCoopers Corporate Finance and Tax division. He was Vice President of Technology Investment Banking at Deutsche Bank and worked in Deutsche Bank's Sydney, San Francisco and London offices. Kenneth has a passion for technology and has worked with technology companies throughout his career. He has been involved in the completion of over $5 billion in M&A, private equity and IPO assignments in Australia, USA and Europe. His industry specialisation is in the electronics manufacturing, software, IT services, telecommunication and Internet sectors.
Other current directorships:	Non-Executive Director of Serena Resources Limited (from 27 May 2011)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,391,446 ordinary shares
Interests in options:	9,750,000 options over ordinary shares

Name:	Paul Casey
Title:	Non-Executive Director
Experience and expertise:	Paul Casey brings over 30 years' experience in international travel and tourism and early stage investing. Paul was President and Chief Executive Officer ('CEO') of Hawaiian Airlines, a New York Stock Exchange ('NYSE') listed company, from 1997 until 2002. Prior to that he led the Hawaii Visitors and Convention Bureau ('HVCB') as President and CEO and he held a succession of senior management positions with Continental Airlines and Thomas Cook. Paul has run a travel software start-up in Bangkok, was the CEO of an investment firm focussed on rolling up travel-related businesses in China and was involved in restructuring a number of travel and tourism projects. He is also an investor and adviser to several Hawaii early stage companies and since 2011 has been on the board of PDT.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	90,000 ordinary shares
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

TZ Limited
Directors' report
30 June 2014

Company secretary
Kenneth Ting is the company secretary and also a director of the company. See 'Information on directors'.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mark Bouris	12	12
Kenneth Ting	12	12
Paul Casey	12	12

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and key management personnel remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate demanding performance hurdles for variable executive remuneration.

The Board reviews and is responsible for the consolidated entity’s remuneration policies, procedures and practices.

The consolidated entity established a Director and Executive Equity Plan in 2009 to attract, retain, motivate and reward senior executives and directors (including non-executive directors) of the company (collectively the 'Participants') by issuing either or both rights and options to the Participants to allow the Participants to acquire fully paid ordinary class shares in the company upon exercising the rights or options, as the case may be. The exercise of each right or option entitles the holder of that right or option, as the case may be, to acquire one fully paid ordinary class share in the capital of the company.

Under the Director and Executive Equity Plan, the number of rights and options that may be issued to a Participant and the performance criteria and hurdles to be met prior to the issue or exercise of such Rights and Options is to be set by the board of directors of the company in reliance on the advice of an independent remuneration consultant.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board considers advice from shareholders, and takes into account the fees paid to non–executive directors of comparable companies, when undertaking the annual review process. Non-executive directors do not receive share options or other incentives.

ASX listing rules require that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The most recent determination was at the AGM held on 30 November 2006, where the shareholders approved an aggregate remuneration of $500,000.

Executive remuneration
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value for the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') includes long service leave and share-based payments. As noted above, a Director and Executive Equity Plan has been set up to reward executives based on long term incentive measures in the form of options and rights. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. Executives and other employees can be issued with options and rights to acquire shares in the company. The number and the terms of the options and rights issued are determined by the directors after consideration of the employee's performance and their ability to contribute to the achievement of the consolidated entity's objectives. Refer to the additional information section of the remuneration report for details of the last five years earnings and total shareholders return ('TSR').

Use of remuneration consultants
During the financial year ended 30 June 2014, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') and long-term incentives ('LTI') programs.

Voting and comments made at the company's 2013 Annual General Meeting ('AGM')
At the last AGM 93.1% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
The key management personnel of the consolidated entity consisted of the directors of TZ Limited and the following persons:
- William Leong - Chief Operating Officer of Telezygology Inc.
- Benjamin Ford - Regional Technical Manager of TZI Australia Pty Limited

TZ Limited
Directors' report
30 June 2014

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2014	Cash salary and fees $	Other $	Non-monetary $	Super-annuation $	Long service leave $	Options $	Total $
Non-Executive Directors:							
P Casey	81,708	-	-	-	-	-	81,708
Executive Directors:							
M Bouris	440,917	10,200	-	-	-	386,703	837,820
K Ting	346,435	6,000	-	-	-	386,703	739,138
Other Key Management Personnel:							
W Leong	163,417	-	12,161	4,085	-	-	179,663
B Ford	160,000	-	-	14,800	-	-	174,800
	1,192,477	16,200	12,161	18,885	-	773,406	2,013,129

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2013	Cash salary and fees $	Other $	Non-monetary $	Super-annuation $	Long service leave $	Options $	Total $
Non-Executive Directors:							
P Casey *	6,086	-	-	-	-	-	6,086
Executive Directors:							
M Bouris	440,917	10,200	-	-	-	176,134	627,251
K Ting	346,435	6,000	-	-	-	132,101	484,536
D Rudduck ***	198,243	-	7,481	-	-	-	205,724
Other Key Management Personnel:							
P Casey *	133,898	-	-	-	-	-	133,898
W Leong	146,071	-	10,812	3,652	-	-	160,535
B Ford **	85,833	30,000	-	7,725	-	-	123,558
M Schwartz ***	353,491	-	10,457	7,313	-	-	371,261
T Koehler ***	119,291	-	6,410	2,983	-	-	128,684
	1,830,265	46,200	35,160	21,673	-	308,235	2,241,533

* P Casey was appointed a Non-Executive Director on 27 May 2013 previously being a key management personnel.
** Appointed as a key management personnel during the financial year and remuneration is from date of appointment to 30 June 2013.
*** Resigned as a key management personnel during the financial year and remuneration is to date of resignation.

TZ Limited
Directors' report
30 June 2014

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2014	2013	2014	2013	2014	2013
Non-Executive Directors:						
P Casey	100%	100%	-%	-%	-%	-%
Executive Directors:						
M Bouris	54%	72%	-%	-%	46%	28%
K Ting	48%	73%	-%	-%	52%	27%
D Rudduck	-%	100%	-%	-%	-%	-%
Other Key Management Personnel:						
P Casey	100%	100%	-%	-%	-%	-%
W Leong	100%	100%	-%	-%	-%	-%
B Ford	100%	76%	-%	24%	-%	-%
M Schwartz	100%	100%	-%	-%	-%	-%
T Koehler	100%	100%	-%	-%	-%	-%

The proportion of the cash bonus paid and forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
Name	2014	2013	2014	2013
Other Key Management Personnel:				
B Ford	-%	100%	-%	-%

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Paul Casey
Title:	Non-Executive Director
Agreement commenced:	1 June 2013
Term of agreement:	No fixed term
Details:	Base salary of US$75,000 and notice period by negotiation.

Name:	William Leong
Title:	Chief Operating Officer of Telezygology Inc.
Agreement commenced:	1 October 2010
Term of agreement:	No fixed term
Details:	Base salary of US$150,000 and notice period by negotiation.

Name:	Benjamin Ford
Title:	Regional Technical Manager of TZI Australia Pty Limited
Agreement commenced:	4 January 2013
Term of agreement:	2 years and annual renewal
Details:	Base salary of AU$160,000 and notice period by negotiation.

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

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

TZ Limited
Directors' report
30 June 2014

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
15 January 2014	18 February 2014	30 June 2018	$0.25	$0.096
15 January 2014	18 February 2015	30 June 2019	$0.40	$0.093
15 January 2014	18 February 2016	30 June 2020	$0.60	$0.092

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of options granted during the year 2014	Number of options granted during the year 2013	Number of options vested during the year 2014	Number of options vested during the year 2013
Mark Bouris	7,500,000	-	2,500,000	1,000,000
Kenneth Ting	7,500,000	-	2,500,000	750,000

Vesting conditions for options granted as compensation during the year ended 30 June 2014
The options are separated into three tranches and exercise periods:

i) The first tranche of 5,000,000 options (2,500,000 Mark Bouris and 2,500,000 Kenneth Ting) is exercisable in the period from 18 February 2014 to and including 30 June 2018, at an exercise price of $0.25 per option.
ii) The second tranche of 5,000,000 options (2,500,000 Mark Bouris and 2,500,000 Kenneth Ting) will be exercisable in the period from 18 February 2015 to and including 30 June 2019, at an exercise price of $0.40 per option.
iii) The third tranche of 5,000,000 options (2,500,000 Mark Bouris and 2,500,000 Kenneth Ting) will be exercisable in the period from 18 February 2016 to and including 30 June 2020, at an exercise price of $0.60 per option.

The options granted are not subject to the satisfaction of performance conditions. The grants were made under the Director and Executive Equity Plan to attract, retain, motivate and reward senior executives and Directors (including non-executive directors) of the company. The options will lapse if not exercised by the respective expiry date or if employment ceases (apart from if due to death, incapacity or redundancy). There are no other vesting conditions in respect of these options.

Vesting conditions for options granted as compensation in prior years
The options are separated into three tranches and exercise periods:

i) The first tranche of 1,750,000 options (1,000,000 Mark Bouris and 750,000 Kenneth Ting) is exercisable in the period from 1 July 2011 (or, if securities in the company or any related body corporate of the company are listed on the NASDAQ prior to 1 July 2011, the date that is 30 days after the date of that listing) to and including 30 June 2016, at an exercise price of $1.00 per option.
ii) The second tranche of 1,750,000 options (1,000,000 Mark Bouris and 750,000 Kenneth Ting) is exercisable in the period from 1 July 2012 (or, if securities in the company or any related body corporate of the company are listed on the NASDAQ prior to 1 July 2012, the date that is 30 days after the date of that listing) to and including 30 June 2017, at an exercise price of $2.00 per option.
iii) The third tranche of 1,750,000 options (1,000,000 Mark Bouris and 750,000 Kenneth Ting) is exercisable in the period from 1 July 2013 (or, if securities in the company or any related body corporate of the company are listed on the NASDAQ prior to 1 July 2013, the date that is 30 days after the date of that listing) to and including 30 June 2018, at an exercise price of $3.00 per option.

