TZ Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	0.2%	to	17,430,926
Earnings loss before interest, tax, depreciation and amortisation, adjusted for impairment ('adjusted EBITDA')	up	32.0%	to	(3,480,093)
Loss from ordinary activities after tax attributable to the owners of TZ Limited	down	62.7%	to	(4,359,688)
Loss for the year attributable to the owners of TZ Limited	down	62.7%	to	(4,359,688)

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

Comments
The loss for the consolidated entity after providing for income tax amounted to $4,359,688 (30 June 2018: $11,687,882).

The earnings before interest, tax, depreciation and amortisation ('EBITDA'), adjusted for impairment, was a loss of $3,480,093 (30 June 2018: loss of $2,636,165).

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

Refer to 'Review of operations' in the Directors' report for further commentary on the results for the year ended 30 June 2019.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(10.75)	0.50

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

---

7. Dividend reinvestment plans

Not applicable.

---

8. Details of associates and joint venture entities

Not applicable.

---

9. Foreign entities

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

Not applicable.

---

10. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued. The auditor's report contains a paragraph addressing material uncertainty related to going concern.

---

11. Attachments

Details of attachments (if any):

The Annual Report of TZ Limited for the year ended 30 June 2019 is attached.

---

12. Signed

Signed ______________________________ Date: 28 August 2019

John Wilson
Managing Director
Sydney

Annual Report **2019**

General information

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

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

Registered office	Principal place of business
Level 11, 1 Chifley Square Sydney NSW 2000	TZ Limited and TZI Australia Pty Limited, Level 11, 1 Chifley Square, Sydney NSW 2000
	Telezygology Inc., Suite 109-71, 15466 Los Gatos Blvd, Los Gatos, CA 95032
	TZI Singapore Pte Limited, Suntec Tower 2, 9 Temasek Boulevard #29-01 Singapore 038989
	TZI UK Limited, 207 Regent Street London WIB 3HH, England UK

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2019. The directors have the power to amend and reissue the financial statements.

Directors	Graham Lenzner John Wilson Thierry Denis Mario Vecchio
Company secretary	Craig Sowden
Notice of annual general meeting	The details of the annual general meeting of TZ Limited are: 10:00am, Friday, 29 November 2019 at: Radisson Blu Plaza Hotel 27 O'Connell Street Sydney NSW 2000
Registered office	Level 11, 1 Chifley Square Sydney NSW 2000 Head office Tel: +61 2 9222 8890
Principal place of business	TZ Limited and TZI Australia Pty Limited Level 11, 1 Chifley Square, Sydney NSW 2000 Australia Telezygology Inc., Suite 109-71, 15466 Los Gatos Blvd, Los Gatos, CA 95032 TZI Singapore Pte Limited, Suntec Tower 2, 9 Temasek Boulevard #29-01 Singapore 038989 TZI UK Limited, Third Floor, 207 Regent Street, London WIB 3HH, England UK
Share register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Tel: 1300 787 272 Fax: +61 3 9473 2500
Auditor	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

Corporate Governance Statement	The directors and management are committed to conducting the business of TZ Limited in an ethical manner and in accordance with the highest standards of corporate governance. TZ Limited has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved at the same time as the annual report can be found at http://tz.net/investors/corporate-governance/

TZ Limited
Managing Director's letter
30 June 2019

Dear Shareholders

We're now two years into our business transformation program, and in many ways, FY2019 has been one of our most challenging years.

- We've been working hard to transition our business from a dependency on a handful of very large volume but low margin postal supply contracts to a business supported by a substantially broader base of retained customers, across multiple sectors, at margins that can support our path to profitability. Our low margin postal business contracts, that generated revenues in FY2017 of around $8.5M and represented 40% of our sales, have now expired or been terminated. Supply and service contracts with these established Postal customers including UPS, Singapore Post, Pos Malaysia and Poste Italiane have been renegotiated at pricing that supports sustainable margins going forward.

- Behind the scenes, we have restructured our organisation and streamlined our operations to better manage overheads and to improve our business competence. The restructuring will not only improve operational effectiveness but will deliver savings of $1.2M in FY2020. The closing of office space in San Francisco and office and warehouse spaces in Singapore and Malaysia will also deliver a saving of $180,000 annually. The decision to rebuild our US management team around the appointment of experienced key senior US executives is starting to show positive results. The US management team are now fully engaged in running the US business and have implemented many initiatives to improve process and operations and to develop a sound base for sales growth. The investment in the US business is commensurate with the opportunity that the US market presents for the Company. We expect the US to deliver 60% of our business in FY2020.

- At the start of the fiscal year, the Company faced significant challenges with project implementation. This was partly due to the large backlog of university orders and requirements to meet tight deployment deadlines in the educational sector, but it was also compounded by the lack of project management, planning and technical capability in our US team. To meet deployment deadlines, experienced resources were sent from Australia to support the local US team to meet contractual obligations including managing and undertaking the substantial remedial works required for UPS. Since then, we have established new implementation partner relationships, rebuilt our service team and reinforced our technical competencies in areas where there were previous gaps. With our project management, service and support structure now operating efficiently and more cost effectively through a contracted network of service partners, we are well positioned to address the growth opportunities we see in the US market.

- To improve our market awareness, we have invested in marketing initiatives to help us to reposition ourselves in the marketplace. Specifically, we have embraced lead generation, direct marketing and trade show participation to help to build the sales opportunity pipeline. The launch of the new website in February 2019 and the engagement of ReachMarkets to help us uplift our investor communications are all initiatives that we hope to raise awareness of the Company with customers and investors. I am pleased to report that our web traffic has quadrupled over the last six months and open rates on our direct mail at 25% and click through rates at 10% are above industry standards.

- I am convinced that with greater market presence and awareness, we will open the doors to new opportunities that can support our growth ambitions. We have developed relationships with many of the world's largest brands and have built a solid track record of technology performance. Many of our new customers ask these existing customers for references. In fact, reference based selling accounts for a large portion of our new customer acquisitions. A customer promoting TZ to others is the best testimony of the value that TZ can bring to the marketplace. Note that most of our competitors outsource their HW and SW offering. As such, they are unable to meet the integration needs that so many of these customers are seeking. Our established SW platform with its extensive API library and open integration approach, coupled with our strong development competence in this area remains a major enabler for success and a differentiator for the Company.

- To further help us maintain our competitive advantage, we have continued to optimise our hardware products to improve cost position and margins; we've uplifted our software solutions to industry standards for security to better support our differentiation; and we have introduced new Platform-as-a-Service and Software-as-a-Service subscription-based offerings to build the foundations for long tail annuity revenues. We are confident that this will yield positive results for the Company in FY2020. We need to grow into new segments outside our traditional business. The successful introduction of these new products to expand our offerings and increase our flexibility in being able to offer electronics and software licensed or subscription based deals, will help us to build on our existing sales base and to better penetrate new segments.

- From a market perspective, there are many areas that offer potential for growth. In previous years, we have only focused at the top end of town with our enterprise Day Locker and Package Management offerings.

    - New business development efforts to access the End-of-Trip and SME Day Locker opportunities have yielded good results for TZ. In the US where we launched the Day Locker offering this fiscal year, we have built a strong pipeline of new opportunities, successfully secured new business with MasterCard and are working with Gensler and other architectural firms on new Day Locker opportunities. In Australia, we've received greater levels of acceptance of our offerings with new business wins with Dimension Data, UTS and Federation University.

    - Our Educational market in the US remains a large growth area for TZ. The volume of packages coming into Universities for students has been increasing for years. Self-service and low-cost delivery technology is a major area of investment in the America's collegiate marketplace. We have strong ambitions to dominate this sector on the back of prestigious University wins like Rutgers, Vanderbilt, Princeton, Columbia, University of Tennessee, East Tennessee State University, etc.

    - The retail sector or buying online and picking up at the store is a major driver of locker adoption globally. Delivery of everything from groceries, medication, pet items, e-commerce, and virtually every consumer transaction has been a major differentiation trend among retailers, restaurants, and B2B/B2C players. Convenience, cost, differentiation, and brand are driving massive last mile delivery investments. These are long lead time opportunities but offer the potential for large volume sales. We have been approached by many organisations to participate on RFIs and RFPs. We await the outcome of some of these opportunities. They will start with a pilot but like the Postal sector have the potential for a large roll-out in time.

