



TZ Ltd  
Annual  
Report  
2021



Annual Report **2021**



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## **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**

Level 2, 40 Gloucester Street  
The Rocks NSW 2000

### **Principal place of business**

TZ Limited and TZI Australia Pty Limited, Level 2  
40 Gloucester Street, The Rocks NSW 2000

Telezygology Inc., 999 E. Touhy Avenue, Suite 460  
Des Plaines, IL 60018

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

TZI UK Limited, New Road, Oxford, OX11BY, UK

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2021. The directors have the power to amend and reissue the financial statements.



|                                  |  |
|----------------------------------|--|
| Directors                        | Peter Graham<br>Scott Beeton<br>John D'Angelo<br>Simon White   |
| Company secretary                | Craig Sowden   |
| Notice of annual general meeting | The details of the annual general meeting of TZ Limited are:<br>10:00am, Monday, 25 October 2021 at:<br>Offices of TZ Limited<br>Level 2, 40 Gloucester Street<br>The Rocks, NSW 2000  |
| Registered office                | Level 2, 40 Gloucester Street<br>The Rocks NSW 2000<br>Head office Tel: +61 2 9137 7300  |
| Principal place of business      | TZ Limited and TZI Australia Pty Limited<br>Level 2, 40 Gloucester Street<br>The Rocks NSW 2000<br><br>Telezygology Inc., 999 E. Touhy Avenue, Suite 460, Des Plaines, IL 60018<br><br>TZI Singapore Pte Limited, Suntec Tower 2, 9 Temasek Boulevard #29-01<br>Singapore 038989<br><br>TZI UK Limited, New Road, Oxford, OX11BY, UK |
| Share register                   | Computershare Investor Services Pty Limited<br>Yarra Falls<br>452 Johnston Street<br>Abbotsford VIC 3067<br>Tel: 1300 787 272<br>Fax: +61 3 9473 2500  |
| Auditor                          | PKF Brisbane Audit<br>Level 6, 10 Eagle Street<br>Brisbane QLD 4000  |
| Solicitors                       | K&L Gates<br>Level 31, 1 O'Connell Street<br>Sydney NSW 2000   |
| Bankers                          | St George Bank Limited<br>Level 3, 1 Chifley Square<br>Sydney NSW 2000   |
| Stock exchange listing           | TZ Limited shares are listed on the Australian Securities Exchange (ASX code: TZL)   |
| Website                          | <a href="http://www.tz.net">www.tz.net</a><br>TZ Limited's public website contains information regarding its products and the company, including an investor services section<br>E-mail: <a href="mailto:info@tz.net">info@tz.net</a>  |



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 (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved at the same time as the annual report can be found at <http://tz.net/investors/corporate-governance/>



Dear Shareholders,

Financial Year 2021 was another transformative year for TZ. We have continued our journey to become a sustainable self-funding business as a premium technology leader in access control, smart lock & self-serve locker bank systems.

The business set three main goals for FY2021. These include:

1. To create a sustainable business model.
2. To grow everyday revenue.
3. To build operational efficiencies.

### **Financial Performance**

We are very proud to report a small EBITDA positive result of \$137,364 for the period. This is the first EBITDA positive result for the business since 2006. Moving forward the business immediate goal is to ensure the business achieves an operating positive cashflow for future financial years and is committed to growing shareholder return.

### **Sustainable Revenue**

TZ has focused for a number of years on building recurring revenues of the business. Having strong recurring revenues and long-term ongoing arrangements with our clients underpins the future viability of TZ. As a result, the business can better plan, manage cash flows and better communicate its plans to shareholders.

In FY2021 the business saw a 30% increase in subscription revenues for our SaaS, maintenance and hosting services. Recurring revenues grew from \$1.7 million in FY2020 to \$2.3 million in FY2021, with the annual run rate for contracted revenues now exceeding \$2.5M at the end of the FY2021 year. The business goal is to grow everyday revenues to be over \$10 million in coming years.

### **Recapitalisation**

During the financial year TZ undertook a number of activities to recapitalise the business in order to strengthen its balance sheet.

A number of capital raises were completed throughout the financial year where funds raised were primarily used to pay down debt owed to First Samuel. At the beginning of the financial year \$11.1 million of Debt was owed to First Samuel where it reduced to \$4.1 million at the end of the year. Subsequent to the year end, debt owed to First Samuel was reduced further to \$2.5 million.

This reduction in debt has significant implications to the business. Net Tangible Assets (NTA) have improved from -12.21 cents per share to -1.74 cents per share. This recapitalisation also ensures the business will save approximately \$0.8 million in interest cost per annum.

### **Restructure**

The business restructured its operations in FY2021 in order to significantly reduce fixed operational costs, remove duplication and to simplify the business. As a result the business achieved annualised cost savings in excess of \$2.5 million.

As a summary the business:

- Closed its Brisbane office & centralised head office functions out of Sydney CBD.
- Reduced senior executive & management salaries.
- Reduced headcount across the business.
- Changed reporting lines of the marketing, finance and operations teams based on functional rather than regional management to reduce role duplication and complexity across the regions.
- Invested in new global systems to remove duplication across the business.
- Prioritised capital expenditure towards important product updates such as the upgrade of TZ's Data Centre Security Software Platform, Centurion Enterprise, and the release of TZ's new SMART Work locker system to enable expansion of our customer base to small to medium enterprise customers.
- Prioritised capital expenditure on various global management systems such as for sales and CRM, inventory and resource planning, and a new global accounting finance, inventory, supply chain and project management system, Odoo. This solid platform has improved efficiencies in our operations and provides a foundation for new growth and importantly, transparency and accountability over the key functional areas of the business. This allows TZ to continue to improve the effectiveness of its centralised operations, product development and head office functions out of Sydney, Australia.
- Focused on new business opportunities in Europe, with Chief Technology Officer Adam Forsyth relocating to the UK to pursue identified growth opportunities with Ricoh Europe and new distribution partners.



**Outlook**

It is great to see positive momentum continuing to build behind TZ. The business is in the best shape it has been in for a long time. The company is well placed to continue the journey ahead to get to where we all want it to be. Covid-19 is still impacting the business in various ways, however going into financial year 2022 the business enters this period with a much stronger balance sheet, a large open order book and a very strong new business pipeline.

The underlying fundamentals of the business are strengthening and we remain confident that the achievements and structural change undertaken in FY2021 will enable the business to achieve its stated goal of trading cash flow positive in FY2022.

A handwritten signature in black ink, appearing to read 'S. Beeton', written over a horizontal line.

Scott Beeton  
Managing Director

30 August 2021  
Sydney



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'TZ') consisting of TZ Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

### **Directors**

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

Peter Graham - Chairman  
Scott Beeton - Managing Director (appointed on 8 September 2020)  
John D'Angelo - Non-Executive Director (appointed on 6 October 2020)  
Simon White - Non-Executive Director (appointed on 26 August 2021)  
John Wilson - Managing Director (resigned on 8 September 2020)  
Mario Vecchio - Non-Executive Director (resigned on 6 October 2020)

### **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 Telegylogogy Inc., TZI Australia Pty Limited ('TZI'), TZI Singapore Pte Ltd and TZI UK Limited.

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

### **Dividends**

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

### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$1,658,204 (30 June 2020: \$5,120,229).

For the year ended 30 June 2021, the consolidated entity recorded operating revenue of \$16.4M for the year, an increase of 27.4% on FY2020 revenues. Gross margin was 46.8%, EBITDA\* was \$0.1M and Net Loss After Tax was \$1.7M.

TZ is very pleased to announce the positive EBITDA\* result, which has been a target for several years. It is especially pleasing to achieve this result in a year that was affected by Covid-19, which generally resulted in slower decision making by customers and delays to delivery of projects. Several large projects with new customers that were expected to proceed in the months following the initial Covid outbreak have never proceeded. On the other hand, TZ believes that its products are well positioned to support customers as they adjust to the new post-Covid world and is experiencing a strong growth in the order book of the Americas region in particular.

As a result mostly of TZ's ongoing cost savings initiatives, the Group's overhead costs decreased from \$11.2M last year to \$8.8M this year, a reduction of circa \$2.4M or 21%. Travel was naturally much reduced due to Covid and \$0.6M of the reduction in overhead costs related to reduced travel expenditures.

TZ's four main geographic regions produced a mix of revenue results as some were more affected by Covid-19 than others. However, due to cost savings initiatives, all four regions produced profitable EBITDA results this year. The Americas region increased its US dollar revenues by 26% year on year and improved its EBITDA result from a loss of A\$1.3M to a profit of A\$0.5M over the same period. The EMEA (Europe, Middle East, Africa) region increased its revenue almost fourfold and improved its EBITDA result from A\$0.5M to A\$1.2M. The ANZ and Asia regions saw declines in revenue: ANZ revenue declined by 17% but improved a small EBITDA loss last year into a A\$0.1M positive result this year; and Asia revenue declined by 14% but still improved its EBITDA result by 21% to A\$0.3M in FY21.