The options granted are not subject to the satisfaction of performance conditions. The grants were made under the Director and Executive Equity Plan to attract, retain, motivate and reward senior executives and Directors (including non-executive directors) of the company. The options will lapse if not exercised by the respective expiry date or if employment ceases (apart from if due to death, incapacity or redundancy). There are no other vesting conditions in respect of these options.

TZ Limited
Directors' report
30 June 2014

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Mark Bouris	702,500	-	-	46%
Kenneth Ting	702,500	-	-	52%

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
Mark Bouris	15 Jan 2014	18 Feb 2014	2,500,000	240,000	240,000	-	-
Mark Bouris	15 Jan 2014	18 Feb 2015	2,500,000	232,500	-	-	-
Mark Bouris	15 Jan 2014	18 Feb 2016	2,500,000	230,000	-	-	-
Kenneth Ting	15 Jan 2014	18 Feb 2014	2,500,000	240,000	240,000	-	-
Kenneth Ting	15 Jan 2014	18 Feb 2015	2,500,000	232,500	-	-	-
Kenneth Ting	15 Jan 2014	18 Feb 2016	2,500,000	230,000	-	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000
Sales revenue	17,308	22,399	21,178	20,116	8,392
EBITDA *	(19,264)	(3,094)	(5,837)	(16,735)	(8,552)
EBIT **	(21,682)	(4,313)	(7,605)	(18,409)	(9,697)
Loss after income tax	(26,347)	(8,784)	(12,361)	(23,204)	(11,798)

* Earnings before interest, tax, depreciation and amortisation.
** Earnings before interest and tax

Prior to 2014, the results of the consolidated entity included those of subsidiary, Product Development Technologies Inc. which was disposed of in May 2013.

The factors that are considered to affect TSR are summarised below:

	2010	2011	2012	2013	2014
Share price at financial year end ($)	0.44	0.24	0.10	0.12	0.14
Basic earnings per share (cents per share)	(49.46)	(9.01)	(9.60)	(13.57)	(4.39)

TZ Limited
Directors' report
30 June 2014

Additional disclosures relating to key management personnel
In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosure relates only to equity instruments in the company or its subsidiaries.

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mark Bouris	2,517,290	-	314,661	-	2,831,951
Kenneth Ting	2,245,884	-	1,145,562	-	3,391,446
Paul Casey	90,000	-	-	-	90,000
Benjamin Ford	250,000	-	-	-	250,000
	5,103,174	-	1,460,223	-	6,563,397

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mark Bouris	3,314,661	7,500,000	(314,661)	-	10,500,000
Kenneth Ting	2,572,454	7,500,000	(322,454)	-	9,750,000
	5,887,115	15,000,000	(637,115)	-	20,250,000

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Mark Bouris	5,500,000	5,000,000	10,500,000
Kenneth Ting	4,750,000	5,000,000	9,750,000
	10,250,000	10,000,000	20,250,000

The number of shareholdings held nominally at 30 June 2014 are as follows:
Mark Bouris - 2,200,000;
Kenneth Ting - 3,391,446; and
Paul Casey - 90,000.

This concludes the remuneration report, which has been audited.

TZ Limited
Directors' report
30 June 2014

Shares under option
Unissued ordinary shares of TZ Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
26 February 2010	30 June 2016	$1.00	1,750,000
26 February 2010	30 June 2017	$2.00	1,750,000
26 February 2010	30 June 2018	$3.00	1,750,000
15 January 2014	30 June 2018	$0.25	5,000,000
15 January 2014	30 June 2019	$0.40	5,000,000
15 January 2014	30 June 2020	$0.60	5,000,000
			20,250,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of TZ Limited were issued during the year ended 30 June 2014 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
24 October 2012	$0.14	20,542,069

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 35 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

TZ Limited
Directors' report
30 June 2014

The directors are of the opinion that the services as disclosed in note 35 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd
There are no officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 on the following page.

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

____
Mark Bouris
Director

24 September 2014
Sydney

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of TZ Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of TZ Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M Leivesley

M Leivesley
Partner - Audit & Assurance

Sydney, 24 September 2014

TZ Limited
Corporate Governance Statement
30 June 2014

This 2014 Corporate Governance Statement sets out the corporate governance principles adopted by the board of directors (the 'Board') in governing TZ Limited (the 'company') and its subsidiaries (collectively, the 'consolidated entity') and reflects the corporate governance principles which have been adopted during the financial year ended 30 June 2014. In adopting the principles the Board formally reviewed the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. The company is a small company and accordingly the Board considers that many of the corporate governance guidelines intended to apply to larger companies are not practical. The company's position on those recommendations is set out below.

Principle 1: Lay solid foundations for management and oversight
The Board's primary responsibility is to oversee the company's business activities and management for the benefit of company's shareholders which it accomplishes by:

- establishing corporate governance, and ethical business standards;
- setting objectives, goals and strategic direction with a view to maximise shareholder value;
- approving and monitoring budgets and major investments;
- ensuring adequate internal controls exist and are appropriately monitored;
- ensuring significant business risks are identified and appropriately managed; and
- appointing senior executives and monitoring their performance.

The Board has delegated responsibilities and authorities to management to enable management to conduct the company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Apart from the statements on responsibility above, the company has not formalised the functions reserved to the Board and those delegated to management due to the relatively small size of the company. Similarly, the company has not adopted a formal process for evaluating the performance of senior executives for the reasons outlined above. The performance of senior executives takes place at meetings of the Board and occurred during the current reporting period.

Principle 2: Structure the board to add value
Directors appointed by the Board by reason of a vacancy are subject to re-election by the company's shareholders at the following annual general meeting. Directors are subject to re-election by rotation at least every three years. The names of the directors in office at the date of this report, the date they were appointed, the date of their most recent re-election by the company's shareholders and their status as non-executive, executive or independent directors are set out in the table below:

Director	Appointed	Re-Elected	Non-Executive	Independent
Mark Bouris	18 June 2009	17 November 2013	No	No
Kenneth Ting	18 June 2009	22 November 2012	No	No
Paul Casey	27 May 2013	N/A	Yes	No

The skills and experience of each director are set out in the 'Information on directors' section of the directors' report. The company's directors are appointed based on the specific governance skills required by the company, including an appropriate blend of relevant experience appropriate to the company's field of operations, accounting and financial management and following consideration of the company's objectives with respect to diversity.

The areas of divergence with recommended principles are set out below:

- The majority of directors are not independent as two of the three directors are executive directors.
- The Chairman is not independent and is an executive director.
- As the whole Board only consists of three directors, the company does not have a formally constituted Nomination Committee as the Board believes it would not be a more efficient mechanism than the full Board focussing the company on specific issues. Currently, the Board as a whole performs the roles and functions of a Nomination Committee. These roles and functions include: devising criteria for Board membership; regularly reviewing the need for various skills and experience on the Board; considering the company's objectives with respect to diversity when selecting candidates; and identifying specific individuals for nomination as directors. The Board also oversees management succession plans and evaluates the Chairman's and the Board's performance and makes recommendations for the appointment and removal of directors. When a vacancy exists on the Board or where it is considered that a director with particular skills or experience is required, the Board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit.
- The company does not have a formal process for evaluating the performance of the Board and the individual directors, other than as set out above.

TZ Limited
Corporate Governance Statement
30 June 2014

The above areas of divergence are due to the relatively small size of the company and its operations.

Each director of the company has the right to seek independent professional advice at the expense of the company.

Principle 3: Promote ethical and responsible decision making
Board members, executive management and company officers are made aware of the requirements to follow corporate policies and procedures, to obey the law and to maintain appropriate standards of honesty and integrity at all times.

Code of conduct
The company does not have a formal written code of conduct to guide compliance with legal and other obligations. This reflects the company's size which makes its legal compliance a less onerous task than with larger companies. The Board continues to review the situation to determine the most appropriate and effective operational procedures.

The directors are aware of their legal responsibilities and adhere to the following:

The directors will not deal in the company's shares:

- Except between 3 and 30 days after either the release of the company's half year and annual results to the Australian Securities Exchange, the annual general meeting or any major announcement; and
- Whilst in possession of price sensitive information.

In accordance with the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, directors advise the ASX of any transactions conducted by them in shares in the company.

Diversity
The Board is committed to an inclusive workplace that embraces and promotes diversity. The company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management positions and across the consolidated entity as a whole; however due the relatively small size of the company and its operations, the company has yet to establish measureable objectives for diversity and progress to achieving them.

The gender representation profile of the company and the consolidated entity as a whole is as follows:

- Board Level: 0 %
- Key management personnel: 0 %
- Consolidated entity as a whole: 14 %

Principle 4: Safeguard integrity in financial reporting
The company was not a company required by ASX Listing Rule 12.7 to have an Audit Committee during the year. The Board has determined that, due to the relatively small size of the company, it would not be efficient to appoint a formal Audit Committee. Nevertheless, the Board has adopted procedures to adequately address issues related to the integrity of the company's financial reporting and to oversee the independence of the external auditors. The procedures include the following main responsibilities:

- Monitor the integrity of the financial statements of the company and review significant financial reporting changes;
- Review the company's internal financial control system and risk management systems;
- Appoint the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- Monitor and review the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements; and
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

The skills and experience of each director is set out in the 'Information on directors' section of the directors'.

Principle 5: Make timely and balanced disclosure
The company and its directors are aware of continuous disclosure requirements under the Listing Rules and Corporations Act and operate in an environment where strong emphasis is placed on full and appropriate disclosure. The company has formal written policies regarding disclosure which is publicly available on the company's website: www.tz.net.

TZ Limited
Corporate Governance Statement
30 June 2014

Principle 6: Respects the rights of shareholders
The company does not have a communications strategy to promote effective communication with shareholders, as it believes this is excessive for small companies. The company maintains a website which is used in conjunction with timely announcements to the ASX to ensure shareholders are kept fully informed.