It's been a journey for the Company and while our numbers this year don't readily reflect the progress we're making, there are many things that we can be pleased about. The business fundamentals are in place, the tailwinds are encouraging, and the outlook is promising.

We remain singularly focused on turning the corner into profitability and to demonstrating that we have a desirable, sought after technology offering that the market values and a business that offers the potential for sustainable growth.

JKWilson.

John Wilson
Managing Director

28 August 2019
Sydney

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 2019.

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:

Graham Lenzner - Chairman
John Wilson
Thierry Denis
Mario Vecchio
Mark Bouris (resigned on 20 November 2018)

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, United Kingdom and Singapore.

Dividends

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

Review of operations

For the year ended 30 June 2019, the consolidated entity recorded operating revenue of $17.4M for the year with gross margins of 48.7%, EBITDA* of -$3.5M and Net Loss After Tax of $4.4M.

Meaningful comparisons with the previous financial year need to take into account the significant revision of TZ’s revenue recognition policy in compliance with the introduction of AASB 15 in FY2019. Under TZ’s previous policy, revenue was recognised on a percentage of cost completion basis, whereas the new policy in FY2019 now recognises revenue when performance obligations have been satisfied. A consequence of the adoption of the new policy this year was that $4.2M of revenue previously accrued and recognised in FY2018 had to be recognised again in FY2019 to align with when the performance obligations under those contracts were satisfied, accompanied by an adjustment to the opening Retained Earnings balance on 1 July 2018. $4.1 million of this revenue was recognised in the second half of FY2019 although it related to contracts that were delivered in the first half of FY2019. To allow for meaningful year-on-year comparisons of Profit and Loss (P&L) performance, all FY2018 P&L comparatives quoted in this Directors’ Report have been adjusted based on how FY2018 contracts would have been accounted for under the new revenue policy, unless otherwise stated.

The table below compares FY2019 results against adjusted FY2018 results. A comparison to reported FY2018 results is available in the Statement of Profit or Loss on page 18.

Key Metrics	**30 June 2019 $'M**	**30 June 2018 $'M**	**Variance $'M**
Operating Revenue	**17.4**	**15.0**	**2.4**
Gross Margin (%)	48.7%	50.3%	-
Overheads	12.0	11.5	0.5
EBITDA*	**(3.5)**	**(3.9)**	**0.4**
Impairment	-	(7.4)	7.4
EBIT	(3.8)	(12.7)	8.9
NPAT	**(4.4)**	**(13.0)**	**8.6**
Operating cash flow	(3.7)	(3.5)	(0.2)
Investment in product development	0.7	1.5	(0.8)

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

TZ Limited's full year group revenue in FY2019 was $17.4M. This represents an increase of 15.6% on the adjusted FY2018 revenues.

The bulk of the revenue growth has come from the large Locker supply contract to major logistics player DSV in South Africa, who upgraded their existing 106 Locker Bank network with TZ technology and ordered an additional 200 Locker Banks to bring their total network to 306 Locker Banks. As a consequence, revenues from this customer increased from $1.0M last year to $3.9M this year.

The USA market had a nominal increase in revenue from $9.1M last year to $9.4M this year. Despite the lack of business growth, the result was in line with forecast expectations. The US business experienced significant disruption last year not only from the change in the US management team but also through the implementation challenges from the large backlog of orders at the start of the fiscal year and the undertaking of the substantial United Parcel Service (UPS) remedial works.

Revenues in Australia were 7% down from $3.3M last year to $3.1M this year. Day Locker sales and services to retained customers such as Westpac, KPMG and Suncorp were in line with budget. We did expect stronger performance in our data center security business given expansion of NextDC and MacTel footprints, however delays to these infrastructure projects have pushed out the timing of sales.

The investment and focus on lead generation and direct marketing implemented in the latter half of FY2019 is expected to support new growth opportunities and business development in both the US and Australian geographies. The backlog of purchase orders and committed business at the end of FY2019, that will be deployed in first half of FY2020, signals a promising start for the new operating year.

Gross margins this year were 48.7% which is down from 50.3% last year. This year's margin was affected by the large rectification and remedial works undertaken and completed for UPS in the USA at a cost of approximately $440,000. Without this abnormal cost, gross margin in FY2019 would have been 51.2%, an improvement on gross margin on the prior year.

The consolidated entity's overhead costs were $12.0M, an increase of 4.0% on the $11.5M recorded last year largely due to transition costs in setting up the new management and organisational structure. At the end of FY2019, a restructure was completed to right set the organisation which will reduce labour costs by $1.2M in FY2020.

Net operating cash outflows were $3.7M this year ($3.5M in FY2018) which were affected by the lower margins due to UPS and the small increase in overhead costs.

The consolidated entity continued investment in product development this year but at a lower level of investment than in previous years, as several major initiatives in the next generation device and software development have been completed and commercialised. A total of $0.7M was invested compared to $1.5M in FY2018. The commercialisation of these new initiatives in FY2020 should deliver reductions in the cost of goods of key hardware components and support sales to new market segments and the migration to subscription-based annuity offerings.

The operating cash outflows and investment activities were funded through an increase in long term debt of $4.0M. To allow for this, the size of the consolidated entity's debenture facility was increased from $5M to $9M during the year, leaving an available debt facility of $1M at the end of FY2019. Subsequent to year end, the debt facility has been increased by a further $2M.

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

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Further information on the future strategies is detailed in the Managing Director's report which precedes the Directors' report and Annual Financial Statements.

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

Information on directors

Name:	Graham Lenzner
Title:	Non-Executive Chairman
Qualifications:	BEc (USyd)
Experience and expertise:	Graham brings a wealth of Corporate experience to the Board as an Independent Director. He has had a career spanning over four decades with particular emphasis on investment management and financial markets. He was an Executive Director of the Armstrong Jones Group for twelve years, the last four years as Joint Managing Director until it's takeover by ING. Other previous roles include Finance and Deputy Managing Director Aquila Steel and General Manager Finance and Investments MMI Insurance Ltd. He has served on the Board of a number of both listed and private companies.
Other current directorships:	Independent Non-Executive Director of 360 Capital Group Limited (ASX: TGP)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	600,000 ordinary shares
Interests in options:	None

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

Name:	Thierry Denis
Title:	Non-Executive Director
Qualifications:	Ingenieur (ENSEA France), GAICD
Experience and expertise:	Thierry is a technology executive with more than 20 years' international experience in business management, company turnaround and transformation. He built an accomplished career with billion-dollar technology company Ingenico, leading a diverse range of mandates across dynamically different regions and markets. Thierry has led culture and process change, while leveraging his strong foundation expertise in IT solutions. Thierry was successful at Ingenico in delivering revenue and profit growth through the creation of scalable, lean and efficient business models and engaged, empowered and high performing team environments. This accomplishment earned him industry recognition through receipt of 'President of the Year' Award by TMT News.
Other current directorships:	Non-Executive Director of Splitit Ltd (ASX: SPT)
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee
Interests in shares:	200,000 ordinary shares
Interests in options:	None

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

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

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Graham Lenzner	11	12	2	2	2	3
John Wilson	12	12	2	2	3	3
Thierry Denis	12	12	2	2	2	3
Mario Vecchio	11	12	1	2	3	3
Mark Bouris	3	5	1	1	2	2

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

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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

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

The Board reviews and is responsible for the consolidated entity’s remuneration policies, procedures and practices. A Remuneration and Nomination Committee is responsible for the remuneration policies of the consolidated entity.

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

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

At the 2018 Annual General Meeting, the shareholders re-approved the TZEIS. Subsequent to the financial year ended 30 June 2019 in July 2019, 2,901,000 options were granted to the directors and executives as follows:
- 120,000 options were granted to each of the Non-Executive Directors
- 495,000 options were granted to each of the Managing Director
- 2,046,000 options were granted to the senior executives

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the 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 can include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') includes long service leave and share-based payments. As noted above, 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').