The Company's focus on building its recurring revenues saw a 30% increase in FY21 in subscription revenues for our SaaS, maintenance and hosting services. Recurring revenues grew from \$1.7M in FY20 to \$2.3M in FY21.

Our product development activities this year focused on extending our capabilities as an access control and management platform with emphasis on third party system integration and provisioning our solutions on a SaaS basis. This included the release of our new multi-tenant cloud-based service, SMArtWork, as well as developments of our core parcel management and personal storage locker management systems to enhance security and scalability as SaaS solutions. Hardware development focused on extending our Device EcoSystem to include integration of third-party electronic locks and access control elements under a single platform.

TZ completed a restructuring of its balance sheet this year through a number of capital raises that were primarily used to pay down debt. In November 2020, a tranche of the facility with First Samuel Limited of \$250,000 plus interest was converted into equity, followed by a small placement of 2,000,000 shares to an existing institutional investor in January 2021, raising \$0.18M. In April 2020, a larger placement of 21,500,000 shares was completed, raising \$2.58M, and in June 2020, the Company issued a further 58,836,535 shares under a non-renounceable rights issue that raised \$7.06M. All amounts above exclude the costs of raising the capital which totalled \$0.6M.

Most of the funds from these capital raises were used to reduce the debt owed to First Samuel. As a result, the balance owed to First Samuel on 30 June 2021 was \$4.1M, down from \$11.1M the previous year end. The remaining \$4.1M related to a facility that matured on 31 July 2021 and the Company entered into a new short-term facility with First Samuel for \$2.5M which matures in July 2022.

Subsequent to the year end, the Company drew down the new \$2.5M facility and settled the balance of the maturing debt of \$4.1M by repaying \$2.1M in July and converting \$2.0M into equity in August (following shareholder approval of the debt-to-equity conversion at an Extraordinary General Meeting held on 16 August 2021).

In September 2020, Mr John Wilson's three-year contract as Managing Director ended and Mr Scott Beeton was appointed into the Managing Director role. Mr Wilson moved into a senior executive position with the Company as Chief Evangelist, with responsibility for leading sales in the Australian, Asian and African markets.

There were several changes to the Company's board of directors during the year. Mr Scott Beeton joined the board as Managing Director in September 2020, replacing Mr John Wilson, and then Mr John D'Angelo was appointed as a non-executive director in October 2020 following the resignation of Mr Mario Vecchio.

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

\* 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.

### **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**

On 1 July 2021, TZ drew down the full debenture facility of \$2,500,000 that was established with First Samuel on 29 June 2021, and which matures on 31 July 2022. This facility carries a coupon rate of BBSW + 4.5% per annum and a facility fee of 1% per annum payable in advance. The drawn funds were used to repay \$2.1 million of debt due under the old facility that matured on 31 July 2021 as well as the facility fee of the new debenture facility.

On 17 August 2021, the company issued 16,666,667 ordinary shares to First Samuel Limited at a deemed issue price of \$0.12 per share following the conversion of \$2,000,000 of debenture debt into ordinary shares in the company which was approved by the company's shareholders at an Extraordinary General Meeting held on 16 August 2021.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.



No other matter or circumstance has arisen since 30 June 2021 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 the directors in office as at the date of this report**

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

Name: Scott Beeton  
Title: Chief Executive Office and Managing Director  
Experience and expertise: Scott joined TZ in March 2020 as Chief Executive Officer, bringing an entrepreneurial spirit and strong financial oversight, management and administration acumen to this leadership role. Scott holds over 20 year's management experience in the finance sector, most recently as Founder and CEO/ Managing Director of Sequoia Financial Group. Previously, he held various positions within financial and funds management businesses including Colonial First State, Challenger and Centrepoint Alliance/Professional Investment Services. Scott holds a number of qualifications including a Bachelor of Business and other industry related qualifications.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Member of the Audit and Risk Committee and the Remuneration and Nomination Committee  
Interests in shares: 709,788 ordinary shares  
Interests in options: None

Name: John D'Angelo  
Title: Non-Executive Director  
Experience and expertise: John has vast international experience in the areas of Marketing, Finance and Engineering. He spent 15 years based in Singapore in senior management positions for JP Morgan and Hartree Partners (part owned by the investment firm Oaktree Capital). Prior to this, he held management positions at Chase Manhattan Bank and Mitsui Commodities. John began his career as an Engineer at BHP before moving into the Marketing and Financial Risk Management areas for the company where he spent some time based in the U.S.A. John holds a Bachelor Of Engineering (Hons).  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Chair of the Audit and Risk Committee and the Remuneration and Nomination Committee  
Interests in shares: 1,400,000 ordinary shares  
Interests in options: None

Name: Simon White  
Title: Non-Executive Director  
Experience and expertise: Post a successful AFL career, Simon worked in corporate advisory and equity capital markets, with initial experience at Patersons Stockbroking before joining Sequoia Financial Group (SEQ) and then the Delcor Family office. In this time Simon worked on IPO's, equity placements, corporate advisory and restructuring. He has worked on a variety of deals across many business sectors. Recently, Simon has been Director of Investor Relations with Paradigm Biopharma, an ASX Top 300 company. Simon's skills in corporate governance will be most beneficial to the TZ Limited board.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: None  
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 financial and commercial experience in various listed and unlisted corporations across a diverse range of industries. Craig joined the company as Chief Financial Officer in October 2016 and was appointed Company Secretary in September 2017.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

|                         | Full Board |      | Audit and Risk Committee |      | Remuneration and Nomination Committee |      |
|-------------------------|------------|------|--------------------------|------|---------------------------------------|------|
|                         | Attended   | Held | Attended                 | Held | Attended                              | Held |
| Peter Graham - Chairman | 16         | 16   | 2                        | 2    | 2                                     | 2    |
| Scott Beeton            | 11         | 11   | 1                        | 1    | -                                     | -    |
| John D'Angelo           | 11         | 11   | 1                        | 1    | -                                     | -    |
| John Wilson             | 5          | 5    | 1                        | 1    | 2                                     | 2    |
| Mario Vecchio           | 5          | 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 Remuneration and Nomination Committee.

#### ***Non-executive directors' remuneration***

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee considers advice from shareholders and takes into account the fees paid to non-executive directors of comparable companies, when undertaking the annual review process. Non-executive directors are entitled to participate in the TZEIS but do not receive any other incentives.

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

#### ***Executive remuneration***

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

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

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

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

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

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

#### *Consolidated entity performance and link to remuneration*

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

#### *Voting and comments made at the company's 2020 Annual General Meeting ('AGM')*

At the last AGM 96.15% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2020. 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:

- Craig Sowden - Chief Financial Officer of TZ Limited
- Simon Van Es - Chief Operating Officer of TZ Limited
- Adam Forsyth - Chief Technology Officer of TZ Limited
- John Wilson - Chief Evangelist of TZ Limited
- Brian Leary - President of Telezygology Inc.

|  | Short-term benefits  |                 |          | Post-employment benefits | Long-term benefits | Share-based payments | Total            |
|--|----------------------|-----------------|----------|--------------------------|--------------------|----------------------|------------------|
|  | Cash salary and fees | Other**         | Bonus    | Super-annuation          | Employee leave     | Options              |                  |
| <b>2021</b>                            | \$                   | \$              | \$       | \$                       | \$                 | \$                   | \$               |
| <i>Non-Executive Directors:</i>        |                      |                 |          |                          |                    |                      |                  |
| P Graham                               | 61,250               | -               | -        | -                        | -                  | -                    | 61,250           |
| J D'Angelo*                            | 75,545               | -               | -        | -                        | -                  | -                    | 75,545           |
| M Vecchio*                             | 23,494               | -               | -        | -                        | -                  | -                    | 23,494           |
| <i>Executive Directors:</i>            |                      |                 |          |                          |                    |                      |                  |
| S Beeton                               | 226,485              | 23,497          | -        | 20,091                   | -                  | -                    | 270,073          |
| <i>Other Key Management Personnel:</i> |                      |                 |          |                          |                    |                      |                  |
| C Sowden                               | 221,747              | (5,663)         | -        | 21,066                   | -                  | 9,250                | 246,400          |
| S Van Es                               | 198,068              | -               | -        | -                        | -                  | -                    | 198,068          |
| A Forsyth                              | 219,311              | 9,014           | -        | 26,964                   | -                  | 9,250                | 264,539          |
| J Wilson                               | 296,752              | (58,899)        | -        | 25,233                   | -                  | 10,599               | 273,685          |
| B Leary                                | 207,497              | 4,908           | -        | 37,315                   | -                  | 9,250                | 258,970          |
|  | <u>1,530,149</u>     | <u>(27,143)</u> | <u>-</u> | <u>130,669</u>           | <u>-</u>           | <u>38,349</u>        | <u>1,672,024</u> |