The company also aims to ensure that the shareholders are informed of all major developments through:
- despatch of the annual and half yearly financial reports;
- despatch of all notices of meetings of shareholders; and
- submitting to a vote of shareholders proposed major changes in the company which may impact on share ownership rights.

The Board encourages full participation of shareholders at the annual general meeting to ensure high level of accountability and identification of the company's strategic goals. Important issues are presented to the shareholders as single resolutions.

The company requests the external auditor to attend the general meeting.

Principle 7: Recognise and manage risk
The Board has adopted the role of identification, assessment, monitoring and managing the significant areas of risk applicable to the consolidated entity and its operations. The Board has not established a separate committee to deal with these matters as the directors consider the size of the company and its operations does not warrant a separate committee at this time. The directors have identified the significant areas of risk applicable to the consolidated entity and its operations and the Board considers the matter of risk management as a standing agenda item at board meetings.

For the reasons set out above the company has not established formal policies on risk management. The Board endeavours to mitigate any risks by continually reviewing the activities of the company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. The company has received assurances from the chief financial officer (or equivalents) and chief executive officer (or equivalents) of the consolidated entity that the declaration under section 295A of the Corporations Act is founded on a system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly
Because of the relatively small size of the company and its operations, the Board does not consider it appropriate, at this time, to form a separate committee to deal with executive remuneration. Accordingly, the company does not have a remuneration committee made up of a majority of independent members, chaired by an independent member as recommended by the ASX Corporate Governance Council. Instead, the Board as a whole establishes and reviews annually the remuneration of the executive directors and senior executives, as well as superannuation arrangements, the remuneration framework for all directors and remuneration by gender.

Details of the company's policy for determining the nature and amount of emoluments of Board members and key management personnel of the company are contained in the ‘Remuneration report’ section of the directors' report.

In accordance with Corporations Act requirements, the company discloses the fees or salaries paid to all directors, and executive officers of the company which is included in the ‘Remuneration report’ section of the directors' report.

TZ Limited
Contents
30 June 2014

Contents

General information

The financial statements cover TZ Limited as a consolidated entity consisting of TZ Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is TZ Limited's functional and presentation currency.

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

Registered office

Level 11, 1 Chifley Square
Sydney NSW 2000

Principal place of businesses

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

Telezygology Inc.
1017 W. Washington Blvd, Unit 2C
Chicago IL 60607
USA

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

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 24 September 2014. The directors have the power to amend and reissue the financial statements.

TZ Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Revenue from continuing operations	4	8,476	2,753
Other income	5	1,508	214
Expenses			
Raw materials and consumables used		(4,231)	(1,359)
Employee benefits expense		(5,742)	(3,850)
Occupancy expense		(278)	(219)
Depreciation and amortisation expense	6	(1,145)	(1,040)
Communications expense		(107)	(131)
Professional and corporate services		(1,608)	(1,933)
Travel and accommodation expense		(844)	(720)
Development costs		(68)	(380)
Net loss on movement in fair value of derivative liabilities		-	(380)
Net loss on renegotiation of convertible notes		-	(1,125)
Loss on debt/equity conversion		(4,356)	-
Impairment of assets		-	(4,010)
Other expenses		(1,254)	(663)
Finance costs	6	(2,112)	(3,675)
Loss before income tax expense from continuing operations		(11,761)	(16,518)
Income tax expense	7	(37)	(6)
Loss after income tax expense from continuing operations		(11,798)	(16,524)
Loss after income tax expense from discontinued operations	8	-	(6,680)
Loss after income tax expense for the year attributable to the owners of TZ Limited	30	(11,798)	(23,204)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(289)	1,280
Other comprehensive income for the year, net of tax		(289)	1,280
Total comprehensive income for the year attributable to the owners of TZ Limited		(12,087)	(21,924)
Total comprehensive income for the year is attributable to:			
Continuing operations		(12,087)	(15,244)
Discontinuing operations		-	(6,680)
		(12,087)	(21,924)

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

TZ Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
		Cents	**Cents**
Earnings per share for loss from continuing operations attributable to the owners of TZ Limited			
Basic earnings per share	45	(4.39)	(9.67)
Diluted earnings per share	45	(4.39)	(9.67)
Earnings per share for loss from discontinued operations attributable to the owners of TZ Limited			
Basic earnings per share	45	-	(3.91)
Diluted earnings per share	45	-	(3.91)
Earnings per share for loss attributable to the owners of TZ Limited			
Basic earnings per share	45	(4.39)	(13.57)
Diluted earnings per share	45	(4.39)	(13.57)

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

TZ Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Assets			
Current assets			
Cash and cash equivalents	9	2,646	4,146
Trade and other receivables	10	2,876	823
Inventories	11	394	402
Other financial assets	12	208	179
Other	13	26	89
Total current assets		6,150	5,639
Non-current assets			
Other financial assets	14	191	412
Property, plant and equipment	15	1,232	474
Intangibles	16	7,253	7,590
Other	18	73	6
Total non-current assets		8,749	8,482
Total assets		14,899	14,121
Liabilities			
Current liabilities			
Trade and other payables	19	1,978	4,843
Borrowings	20	-	11,645
Derivative financial instruments	21	-	254
Provisions	22	154	69
Other	23	122	-
Total current liabilities		2,254	16,811
Non-current liabilities			
Borrowings	24	-	5,599
Derivative financial instruments	25	-	1,254
Deferred tax	26	129	-
Provisions	27	62	25
Total non-current liabilities		191	6,878
Total liabilities		2,445	23,689
Net assets/(liabilities)		12,454	(9,568)
Equity			
Issued capital	28	192,278	158,942
Reserves	29	(5,133)	(4,844)
Accumulated losses	30	(174,691)	(163,666)
Total equity/(deficiency)		12,454	(9,568)

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

TZ Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total deficiency $'000
Balance at 1 July 2012	153,443	(6,124)	(140,924)	6,395
Loss after income tax expense for the year	-	-	(23,204)	(23,204)
Other comprehensive income for the year, net of tax	-	1,280	-	1,280
Total comprehensive income for the year	-	1,280	(23,204)	(21,924)
Transactions with owners in their capacity as owners:				
Share-based payments (note 46)	-	-	462	462
Contributions of equity (note 28)	6,063	-	-	6,063
Less: transaction costs on shares issued	(564)	-	-	(564)
Balance at 30 June 2013	158,942	(4,844)	(163,666)	(9,568)

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2013	158,942	(4,844)	(163,666)	(9,568)
Loss after income tax expense for the year	-	-	(11,798)	(11,798)
Other comprehensive income for the year, net of tax	-	(289)	-	(289)
Total comprehensive income for the year	-	(289)	(11,798)	(12,087)
Transactions with owners in their capacity as owners:				
Share-based payments (note 46)	-	-	773	773
Contributions of equity (note 28)	33,744	-	-	33,744
Less: transaction costs on shares issued	(408)	-	-	(408)
Balance at 30 June 2014	192,278	(5,133)	(174,691)	12,454

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

TZ Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,442	20,482
Payments to suppliers and employees (inclusive of GST)		(13,008)	(26,100)
		(6,566)	(5,618)
Interest received		50	60
Other revenue		14	682
Interest and other finance costs paid		(185)	(163)
Income taxes refunded		-	15
Income taxes paid		(53)	-
Net cash used in operating activities	44	(6,740)	(5,024)
Cash flows from investing activities			
Payment for purchase of business	41	(292)	-
Payments for property, plant and equipment	15	(845)	(580)
Payments for intangibles		(258)	(138)
Proceeds from sale of business		-	4,593
Proceeds from sale of property, plant and equipment		-	1
Proceeds from investment redemption		177	-
Net cash from/(used in) investing activities		(1,218)	3,876
Cash flows from financing activities			
Proceeds from issue of shares	28	6,712	6,063
Transaction costs on shares issued		(201)	(411)
Repayment of borrowings		-	(1,223)
Net cash from financing activities		6,511	4,429
Net increase/(decrease) in cash and cash equivalents		(1,447)	3,281
Cash and cash equivalents at the beginning of the financial year		4,146	904
Effects of exchange rate changes on cash and cash equivalents		(53)	(39)
Cash and cash equivalents at the end of the financial year	9	2,646	4,146

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

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

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.

In making the assessment of the applicability of the going concern assumption, the Directors conducted a comprehensive review of the consolidated entity's affairs including, but not limited to:

- The consolidated entity's financial position as at 30 June 2014;
- The cash flow forecast for the consolidated entity for the period of 12 months from the date of the issuance of these financial statements;
- Sales and profitability forecasts for the consolidated entity for not only the current financial year, but beyond 30 June 2015; and
- The continued support of the consolidated entity's shareholders.

For the year ended 30 June 2014, the consolidated entity incurred losses after income tax of $11,798,000 and net cash outflows from operating activities of $6,692,000.

Note 1. Significant accounting policies (continued)

While the consolidated entity incurred losses for the year, in assessing the appropriateness of the going concern concept the following factors have been taken into consideration by the Directors:

- $2.11 million was attributed to financing costs associated with the QVT Convertible Notes. These were converted to equity in the year and therefore interest will no longer accrue on these notes;
- $4.36 million was expensed in the year in relation to a loss on conversion of QVT Convertible Notes. Upon conversion of the notes the consolidated entity does not have any term debt;
- The Directors are of the view the consolidated entity is on track to meet revenue targets for the 2014/15 financial year and that this is strongly supported by a substantial backlog of purchase orders and secured contracts. It is expected, 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 2015 financial year based upon forward orders and the strength of the sales pipeline.

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

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

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for derivative financial instruments at fair value.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 40.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TZ Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. TZ Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Special purpose entities ('SPEs') are those entities where the consolidated entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is TZ Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	20 - 33%
Plant and equipment	20%
Office equipment	15 - 35%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity.