Voting and comments made at the company's 2018 Annual General Meeting ('AGM')
At the last AGM 56.4% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2018. 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:
- Brian Leary - President of Telezygology Inc.
- Adam Forsyth - Chief Technical Officer of TZ Limited
- Craig Sowden - Chief Financial Officer of TZ Limited

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

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

2018	Short-term benefits: Cash salary and fees $	Short-term benefits: Other $	Short-term benefits: Bonus $	Post-employment benefits: Super-annuation $	Long-term benefits: Employee leave $	Share-based payments: Options $	Total $
Non-Executive Directors:							
M Bouris	245,506	850	-	-	-	-	246,356
G Lenzner*	55,585	-	-	5,281	-	-	60,866
T Denis*	11,416	-	-	1,084	-	-	12,500
M Vecchio*	11,416	-	-	1,084	-	-	12,500
P Casey *	40,153	-	-	-	-	-	40,153
Executive Directors:							
J Wilson*/**	365,192	-	50,000	20,833	-	-	436,025
K Ting*	78,530	2,067	-	-	-	-	80,597
Other Key Management Personnel:							
W Leong*	115,680	9,506	-	4,489	-	-	129,675
A Forsyth	145,313	-	-	18,406	-	-	163,719
C Sowden	230,000	-	-	21,850	-	-	251,850
	1,298,791	12,423	50,000	73,027	-	-	1,434,241

* Represents remuneration from date of appointment and/or to date of resignation.
** Bonus represents a discretionary cash bonus awarded on 1 August 2018 in respect of services performed during the year ended 30 June 2017. The bonus was paid to John Wilson's consulting company. Payment of the bonus was subject to achievement of deliverables including securing of strategic customer relationships, conversion of targeted sales opportunities and contracts in line with Board expectations and delivering on defined operational objectives set by the Board. No share of the bonus was forfeited.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2019	2018	2019	2018	2019	2018
Non-Executive Directors:						
G Lenzner	100%	100%	-	-	-	-
T Denis	100%	100%	-	-	-	-
M Vecchio	100%	100%	-	-	-	-
P Casey	-	100%	-	-	-	-
M Bouris	-	100%	-	-	-	-
Executive Directors:						
J Wilson	100%	100%	-	-	-	-
K Ting	-	100%	-	-	-	-
Other Key Management Personnel:						
B Leary	100%	-	-	-	-	-
Adam Forsyth	100%	100%	-	-	-	-
C Sowden	100%	100%	-	-	-	-
W Leong	-	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:	John Wilson
Title:	Managing Director and Chief Executive Office
Agreement commenced:	8 September 2017
Term of agreement:	Three years
Details:	Base salary of $450,000. Notice period is 12 months in first year, 9 months in second year and 6 months in the third year.

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

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

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

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 $	2018 $	2017 $	2016 $	2015 $
Sales revenue	17,430,926	17,388,505	21,507,189	20,785,385	15,129,251
Adjusted EBITDA *	(3,480,093)	(2,636,165)	(2,948,311)	(5,278,049)	(4,869,814)
Loss after income tax	(4,359,688)	(11,687,882)	(6,479,240)	(7,033,966)	(6,436,018)

* Earnings before interest, tax, depreciation, amortisation and other non-operating items

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

	2019	2018	2017	2016	2015
Share price at financial year end ($)	0.09	0.17	0.02	0.10	0.09
Basic earnings per share (cents per share)	(6.18)	(18.45)	(12.86)	(15.10)	(15.70)

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Additions	Disposals	other*	Balance at the end of the year
Ordinary shares					
Mark Bouris	310,469	-	-	(310,469)	-
Graham Lenzner	600,000	-	-	-	600,000
Thierry Denis	200,000	-	-	-	200,000
Mario Vecchio	85,000	-	-	-	85,000
John Wilson	8,230	-	-	-	8,230
Craig Sowden	3,500	-	-	-	3,500
Adam Forsyth	13,230	3,500	-	-	16,730
	1,220,429	3,500	-	(310,469)	913,460

* Other represents no longer being designated as a KMP, not necessarily a disposal of holding.

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

	Balance at the start of the year	Consolidation	Expired	Forfeited/ other*	Balance at the end of the year
Options over ordinary shares					
Mark Bouris	500,000	-	-	(500,000)	-
	500,000	-	-	(500,000)	-

* Forfeited/other may represent no longer being designated as a KMP. It does not necessarily represent options that have been forfeited.

No options were granted or exercised during the year ended 30 June 2019.

Other transactions with key management personnel and their related parties
During the year ended 30 June 2019 the consolidated entity incurred the following expenses from transactions with key management personnel and their related parties:

- Rent and serviced office expenditure, administration fees and storage costs of $67,829 (2018: $184,949) was paid to YBR Services Pty Limited, a director related entity in which Mark Bouris is a director. Mr Bouris resigned as a Director of TZ Limited on 20 November 2018. Therefore the amount for the financial year ended 30 June 2019 represents expenses for the period from 1 July 2018 to 20 November 2018.
- Broker fees of $nil (2018: $13,436) were paid for insurance policies arranged by Yellow Brick Road Wealth Management Pty Limited (formerly YBR General Insurance Brokers Pty Limited), a director related entity in which Mark Bouris is a director.

As at the 30 June 2019 the consolidated entity has the following payables with key management personnel and their related parties:

- $nil (2018: $47,289) payable to YBR Services Pty Limited, a director related entity in which Mark Bouris is a director for rent, serviced office expenditure and rental bond. Mr Bouris resigned as a Director of TZ Limited on 20 November 2018. Therefore YBR Services Pty Limited is no longer considered a related party at 30 June 2019.

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price	Number under option
15 January 2014	30 June 2020	$6.00	500,000
6 August 2019	31 August 2024	$0.25	967,000
6 August 2019	31 August 2025	$0.40	967,000
6 August 2019	31 August 2026	$0.45	967,000
			3,401,000

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

Shares issued on the exercise of options
There were no ordinary shares of TZ Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

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

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

Indemnity and insurance of auditor
The company has not, during or since the 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 25 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of Grant Thornton

There are no officers of the company who are former partners of Grant Thornton.

Auditor's independence declaration

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

Auditor

Grant Thornton 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

JKWilson.

John Wilson
Managing Director

28 August 2019
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 2019, 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

S M Coulton
Partner – Audit & Assurance

Sydney, 28 August 2019

TZ Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Revenue	4	17,430,926	17,388,505
Other income	5	59,436	166,895
Interest income		431	9,939
Expenses			
Raw materials and consumables used		(8,939,309)	(8,503,340)
Employee benefits expense		(8,665,242)	(7,873,047)
Occupancy expense		(569,344)	(573,107)
Depreciation and amortisation expense	6	(315,086)	(1,338,342)
Impairment of assets	6	-	(7,411,159)
Communications expense		(138,356)	(154,980)
Professional and corporate services		(759,874)	(868,190)
Travel and accommodation expense		(771,331)	(668,445)
Net foreign currency exchange gains		70,503	46,153
Other expenses		(1,197,502)	(1,596,609)
Finance costs		(549,725)	(285,450)
Loss before income tax expense		(4,344,473)	(11,661,177)
Income tax expense	7	(15,215)	(26,705)
Loss after income tax expense for the year attributable to the owners of TZ Limited		(4,359,688)	(11,687,882)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(665,428)	(113,804)
Other comprehensive income for the year, net of tax		(665,428)	(113,804)
Total comprehensive income for the year attributable to the owners of TZ Limited		(5,025,116)	(11,801,686)
		Cents	**Cents**
Basic earnings per share	32	(6.18)	(18.45)
Diluted earnings per share	32	(6.18)	(18.45)