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

\*\* Represents changes in the accrued amounts of annual leave over the year

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

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

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

| Name                                   | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|--|--------------------|------|---------------|------|---------------|------|
|  | 2021               | 2020 | 2021          | 2020 | 2021          | 2020 |
| <i>Non-Executive Directors:</i>        |                    |      |               |      |               |      |
| P Graham                               | 100%               | 100% | -             | -    | -             | -    |
| J D'Angelo                             | 100%               | -    | -             | -    | -             | -    |
| M Vecchio                              | 100%               | 97%  | -             | -    | -             | 3%   |
| G Lenzner                              | -                  | 97%  | -             | -    | -             | 3%   |
| T Denis                                | -                  | 97%  | -             | -    | -             | 3%   |
| <i>Executive Directors:</i>            |                    |      |               |      |               |      |
| S Beeton                               | 100%               | 100% | -             | -    | -             | -    |
| <i>Other Key Management Personnel:</i> |                    |      |               |      |               |      |
| C Sowden                               | 96%                | 97%  | -             | -    | 4%            | 3%   |
| S Van Es                               | 100%               | -    | -             | -    | -             | -    |
| A Forsyth                              | 97%                | 96%  | -             | -    | 3%            | 4%   |
| J Wilson                               | 96%                | 98%  | -             | -    | 4%            | 2%   |
| B Leary                                | 96%                | 97%  | -             | -    | 4%            | 3%   |

**Service agreements**

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

Name: Scott Beeton  
Title: Chief Executive Officer  
Agreement commenced: 8 September 2020  
Term of agreement: No fixed term  
Details: Remuneration of \$280,000 including superannuation and notice period of 3 months

Name: Craig Sowden  
Title: Chief Financial Officer  
Agreement commenced: 10 October 2016  
Term of agreement: No fixed term  
Details: Remuneration of \$240,000 including superannuation and notice period of 2 months

Name: Simon Van Es  
Title: Chief operating Officer  
Agreement commenced: 1 July 2021  
Term of agreement: No fixed term  
Details: Remuneration of \$230,000 including superannuation and notice period of 3 months

Name: Adam Forsyth  
Title: Chief Technology Officer  
Agreement commenced: 2 May 2016  
Term of agreement: No fixed term  
Details: Base salary of £120,000 and notice period of 3 months

Name: John Wilson  
Title: Chief Evangelist  
Agreement commenced: 8 September 2020  
Term of agreement: No fixed term  
Details: Remuneration of \$240,000 including superannuation and notice period of 3 months

Name: Brian Leary  
Title: President of Telezygology Inc  
Agreement commenced: 1 October 2018  
Term of agreement: 2 years  
Details: Base salary of USD\$155,000 and notice period of 3 months

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

### **Share-based compensation**

#### *Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

#### *Options*

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

| Name         | Number of options granted | Grant date    | Vesting date and exercisable date | Expiry date    | Exercise price | Fair value per option at grant date |
|--------------|---------------------------|---------------|-----------------------------------|----------------|----------------|-------------------------------------|
| John Wilson  | 165,000                   | 6 August 2019 | 1 September 2019                  | 31 August 2024 | \$0.2500       | \$0.0605                            |
|              | 165,000                   | 6 August 2019 | 1 September 2020                  | 31 August 2025 | \$0.4000       | \$0.0579                            |
|              | 165,000                   | 6 August 2019 | 1 September 2021                  | 31 August 2026 | \$0.4500       | \$0.0654                            |
| Craig Sowden | 144,000                   | 6 August 2019 | 1 September 2019                  | 31 August 2024 | \$0.2500       | \$0.0605                            |
|              | 144,000                   | 6 August 2019 | 1 September 2020                  | 31 August 2025 | \$0.4000       | \$0.0579                            |
|              | 144,000                   | 6 August 2019 | 1 September 2021                  | 31 August 2026 | \$0.4500       | \$0.0654                            |
| Brian Leary  | 144,000                   | 6 August 2019 | 1 September 2019                  | 31 August 2024 | \$0.2500       | \$0.0605                            |
|              | 144,000                   | 6 August 2019 | 1 September 2020                  | 31 August 2025 | \$0.4000       | \$0.0579                            |
|              | 144,000                   | 6 August 2019 | 1 September 2021                  | 31 August 2026 | \$0.4500       | \$0.0654                            |
| Adam Forsyth | 144,000                   | 6 August 2019 | 1 September 2019                  | 31 August 2024 | \$0.2500       | \$0.0605                            |
|              | 144,000                   | 6 August 2019 | 1 September 2020                  | 31 August 2025 | \$0.4000       | \$0.0579                            |
|              | 144,000                   | 6 August 2019 | 1 September 2021                  | 31 August 2026 | \$0.4500       | \$0.0654                            |

There were no options over ordinary shares vested by directors and other key management personnel as part of compensation during the year ended 30 June 2021 (2020: nil).

### **Additional information**

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

|                       | 2021<br>\$  | 2020<br>\$  | 2019<br>\$  | 2018<br>\$   | 2017<br>\$  |
|-----------------------|-------------|-------------|-------------|--------------|-------------|
| Sales revenue         | 16,378,223  | 12,852,402  | 17,430,926  | 17,388,505   | 21,507,189  |
| Adjusted EBITDA *     | 137,364     | (3,739,568) | (3,480,093) | (2,636,165)  | (2,948,311) |
| Loss after income tax | (1,658,204) | (5,120,229) | (4,359,688) | (11,687,882) | (6,479,240) |

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

The factors that are considered to affect total shareholder remuneration ('TSR') are summarised below:

|  | 2021   | 2020   | 2019   | 2018    | 2017    |
|--|--------|--------|--------|---------|---------|
| Share price at financial year end (\$)     | 0.11   | 0.03   | 0.09   | 0.17    | 0.02    |
| Basic earnings per share (cents per share) | (1.55) | (6.36) | (6.18) | (18.45) | (12.86) |

**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<br>the start of<br>the year | Additions        | Disposals | Other*          | Balance at<br>the end of<br>the year |
|------------------------|--|------------------|-----------|-----------------|--------------------------------------|
| <i>Ordinary shares</i> |  |                  |           |                 |                                      |
| John D'Angelo          | -                                      | 709,788          | -         | -               | 709,788                              |
| Scott Beeton           | -                                      | 1,400,000        | -         | -               | 1,400,000                            |
| Mario Vecchio          | 85,000                                 | -                | -         | (85,000)        | -                                    |
| Craig Sowden           | 3,500                                  | -                | -         | -               | 3,500                                |
| Adam Forsyth           | 16,730                                 | -                | -         | -               | 16,730                               |
| John Wilson            | 8,230                                  | -                | -         | -               | 8,230                                |
|                        | <u>113,460</u>                         | <u>2,109,788</u> | <u>-</u>  | <u>(85,000)</u> | <u>2,138,248</u>                     |

\* 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<br>the start of<br>the year | Granted  | Expired  | Forfeited/<br>other* | Balance at<br>the end of<br>the year |
|-------------------------------------|--|----------|----------|----------------------|--------------------------------------|
| <i>Options over ordinary shares</i> |  |          |          |                      |                                      |
| Mario Vecchio                       | 120,000                                | -        | -        | (120,000)            | -                                    |
| Craig Sowden                        | 432,000                                | -        | -        | -                    | 432,000                              |
| Adam Forsyth                        | 432,000                                | -        | -        | -                    | 432,000                              |
| John Wilson                         | 495,000                                | -        | -        | -                    | 495,000                              |
| Brian Leary                         | 432,000                                | -        | -        | -                    | 432,000                              |
|                                     | <u>1,911,000</u>                       | <u>-</u> | <u>-</u> | <u>(120,000)</u>     | <u>1,791,000</u>                     |

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

No options were exercised during the year ended 30 June 2021.

**Other transactions with key management personnel and their related parties**

There were no other transactions with KMP personnel and their related parties during the year ended 30 June 2021.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

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

| Grant date    | Expiry date    | Exercise price | Number under option |
|---------------|----------------|----------------|---------------------|
| 6 August 2019 | 31 August 2024 | \$0.2500       | 697,000             |
| 6 August 2019 | 31 August 2025 | \$0.4000       | 697,000             |
| 6 August 2019 | 31 August 2026 | \$0.4500       | 697,000             |
|               |                |                | <u>2,091,000</u>    |

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 2021 and up to the date of this report.

### **Indemnity and insurance of officers**

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

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

### **Indemnity and insurance of auditor**

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

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

### **Proceedings on behalf of the company**

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

### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 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 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

### **Officers of the company who are former partners of PKF Brisbane Audit**

There are no officers of the company who are former partners of PKF Brisbane Audit.

### **Auditor's independence declaration**

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



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

A handwritten signature in black ink, appearing to be 'S. Beeton', written over a horizontal line.