Leases
Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Trademarks
Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Re-acquired right (Intevia licence)
Re-acquired rights are initially recognised at cost, then amortised over their expected useful life of 13.5 years. The reacquired rights related to technology and know-how that is collectively referred to as the 'Intevia licence'. The right to exploit this technology was re-acquired from Textron Inc., on 22 January 2007.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

Patents
Expenditure directly attributable to the registration of patents is capitalised at cost and is amortised over the useful life of between 15 to 20 years.

Royalties
Royalties acquired through a business combination which have future economic benefits or service potential other than their heritage value are capitalised and are amortised over their expected useful life of 8 years.

Customer relationships
Customer relationships acquired as part of a business combination are recognised separately from goodwill and are carried at their fair value at date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on a straight line basis over the estimated useful life of 8 years.

Research and development costs
Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and an appropriate portion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses, and are amortised over the period of expected future sales from the related projects which vary from 3 to 15 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Convertible notes
The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

Under the terms of the Convertible Note Subscription Deed and the subsequent amendments, the conversion price is the lower of (a) the agreed conversion price and (b) the issue price of any subsequent share issue during the term of the convertible notes. As a result of this clause the note holders equity risk is eliminated, and therefore the instruments are treated as debt instruments with an embedded derivative.

Note 1. Significant accounting policies (continued)

The fair value of the debt portion of the convertible notes is determined after calculating the fair value of the embedded derivative on inception. The debt portion is subsequently measured at amortised cost and the embedded derivative financial instrument is measured at fair value at each reporting date with any movement in fair value reported in profit or loss. Issue costs are apportioned between the liability and equity components of convertible notes based on the allocation of proceeds to the debt and equity components (if any) when the instruments are first.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:
- interest on short-term and long-term borrowings

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of TZ Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2014-1 Amendments to Australian Accounting Standards
These amendments are in several parts. Part A makes various amendments to Australian Accounting Standards arising from the issuance of IASB’s ‘Annual Improvements to IFRSs 2010-2012 Cycle’ and ‘Annual Improvements to IFRSs 2011-2013 Cycle’. Part B makes amendments to AASB 119 ‘Employee in relation to the requirements for contributions from employees or third parties that are linked to service which arise from the issuance of IASB’s ‘Defined Benefit Plans – Employee Contributions (Amendments to IAS 19)’. Part C makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 ‘Materiality’. Part D makes consequential amendments arising from the issuance of AASB 14 ‘Regulatory Deferral Accounts’. Part E makes consequential amendments to numerous other Standards as a consequence of the introduction of hedge accounting requirements into AASB 9 ‘Financial Instruments’ in December 2013. Amendments Part A to D are applicable to annual reporting periods beginning on or after 1 July 2014 or as specified in each Part. Amendments Part E are applicable to annual reporting periods beginning on or after 1 January 2015 or as specified in Part E.

TZ Limited
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies (continued)

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments will not have a material impact on the consolidated entity.

IFRS 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity’s statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity’s performance and the customer’s payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

TZ Limited
Notes to the financial statements
30 June 2014

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Impairment testing has been performed on definite life intangible assets. The key assumptions used in the testing model were as follows:
- Discount rate – 15.20% (2013: 17.83%)
- Gross margins – budgeted gross profit margins are between 46% and 47%, historical gross margins ranged between 48% to 64%
- Revenue growth rates – 2015 (135%), 2016 (57%), 2017 (46%), 2018 (12%), 2019 (11%), 2020 (6%), 2021 (11%) and 2022 (7%)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity's operating segment is 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.

Following the discontinued operations of the PDT Holdings Inc. ('PDT') segment in the current year, the consolidated entity now operates in one segment being the development and commercialisation of hardware and software products primarily in the US, Australian and Asian markets.

TZ Limited
Notes to the financial statements
30 June 2014

Note 3. Operating segments (continued)

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

Major customers
During the year ended 30 June 2014 approximately 30% (2013: 19%) of the consolidated entity's external revenue was derived from sales to one customer.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Australia	2,042	574	1,843	364
United States of America	3,439	16,217	6,902	8,118
United Kingdom	244	621	-	-
Canada	41	417	-	-
Netherlands	-	31	-	-
Korea	-	15	-	-
Denmark	-	633	-	-
Russia	-	669	-	-
Singapore	2,502	519	4	-
Other *	124	420	-	-
	8,392	20,116	8,749	8,482

* Other relates to Taiwan, China, Italy, Ireland, Turkey, Sweden and Mexico

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 but include the PDT business for the period held.

Adjusted earnings before, interest, tax, depreciation, amortisation, impairment, head office income and expenses and loss on disposal of discontinued operations ('Adjusted EBITDA')

A reconciliation to loss after income tax expense is as follows:

	Consolidated	
	2014	2013
	$'000	$'000
Adjusted EBITDA	(2,364)	(3,834)
Impairment of goodwill	-	(4,010)
Loss on debt/equity conversion	(4,356)	-
Loss from discontinued operations	-	(6,680)
Interest income	48	41
Head office costs	(1,832)	(4,000)
Depreciation and amortisation	(1,145)	(1,040)
Interest expense	(2,112)	(3,675)
Income tax expense	(37)	(6)
Loss after income tax expense	(11,798)	(23,204)

TZ Limited
Notes to the financial statements
30 June 2014

Note 4. Revenue

	Consolidated 2014 $'000	Consolidated 2013 $'000
From continuing operations		
Sales revenue		
Sales and services revenue	8,392	2,711
Other revenue		
Interest	48	42
Other revenue	36	-
	84	42
Revenue from continuing operations	8,476	2,753

Note 5. Other income

	Consolidated 2014 $'000	Consolidated 2013 $'000
Net foreign exchange gain	-	214
Net gain on movement in fair value of derivative liabilities	1,508	-
Other income	1,508	214

TZ Limited
Notes to the financial statements
30 June 2014

Note 6. Expenses

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Leasehold improvements	19	18
Plant and equipment	71	136
Office equipment	44	48
Total depreciation	134	202
Amortisation		
Trade names	1	1
Re-acquired right (Intevia Licence)	707	631
Other intangible assets	303	206
Total amortisation	1,011	838
Total depreciation and amortisation	1,145	1,040
Cost of sales		
Direct material	4,349	821
Subcontractors	258	-
Company overheads	-	10
Other cost of sales	680	803
Total cost of sales	5,287	1,634
Finance costs		
Interest and finance charges paid/payable	2,112	3,675
Superannuation expense		
Defined contribution superannuation expense	180	52
Share-based payments expense		
Share-based payments expense	773	308

TZ Limited
Notes to the financial statements
30 June 2014

Note 7. Income tax expense

	Consolidated 2014 $'000	Consolidated 2013 $'000
Income tax expense		
Current tax	53	6
Deferred tax - origination and reversal of temporary differences	(16)	-
Deferred tax asset written-off (note 17)	-	1,075
Under/(over) provision for prior years	-	(21)
Aggregate income tax expense	37	1,060
Income tax expense is attributable to:		
Profit from continuing operations	37	6
Profit from discontinued operations	-	1,054
Aggregate income tax expense	37	1,060
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 17)	-	(78)
Increase/(decrease) in deferred tax liabilities (note 26)	(16)	78
Deferred tax - origination and reversal of temporary differences	(16)	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(11,761)	(16,518)
Profit before income tax expense from discontinued operations	-	(5,626)
	(11,761)	(22,144)
Tax at the statutory tax rate of 30%	(3,528)	(6,643)
Current year tax losses not recognised	3,680	6,274
Difference in overseas tax rates	(115)	(828)
Under/(over) provision for prior years	-	(21)
Tax on impairment of goodwill	-	1,203
Deferred tax asset written-off (note 17)	-	1,075
Income tax expense	37	1,060

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

Note 8. Discontinued operations

Description
On 31 May 2013, TZ Limited ('TZL') sold the business of its subsidiary, Product Development Technologies, Inc. ('PDT') to PDT Acquisition, LLC, an Illinois limited liability company. The transaction was an asset sale and not a sale of the PDT company, although TZL did sell its shareholding in the Ukraine company (which employs a number of lower cost employees used in the business) as part of the transaction. The selling price was $5,153,000 after a working capital adjustment.

All bank debt associated with the PDT business was paid out at settlement on 31 May 2013. $591,000 of the selling price is outstanding in the form of vendor finance and is required to be paid to TZL over 3 years and attracts an interest rate of 4% per annum. The loan is secured by way of second ranking security over the purchaser's assets.

The figures stated below for 2013 are for the period from 1 July 2012 to 31 May 2013.

TZ Limited
Notes to the financial statements
30 June 2014

Note 8. Discontinued operations (continued)

Financial performance information

	Consolidated 2014 $'000	Consolidated 2013 $'000
Revenue	-	17,405
Other revenue	-	94
Total revenue	-	17,499
Raw materials and consumables used	-	(580)
Subcontractors costs	-	(6,698)
Employee benefits expense	-	(7,705)
Occupancy expense	-	(623)
Depreciation and amortisation expense	-	(634)
Communications expense	-	(164)
Professional and corporate services	-	(261)
Travel and accommodation expense	-	(358)
Other expenses	-	(988)
Finance costs	-	(122)
Total expenses	-	(18,133)
Loss before income tax expense	-	(634)
Income tax expense	-	(1,054)
Loss after income tax expense	-	(1,688)
Loss on sale before income tax	-	(4,992)
Income tax expense	-	-
Loss on disposal after income tax expense	-	(4,992)
Loss after income tax expense from discontinued operations	-	(6,680)

Cash flow information

	Consolidated 2014 $'000	Consolidated 2013 $'000
Net cash from operating activities	-	479
Net cash used in investing activities	-	(301)
Net cash used in financing activities	-	(28)
Net increase in cash and cash equivalents from discontinued operations	-	150

TZ Limited
Notes to the financial statements
30 June 2014

Note 8. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash and cash equivalents	-	126
Trade and other receivables	-	3,156
Inventories	-	283
Property, plant and equipment	-	1,146
Intangibles	-	8,226
Other non-current assets	-	97
Total assets	-	13,034
Trade and other payables	-	1,121
Deferred tax liabilities	-	1,287
Other liabilities	-	481
Total liabilities	-	2,889
Net assets	-	10,145

Details of the disposal

	Consolidated 2014 $'000	Consolidated 2013 $'000
Total sale consideration	-	5,153
Carrying amount of net assets disposed	-	(10,145)
Loss on disposal before tax income	-	(4,992)
Income tax expense	-	-
Loss on disposal after income tax	-	(4,992)

Total sale consideration stated above is after working capital adjustment.