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 2019

	Note	Consolidated 2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	8	535,269	1,002,682
Trade and other receivables	9	3,316,171	4,522,821
Contract assets, accrued revenue and work in progress	10	563,779	3,454,325
Inventories	11	1,810,335	1,278,896
Other	12	467,497	365,026
Total current assets		6,693,051	10,623,750
Non-current assets			
Property, plant and equipment	13	371,079	381,473
Intangibles	14	1,213,163	626,422
Total non-current assets		1,584,242	1,007,895
Total assets		8,277,293	11,631,645
Liabilities			
Current liabilities			
Trade and other payables	15	4,546,131	5,290,744
Contract liabilities	16	1,611,830	841,498
Provisions	17	493,816	521,219
Total current liabilities		6,651,777	6,653,461
Non-current liabilities			
Borrowings	18	8,000,000	4,000,000
Total non-current liabilities		8,000,000	4,000,000
Total liabilities		14,651,777	10,653,461
Net assets/(liabilities)		(6,374,484)	978,184
Equity			
Issued capital	19	210,400,125	210,400,125
Reserves	20	(4,388,768)	(3,723,340)
Accumulated losses		(212,385,841)	(205,698,601)
Total equity/(deficiency)		(6,374,484)	978,184

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 2019

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2017	204,951,076	(3,609,536)	(194,010,719)	7,330,821
Loss after income tax expense for the year	-	-	(11,687,882)	(11,687,882)
Other comprehensive income for the year, net of tax	-	(113,804)	-	(113,804)
Total comprehensive income for the year	-	(113,804)	(11,687,882)	(11,801,686)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	5,449,049	-	-	5,449,049
Balance at 30 June 2018	210,400,125	(3,723,340)	(205,698,601)	978,184

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total deficiency in equity $**
Balance at 1 July 2018	210,400,125	(3,723,340)	(205,698,601)	978,184
Adjustment on adoption of AASB 15 (note 1)	-	-	(2,327,552)	(2,327,552)
Balance at 1 July 2018 - restated	210,400,125	(3,723,340)	(208,026,153)	(1,349,368)
Loss after income tax expense for the year	-	-	(4,359,688)	(4,359,688)
Other comprehensive income for the year, net of tax	-	(665,428)	-	(665,428)
Total comprehensive income for the year	-	(665,428)	(4,359,688)	(5,025,116)
Balance at 30 June 2019	210,400,125	(4,388,768)	(212,385,841)	(6,374,484)

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 2019

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,030,338	16,218,123
Payments to suppliers (inclusive of GST)		(23,227,292)	(19,480,374)
Interest received		431	9,939
Interest and other finance costs paid		(461,938)	(260,450)
Income taxes paid		(15,215)	(26,705)
Net cash used in operating activities	31	(3,673,676)	(3,539,467)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(153,221)	(121,712)
Payments for intangibles	14	(654,056)	(1,528,644)
Proceeds from disposal of intangibles		-	60,000
Net cash used in investing activities		(807,277)	(1,590,356)
Cash flows from financing activities			
Proceeds from issue of shares	19	-	5,544,000
Transaction costs on shares issued		-	(94,875)
Proceeds from borrowings		4,500,000	1,000,000
Repayment of borrowings		(500,000)	(1,000,000)
Net cash from financing activities		4,000,000	5,449,125
Net (decrease)/increase in cash and cash equivalents		(480,953)	319,302
Cash and cash equivalents at the beginning of the financial year		1,002,682	669,004
Effects of exchange rate changes on cash and cash equivalents		13,540	14,376
Cash and cash equivalents at the end of the financial year	8	535,269	1,002,682

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

Note 1. Significant accounting policies

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

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

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

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

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are 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. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2018 was as follows:

	1 July 2018 $
Accumulated loss as reported in the Annual report for the year ended 30 June 2018	(205,698,601)
Contract assets (AASB 15)	(2,327,552)
Accumulated losses as at 1 July 2018 on adoption of AASB 9 and AASB 15	(208,026,153)

Note 1. Significant accounting policies (continued)

The adoption of these standards also resulted in the following reclassifications:

- interest income is now shown on the face of profit or loss;
- provision for impairment of receivables is now reclassified as allowance for expected credit loss;
- accrued revenue and work in progress now reclassified as contract asset; and
- customer deposits and unearned income now reclassified as contract liabilities.

The tables below highlight the impact of AASB 15 on the consolidated entity's statement of profit or loss and other comprehensive income and the statement of financial position for the year ended 30 June 2019. The adoption of AASB 15 did not have a material impact on the consolidated entity's statement of cash flows.

Statement of Profit or Loss and Other Comprehensive Income (Extract)	Amounts under AASB 15 $	Adjustments $	Amounts under AASB 118 and 111 $
Revenue	17,430,926	(3,367,681)	14,063,245
Raw materials and consumables used	(8,939,309)	(1,382,215)	(7,557,094)
Employee benefits expense	(8,665,242)	-	(8,665,242)
Other expenses	(1,197,502)	-	(1,197,502)
Loss before income tax	(4,344,473)	(1,985,465)	(6,329,938)
Income tax expenses	(15,215)	-	(15,215)
Loss after income tax expenses	(4,359,688)	(1,985,465)	(6,345,153)
Total comprehensive loss for the year	(5,025,116)	(1,985,465)	(7,010,581)
Basic earnings per share (cents)	(6.18)	(2.81)	(8.99)
Diluted earnings per share (cents)	(6.18)	(2.81)	(8.99)

Statement of Financial Position (Extract)	Amounts under AASB 15 $	Adjustments $	Amounts under AASB 118 and 111 $
Current assets			
Trade and other receivables	3,316,171	-	3,316,171
Contract assets, accrued revenue and work in progress	563,779	342,086	905,865
Current liabilities			
Trade and other payables	4,546,131	-	4,546,131
Contract liabilities	1,611,830	-	1,611,830
Net liabilities	(6,374,484)	342,086	(6,032,398)
Equity			
Accumulated losses	(212,385,841)	342,086	(212,043,755)
Total equity/(deficiency)	(6,374,484)	342,086	(6,032,398)

Note 1. Significant accounting policies (continued)

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

While the consolidated entity incurred losses for the financial year ended 30 June 2019, in assessing the appropriateness of the going concern concept the following factors have been taken into consideration by the Directors:
- The Directors are of the view the consolidated entity is on track to meet revenue targets for the 30 June 2020 financial year. It is expected that, as the monthly revenue levels increase, the consolidated entity's operating business units will be in a position to contribute positive cash to the bottom line;
- The Directors maintain a positive outlook on achieving profitability and positive cash flows in the 30 June 2020 financial year based on the strength of the sales pipeline; and
- Availability to the consolidated entity of additional borrowings. The debenture facility with First Samuel Limited was increased by $2 million in July 2019.

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

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

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

Historical cost convention
The financial statements have been prepared under the historical cost convention, 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 29.

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 2019 and the results of all subsidiaries for the year then ended. TZ Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

Note 1. Significant accounting policies (continued)

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 rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of software and hardware
Sales of software and hardware is recognised at the point of sale, which is where the customer has taken delivery of the goods.

Note 1. Significant accounting policies (continued)

Rendering of installation and commissioning services
Rendering of installation and commissioning services revenue is recognised at the point in time when software and hardware has been installed.

Rendering of maintenance services
Revenue from maintenance services is typically paid in advance on an annual, quarterly or monthly basis. Revenue is recognised over the period the customer support/hosting relates to (the coverage period). Fees received in advance of the performance of services are deferred and recognised as contract liabilities.

Rendering of professional services
Rendering of professional services revenue is recognised when the service to the customer is completed.

Revenue recognition policy prior to the adoption of AASB 15 on 1 July 2018
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
Sales of non-project related software and hardware, revenue was recognised at the point of sale, which was when the customer had taken delivery of the goods, the risks and rewards are transferred to the customer and there was a valid sales contract. Amounts disclosed as revenue were net of sales returns and trade discounts.

Project revenue
Project revenues relating to the supply and installation of hardware and software was recognised by reference to the stage of completion of the contracts.

Stage of completion was measured by reference to costs incurred to date as a percentage of costs 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.

Rendering of maintenance services
Revenue from maintenance services is typically paid in advance on an annual, quarterly or monthly basis. Revenue was recognised over the period the customer support/hosting relates to (the coverage period). Fees received in advance of the performance of services were deferred and recognised as unearned income.

Rendering of professional services
Rendering of professional services revenue was recognised when the service to the customer was completed.

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

Reclassification
Comparative figures in the statement of profit or loss and other comprehensive income and in the statement of financial position have been reclassified to conform to the current year presentation.

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

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

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

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

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

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

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Contract assets
Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Leasehold improvements 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.