Scott Beeton  
Managing Director

30 August 2021  
Sydney

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN  
PARTNER

BRISBANE  
30 AUGUST 2021

**TZ Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**



|  | Note | Consolidated<br>2021<br>\$ | 2020<br>\$   |
|--|------|----------------------------|--------------|
| <b>Revenue</b>   | 4    | 16,378,223                 | 12,852,402   |
| Other income   | 5    | 1,318,107                  | 836,116      |
| Interest income  |      | 5,030                      | 780          |
| <b>Expenses</b>  |      |                            |              |
| Raw materials and consumables used   |      | (8,710,112)                | (6,196,423)  |
| Employee benefits expense  |      | (6,789,554)                | (8,038,250)  |
| Occupancy expense  |      | (213,467)                  | (149,796)    |
| Depreciation and amortisation expense  | 6    | (852,463)                  | (841,921)    |
| Communications expense   |      | (15,076)                   | (221,207)    |
| Professional and corporate services  |      | (757,021)                  | (784,058)    |
| Travel and accommodation expense   |      | (85,637)                   | (703,279)    |
| Net foreign currency exchange losses   |      | (41,343)                   | (87,429)     |
| Other expenses   |      | (946,756)                  | (1,247,014)  |
| Finance costs  | 6    | (883,004)                  | (504,781)    |
| <b>Loss before income tax expense</b>  |      | (1,593,073)                | (5,084,860)  |
| Income tax expense   | 7    | (65,131)                   | (35,369)     |
| <b>Loss after income tax expense for the year attributable to the owners of TZ Limited</b> |      | (1,658,204)                | (5,120,229)  |
| <b>Other comprehensive income</b>  |      |                            |              |
| <i>Items that may be reclassified subsequently to profit or loss</i>                       |      |                            |              |
| Foreign currency translation   |      | 15,326                     | 51,629       |
| Other comprehensive income for the year, net of tax  |      | 15,326                     | 51,629       |
| <b>Total comprehensive income for the year attributable to the owners of TZ Limited</b>    |      | (1,642,878)                | (5,068,600)  |
|  |      | <b>Cents</b>               | <b>Cents</b> |
| Basic earnings per share   | 33   | (1.55)                     | (6.36)       |
| Diluted earnings per share   | 33   | (1.55)                     | (6.36)       |

*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 2021**



|                                      | Note | Consolidated<br>2021<br>\$ | 2020<br>\$           |
|--------------------------------------|------|----------------------------|----------------------|
| <b>Assets</b>                        |      |                            |                      |
| <b>Current assets</b>                |      |                            |                      |
| Cash and cash equivalents            | 8    | 373,926                    | 1,043,158            |
| Trade and other receivables          | 9    | 2,607,518                  | 2,120,702            |
| Contract assets                      | 10   | 1,672,307                  | 325,042              |
| Inventories                          | 11   | 1,555,395                  | 1,597,756            |
| Other                                | 12   | 697,632                    | 759,544              |
| <b>Total current assets</b>          |      | <u>6,906,778</u>           | <u>5,846,202</u>     |
| <b>Non-current assets</b>            |      |                            |                      |
| Property, plant and equipment        | 13   | 173,524                    | 275,951              |
| Right-of-use assets                  | 14   | 591,012                    | 62,350               |
| Intangibles                          | 15   | 1,571,725                  | 1,845,580            |
| <b>Total non-current assets</b>      |      | <u>2,336,261</u>           | <u>2,183,881</u>     |
| <b>Total assets</b>                  |      | <u>9,243,039</u>           | <u>8,030,083</u>     |
| <b>Liabilities</b>                   |      |                            |                      |
| <b>Current liabilities</b>           |      |                            |                      |
| Trade and other payables             | 16   | 3,120,538                  | 2,537,934            |
| Contract liabilities                 | 17   | 1,692,768                  | 2,293,752            |
| Borrowings                           | 18   | 4,725,884                  | -                    |
| Lease liabilities                    | 19   | 199,045                    | 65,648               |
| Provisions                           | 20   | 613,291                    | 662,996              |
| <b>Total current liabilities</b>     |      | <u>10,351,526</u>          | <u>5,560,330</u>     |
| <b>Non-current liabilities</b>       |      |                            |                      |
| Borrowings                           | 18   | -                          | 11,824,625           |
| Lease liabilities                    | 19   | 397,290                    | -                    |
| <b>Total non-current liabilities</b> |      | <u>397,290</u>             | <u>11,824,625</u>    |
| <b>Total liabilities</b>             |      | <u>10,748,816</u>          | <u>17,384,955</u>    |
| <b>Net liabilities</b>               |      | <u>(1,505,777)</u>         | <u>(9,354,872)</u>   |
| <b>Equity</b>                        |      |                            |                      |
| Issued capital                       | 21   | 221,876,795                | 212,426,391          |
| Reserves                             | 22   | (4,232,391)                | (4,275,193)          |
| Accumulated losses                   |      | <u>(219,150,181)</u>       | <u>(217,506,070)</u> |
| <b>Total deficiency in equity</b>    |      | <u>(1,505,777)</u>         | <u>(9,354,872)</u>   |

*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 2021**



| <b>Consolidated</b>  | <b>Issued capital</b><br>\$ | <b>Reserves</b><br>\$ | <b>Accumulated losses</b><br>\$ | <b>Total deficiency in equity</b><br>\$ |
|--|-----------------------------|-----------------------|---------------------------------|---|
| Balance at 1 July 2019                                       | 210,400,125                 | (4,388,768)           | (212,385,841)                   | (6,374,484)                             |
| Loss after income tax expense for the year                   | -                           | -                     | (5,120,229)                     | (5,120,229)                             |
| Other comprehensive income for the year, net of tax          | -                           | 51,629                | -                               | 51,629                                  |
| Total comprehensive income for the year                      | -                           | 51,629                | (5,120,229)                     | (5,068,600)                             |
| <i>Transactions with owners in their capacity as owners:</i> |                             |                       |                                 |   |
| Contributions of equity, net of transaction costs (note 21)  | 2,026,266                   | -                     | -                               | 2,026,266                               |
| Share-based payments (note 34)                               | -                           | 61,946                | -                               | 61,946                                  |
| Balance at 30 June 2020                                      | <u>212,426,391</u>          | <u>(4,275,193)</u>    | <u>(217,506,070)</u>            | <u>(9,354,872)</u>                      |

| <b>Consolidated</b>  | <b>Issued capital</b><br>\$ | <b>Reserves</b><br>\$ | <b>Accumulated losses</b><br>\$ | <b>Total deficiency in equity</b><br>\$ |
|--|-----------------------------|-----------------------|---------------------------------|---|
| Balance at 1 July 2020                                       | 212,426,391                 | (4,275,193)           | (217,506,070)                   | (9,354,872)                             |
| Loss after income tax expense for the year                   | -                           | -                     | (1,658,204)                     | (1,658,204)                             |
| Other comprehensive income for the year, net of tax          | -                           | 15,326                | -                               | 15,326                                  |
| Total comprehensive income for the year                      | -                           | 15,326                | (1,658,204)                     | (1,642,878)                             |
| <i>Transactions with owners in their capacity as owners:</i> |                             |                       |                                 |   |
| Contributions of equity, net of transaction costs (note 21)  | 9,450,404                   | -                     | -                               | 9,450,404                               |
| Share-based payments (note 34)                               | -                           | 41,569                | -                               | 41,569                                  |
| Options cancelled during the period                          | -                           | (14,093)              | 14,093                          | -                                       |
| Balance at 30 June 2021                                      | <u>221,876,795</u>          | <u>(4,232,391)</u>    | <u>(219,150,181)</u>            | <u>(1,505,777)</u>                      |