Note 9. Current assets - cash and cash equivalents

	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash at bank	2,646	4,146

Note 10. Current assets - trade and other receivables

	Consolidated 2014 $'000	Consolidated 2013 $'000
Trade receivables	2,860	721
Other receivables	-	2
Goods and services tax receivable	16	84
Prepayments	-	16
	2,876	823

Note 10. Current assets - trade and other receivables (continued)

Impairment of receivables
Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2014 $'000	2013 $'000
Opening balance	-	86
Receivables written off during the year as uncollectable	-	(86)
Closing balance	-	-

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $256,000 as at 30 June 2014 ($50,000 as at 30 June 2013).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2014 $'000	2013 $'000
Past due 0 - 30 days	75	12
Past due 30 - 60 days	84	22
Past due 60 - 90 days	59	4
Past due 90 days +	38	12
	256	50

Note 11. Current assets - inventories

	Consolidated	
	2014 $'000	2013 $'000
Work in progress	394	402

Note 12. Current assets - other financial assets

	Consolidated	
	2014 $'000	2013 $'000
Promissory note	208	179

The promissory note is repayable by equal monthly repayments over a period of 33 months from 1 September 2013. Interest is charged at 4% per annum. Refer to note 14 for amount due after more than 12 months.

TZ Limited
Notes to the financial statements
30 June 2014

Note 13. Current assets - other

	Consolidated	
	2014 $'000	2013 $'000
Security deposits	-	63
Other deposits	26	26
	26	89

Note 14. Non-current assets - other financial assets

	Consolidated	
	2014 $'000	2013 $'000
Promissory note	191	412

Note 15. Non-current assets - property, plant and equipment

	Consolidated	
	2014 $'000	2013 $'000
Leasehold improvements - at cost	415	399
Less: Accumulated depreciation	(389)	(370)
	26	29
Plant and equipment - at cost	2,458	1,647
Less: Accumulated depreciation	(1,317)	(1,246)
	1,141	401
Office equipment - at cost	514	449
Less: Accumulated depreciation	(449)	(405)
	65	44
	1,232	474

TZ Limited
Notes to the financial statements
30 June 2014

Note 15. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2012	608	632	335	1,575
Additions	29	476	76	581
Disposals	(457)	(506)	(183)	(1,146)
Exchange differences	22	31	12	65
Depreciation expense	(173)	(232)	(196)	(601)
Balance at 30 June 2013	29	401	44	474
Additions	16	764	65	845
Additions through business combinations (note 41)	-	48	-	48
Exchange differences	-	(1)	-	(1)
Depreciation expense	(19)	(71)	(44)	(134)
Balance at 30 June 2014	26	1,141	65	1,232

Note 16. Non-current assets - intangibles

	Consolidated	
	2014 $'000	**2013 $'000**
Goodwill - at cost	4,155	4,010
Less: Impairment	(4,010)	(4,010)
	145	-
Trade names - at cost	11	11
Less: Accumulated amortisation	(1)	-
	10	11
Re-acquired right (Intevia Licence) - at cost	9,238	9,528
Less: Accumulated amortisation	(5,107)	(4,557)
	4,131	4,971
Patents and royalties - at cost	1,902	1,575
Less: Accumulated amortisation	(449)	(329)
	1,453	1,246
Development costs - at cost	1,929	1,967
Less: Accumulated amortisation	(744)	(605)
	1,185	1,362
Customer relationships - at cost	372	-
Less: Accumulated amortisation	(43)	-
	329	-
	7,253	7,590

TZ Limited
Notes to the financial statements
30 June 2014

Note 16. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Trade names $'000	Re-acquired right $'000	Other intangibles $'000	Total $'000
Balance at 1 July 2012	9,326	1,190	5,107	3,930	19,553
Additions	-	-	-	249	249
Disposals	(5,507)	(1,241)	-	(1,478)	(8,226)
Exchange differences	191	63	495	348	1,097
Impairment of assets	(4,010)	-	-	-	(4,010)
Amortisation expense	-	(1)	(631)	(441)	(1,073)
Balance at 30 June 2013	-	11	4,971	2,608	7,590
Additions	-	-	-	258	258
Additions through business combinations (note 41)	145	-	-	484	629
Exchange differences	-	-	(133)	(80)	(213)
Amortisation expense	-	(1)	(707)	(303)	(1,011)
Balance at 30 June 2014	145	10	4,131	2,967	7,253

* Other intangibles in the above reconciliation includes Patents and royalties, Development costs and Customer relationships.

Impairment of goodwill
Goodwill and other intangible assets related to PDT business were sold at their written down value to the purchaser at settlement on 31 May 2013. The remaining goodwill balance is allocated to the following CGU:

	Consolidated 2014 $'000	2013 $'000
Goodwill		
- Infinity Design Pty Limited	145	-

The company has assessed the goodwill balance and has determined that there is no impairment to goodwill at 30 June 2014 as Infinity Design Pty Limited's current year operations and business forecast for future years indicate the business will be in a profit making situation.

Note 17. Non-current assets - deferred tax

	Consolidated 2014 $'000	2013 $'000
Movements:		
Opening balance	-	942
Credited to profit or loss (note 7)	-	78
Amounts written off on disposal of business (note 7)	-	(1,075)
Foreign exchange movement	-	55
Closing balance	-	-

TZ Limited
Notes to the financial statements
30 June 2014

Note 18. Non-current assets - other

	Consolidated	
	2014	2013
	$'000	$'000
Security deposits	73	6

Note 19. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	$'000	$'000
Trade payables	1,453	966
Employee expense payables	80	31
Interest payable	-	2,968
Other payables	445	878
	1,978	4,843

Refer to note 32 for further information on financial instruments.

Note 20. Current liabilities - borrowings

	Consolidated	
	2014	2013
	$'000	$'000
Convertible notes payable - Series I	-	11,645

Refer to note 32 for further information on financial instruments.

Convertible notes - Series I
The convertible notes were issued under the terms of a Convertible Note and Option Subscription Deed dated 24 December 2007. As at 30 June 2014, no notes remain on issue as they were converted to shares on 18 February 2014.

Note 21. Current liabilities - derivative financial instruments

	Consolidated	
	2014	2013
	$'000	$'000
Derivative instrument liabilities	-	254

Refer to note 32 for further information on financial instruments.

Refer to note 33 for further information on fair value measurement.

Note 22. Current liabilities - provisions

	Consolidated	
	2014	2013
	$'000	$'000
Employee benefits	154	69

TZ Limited
Notes to the financial statements
30 June 2014

Note 23. Current liabilities - other

	Consolidated	
	2014	2013
	$'000	$'000
Deferred revenue	122	-

Note 24. Non-current liabilities - borrowings

	Consolidated	
	2014	2013
	$'000	$'000
Convertible notes payable - Series III, IIIB and IV	-	5,599

Refer to note 32 for further information on financial instruments.

Convertible notes

Series III
1,714 Series III convertible notes with a face value of $1,000 each were issued under the terms of an Issue and Amendment Deed with QVT Funds dated 23 April 2010. As at 30 June 2014, no notes remain on issue as they were converted to shares on 18 February 2014.

Series IIIB
4,275 Series IIIB convertible notes with a face value of $1,000 each were issued on 24 December 2010. As at 30 June 2014, no notes remain on issue as they were converted to shares on 18 February 2014.

Series IV
1,799 Series IV convertible notes with a face value of $1,000 each were issued on 7 December 2012 as a result of shareholders' approval at the company's 2012 AGM. As at 30 June 2014, no notes remain on issue as they were converted to shares on 18 February 2014.

Note 25. Non-current liabilities - derivative financial instruments

	Consolidated	
	2014	2013
	$'000	$'000
Derivative instrument liabilities	-	1,254

Refer to note 32 for further information on financial instruments.

Refer to note 33 for further information on fair value measurement.

TZ Limited
Notes to the financial statements
30 June 2014

Note 26. Non-current liabilities - deferred tax

	Consolidated 2014 $'000	Consolidated 2013 $'000
Deferred tax liability	129	-
Movements:		
Opening balance	-	1,144
Credited/(charged) to profit or loss (note 7)	(16)	78
Additions through business combinations (note 41)	145	-
Amounts disposed on sale of business (note 8)	-	(1,287)
Foreign exchange movement	-	65
Closing balance	129	-

Note 27. Non-current liabilities - provisions

	Consolidated 2014 $'000	Consolidated 2013 $'000
Employee benefits	62	25

Note 28. Equity - issued capital

	Consolidated 2014 Shares	Consolidated 2013 Shares	Consolidated 2014 $'000	Consolidated 2013 $'000
Ordinary shares - fully paid	384,874,293	198,986,529	192,278	158,942