Note 1. Significant accounting policies (continued)

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

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

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

Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses, and are amortised over the period of expected future sales from the related projects which vary from 3 to 5 years.

Impairment of non-financial assets
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.

Contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

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

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.

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.

Note 1. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
Employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible.

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

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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

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

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

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

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

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

Issued capital
Ordinary shares are classified as equity.

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

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 the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

Earnings per share

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

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.

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.

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 2019. 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 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity has elected to apply the modified retrospective approach as permitted by AASB 16. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 with no restatement of comparative information.

The consolidated entity has chosen to measure the existing operating leases at the present value of the remaining lease payments, discounted using the consolidated entity's incremental borrowing rate at the date of initial application.

Based on the elected transition method, the consolidated entity has assessed the estimated impact of AASB 16 on the consolidated statement of financial position on 1 July 2019 as follows:

	1 July 2019 $
Recognition of right-of-use assets on adoption of AASB 16	518,461
Recognition of lease liability on adoption of AASB 16	(518,461)
Net impact on retained earnings at 1 July 2019	-

The effect on NPAT is not expected to be significant. However, EBITDA will be positively affected because the operating lease expense will be replaced by depreciation and interest charges, which are recorded below the EBITDA line.

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.

Revenue from contracts with customers
Determining when to recognise revenues from maintenance services recognised over time is dependent on the extent to which the performance obligations have been satisfied. For maintenance service agreements, revenue recognition requires an understanding of the customer’s use of the related products, historical experience and knowledge of the market.

With regard to the prior year, recognised amounts of contract revenues and related receivables reflect management’s best estimate of each contract’s outcome and stage of completion. This includes the assessment of the profitability of ongoing contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Capitalised development costs
Distinguishing the research and development phases of a new project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible 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.

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

Other segments represent the activities of the corporate headquarters.

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

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

Note 3. Operating segments (continued)

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

Major customers
During the year ended 30 June 2019 1 customer (2018: 3 customers) each contributed more than 10% to the external revenue of the consolidated entity. This 1 customer contributed 20% (2018: 3 customers contributed 46%) of the consolidated entity's external revenue.

Operating segment information

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

Consolidated - 2018	Australia $	USA $	EMEA $	Asia $	Other segments $	Total $
Revenue						
Sales to external customers	3,323,479	10,145,630	3,004,866	914,530	-	17,388,505
Interest	-	-	-	-	9,939	9,939
Total revenue	3,323,479	10,145,630	3,004,866	914,530	9,939	17,398,444
Adjusted EBITDA	966,797	755,006	763,905	98,761	(5,220,634)	(2,636,165)
Depreciation and amortisation						(1,338,342)
Impairment of assets						(7,411,159)
Interest revenue						9,939
Finance costs						(285,450)
Loss before income tax expense						(11,661,177)
Income tax expense						(26,705)
Loss after income tax expense						(11,687,882)

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

Note 3. Operating segments (continued)

Geographical information

	Geographical non-current assets	
	2019 $	2018 $
Australia	1,426,290	353,518
United States of America	155,945	651,223
United Kingdom	1,129	1,672
Singapore	878	1,482
	1,584,242	1,007,895

Note 4. Revenue

	Consolidated	
	2019 $	2018 $
Sale and service revenue	17,430,926	17,388,505

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

	Consolidated 2019 $
Major product lines	
Sale of hardware and software	14,295,061
Installation and commissioning services	911,514
Maintenance and support services	1,478,713
Professional services	745,638
	17,430,926
Timing of revenue recognition	
Goods and services transferred at a point in time	15,952,213
Services transferred over time	1,478,713
	17,430,926

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

Note 5. Other income

	Consolidated	
	2019 $	2018 $
Government grants	59,436	166,700
Royalties	-	195
Other income	59,436	166,895

Note 6. Expenses

	Consolidated 2019 $	Consolidated 2018 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	1,617	4,611
Plant and equipment	108,510	90,131
Office equipment	55,935	73,772
Total depreciation	166,062	168,514
Amortisation		
Re-acquired right (Intevia Licence)	-	418,324
Patents	4,378	95,403
Development costs	144,646	656,101
Total amortisation	149,024	1,169,828
Total depreciation and amortisation	315,086	1,338,342
Impairment		
Goodwill	-	85,133
Re-acquired right (Intevia Licence)	-	1,738,587
Patents	-	1,786,542
Development costs	-	3,800,897
Total impairment	-	7,411,159
Minimum lease payments	522,408	514,600
Defined contribution superannuation expense	425,837	459,805

Note 7. Income tax expense

	Consolidated 2019 $	Consolidated 2018 $
Income tax expense		
Current tax	15,215	26,705
Aggregate income tax expense	15,215	26,705
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,344,473)	(11,661,177)
Tax at the statutory tax rate of 27.5% (2018: 30%)	(1,194,730)	(3,498,353)
Current year tax losses not recognised	1,148,904	2,939,358
Difference in overseas tax rates/refunds	61,041	585,700
Income tax expense	15,215	26,705

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

Note 8. Current assets - cash and cash equivalents

	Consolidated 2019 $	Consolidated 2018 $
Cash and cash equivalents	535,269	1,002,682

Note 9. Current assets - trade and other receivables

	Consolidated 2019 $	Consolidated 2018 $
Trade receivables	3,216,063	4,395,850
Less: Allowance for expected credit losses (2018: Provision for impairment of receivables)	(62,570)	(43,000)
	3,153,493	4,352,850
Other receivables	162,678	169,971
	3,316,171	4,522,821

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

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $	Allowance for expected credit losses 2019 $
Not overdue	-	2,317,842	-
0 to 3 months overdue	6.97%	898,221	62,570
		3,216,063	62,570

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

	Consolidated 2019 $	Consolidated 2018 $
Opening balance	43,000	72,100
Additional provisions recognised	19,570	46,900
Receivables written off during the year as uncollectable	-	(76,000)
Closing balance	62,570	43,000

Note 10. Current assets - contract assets, accrued revenue and work in progress

	Consolidated 2019 $	Consolidated 2018 $
Contract assets	563,779	-
Accrued revenue	-	3,309,323
Work in progress	-	145,002
	563,779	3,454,325

Note 10. Current assets - contract assets, accrued revenue and work in progress (continued)

Accrued revenue and work in progress have been reclassified to contract assets at 1 July 2018 following the adoption of AASB 15 'Revenue from Contracts with Customers'. Refer to note 1 for further details.

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

	Consolidated 2019 $
Transfer accrued revenue and work-in-progress to contract assets on 1 July 2018	3,454,325
Adjustment to contract assets on adoption of AASB 15	(2,327,552)
Additions	563,779
Transfer to trade receivables	(1,126,773)
Closing balance	563,779

Allowance for expected credit losses
The allowance for expected credit losses on contract assets for the year ended 30 June 2019 is $nil (2018: $nil).

Note 11. Current assets - inventories

	Consolidated	
	2019 $	2018 $
Finished goods - at cost	1,810,335	1,278,896

Note 12. Current assets - other

	Consolidated	
	2019 $	2018 $
Prepayments	210,061	100,195
Deferred expenses	74,103	101,972
Security deposits	62,920	62,920
Other deposits	120,413	99,939
	467,497	365,026

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

	Consolidated 2019 $	Consolidated 2018 $
Leasehold improvements - at cost	418,955	418,955
Less: Accumulated depreciation	(417,586)	(415,969)
	1,369	2,986
Plant and equipment - at cost	2,033,465	1,939,892
Less: Accumulated depreciation	(1,762,212)	(1,653,702)
	271,253	286,190
Office equipment - at cost	814,799	752,704
Less: Accumulated depreciation	(716,342)	(660,407)
	98,457	92,297
	371,079	381,473

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

Consolidated	Leasehold improvements $	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2017	7,597	260,752	181,318	449,667
Additions	-	117,312	4,401	121,713
Disposals	-	(1,753)	(19,921)	(21,674)
Exchange differences	-	10	931	941
Write off of assets	-	-	(660)	(660)
Depreciation expense	(4,611)	(90,131)	(73,772)	(168,514)
Balance at 30 June 2018	2,986	286,190	92,297	381,473
Additions	-	93,573	59,648	153,221
Exchange differences	-	-	2,447	2,447
Depreciation expense	(1,617)	(108,510)	(55,935)	(166,062)
Balance at 30 June 2019	1,369	271,253	98,457	371,079