*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 2021**



|  | Note | Consolidated<br>2021<br>\$  | 2020<br>\$                  |
|--|------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                      |      |                             |                             |
| Receipts from customers (inclusive of GST)                       |      | 14,159,747                  | 15,352,015                  |
| Payments to suppliers and employees (inclusive of GST)           |      | (17,168,210)                | (19,522,316)                |
| Interest received  |      | 5,030                       | 780                         |
| Government grants received                                       |      | 1,391,668                   | 754,919                     |
| Interest and other finance costs paid                            |      | (920,531)                   | (356,210)                   |
| Income taxes paid  |      | (65,131)                    | (35,369)                    |
|  |      | <u>                    </u> | <u>                    </u> |
| Net cash used in operating activities                            | 32   | <u>(2,597,427)</u>          | <u>(3,806,181)</u>          |
| <b>Cash flows from investing activities</b>                      |      |                             |                             |
| Payments for security deposits                                   |      | (9,158)                     | -                           |
| Payments for property, plant and equipment                       | 13   | (5,484)                     | (74,894)                    |
| Payments for intangibles   | 15   | (404,933)                   | (1,006,886)                 |
|  |      | <u>                    </u> | <u>                    </u> |
| Net cash used in investing activities                            |      | <u>(419,575)</u>            | <u>(1,081,780)</u>          |
| <b>Cash flows from financing activities</b>                      |      |                             |                             |
| Proceeds from issue of shares                                    | 21   | 9,820,384                   | 2,222,582                   |
| Transaction costs on shares issued                               |      | (626,895)                   | (196,316)                   |
| (Repayment of)/proceeds from borrowings                          |      | (6,743,085)                 | 3,676,054                   |
| Repayment of lease liabilities                                   |      | (83,634)                    | (292,915)                   |
|  |      | <u>                    </u> | <u>                    </u> |
| Net cash from financing activities                               |      | <u>2,366,770</u>            | <u>5,409,405</u>            |
| Net (decrease)/increase in cash and cash equivalents             |      | (650,232)                   | 521,444                     |
| Cash and cash equivalents at the beginning of the financial year |      | 1,043,158                   | 535,269                     |
| Effects of exchange rate changes on cash and cash equivalents    |      | (19,000)                    | (13,555)                    |
|  |      | <u>                    </u> | <u>                    </u> |
| Cash and cash equivalents at the end of the financial year       | 8    | <u><u>373,926</u></u>       | <u><u>1,043,158</u></u>     |

*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:

#### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

### **Going concern**

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

During the financial year ended 30 June 2021, the consolidated entity incurred a net loss after tax of \$1,658,204 (30 June 2020: \$5,120,229) and a cash outflow from operating activities of \$2,597,427 (30 June 2020: \$3,806,181). As at 30 June 2021, the consolidated entity had a net current asset deficiency of \$3,444,748 (30 June 2020: net current assets of \$285,872) and net liabilities of \$1,505,777 (30 June 2020: \$9,354,872).

While the consolidated entity incurred losses for the financial year ended 30 June 2021, 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 2022 financial year. It is expected that, as the monthly revenue levels increase, the consolidated entity's operating business units will be in a position to contribute positive cash to the bottom line; and
- The Directors maintain a positive outlook on achieving profitability in the 30 June 2022 financial year based on the strength of the sales pipeline.

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

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

### **Basis of preparation**

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

#### *Historical cost convention*

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

#### *Critical accounting estimates*

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



## **Note 1. Significant accounting policies (continued)**

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TZ Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. TZ Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

### **Operating segments**

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

### **Foreign currency translation**

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

#### *Foreign currency transactions*

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

#### *Foreign operations*

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

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

## **Note 1. Significant accounting policies (continued)**

### **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 are recognised at the point of sale, which is where the customer has taken delivery of the goods.

#### *Rendering of installation and commissioning services*

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

#### *Rendering of maintenance services*

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

#### *Rendering of professional services*

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

### **Interest revenue**

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

### **Government grants**

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss as other income over the periods necessary to match them with the costs that they are intended to compensate.

### **Income tax**

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

### **Note 1. Significant accounting policies (continued)**

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

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

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

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

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

#### **Reclassification**

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

#### **Current and non-current classification**

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

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

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.

## **Note 1. Significant accounting policies (continued)**

### **Contract assets**

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

### **Inventories**

Finished goods are stated at the lower of cost and net realisable value on an average cost basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

### **Investments and other financial assets**

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

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

#### *Financial assets at amortised cost*

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

#### *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.

## **Note 1. Significant accounting policies (continued)**

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

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

### **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### **Intangible assets**

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

#### *Patents*

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

#### *Research and development costs*

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

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

### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

## **Note 1. Significant accounting policies (continued)**

### **Trade and other payables**

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

### **Contract liabilities**

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

### **Borrowings**

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

### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Employee benefits**

#### *Short-term employee benefits*

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

#### *Other long-term employee benefits*

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

#### *Defined contribution superannuation expense*

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

#### *Share-based payments*

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

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

### **Note 1. Significant accounting policies (continued)**

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.

#### **Fair value measurement**

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

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

#### **Issued capital**

Ordinary shares are classified as equity.

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

#### **Business combinations**

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

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

### **Note 1. Significant accounting policies (continued)**

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 additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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



## **Note 1. Significant accounting policies (continued)**

### **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 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

### **Note 2. Critical accounting judgements, estimates and assumptions**

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

#### *Coronavirus (COVID-19) pandemic*

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

#### *Revenue from contracts with customers*

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

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

#### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

#### *Capitalised development costs*

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

#### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

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

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

### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement and estimates are required in recognising and measuring current and deferred tax amounts. For any uncertain tax treatment adopted relating to transactions or events, the consolidated entity recognises and measures tax related amounts having regard to both the probability that such amounts may be challenged by a tax authority and the expected resolution of such uncertainties. In such circumstances, tax balances are determined based on either most-likely amount or expected-value probability based outcomes. Where final tax outcomes vary from what is estimated, such differences will impact the current and deferred tax provisions recognised in the financial statements.

### *Recovery of deferred tax assets*

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

### *Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

## **Note 3. Operating segments**

### *Identification of reportable operating segments*

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

Other segments represent the activities of the corporate headquarters.

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

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

### *Intersegment transactions*

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

### *Intersegment receivables, payables and loans*

Intersegment receivables, payables and loans are eliminated on consolidation.

### *Major customers*

During the year ended 30 June 2021, 2 customers (2020: 2 customers) each contributed more than 10% to the external revenue of the consolidated entity. These 2 customers contributed 31% (2020: 2 customers contributed 22%) of the consolidated entity's external revenue.

**Note 3. Operating segments (continued)**

*Operating segment information*

|                                       | Australia<br>\$  | USA<br>\$          | EMEA<br>\$       | Asia<br>\$     | Other<br>segments<br>\$ | Total<br>\$        |
|---------------------------------------|------------------|--------------------|------------------|----------------|-------------------------|--------------------|
| <b>Consolidated - 2021</b>            |                  |                    |                  |                |                         |                    |
| <b>Revenue</b>                        |                  |                    |                  |                |                         |                    |
| Sales to external customers           | 1,624,423        | 10,285,266         | 3,725,828        | 742,706        | -                       | 16,378,223         |
| Interest                              | -                | -                  | -                | -              | 5,030                   | 5,030              |
| <b>Total revenue</b>                  | <u>1,624,423</u> | <u>10,285,266</u>  | <u>3,725,828</u> | <u>742,706</u> | <u>5,030</u>            | <u>16,383,253</u>  |
| <b>Adjusted EBITDA</b>                | <u>119,151</u>   | <u>526,850</u>     | <u>1,209,709</u> | <u>341,394</u> | <u>(2,059,740)</u>      | <u>137,364</u>     |
| Depreciation and amortisation         |                  |                    |                  |                |                         | (852,463)          |
| Interest revenue                      |                  |                    |                  |                |                         | 5,030              |
| Finance costs                         |                  |                    |                  |                |                         | (883,004)          |
| <b>Loss before income tax expense</b> |                  |                    |                  |                |                         | (1,593,073)        |
| Income tax expense                    |                  |                    |                  |                |                         | (65,131)           |
| <b>Loss after income tax expense</b>  |                  |                    |                  |                |                         | <u>(1,658,204)</u> |
| <b>Consolidated - 2020</b>            |                  |                    |                  |                |                         |                    |
| <b>Revenue</b>                        |                  |                    |                  |                |                         |                    |
| Sales to external customers           | 1,969,024        | 9,109,946          | 833,844          | 939,588        | -                       | 12,852,402         |
| Interest                              | -                | -                  | -                | -              | 780                     | 780                |
| <b>Total revenue</b>                  | <u>1,969,024</u> | <u>9,109,946</u>   | <u>833,844</u>   | <u>939,588</u> | <u>780</u>              | <u>12,853,182</u>  |
| <b>Adjusted EBITDA</b>                | <u>(16,772)</u>  | <u>(1,318,934)</u> | <u>562,956</u>   | <u>304,771</u> | <u>(3,271,589)</u>      | <u>(3,739,568)</u> |
| Depreciation and amortisation         |                  |                    |                  |                |                         | (841,291)          |
| Interest revenue                      |                  |                    |                  |                |                         | 780                |
| Finance costs                         |                  |                    |                  |                |                         | (504,781)          |
| <b>Loss before income tax expense</b> |                  |                    |                  |                |                         | (5,084,860)        |
| Income tax expense                    |                  |                    |                  |                |                         | (35,369)           |
| <b>Loss after income tax expense</b>  |                  |                    |                  |                |                         | <u>(5,120,229)</u> |

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

*Geographical information*

|                          | <b>Geographical non-current assets</b> |                    |
|--------------------------|--|--------------------|
|                          | <b>2021<br/>\$</b>                     | <b>2020<br/>\$</b> |
| Australia                | 2,125,005                              | 1,904,518          |
| United States of America | 205,204                                | 268,307            |
| United Kingdom           | 4,626                                  | 8,426              |
| Singapore                | 1,426                                  | 2,630              |
|                          | <u>2,336,261</u>                       | <u>2,183,881</u>   |