TZ Limited
Notes to the financial statements
30 June 2014

Note 28. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2012	138,356,402		153,443
Issue of shares	25 October 2012	46,118,801	$0.10	4,612
Issue of shares on exercise of option	5 December 2012	5,147	$0.14	1
Issue of shares on exercise of option	7 January 2013	62	$0.14	-
Issue of shares on exercise of option	8 March 2013	5,000	$0.14	-
Issue of shares on exercise of option	23 May 2013	1,117	$0.14	-
Issue of shares for additional capital	3 June 2013	14,500,000	$0.10	1,450
Less: share issue costs				(564)
Balance	30 June 2013	198,986,529		158,942
Issue of shares for the acquisition of business	1 August 2013	1,719,690	$0.12	200
Issue of shares on exercise of option	23 October 2013	89	$0.14	-
Issue of shares on exercise of option	29 October 2013	22,722	$0.14	3
Issue of shares on exercise of option	30 October 2013	315,900	$0.14	44
Issue of shares on exercise of option	31 October 2013	6,819,527	$0.14	955
Issue of shares on exercise of option	1 November 2013	5,731,452	$0.14	802
Issue of shares on exercise of option	4 November 2013	322,787	$0.14	45
Issue of shares on exercise of option	5 November 2013	7,329,592	$0.14	1,026
Issue of shares for shortfall units of options exercised	13 November 2013	1,962,571	$0.14	275
Issue of shares on conversion of convertible notes (Series I) *	18 February 2014	66,666,667	$0.19	13,000
Issue of shares on conversion of convertible notes (Series III) *	18 February 2014	9,522,222	$0.19	1,857
Issue of shares on conversion of convertible notes (Series IIIB) *	18 February 2014	23,750,000	$0.19	4,631
Issue of shares on conversion of convertible notes (Series IV) *	18 February 2014	9,994,444	$0.19	1,949
Issue of shares for interest accrued - 2012 calendar year *	18 February 2014	14,134,285	$0.19	2,756
Issue of shares for interest accrued - 2013 calendar year *	18 February 2014	10,993,333	$0.19	2,144
Issue of shares for interest accrued - 2014 calendar year to conversion date *	18 February 2014	1,475,817	$0.19	288
Issue of shares	28 April 2014	25,126,666	$0.15	3,769
Less: share issue costs				(408)
Balance	30 June 2014	384,874,293		192,278

* a total number of 136,536,768 shares issued on 18 February 2014 as a result of converting all convertible notes and accrued interests to ordinary shares is taken to be issued at the market share price of $0.195 on the date of conversion.

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.

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

TZ Limited
Notes to the financial statements
30 June 2014

Note 28. Equity - issued capital (continued)

Unquoted options
At 30 June 2014 there were 20,250,000 (2013: 5,250,000) options. Each option entitles the holder to subscribe for one fully paid share in the company at the exercise price per share at any time from the date of issue until expiry of the options subject to various vesting dates.

Capital risk management
The consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'trade and other payables' and 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Current liabilities - trade and other payables (note 19)	1,978	4,843
Current liabilities - borrowings (note 20)	-	11,645
Non-current liabilities - borrowings (note 24)	-	5,599
Total borrowings	1,978	22,087
Current assets - cash and cash equivalents (note 9)	(2,646)	(4,146)
Net debt/(cash)	(668)	17,941
Total equity	12,454	(9,568)
Total capital	11,786	8,373
Gearing ratio	(6)%	214%

Due to the conversion of the entire convertible notes to the company's ordinary shares in February 2014, the consolidated entity did not have any borrowings at 30 June 2014, which led to a large positive movement of the gearing ratio at the 2014 financial year end.

Note 29. Equity - reserves

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Foreign currency reserve	(5,133)	(4,844)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

TZ Limited
Notes to the financial statements
30 June 2014

Note 29. Equity - reserves (continued)

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

Consolidated	Foreign currency $'000	Total $'000
Balance at 1 July 2012	(6,124)	(6,124)
Foreign currency translation	1,280	1,280
Balance at 30 June 2013	(4,844)	(4,844)
Foreign currency translation	(289)	(289)
Balance at 30 June 2014	(5,133)	(5,133)

Note 30. Equity - accumulated losses

	Consolidated 2014 $'000	Consolidated 2013 $'000
Accumulated losses at the beginning of the financial year	(163,666)	(140,924)
Loss after income tax expense for the year	(11,798)	(23,204)
Transfer from share based payments reserve	773	462
Accumulated losses at the end of the financial year	(174,691)	(163,666)

Note 31. Equity - dividends

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

Note 32. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Note 32. Financial instruments (continued)

The consolidated entity's foreign exchange risk is managed to ensure sufficient funds are available to meet US financial commitments in a timely and cost-effective manner. The consolidated entity will continually monitor this risk and consider entering into forward foreign exchange, foreign currency swap and foreign currency option contracts if appropriate.

Creditors and debtors as at 30 June 2014 were reviewed to assess currency risk at year end. The value of transactions denominated in a currency other than the functional currency of the respective subsidiary was insignificant and therefore the risk was determined as immaterial.

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk.

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

The consolidated entity monitors its interest rate exposure continuously.

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2014		2013	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash and cash equivalents	1.02%	2,646	0.06%	4,146
Net exposure to cash flow interest rate risk		2,646		4,146

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

The consolidated entity has a net cash surplus totalling $2,646,000 (2013: net cash surplus $4,146,000). An official increase/decrease in interest rates of one (2013: one) percentage point would have a favourable/adverse effect on profit before tax of $26,000 (2013: adverse/favourable $41,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has a credit risk exposure with one customer, which as at 30 June 2014 owed the consolidated entity $664,048 (23% of trade receivables) (2013: $272,928 (38% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2014. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

There is a concentration of credit risk for cash at bank and cash on deposit as most monies in Australia is with two financial institutions, St George Bank and YBR Funds Management Pty Limited.

TZ Limited
Notes to the financial statements
30 June 2014

Note 32. Financial instruments (continued)

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2014	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-%	1,453	-	-	-	1,453
Other payables	-%	445	-	-	-	445
Total non-derivatives		1,898	-	-	-	1,898

Consolidated - 2013	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-%	966	-	-	-	966
Other payables	-%	878	-	-	-	878
Interest-bearing - fixed rate						
Convertible notes payable	10.00%	12,000	1,714	6,074	-	19,788
Interest payable on convertible notes	-%	3,957	942	986	-	5,885
Total non-derivatives		17,801	2,656	7,060	-	27,517

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

TZ Limited
Notes to the financial statements
30 June 2014

Note 32. Financial instruments (continued)

Fair value of financial instruments
The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

	2014		2013	
Consolidated	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Assets				
Cash at bank	2,646	2,646	4,146	4,146
Trade receivables	2,860	2,860	721	721
Other receivables	-	-	2	2
Promissory note	399	399	591	591
	5,905	5,905	5,460	5,460
Liabilities				
Trade payables	1,453	1,453	966	966
Other payables	525	525	3,877	3,877
Convertible notes	-	-	17,244	18,314
Derivative instrument liabilities	-	-	1,508	1,508
	1,978	1,978	23,595	24,665

Note 33. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Promissory note	-	399	-	399
Total assets	-	399	-	399

Consolidated - 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Promissory note	-	591	-	591
Total assets	-	591	-	591
Liabilities				
Derivative instrument liabilities	-	1,508	-	1,508
Total liabilities	-	1,508	-	1,508

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

TZ Limited
Notes to the financial statements
30 June 2014

Note 34. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	**2013**
	$	**$**
Short-term employee benefits	1,220,838	1,911,625
Post-employment benefits	18,885	21,673
Share-based payments	773,406	308,235
	2,013,129	2,241,533

Note 35. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, and its network firms:

	Consolidated	
	2014	**2013**
	$	**$**
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	133,500	130,000
Other services - Grant Thornton Audit Pty Ltd		
Independent advice on debt/equity conversion	30,000	-
	163,500	130,000
Audit services - network firms		
Audit or review of the financial statements	28,912	33,212

Note 36. Contingent assets

The consolidated entity does not have any contingent assets at 30 June 2014.

Note 37. Contingent liabilities

The consolidated entity does not have any contingent liabilities at 30 June 2014.

TZ Limited
Notes to the financial statements
30 June 2014

Note 38. Commitments

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	261	59
One to five years	198	195
	459	254

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

Note 39. Related party transactions

Parent entity
TZ Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 42.

Key management personnel
Disclosures relating to key management personnel are set out in note 34 and the remuneration report in the directors' report.

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

	Consolidated	
	2014	**2013**
	$	**$**
Payment for other expenses:		
Accounting fees charged by Yellow Brick Road Accounting and Wealth Management Pty Limited, a company in which Mark Bouris is a director.	360,243	397,680
Rent and serviced office expenditure paid to State Capital Property Pty Limited, a company in which Mark Bouris is a director.	186,263	118,560
Broker fees for insurance policies arranged by Yellow Brick Road Wealth Management Pty Limited (formerly YBR General Insurance Brokers Pty Limited), a company in which Mark Bouris is a director.	575	7,775
Administration fees and storage costs paid to YBR Services Pty Ltd, a company in which Mark Bouris is a director.	43,372	43,372
Marketing expenses paid to Yellow Brick Road Group Pty Limited, a company in which Mark Bouris is a director.	120,000	132,500
Phone expense paid to Baycall Pty Limited, a company in which Kenneth Ting is a director.	298	-

TZ Limited
Notes to the financial statements
30 June 2014

Note 39. Related party transactions (continued)

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

	Consolidated 2014 $	Consolidated 2013 $
Current payables:		
Accounting fees payable to Yellow Brick Road Accounting and Wealth Management Pty Ltd, a company in which Mark Bouris is a director.	78,012	36,916
Rent, serviced office expenditure and remaining rental bond payable to State Capital Property Pty Limited, a company in which Mark Bouris is a director.	53,390	13,192
Administration fees and storage costs payable to YBR Services Pty Ltd, a company in which Mark Bouris is a director.	15,903	7,952
Marketing expenses payable to Yellow Brick Road Group Pty Limited, a company in which Mark Bouris is a director.	44,000	22,000
Premium payable for insurance policies arranged by Yellow Brick Road Wealth Management Pty Limited, a company in which Mark Bouris is a director.	11,776	-

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

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

Note 40. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2014 $'000	Parent 2013 $'000
Loss after income tax	(12,087)	(21,924)
Total comprehensive income	(12,087)	(21,924)

Statement of financial position

	Parent 2014 $'000	Parent 2013 $'000
Total current assets	2,480	369
Total assets	12,907	12,902
Total current liabilities	453	15,617
Total liabilities	453	22,470
Equity		
Issued capital	192,278	158,942
Accumulated losses	(179,824)	(168,510)
Total equity/(deficiency)	12,454	(9,568)

TZ Limited
Notes to the financial statements
30 June 2014

Note 40. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

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

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 41. Business combinations

Infinity Design Development Pty Limited
On 31 July 2013, the consolidated entity's wholly-owned subsidiary, Infinity Design Pty Limited, acquired certain assets and employees of Infinity Design Development Pty Limited for the total consideration transferred of $492,000 being $292,000 in cash and an issue of 1,719,690 shares at an agreed issue price of 11.63 cents per share.