Note 14. Non-current assets - intangibles

	Consolidated 2019 $	Consolidated 2018 $
Re-acquired right (Intevia Licence) - at cost	10,138,090	10,138,090
Less: Accumulated amortisation	(8,035,887)	(8,035,887)
Less: Impairment	(2,102,203)	(2,102,203)
	-	-
Patents - at cost	2,626,704	2,572,866
Less: Accumulated amortisation	(753,358)	(748,980)
Less: Impairment	(1,786,542)	(1,786,542)
	86,804	37,344
Development costs - at cost	9,521,313	8,839,386
Less: Accumulated amortisation	(3,893,954)	(3,749,308)
Less: Impairment	(4,501,000)	(4,501,000)
	1,126,359	589,078
Other intangibles - at cost	-	483,775
Less: Accumulated amortisation	-	(226,645)
Less: Impairment	-	(257,130)
	-	-
	1,213,163	626,422

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 $	Re-acquired right $	Patents $	Development costs $	Total $
Balance at 1 July 2017	145,133	2,175,550	1,865,869	3,587,998	7,774,550
Additions	-	-	67,725	1,460,919	1,528,644
Disposals	(60,000)	-	-	-	(60,000)
Exchange differences	-	(18,639)	(14,305)	(2,841)	(35,785)
Impairment of assets	(85,133)	(1,738,587)	(1,786,542)	(3,800,897)	(7,411,159)
Amortisation expense	-	(418,324)	(95,403)	(656,101)	(1,169,828)
Balance at 30 June 2018	-	-	37,344	589,078	626,422
Additions	-	-	50,875	603,181	654,056
Exchange differences	-	-	2,963	78,746	81,709
Amortisation expense	-	-	(4,378)	(144,646)	(149,024)
Balance at 30 June 2019	-	-	86,804	1,126,359	1,213,163

Impairment of goodwill during the year ended 30 June 2018
As a consequence of the sale of the Infinity Design business during the financial year ended 30 June 2018, the $85,133 of goodwill remaining within the Infinity Design CGU after the disposal was written off.

Impairment of other intangible assets during the years ended 30 June 2019 and 30 June 2018
For the purpose of impairment testing of re-acquired rights and other intangibles the following CGUs are determined to be those that benefit from the core patented technology and product development costs. The net carrying values of intangible assets (excluding goodwill) allocated to those CGUs is as follows:

Note 14. Non-current assets - intangibles (continued)

	Consolidated 2019 $	2018 $
Package Asset Delivery - PAD	1,213,163	626,422

Impairment test performed at 30 June 2019
During the year ended 30 June 2019, the recoverable value of the CGU has now been assessed on a fair value basis (less likely costs of disposal). The fair value was determined by management, through the assistance of a third party valuations specialists.

Impairment test results
Based on the testing performed, the recoverable amount of the CGU exceeded the carrying value and no impairment existed at 30 June 2019.

Impairment test performed at 30 June 2018
During the year ended 30 June 2018, the recoverable amounts of the CGU's were determined based on value-in-use calculations covering a detailed five year forecast and followed by an extrapolation of expected cash flows using the growth rates noted below. Management consider the CGU's operate in the global markets for IXP and PAD products. The growth rates reflect conservative estimates for each CGU noting current contracts and expansion of the same and general market growth over the forecast period.

The key assumptions used are as follows:

<u>IXP</u>
Revenue growth (average) 17%
Margins (average) 48%
Discount rate 14%

<u>PAD</u>
Revenue growth (average) 14%
Margins (average) 53%
Discount rate 14%

Impairment test results - IXP CGU
Based on the testing performed an impairment of $425,000 was recognised for internally developed hardware & software and re-acquired rights that support the IXP CGU. The recoverable amount for the IXP CGU was determined on a value-in-use basis. The directors considered the requirements of AASB 136 “Impairment of Assets” and the irregular nature of project-based IXP revenues and have assessed that the carrying value exceeded the recoverable amount. The impairment charge represents the excess carrying value of the IXP assets at 31 December 2017, the date at which the respective assets were fully impaired.

Impairment test results - PAD CGU
Based on the testing performed an impairment of $6,901,000 was recognized for internally developed hardware & software and reacquired rights that support the PAD CGU. The recoverable amount for the PAD CGU was determined on a value-in-use basis. The directors considered the requirements of AASB 136 “Impairment of Assets” and the irregular nature of project-based PAD revenues and assessed that the carrying value exceeded the recoverable amount. The impairment charge represents the excess carrying value of the PAD assets at 31 December 2017, the date at which the respective assets were fully impaired. The net carrying value of the PAD CGU at 30 June 2018, represents all expenditure capitalised from 1 January 2018 to 30 June 2018.

Impairment test sensitivity
A reasonable possible change in the key assumptions used to determine the recoverable amount of the CGU would not cause the remaining carrying value of the CGU to exceed its recoverable amount.

Note 15. Current liabilities - trade and other payables

	Consolidated 2019 $	Consolidated 2018 $
Trade payables	3,105,185	3,649,214
Employee expense payables	191,685	305,524
Goods and services tax payable	86,400	409
Other payables	1,162,861	1,335,597
	4,546,131	5,290,744

Refer to note 22 for further information on financial instruments.

Note 16. Current liabilities - contract liabilities

	Consolidated 2019 $	Consolidated 2018 $
Contract liabilities	1,611,830	-
Customer deposits	-	206,988
Unearned income	-	634,510
	1,611,830	841,498

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

	Consolidated 2019 $
Transfer deferred revenue and customer deposits to contract liabilities on 1 July 2018	841,498
Payments received in advance	1,972,659
Transfer to revenue - included in the opening balance	(841,498)
Transfer to revenue - other balances	(360,829)
	1,611,830

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $1,611,830 as at 30 June 2019 ($841,498 as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2019 $
Within 6 months	1,323,880
Greater than 6 months	287,950
	1,611,830

Customer deposits and unearned income have been reclassified to contract liabilities at 1 July 2018 following the adoption of AASB 15 'Revenue from Contracts with Customers'. Refer to note 1 for further details.

Note 17. Current liabilities - provisions

	Consolidated 2019 $	Consolidated 2018 $
Employee benefits	493,816	521,219

Note 18. Non-current liabilities - borrowings

	Consolidated 2019 $	Consolidated 2018 $
Loan - First Samuel	8,000,000	4,000,000

Refer to note 22 for further information on financial instruments.

The loan comprises of a facility from First Samuel Limited totalling $9,000,000 (2018: $5,000,000). The facility comprises of two revolving tranches.

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

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

On 30 July 2018, the consolidated entity increased the facility with First Samuel Limited by an additional $2,000,000 providing the consolidated entity with a total secured loan facility of up to $11,000,000. The increase comprises two revolving tranches of $1,000,000 which can be repaid and redrawn if repayments are made before the end of the term. In total, $7,000,000 of the total Loan Facility may be redrawn if repayments are made before the end of the term. The maturity date of the increased facility remains the same, 31 July 2021.

The loan is secured over the assets of the consolidated entity.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2019 $	Consolidated 2018 $
Total facilities		
Loan - First Samuel	9,000,000	5,000,000
Used at the reporting date		
Loan - First Samuel	8,000,000	4,000,000
Unused at the reporting date		
Loan - First Samuel	1,000,000	1,000,000

Note 19. Equity - issued capital

	Consolidated			
	2019 Shares	**2018 Shares**	**2019 $**	**2018 $**
Ordinary shares - fully paid	70,558,162	70,558,162	210,400,125	210,400,125

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2017	503,983,352		204,951,000
Rights issue	8 November 2017	201,593,707	$0.03	5,544,000
Share consolidation (10 for 1)	14 December 2017	(635,019,353)	$0.00	-
Shares issued for rounding purposes	14 December 2017	456	$0.00	-
Less: share issue costs		-	$0.00	(94,875)
Balance	30 June 2018	70,558,162		210,400,125
Balance	30 June 2019	70,558,162		210,400,125

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.