**Note 4. Revenue**

|                          | <b>Consolidated</b> |                   |
|--------------------------|---------------------|-------------------|
|                          | <b>2021</b>         | <b>2020</b>       |
|                          | \$                  | \$                |
| Sale and service revenue | <u>16,378,223</u>   | <u>12,852,402</u> |

*Disaggregation of revenue*

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

|   | <b>Consolidated</b> |                   |
|---|---------------------|-------------------|
|   | <b>2021</b>         | <b>2020</b>       |
|   | \$                  | \$                |
| <i>Major product and service lines</i>            |                     |                   |
| Sale of hardware and software                     | 12,909,081          | 9,494,588         |
| Installation and commissioning services           | 819,137             | 1,036,389         |
| Maintenance and support services                  | 2,279,654           | 1,756,423         |
| Professional services                             | <u>370,351</u>      | <u>565,002</u>    |
|   | <u>16,378,223</u>   | <u>12,852,402</u> |
| <i>Timing of revenue recognition</i>              |                     |                   |
| Goods and services transferred at a point in time | 14,098,569          | 11,095,979        |
| Services transferred over time                    | <u>2,279,654</u>    | <u>1,756,423</u>  |
|   | <u>16,378,223</u>   | <u>12,852,402</u> |

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

**Note 5. Other income**

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2021</b>         | <b>2020</b>    |
|   | \$                  | \$             |
| Government grant - Research and development incentive | 1,004,020           | 457,549        |
| Government grant - JobKeeper                          | 192,112             | 225,000        |
| Government grant - Cash Boost                         | 50,000              | 50,000         |
| Government grant - export market development          | 61,841              | 66,285         |
| Government grant - other                              | 8,695               | 31,085         |
| Other   | <u>1,439</u>        | <u>6,197</u>   |
| Other income  | <u>1,318,107</u>    | <u>836,116</u> |

*Government grant - Research and development incentive*

Government grant - Research and development incentive represents reimbursements received from the Australian Government for eligible research and development expenditure incurred by the consolidated entity.

*Government grant - JobKeeper*

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



**Note 5. Other income (continued)**

*Government grant - Cash Boost*

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

**Note 6. Expenses**

|  | <b>Consolidated</b> |                |
|--|---------------------|----------------|
|  | <b>2021</b>         | <b>2020</b>    |
|  | <b>\$</b>           | <b>\$</b>      |
| Loss before income tax includes the following specific expenses: |                     |                |
| <i>Depreciation</i>  |                     |                |
| Leasehold improvements   | 109                 | 1,260          |
| Plant and equipment  | 81,449              | 122,548        |
| Office equipment   | 21,610              | 47,562         |
| Right-of-use assets  | 85,659              | 296,213        |
| Total depreciation   | <u>188,827</u>      | <u>467,583</u> |
| <i>Amortisation</i>  |                     |                |
| Patents  | 8,078               | 4,374          |
| Development costs  | 655,558             | 369,964        |
| Total amortisation   | <u>663,636</u>      | <u>374,338</u> |
| Total depreciation and amortisation                              | <u>852,463</u>      | <u>841,921</u> |
| <i>Finance costs</i>   |                     |                |
| Interest and finance charges paid/payable on borrowings          | 872,970             | 479,135        |
| Interest and finance charges paid/payable on lease liabilities   | 10,034              | 25,646         |
| Finance costs expensed   | <u>883,004</u>      | <u>504,781</u> |
| <i>Leases</i>  |                     |                |
| Short-term lease payments  | <u>203,756</u>      | <u>68,287</u>  |
| Defined contribution superannuation expense                      | <u>347,386</u>      | <u>351,815</u> |

**Note 7. Income tax expense**

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2021</b>         | <b>2020</b>   |
|   | <b>\$</b>           | <b>\$</b>     |
| <i>Income tax expense</i>   |                     |               |
| Current tax   | 65,131              | 35,369        |
| Aggregate income tax expense  | <u>65,131</u>       | <u>35,369</u> |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> |                     |               |
| Loss before income tax expense  | (1,593,073)         | (5,084,860)   |
| Tax at the statutory tax rate of 26% (2020: 27.5%)                                  | (414,199)           | (1,398,337)   |
| Current year tax losses not recognised  | 495,730             | 1,278,740     |
| Difference in overseas tax rates/refunds  | (16,400)            | 154,966       |
| Income tax expense  | <u>65,131</u>       | <u>35,369</u> |

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

*Change in corporate tax rate*

The corporate tax rate applicable to base rate entities reduces from 27.5% to 26% for the 2020-21 income year and further reduces to 25% prospectively from the 2021-22 income year. The consolidated entity qualifies as a base rate entity as it has a turnover of less than \$50 million and less than 80% of its assessable income is derived from base rate entity passive income. The consolidated entity has remeasured its deferred tax balances, and any unrecognised potential tax benefits arising from carried forward tax losses, based on the effective tax rate that is expected to apply in the year the temporary differences are expected to reverse or benefits from tax losses realised. The impact of the change in tax rate on deferred tax balances has been recognised as tax expense in profit or loss or as an adjustment to equity to the extent to which the deferred tax relates to items previously recognised outside profit or loss.

**Note 8. Current assets - cash and cash equivalents**

|                           | <b>Consolidated</b> |                  |
|---------------------------|---------------------|------------------|
|                           | <b>2021</b>         | <b>2020</b>      |
|                           | <b>\$</b>           | <b>\$</b>        |
| Cash and cash equivalents | <u>373,926</u>      | <u>1,043,158</u> |

**Note 9. Current assets - trade and other receivables**

|                                   | <b>Consolidated</b> |                  |
|-----------------------------------|---------------------|------------------|
|                                   | <b>2021</b>         | <b>2020</b>      |
|                                   | <b>\$</b>           | <b>\$</b>        |
| Trade receivables                 | 2,555,515           | 2,018,818        |
| Other receivables                 | -                   | 75,000           |
| Goods and services tax receivable | 52,003              | 26,884           |
|                                   | <u>2,607,518</u>    | <u>2,120,702</u> |

**Note 9. Current assets - trade and other receivables (continued)**

*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 |      | Carrying amount  |                  | Allowance for expected credit losses |          |
|-----------------------|---------------------------|------|------------------|------------------|--------------------------------------|----------|
|                       | 2021                      | 2020 | 2021             | 2020             | 2021                                 | 2020     |
|                       | %                         | %    | \$               | \$               | \$                                   | \$       |
| Not overdue           | -                         | -    | 1,293,396        | 1,694,513        | -                                    | -        |
| 0 to 3 months overdue | -                         | -    | 907,570          | 202,031          | -                                    | -        |
| 3 to 6 months overdue | -                         | -    | 179,573          | 122,274          | -                                    | -        |
| Over 6 months overdue | -                         | -    | 174,976          | -                | -                                    | -        |
|                       |                           |      | <u>2,555,515</u> | <u>2,018,818</u> | <u>-</u>                             | <u>-</u> |

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

|  | Consolidated |          |
|--|--------------|----------|
|  | 2021         | 2020     |
|  | \$           | \$       |
| Opening balance  | -            | 62,570   |
| Receivables written off during the year as uncollectable | -            | (37,993) |
| Unused amounts reversed                                  | -            | (24,577) |
| Closing balance  | <u>-</u>     | <u>-</u> |

**Note 10. Current assets - contract assets**

|                 | Consolidated     |                |
|-----------------|------------------|----------------|
|                 | 2021             | 2020           |
|                 | \$               | \$             |
| Contract assets | <u>1,672,307</u> | <u>325,042</u> |

*Reconciliation*

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

|                               | Consolidated     |                |
|-------------------------------|------------------|----------------|
|                               | 2021             | 2020           |
|                               | \$               | \$             |
| Opening balance               | 325,042          | 563,779        |
| Additions                     | 1,672,307        | 325,042        |
| Transfer to trade receivables | (325,042)        | (563,779)      |
| Closing balance               | <u>1,672,307</u> | <u>325,042</u> |

*Allowance for expected credit losses*

The allowance for expected credit losses on contract assets for the year ended 30 June 2021 is \$nil (2020: \$nil).