Details of the acquisition are as follows:

	Fair value $'000
Plant and equipment	48
Patents and royalties	113
Customer relationships	371
Deferred tax liability	(145)
Employee benefits	(40)
Net assets acquired	347
Goodwill	145
Acquisition-date fair value of the total consideration transferred	492
Representing:	
Cash paid or payable to vendor	292
TZ Limited shares issued to vendor	200
	492

	Consolidated 2014 $'000	**Consolidated 2013 $'000**
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	492	-
Less: shares issued by company as part of consideration	(200)	-
Net cash used	292	-

TZ Limited
Notes to the financial statements
30 June 2014

Note 42. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Telezygology, Inc.	United States of America	100.00%	100.00%
PDT Holdings, Inc.	United States of America	100.00%	100.00%
Product Development Technologies, Inc.	United States of America	100.00%	100.00%
PDT Tooling, Inc.	United States of America	100.00%	100.00%
TZI Australia Pty Limited	Australia	100.00%	100.00%
Infinity Design Pty Limited *	Australia	100.00%	100.00%
TZI Singapore Pte Ltd	Singapore	100.00%	-%

* Formerly known as Product Development Technologies Australia Pty Limited. Name changed on 26 July 2013.

Note 43. Events after the reporting period

No matter or circumstance has arisen since 30 June 2014 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.

Note 44. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2014 $'000	Consolidated 2013 $'000
Loss after income tax expense for the year	(11,798)	(23,204)
Adjustments for:		
Depreciation and amortisation	1,145	1,674
Impairment of goodwill	-	4,010
Share-based payments	773	308
Foreign exchange differences	-	214
Interest accrued on convertible notes	2,112	3,672
Net loss on renegotiation of convertible notes	-	1,125
Net fair value loss/(gain) of derivative liabilities	(1,508)	380
Loss on debt/equity conversion	4,356	-
Loss on disposal of business	-	4,992
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(2,076)	491
Decrease/(increase) in inventories	8	(60)
Decrease in deferred tax assets	-	942
Decrease/(increase) in prepayments	16	(10)
Increase in trade and other payables	178	389
Increase in deferred tax liabilities	129	217
Increase in employee benefits	121	51
Decrease in other operating liabilities	(196)	(215)
Net cash used in operating activities	(6,640)	(5,024)

TZ Limited
Notes to the financial statements
30 June 2014

Note 45. Earnings per share

	Consolidated	
	2014	2013
	$'000	$'000
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of TZ Limited	(11,798)	(16,524)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	268,623,495	170,935,255
Weighted average number of ordinary shares used in calculating diluted earnings per share	268,623,495	170,935,255
	Cents	**Cents**
Basic earnings per share	(4.39)	(9.67)
Diluted earnings per share	(4.39)	(9.67)

	Consolidated	
	2014	2013
	$'000	$'000
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of TZ Limited	-	(6,680)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	268,623,495	170,935,255
Weighted average number of ordinary shares used in calculating diluted earnings per share	268,623,495	170,935,255
	Cents	**Cents**
Basic earnings per share	-	(3.91)
Diluted earnings per share	-	(3.91)

	Consolidated	
	2014	2013
	$'000	$'000
Earnings per share for loss		
Loss after income tax attributable to the owners of TZ Limited	(11,798)	(23,204)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	268,623,495	170,935,255
Weighted average number of ordinary shares used in calculating diluted earnings per share	268,623,495	170,935,255
	Cents	**Cents**
Basic earnings per share	(4.39)	(13.57)
Diluted earnings per share	(4.39)	(13.57)

For the purpose calculating the diluted earnings per share the denominator has excluded the number of options as the effect would be anti-dilutive.

TZ Limited
Notes to the financial statements
30 June 2014

Note 46. Share-based payments

Director and Executive Equity Plan
The Director and Executive Equity Plan ('DEEP') was approved by shareholders at 2009 Annual General Meeting that was held on 26 February 2010. It gives directors and senior executives the opportunity to participate in the plan. There were three tranches of options and two tranches of rights granted to the directors in prior years. Each tranche of options had a fixed number granted with vesting periods from 1 to 3 years.

The rights granted to the directors were at a zero exercise price, which entitle the holder to acquire fully paid ordinary shares in the company, without payment. Each right entitles the holder to acquire one fully paid ordinary share in the company. The first tranche of rights vested immediately. In the case of the second tranche of rights, the satisfaction of a performance hurdle had to be achieved before the rights could be exercised. The performance hurdle was met and the rights were exercised in the 2012 financial year.

There were three tranches of options granted to the directors during the year ended 30 June 2010. Each option, when validly exercised, entitles the holder to receive one fully paid share in the company. The first tranche of options is exercisable in the period from 1 July 2011 to 30 June 2016 at an exercise price of $1.00 per option. The second tranche of options is exercisable in the period from 1 July 2012 to 30 June 2017 at an exercise price of $2.00 per option. The third tranche of options is exercisable in the period from 1 July 2013 to 30 June 2018 at an exercise price of $3.00 per option.

There were three tranches of options granted to the executive directors during the year ended 30 June 2014. Each option, when validly exercised, entitles the holder to receive one fully paid share in the company. The first tranche of options is exercisable in the period from 18 February 2014 to 30 June 2018 at an exercise price of $0.25 per option. The second tranche of options will be exercisable in the period from 18 February 2015 to 30 June 2019 at an exercise price of $0.40 per option. The third tranche of options will be exercisable in the period from 18 February 2016 to 30 June 2020 at an exercise price of $0.60 per option.

The company issued a total of 15,372,934 options to an underwriter on the same terms and conditions as the options issued to shareholders under the Renounceable Rights Issue in October 2012. The options issued to the underwriter were valued on the basis of equivalent cash payment of $153,729 for the service provided on raising the share capital.

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

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/02/2010	30/06/2016	$1.00	1,750,000	-	-	-	1,750,000
26/02/2010	30/06/2017	$2.00	1,750,000	-	-	-	1,750,000
26/02/2010	30/06/2018	$3.00	1,750,000	-	-	-	1,750,000
26/10/2012	31/10/2013	$0.14	11,312,209	-	(11,312,209)	-	-
04/12/2012	31/10/2013	$0.14	4,060,725	-	(4,060,725)	-	-
15/01/2014	30/06/2018	$0.25	-	5,000,000	-	-	5,000,000
15/01/2014	30/06/2019	$0.40	-	5,000,000	-	-	5,000,000
15/01/2014	30/06/2020	$0.60	-	5,000,000	-	-	5,000,000
			20,622,934	15,000,000	(15,372,934)	-	20,250,000

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/02/2010	30/06/2016	$1.00	1,750,000	-	-	-	1,750,000
26/02/2010	30/06/2017	$2.00	1,750,000	-	-	-	1,750,000
26/02/2010	30/06/2018	$3.00	1,750,000	-	-	-	1,750,000
26/10/2012	31/10/2013	$0.14	-	11,312,209	-	-	11,312,209
04/12/2012	31/10/2013	$0.14	-	4,060,725	-	-	4,060,725
			5,250,000	15,372,934	-	-	20,622,934

TZ Limited
Notes to the financial statements
30 June 2014

Note 46. Share-based payments (continued)

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

Grant date	Expiry date	2014 Number	2013 Number
26/02/2010	30/06/2016	1,750,000	1,750,000
26/02/2010	30/06/2017	1,750,000	1,750,000
26/02/2010	30/06/2018	1,750,000	-
26/10/2012	31/10/2013	-	11,312,209
04/12/2012	31/10/2013	-	4,060,725
11/01/2014	30/06/2018	5,000,000	-
		10,250,000	18,872,934

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.48 years (2013: 1.27 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15/01/2014	30/06/2018	$0.16	$0.25	87.40%	-%	4.25%	$0.096
15/01/2014	30/06/2019	$0.16	$0.40	87.40%	-%	4.25%	$0.093
15/01/2014	30/06/2020	$0.16	$0.60	87.40%	-%	4.25%	$0.092

Share-based payment expense recognised during the financial year:

	Consolidated	
	2014 **$'000**	**2013** **$'000**
Options issued under Director and Executive Equity Plan	773	308
Options issued to underwriter	-	154
	773	462

TZ Limited
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mark Bouris

Mark Bouris
Director

24 September 2014
Sydney

Grant Thornton

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report to the Members of TZ Limited

Report on the financial report

We have audited the accompanying financial report of TZ Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of TZ Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualification to the audit opinion expressed above, we draw attention to the following matters that are described in Note 1 to the financial report.

For the year ended 30 June 2014 the consolidated entity incurred losses after income tax of $11,798,000 and net cash outflows from operating activities of $6,692,000.

The ability of the consolidated entity to continue as a going concern is dependent upon it achieving sufficient profitability and operating cash flows to enable it to maintain working capital and the raising of additional share capital or borrowings in the future to support the working capital needs of the consolidated entity, when and if required.

These conditions, along with other matters set out in Note 1, indicate 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, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the remuneration report

We have audited the remuneration report included in pages 16 to 22 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of TZ Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M Leivesley
Partner - Audit & Assurance

Sydney, 24 September 2014

TZ Limited
Shareholder information
30 June 2014

The shareholder information set out below was applicable as at 3 September 2014.