Unquoted options
At 30 June 2019 there were 500,000 (2018: 1,000,000) options on issue. Each option entitles the holder to subscribe for one fully paid share in the company at the exercise price per share at any time from the date of issue until expiry of the options subject to various vesting dates.

Refer to note 33 for details of options issued subsequent to the financial year ended 30 June 2019.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company or invest in growth was seen as value adding.

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 20. Equity - reserves

	Consolidated 2019 $	Consolidated 2018 $
Foreign currency reserve	(4,388,768)	(3,723,340)

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

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

Consolidated	Foreign currency $	Total $
Balance at 1 July 2017	(3,609,536)	(3,609,536)
Foreign currency translation	(113,804)	(113,804)
Balance at 30 June 2018	(3,723,340)	(3,723,340)
Foreign currency translation	(665,428)	(665,428)
Balance at 30 June 2019	(4,388,768)	(4,388,768)

Note 21. Equity - dividends

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

Note 22. 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 22. Financial instruments (continued)

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

Creditors and debtors as at 30 June 2019 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 exposures:

	2019		2018	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash and cash equivalents	0.10%	535,269	0.10%	1,002,682
Loan - First Samuel	9.72%	(8,000,000)	7.30%	(4,000,000)
Net exposure to cash flow interest rate risk		(7,464,731)		(2,997,318)

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

The consolidated entity has a net cash deficit totalling $7,464,731 (2018: net cash deficit $2,997,318). An official increase/decrease in interest rates of one (2018: one) percentage point would have an adverse/favourable effect on profit before tax of $74,647 (2018: adverse/favourable $29,973) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

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

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Note 22. Financial instruments (continued)

The consolidated entity has a concentration of credit risk exposure with 1 customer (2018: 3 customers), which as at 30 June 2019 owed the consolidated entity $650,539 (2018: $1,718,000) representing 20.2% (2018: 39.5%) of trade receivables. Of this balance, $23,171 (2018: $187,000) was outside the customers' respective terms of trade, however management is confident of collection and no impairment was made as at 30 June 2019. There are no guarantees against these receivables but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

There is a concentration of credit risk for cash at bank and cash on deposit as most monies in Australia are held with one financial institution, St George Bank.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2019 **$**	**2018** **$**
Loan - First Samuel	1,000,000	1,000,000

On 30 July 2018, the consolidated entity increased the facility with First Samuel Limited by an additional $2,000,000 providing the consolidated entity with a total secured loan facility of up to $11,000,000. Refer to note 18 for further details.

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

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

Note 22. Financial instruments (continued)

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,649,214	-	-	-	3,649,214
Other payables	-	1,641,530	-	-	-	1,641,530
Interest-bearing - variable						
Loan - First Samuel	7.30%	292,000	4,175,000	-	-	4,467,000
Total non-derivatives		5,582,744	4,175,000	-	-	9,757,744

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

Note 23. Fair value measurement

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

Note 24. 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 2019 $	**Consolidated 2018 $**
Short-term employee benefits	1,467,949	1,361,214
Post-employment benefits	92,240	73,027
	1,560,189	1,434,241

Note 25. Remuneration of auditors

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

	Consolidated 2019 $	Consolidated 2018 $
Audit services - Grant Thornton		
Audit or review of the financial statements	202,647	180,000
Other services - Grant Thornton		
Transfer pricing review	9,500	-
Corporate advisory	29,912	-
Independent tax advice and tax compliance	27,250	76,300
	66,662	76,300
	269,309	256,300
Audit services - network firms		
Audit or review of the financial statements	31,978	11,883
Other services - network firms		
Preparation of the tax return	500	-
	32,478	11,883

Note 26. Contingent liabilities

The consolidated entity does not have any contingent liabilities at 30 June 2019 and 30 June 2018.

Note 27. Commitments

	Consolidated 2019 $	Consolidated 2018 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	356,712	326,000
One to five years	261,843	191,000
	618,555	517,000

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

Note 28. Related party transactions

Parent entity
TZ Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Note 28. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

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

	Consolidated 2019 $	2018 $
Payment for other expenses:		
Administration fees, storage and office rent paid to YBR Services Pty Limited*	67,829	184,949
Broker fees for insurance policies arranged by Yellow Brick Road Wealth Management Pty Limited (formerly YBR General Insurance Brokers Pty Limited), a director related entity in which Mark Bouris is a director.	-	13,436
Interest paid/(payable) to First Samuel Limited - an entity with significant influence	548,110	275,054

* director related entity in which Mark Bouris is a director. Mr Bouris resigned as a Director of TZ Limited on 20 November 2018. Therefore the amount for the financial year ended 30 June 2019 represents expenses for the period from 1 July 2018 to 20 November 2018.

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

	Consolidated 2019 $	2018 $
Current payables:		
Rent, serviced office expenditure and remaining rental bond payable to YBR Services Pty Limited*	-	47,289
Interest payable to First Samuel Limited - an entity with significant influence	87,937	25,092

* A director related entity in which Mark Bouris is a director. Mr Bouris resigned as a Director of TZ Limited on 20 November 2018. Therefore, YBR Services Pty Limited is no longer considered a related party at 30 June 2019.

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

	Consolidated 2019 $	2018 $
Non-current borrowings:		
Loan from First Samuel Limited - an entity with significant influence	8,000,000	4,000,000

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

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2019 $	Parent 2018 $
Loss after income tax	(7,207,512)	(11,217,433)
Total comprehensive income	(7,207,512)	(11,217,433)

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	6,188,788	8,955,271
Total assets	6,188,788	8,955,271
Total current liabilities	4,483,069	3,950,041
Total liabilities	12,483,069	7,950,041
Equity		
Issued capital	210,397,415	210,397,415
Accumulated losses	(216,691,696)	(209,392,185)
Total equity/(deficiency)	(6,294,281)	1,005,230

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 2019 and 30 June 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

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

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

Note 30. 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 2019 %	Ownership interest 2018 %
Telezygology, Inc.	United States of America	100.00%	100.00%
PDT Holdings, Inc.	United States of America	100.00%	100.00%
Product Development Technologies, Inc.	United States of America	100.00%	100.00%
PDT Tooling, Inc.	United States of America	100.00%	100.00%
TZI Australia Pty Limited	Australia	100.00%	100.00%
A.C.N. 156 637 704 Pty Ltd	Australia	100.00%	100.00%
TZI Singapore Pte Ltd	Singapore	100.00%	100.00%
TZI UK Limited	United Kingdom	100.00%	100.00%

Note 31. Cash flow information

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

	Consolidated 2019 $	Consolidated 2018 $
Loss after income tax expense for the year	(4,359,688)	(11,687,882)
Adjustments for:		
Depreciation and amortisation	315,086	1,338,342
Impairment of intangibles	-	7,411,159
Write off of property, plant and equipment	-	660
Net loss on disposal of property, plant and equipment	-	20,896
Foreign exchange differences	(763,124)	(96,382)
Interest accrued on borrowings	87,787	25,000
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,206,650	(120,549)
Decrease/(increase) in contract assets, accrued revenue and work in progress	562,994	(1,645,916)
Increase in inventories	(531,439)	(579,550)
Increase in other operating assets	(102,471)	(158,369)
Increase/(decrease) in trade and other payables	(832,400)	1,565,481
Increase in contract liabilities	770,332	244,976
Increase/(decrease) in employee benefits	(27,403)	142,667
Net cash used in operating activities	(3,673,676)	(3,539,467)

Changes in liabilities arising from financing activities

Consolidated	Loan - First Samuel $
Balance at 1 July 2017	4,000,000
Balance at 30 June 2018	4,000,000
Net cash from financing activities	4,000,000
Balance at 30 June 2019	8,000,000

Note 32. Earnings per share

	Consolidated 2019 $	Consolidated 2018 $
Loss after income tax attributable to the owners of TZ Limited	(4,359,688)	(11,687,882)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	70,558,162	63,358,206
Weighted average number of ordinary shares used in calculating diluted earnings per share	70,558,162	63,358,206

	Cents	Cents
Basic earnings per share	(6.18)	(18.45)
Diluted earnings per share	(6.18)	(18.45)

For the purpose calculating the diluted earnings per share the denominator has excluded 500,000 options as the effect would be anti-dilutive.