**Note 11. Current assets - inventories**

|                                | <b>Consolidated</b>     |                         |
|--------------------------------|-------------------------|-------------------------|
|                                | <b>2021</b>             | <b>2020</b>             |
|                                | <b>\$</b>               | <b>\$</b>               |
| Finished goods - at cost       | 1,709,385               | 1,634,086               |
| Less: Provision for impairment | (282,259)               | (209,719)               |
|                                | <u>1,427,126</u>        | <u>1,424,367</u>        |
| Stock in transit - at cost     | <u>128,269</u>          | <u>173,389</u>          |
|                                | <u><u>1,555,395</u></u> | <u><u>1,597,756</u></u> |

**Note 12. Current assets - other**

|                                   | <b>Consolidated</b> |                |
|-----------------------------------|---------------------|----------------|
|                                   | <b>2021</b>         | <b>2020</b>    |
|                                   | <b>\$</b>           | <b>\$</b>      |
| Prepayments and deferred expenses | 546,834             | 617,904        |
| Security deposits                 | 150,798             | 141,640        |
|                                   | <u>697,632</u>      | <u>759,544</u> |

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

|                                  | <b>Consolidated</b>   |                       |
|----------------------------------|-----------------------|-----------------------|
|                                  | <b>2021</b>           | <b>2020</b>           |
|                                  | <b>\$</b>             | <b>\$</b>             |
| Leasehold improvements - at cost | 418,955               | 418,955               |
| Less: Accumulated depreciation   | (418,955)             | (418,846)             |
|                                  | <u>-</u>              | <u>109</u>            |
| Plant and equipment - at cost    | 2,114,214             | 2,087,285             |
| Less: Accumulated depreciation   | (1,966,209)           | (1,884,760)           |
|                                  | <u>148,005</u>        | <u>202,525</u>        |
| Office equipment - at cost       | 811,033               | 837,221               |
| Less: Accumulated depreciation   | (785,514)             | (763,904)             |
|                                  | <u>25,519</u>         | <u>73,317</u>         |
|                                  | <u><u>173,524</u></u> | <u><u>275,951</u></u> |



**Note 13. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

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

| <b>Consolidated</b>     | Leasehold<br>improvements<br>\$ | Plant and<br>equipment<br>\$ | Office<br>equipment<br>\$ | Total<br>\$    |
|-------------------------|---------------------------------|------------------------------|---------------------------|----------------|
| Balance at 1 July 2019  | 1,369                           | 271,253                      | 98,457                    | 371,079        |
| Additions               | -                               | 53,820                       | 21,074                    | 74,894         |
| Exchange differences    | -                               | -                            | 1,348                     | 1,348          |
| Depreciation expense    | (1,260)                         | (122,548)                    | (47,562)                  | (171,370)      |
|                         | <u>109</u>                      | <u>202,525</u>               | <u>73,317</u>             | <u>275,951</u> |
| Balance at 30 June 2020 | 109                             | 202,525                      | 73,317                    | 275,951        |
| Additions               | -                               | -                            | 5,484                     | 5,484          |
| Transfers in/(out)      | -                               | 26,995                       | (26,995)                  | -              |
| Exchange differences    | -                               | (66)                         | (4,677)                   | (4,743)        |
| Depreciation expense    | (109)                           | (81,449)                     | (21,610)                  | (103,168)      |
|                         | <u>-</u>                        | <u>148,005</u>               | <u>25,519</u>             | <u>173,524</u> |
| Balance at 30 June 2021 | <u>-</u>                        | <u>148,005</u>               | <u>25,519</u>             | <u>173,524</u> |

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

|                                   | <b>Consolidated</b> |               |
|-----------------------------------|---------------------|---------------|
|                                   | <b>2021</b>         | <b>2020</b>   |
|                                   | \$                  | \$            |
| Land and buildings - right-of-use | 703,493             | 193,058       |
| Less: Accumulated depreciation    | (112,481)           | (130,708)     |
|                                   | <u>591,012</u>      | <u>62,350</u> |

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

*Reconciliations*

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

| <b>Consolidated</b>     | Right-of-use<br>assets<br>\$ |
|-------------------------|------------------------------|
| Balance at 1 July 2019  | 521,579                      |
| Adjustments*            | (163,016)                    |
| Depreciation expense    | (296,213)                    |
|                         | <u>62,350</u>                |
| Balance at 30 June 2020 | 62,350                       |
| Additions               | 614,321                      |
| Depreciation expense    | (85,659)                     |
|                         | <u>591,012</u>               |
| Balance at 30 June 2021 | <u>591,012</u>               |

\* The consolidated entity's Sydney office lease was terminated during the 2020 financial year ahead of the expected end date.

**Note 15. Non-current assets - intangibles**

|   | <b>Consolidated</b>     |                         |
|---|-------------------------|-------------------------|
|   | <b>2021</b>             | <b>2020</b>             |
|   | <b>\$</b>               | <b>\$</b>               |
| Re-acquired right (Intevia Licence) - at cost | 10,138,090              | 10,138,090              |
| Less: Accumulated amortisation                | (8,035,887)             | (8,035,887)             |
| Less: Impairment                              | (2,102,203)             | (2,102,203)             |
|   | <u>-</u>                | <u>-</u>                |
| Patents - at cost                             | 2,720,617               | 2,709,165               |
| Less: Accumulated amortisation                | (765,810)               | (757,732)               |
| Less: Impairment                              | (1,786,542)             | (1,786,542)             |
|   | <u>168,265</u>          | <u>164,891</u>          |
| Development costs - at cost                   | 10,823,936              | 10,445,607              |
| Less: Accumulated amortisation                | (4,919,476)             | (4,263,918)             |
| Less: Impairment                              | (4,501,000)             | (4,501,000)             |
|   | <u>1,403,460</u>        | <u>1,680,689</u>        |
|   | <u><u>1,571,725</u></u> | <u><u>1,845,580</u></u> |

*Reconciliations*

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

| <b>Consolidated</b>     | Patents<br>\$         | Development<br>costs<br>\$ | Total<br>\$             |
|-------------------------|-----------------------|----------------------------|-------------------------|
| Balance at 1 July 2019  | 86,804                | 1,126,359                  | 1,213,163               |
| Additions               | 82,592                | 924,294                    | 1,006,886               |
| Exchange differences    | (131)                 | -                          | (131)                   |
| Amortisation expense    | (4,374)               | (369,964)                  | (374,338)               |
|                         | <u>164,891</u>        | <u>1,680,689</u>           | <u>1,845,580</u>        |
| Balance at 30 June 2020 | 164,891               | 1,680,689                  | 1,845,580               |
| Additions               | 26,604                | 378,329                    | 404,933                 |
| Exchange differences    | (15,152)              | -                          | (15,152)                |
| Amortisation expense    | (8,078)               | (655,558)                  | (663,636)               |
|                         | <u>168,265</u>        | <u>1,403,460</u>           | <u>1,571,725</u>        |
| Balance at 30 June 2021 | <u><u>168,265</u></u> | <u><u>1,403,460</u></u>    | <u><u>1,571,725</u></u> |

*Impairment testing*

At 30 June 2021, the cash generating units ('CGU') to which intangible assets belong was tested for impairment. For the purpose of impairment testing, the Package Asset Delivery ('PAD') CGU is determined to be the sole CGU that benefits from the core patented technology and product development costs. The net carrying value of the CGU is as follows:

|                              | <b>Consolidated</b>     |                         |
|------------------------------|-------------------------|-------------------------|
|                              | <b>2021</b>             | <b>2020</b>             |
|                              | <b>\$</b>               | <b>\$</b>               |
| Package Asset Delivery - PAD | <u><u>1,571,725</u></u> | <u><u>1,845,580</u></u> |

*Impairment test performed*

The recoverable value of the CGU was assessed on a fair value basis (less likely costs of disposal). The fair value was determined by management, through the assistance of a third party valuations specialists.

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

The fair value hierarchy within which the fair value measurement of the asset is categorised in its entirety is Level 3. The valuation techniques used to measure the fair value less likely costs of disposal were the Relief from Royalty Method and Multi Period Excess Earnings Method. Management used the following key estimates and assumptions in the valuation calculation:

| Key items               | 2021   | 2020   |
|-------------------------|--------|--------|
| Growth rate             | 2.25%  | 2.25%  |
| Discount rate           | 11.50% | 12.10% |
| Royalty rate            | 5.00%  | 5.00%  |
| Customer attrition rate | 10.00% | 10.00% |
| EBITDA margin           | 50.00% | 50.00% |

*Impairment test results*

Based on the testing performed, the recoverable amount of the CGU exceeded the carrying value and no impairment existed at 30 June 2021 (30 June 2020: no impairment).

*Impairment test sensitivity*

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

**Note 16. Current liabilities - trade and other payables**

|                           | <b>Consolidated</b> |                  |
|---------------------------|---------------------|------------------|
|                           | <b>2021</b>         | <b>2020</b>      |
|                           | <b>\$</b>           | <b>\$</b>        |
| Trade payables            | 2,159,131           | 1,920,932        |
| Employee expense payables | 118,966             | 71,762           |
| Other payables            | 842,441             | 545,240          |
|                           | <u>3,120,538</u>    | <u>2,537,934</u> |

Refer to note 24 for further information on financial instruments.