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

	Number of holders of ordinary shares
1 to 1,000	759
1,001 to 5,000	790
5,001 to 10,000	339
10,001 to 100,000	733
100,001 and over	275
	2,896
Holding less than a marketable parcel	1,427

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
DEUTSCHE BANK AG LONDON (QVT FUND LP A/C)	134,688,053	35.00
UBS NOMINEES PTY LTD	18,617,852	4.84
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,302,229	4.24
NATIONAL NOMINEES LIMITED	15,610,286	4.06
DEUTSCHE BANK AG LONDON (QUINTESSENCE FUND LP A/C)	14,804,204	3.85
DEUTSCHE BANK AG LONDON	14,399,999	3.74
ROD INVESTMENTS (VIC) PTY LTD (GRONOW SUPER FUND A/C)	7,444,200	1.93
SURFLODGE PTY LTD (JE LYNCH STAFF SUPER FD A/C)	6,120,465	1.59
NEFCO NOMINEES PTY LTD	4,543,195	1.18
MR DAVID FREDERICK OAKLEY	3,535,000	0.92
MR KENNETH TING	3,391,446	0.88
SURFLODGE PTY LTD	3,372,901	0.88
NATIONAL NOMINEES LIMITED (DB A/C)	3,026,667	0.79
PAN AUSTRALIAN NOMINEES PTY LIMITED	3,005,000	0.78
NGP INVESTMENTS (NO 2) PTY LIMITED	2,649,087	0.69
MS ANNA FLEUR TAILBY	2,400,000	0.62
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,347,062	0.61
MR MARK LEIGH BOURIS	2,200,000	0.57
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	2,000,000	0.52
MR KEN TUDER + MS THUY LE (TUDER LE S/F A/C)	1,846,959	0.48
	262,304,605	68.17

TZ Limited
Shareholder information
30 June 2014

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	20,250,000	2

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

	Ordinary shares	
	Number held	% of total shares issued
DEUTSCHE BANK AG LONDON (QVT FUND LP A/C)	134,688,053	35.00

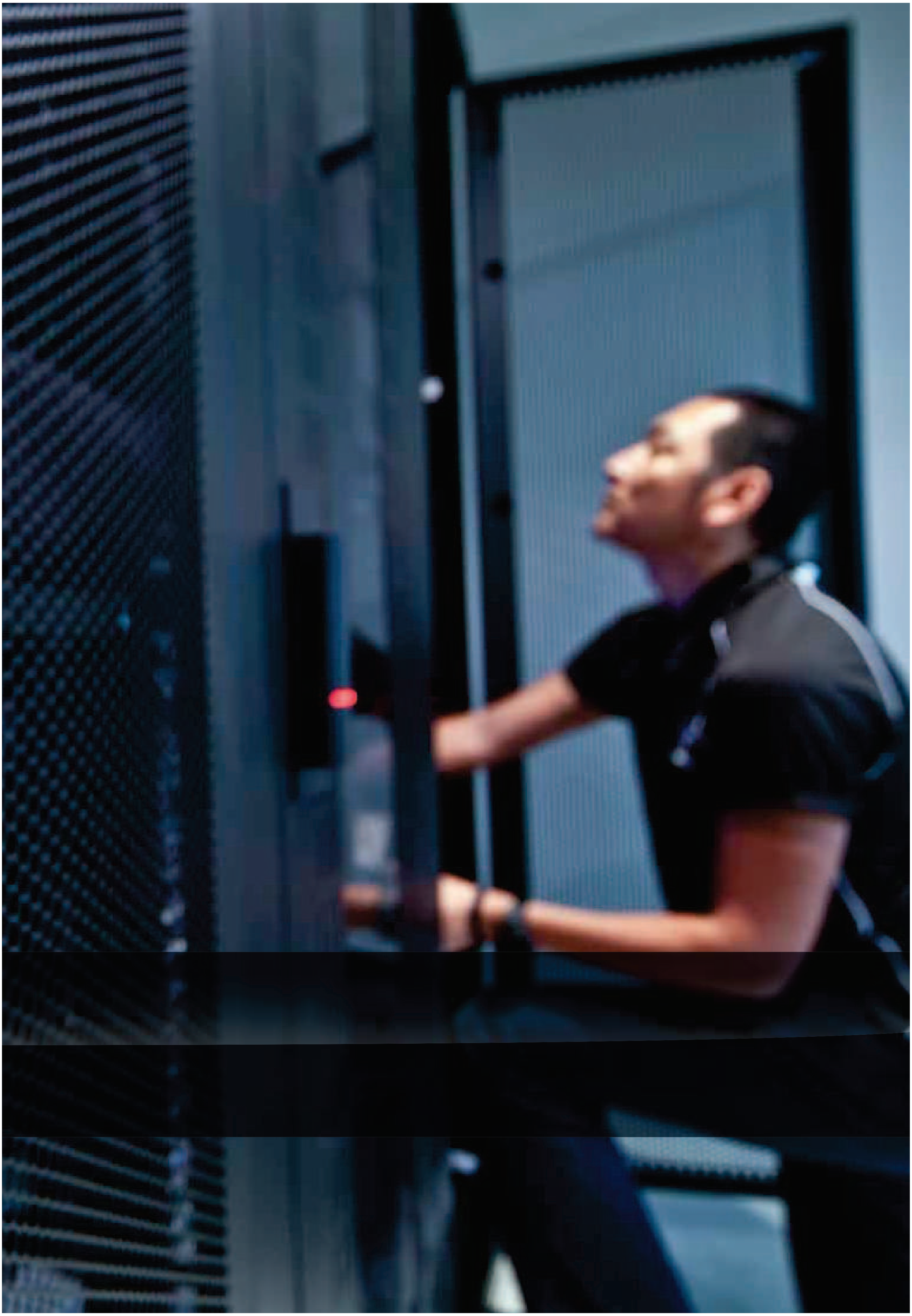
Voting rights
The voting rights attached to ordinary shares are set out below:

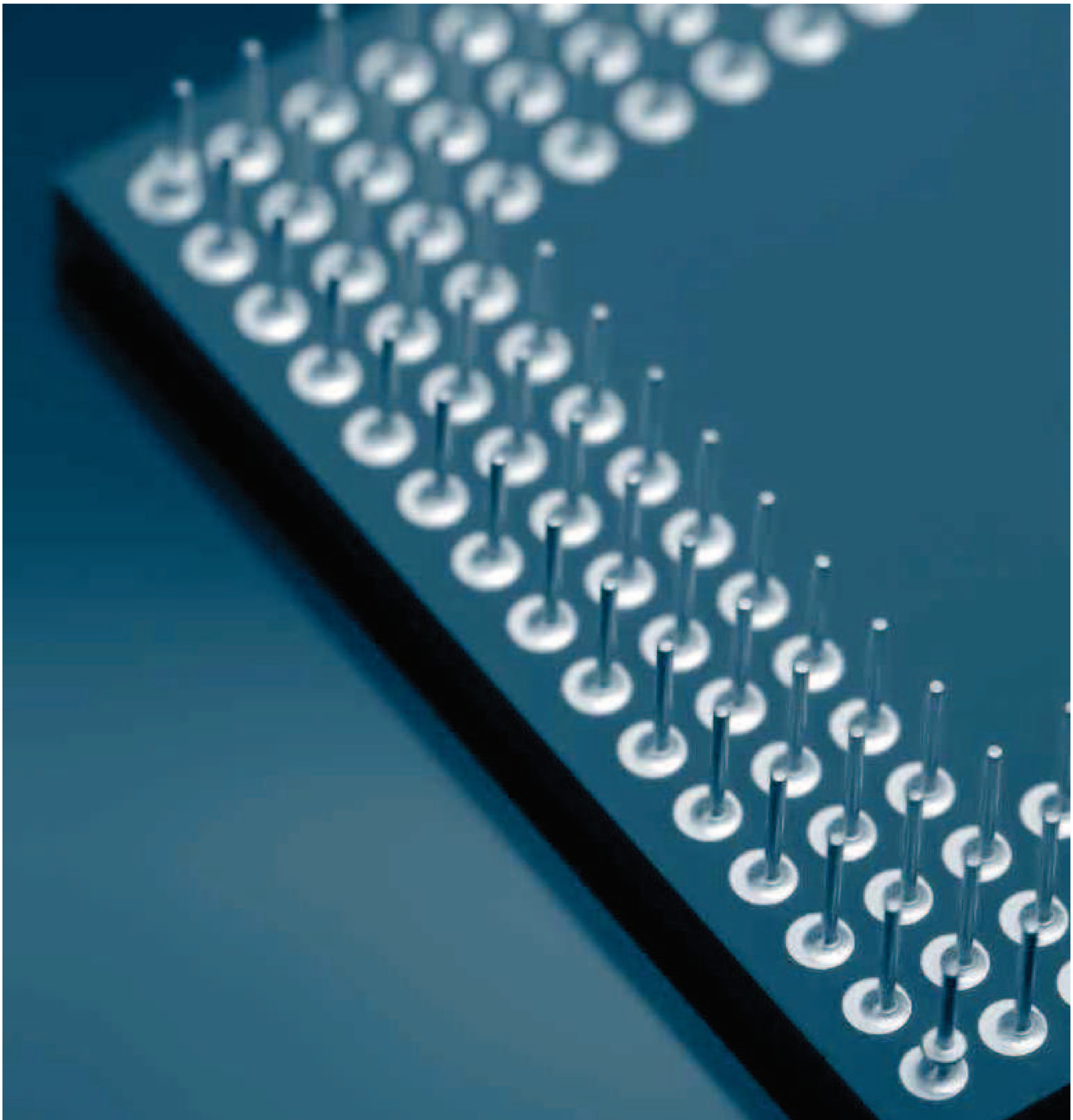
Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

This page has been left blank intentionally.

> SlideHandle™ data centre installation.





TZ Limited

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

www.tz.net