Note 33. Share-based payments

The TZ Employee Incentive Scheme
The TZ Employee Incentive Scheme ('TZEIS') 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 2010 and three tranches of options granted to the directors in 2014. Details of unexpired options that remain on issue at year end are set out below.

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

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

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
15/01/2014	30/06/2019	$4.00	500,000	-	-	(500,000)	-
15/01/2014	30/06/2020	$6.00	500,000	-	-	-	500,000
			1,000,000	-	-	(500,000)	500,000
Weighted average exercise price			$5.00	$0.00	$0.00	$4.00	$6.00

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Consolidation of options 1 to 10*	Expired	Balance at the end of the year
26/02/2010	30/06/2018	$2.00	1,750,000	-	(1,575,000)	(175,000)	-
15/01/2014	30/06/2018	$3.00	5,000,000	-	(4,500,000)	(500,000)	-
15/01/2014	30/06/2019	$4.00	5,000,000	-	(4,500,000)	-	500,000
15/01/2014	30/06/2020	$6.00	5,000,000	-	(4,500,000)	-	500,000
			16,750,000	-	(15,075,000)	(675,000)	1,000,000
Weighted average exercise price			$4.09	$0.00	$4.09	$2.74	$5.00

Note 33. Share-based payments (continued)

* Following a capital restructure during the year ended 30 June 2018, all options at the date of the capital restructure were consolidated on a 1 for 10 ratio.

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

Grant date	Expiry date	2019 Number	2018 Number
15/01/2014	30/06/2019	-	500,000
15/01/2014	30/06/2020	500,000	500,000
		500,000	1,000,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1 year (2018: 1.5 years).

At the 2018 Annual General Meeting, the shareholders re-approved the TZEIS. Subsequent to the financial year ended 30 June 2019 in July 2019, 2,901,000 options were granted to the directors and executives as follows:
- 120,000 options were granted to each of the Non-Executive Directors (360,000 options in total)
- 495,000 options were granted to each of the Managing Director
- 2,046,000 options were granted to the senior executives.

Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

John Wilson
Managing Director

28 August 2019
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

Independent Auditor's Report

To the Members of TZ Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of TZ Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss during the year ended 30 June 2019 and that the ability of the consolidated entity to continue as a going concern is dependent on meeting sales and profitability forecasts, the generation of positive cash flows, the continued support of shareholders and lenders and the raising of additional share capital as and when required in the future. As noted in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Note 1 and Note 4)	
Revenue recorded from sales of products and services to customers amounted to $17,430,926 for the year ended 30 June 2019. In determining the amount to recognise in the financial statements the Group must apply revenue recognition accounting policies that satisfy the requirements of AASB 15: *Revenue from Contracts with Customers*. The selection and application of appropriate accounting policies for recognising revenue in the financial statements involves significant management judgement, including identification of the performance obligations in contracts, allocation of the transaction price to these performance obligations and recognition of revenue when or as each performance obligation is satisfied. This area is a key audit matter given the management judgement involved in developing and applying appropriate accounting policies that comply with accounting standards.	Our audit procedures included the following: • assessing the impact of the initial adoption of AASB 15 and the appropriateness of the Group's revenue recognition policies, as determined by management, for compliance with AASB 15; • performing detailed testing of a sample of revenue transactions during the year and assessing whether revenue has been recognised in accordance with the AASB 15, which included: - reviewing the relevant contracts with customers; - assessing management's determination of performance obligations within contracts and the allocation of the transaction price to those obligations; and • reviewing documentation supporting the satisfaction of performance obligations within customer contracts; and • assessing the adequacy of the related disclosures in the financial statements.
Intangible assets (Note 1 and Note 14)	
The Group capitalises costs incurred in the development and enhancement of its proprietary technology. The Group capitalised $654,056 of development costs during the year ended 30 June 2019. AASB 138 *Intangible Assets* sets out the specific requirements to be met in order to capitalise development costs. The process to measure the amount of development costs to capitalise involves significant management judgement in assessing whether costs meet the recognition criteria described in AASB 138. This area is a key audit matter due to the degree of subjectivity and management judgement applied in assessing whether costs meet the recognition criteria described in AASB 138.	Our procedures included the following: • assessing the appropriateness of the Group's accounting policy for research and development costs; • obtaining a list of additions to intangible assets and agreeing to the general ledger; • agreeing a sample of additions to supporting documentation including time records and invoices from third party suppliers and assessing whether the amounts met the recognition criteria in AASB 138; • assessing management's estimate of future economic benefits related to the costs capitalised; and • assessing the adequacy of the related disclosures in the financial statements.

Impairment testing of intangible assets (Note 1 and Note 14)

At 30 June 2019 the Group had recorded intangible assets amounting to $1,213,163.

AASB 136 *Impairment of Assets* requires that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset.

Management has determined that indicators of impairment were present at 30 June 2019 and has performed impairment testing in accordance with AASB 136. In doing so, management has estimated the recoverable amount of the cash–generating unit (CGU) to which the intangible assets belong based on the CGU's fair value less costs of disposal.

Determining fair value and costs of disposal relating to CGUs involves a high degree of estimation and judgement by management.

We have determined this is a key audit matter due to the judgement required by management in assessing if impairment indicators are present and in preparing an impairment assessment to meet the requirements of AASB 136.

Our procedures included the following:

- assessing whether the impairment testing models and methodologies used by management met the requirements of AASB 136, with involvement of our valuation specialists;
- evaluated the determination of the Group's CGUs with respect to the independence of cash flows generated by each CGU;
- checking mathematical accuracy of the models;
- assessing whether key inputs used in the models including sales and profit margins appeared reasonable based on historical results;
- assessing the key assumptions used in the models including discount rates and royalty rates, with involvement of our valuation specialists;
- performing sensitivity analysis over key assumptions; and
- assessing the adequacy of the related disclosures in the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Grant Thornton

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 10 to 15 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of TZ Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 28 August 2019

The shareholder information set out below was applicable as at 19 August 2019.

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	1,458	-
1,001 to 5,000	381	-
5,001 to 10,000	116	-
10,001 to 100,000	193	2
100,001 and over	65	12
	2,213	14
Holding less than a marketable parcel	1,807	-

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Pty Limited	20,406,078	28.92
Delcor Advisory Investment Group Pty Ltd	14,041,074	19.90
HSBC Custody Nominees (Australia) Limited	6,297,662	8.93
Mrs Margaret Jane Watt	1,209,872	1.71
Mr David Frederick Oakley (DFO Investment A/C)	1,161,637	1.65
Bond Street Custodians Limited (SXS - D65864 A/C)	1,102,685	1.56
One Managed Investment Funds Limited (Technical Investing Absolute Return A/C)	1,042,217	1.48
Mr David Frederick Oakley	1,019,637	1.45
One Managed Investment Funds Limited (TI Growth A/C)	880,713	1.25
Surflodge Pty Ltd (Je Lynch Staff Super Fd A/C)	875,956	1.24
National Nominees Limited	859,068	1.22
Mr Peter Howells	700,000	0.99
Rod Investments (Vic) Pty Ltd (Gronow Super Fund A/C)	700,000	0.99
Mr Graham Lenzner + Mrs Loretta Lenzner (Lenzner Super Fund A/C)	600,000	0.85
Exelmont Pty Ltd	580,450	0.82
Zellvest Pty Ltd (No 2 Account)	498,006	0.71
Surflodge Pty Ltd	491,297	0.70
Mr Ken Tuder + Ms Thuy Le (Tuder Le S/F A/C)	482,416	0.68
One Managed Investment Funds Limited (TI Family Wealth A/C)	400,455	0.57
Citicorp Nominees Pty Limited	390,813	0.55
	53,740,036	76.17

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	3,401,000	14

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

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Pty Limited	20,406,078	28.92
Delcor Advisory Investment Group Pty Ltd	14,041,074	19.90
HSBC Custody Nominees (Australia) Limited	6,297,662	8.93

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.

www.tz.net