**Note 17. Current liabilities - contract liabilities**

|                      | <b>Consolidated</b> |                  |
|----------------------|---------------------|------------------|
|                      | <b>2021</b>         | <b>2020</b>      |
|                      | <b>\$</b>           | <b>\$</b>        |
| Contract liabilities | <u>1,692,768</u>    | <u>2,293,752</u> |

*Reconciliation*

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

|   |                    |                  |
|---|--------------------|------------------|
| Opening balance                                       | 2,293,752          | 1,611,830        |
| Payments received in advance                          | 760,217            | 1,284,044        |
| Transfer to revenue - included in the opening balance | <u>(1,361,201)</u> | <u>(602,122)</u> |
| Closing balance                                       | <u>1,692,768</u>   | <u>2,293,752</u> |

**Note 17. Current liabilities - contract liabilities (continued)**

*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 \$1,692,768 as at 30 June 2021 (\$2,293,752 as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

|                       | <b>Consolidated</b> |                  |
|-----------------------|---------------------|------------------|
|                       | <b>2021</b>         | <b>2020</b>      |
|                       | \$                  | \$               |
| Within 6 months       | 1,641,848           | 1,980,068        |
| Greater than 6 months | 50,920              | 313,684          |
|                       | <u>1,692,768</u>    | <u>2,293,752</u> |

**Note 18. Borrowings**

|  | <b>Consolidated</b> |                   |
|--|---------------------|-------------------|
|  | <b>2021</b>         | <b>2020</b>       |
|  | \$                  | \$                |
| <i>Current</i>                             |                     |                   |
| Loan - First Samuel                        | 4,000,000           | -                 |
| Loan - First Samuel - capitalised interest | 111,044             | -                 |
| Loan - PPP                                 | 614,840             | -                 |
|  | <u>4,725,884</u>    | <u>-</u>          |
| <i>Non-current</i>                         |                     |                   |
| Loan - First Samuel                        | -                   | 11,000,000        |
| Loan - First Samuel - capitalised interest | -                   | 148,571           |
| Loan - PPP                                 | -                   | 676,054           |
|  | <u>-</u>            | <u>11,824,625</u> |
|  | <u>4,725,884</u>    | <u>11,824,625</u> |

Refer to note 24 for further information on financial instruments.

*Loan - First Samuel (new facility)*

On 30 June 2021, a new facility of \$2,500,000 was established. The interest rate applicable to this tranche is 90 day BBSW plus 4.5% per annum. The facility matures on 31 July 2022. A facility fee of 1% per annum applies to this facility.

As at 30 June 2021, this facility has not been drawn down. On 1 July 2021, the new facility was drawn down in full. The funds were used to repay \$2,111,044 of the existing facility and capitalised interest which was due to mature on 31 July 2021. The remaining funds were used to pay the upfront facility fee of 1% per annum for the new facility.

*Loan - First Samuel (existing facility)*

As at 30 June 2021, the loan comprised of an existing facility from First Samuel Limited. The original facility totalled \$11,500,000 (30 June 2020: \$11,500,000) and comprised of four tranches as follows:

*First tranche*

The first tranche comprises of a \$3,000,000 facility (30 June 2020: \$3,000,000). The interest rate applicable to this tranche is 90 day BBSW plus 6% per annum. For the period from 1 November 2019 to 30 June 2020, interest on the drawn facility was capitalised. Outside of this period interest is payable six monthly in arrears. The first tranche matures on 31 July 2021.

**Note 18. Borrowings (continued)**

*Second tranche*

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

*Third tranche*

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

*Fourth tranche*

The fourth tranche comprises of an available facility of \$250,000 (undrawn at 30 June 2020). This facility was drawn in March 2021 and repaid on 30 April 2021. The interest rate applicable to this tranche is 90 day BBSW plus 9% per annum, payable on maturity date. This facility is not available to be drawn down again.

Of the total facility drawn down at 30 June 2021:

- \$2,111,044 was repaid on the 1 July 2021, from funds drawn from the new loan facility; and
- \$2,000,000 was converted into ordinary shares of the company at a price of \$0.12 per share on 17 August 2021.

*Total secured liabilities*

The total secured liabilities are as follows:

|  | <b>Consolidated</b> |                   |
|--|---------------------|-------------------|
|  | <b>2021</b>         | <b>2020</b>       |
|  | <b>\$</b>           | <b>\$</b>         |
| Loan - First Samuel                        | 4,000,000           | 11,000,000        |
| Loan - First Samuel - capitalised interest | 111,044             | 148,571           |
|  | <u>4,111,044</u>    | <u>11,148,571</u> |

*Assets pledged as security*

The facilities are secured by first ranking security interest over the assets of the consolidated entity.

*Financing arrangements*

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

**Note 18. Borrowings (continued)**

|   | <b>Consolidated</b> |                   |
|---|---------------------|-------------------|
|   | <b>2021</b>         | <b>2020</b>       |
|   | <b>\$</b>           | <b>\$</b>         |
| <i>Total facilities</i>                 |                     |                   |
| Loan - First Samuel (existing facility) | 4,000,000           | 11,500,000        |
| Loan - First Samuel (new facility)      | 2,500,000           | -                 |
| Loan - PPP                              | 614,840             | 676,054           |
|   | <u>7,114,840</u>    | <u>12,176,054</u> |
| <i>Used at the reporting date</i>       |                     |                   |
| Loan - First Samuel (existing facility) | 4,000,000           | 11,000,000        |
| Loan - First Samuel (new facility)      | -                   | -                 |
| Loan - PPP                              | 614,840             | 676,054           |
|   | <u>4,614,840</u>    | <u>11,676,054</u> |
| <i>Unused at the reporting date</i>     |                     |                   |
| Loan - First Samuel (existing facility) | -                   | 500,000           |
| Loan - First Samuel (new facility)      | 2,500,000           | -                 |
| Loan - PPP                              | -                   | -                 |
|   | <u>2,500,000</u>    | <u>500,000</u>    |

**Note 19. Lease liabilities**

|             | <b>Consolidated</b> |               |
|-------------|---------------------|---------------|
|             | <b>2021</b>         | <b>2020</b>   |
|             | <b>\$</b>           | <b>\$</b>     |
| Current     | 199,045             | 65,648        |
| Non-current | 397,290             | -             |
|             | <u>596,335</u>      | <u>65,648</u> |

Refer note 14 for details of lease arrangements.

Refer note 24 for details of the undiscounted future lease commitments.

*Reconciliations*

Reconciliations of the lease liability (current and non-current) at the beginning and end of the current financial year are set out below:

|                       | <b>Consolidated</b> |               |
|-----------------------|---------------------|---------------|
|                       | <b>2021</b>         | <b>2020</b>   |
|                       | <b>\$</b>           | <b>\$</b>     |
| Opening balance       | 65,648              | 521,579       |
| Additions             | 614,321             | -             |
| Accretion of interest | 10,034              | 25,646        |
| Payments - principal  | (83,634)            | (292,915)     |
| Payments - interest   | (10,034)            | (25,646)      |
| Termination of leases | -                   | (163,016)     |
|                       | <u>596,335</u>      | <u>65,648</u> |
| Closing balance       | <u>596,335</u>      | <u>65,648</u> |

**Note 20. Current liabilities - provisions**

|                   | <b>Consolidated</b> |                |
|-------------------|---------------------|----------------|
|                   | <b>2021</b>         | <b>2020</b>    |
|                   | <b>\$</b>           | <b>\$</b>      |
| Employee benefits | <u>613,291</u>      | <u>662,996</u> |

**Note 21. Equity - issued capital**

|                              | <b>Consolidated</b> |                   |                    |                    |
|------------------------------|---------------------|-------------------|--------------------|--------------------|
|                              | <b>2021</b>         | <b>2020</b>       | <b>2021</b>        | <b>2020</b>        |
|                              | <b>Shares</b>       | <b>Shares</b>     | <b>\$</b>          | <b>\$</b>          |
| Ordinary shares - fully paid | <u>176,508,947</u>  | <u>91,725,605</u> | <u>221,876,795</u> | <u>212,426,391</u> |

*Movements in ordinary share capital*

| <b>Details</b>          | <b>Date</b>      | <b>Shares</b>      | <b>Issue price</b> | <b>\$</b>          |
|-------------------------|------------------|--------------------|--------------------|--------------------|
| Balance                 | 1 July 2019      | 70,558,162         |                    | 210,400,125        |
| Issue of shares         | 23 December 2019 | 8,176,340          | \$0.1050           | 858,516            |
| Issue of shares         | 24 January 2020  | 12,991,103         | \$0.1050           | 1,364,066          |
| Less: share issue costs |                  | -                  | \$0.0000           | (196,316)          |
| Balance                 | 30 June 2020     | 91,725,605         |                    | 212,426,391        |
| Issue of shares         | 26 November 2020 | 2,446,807          | \$0.1050           | 256,915            |
| Issue of shares         | 7 January 2021   | 2,000,000          | \$0.0900           | 180,000            |
| Issue of shares         | 29 April 2021    | 21,500,000         | \$0.1200           | 2,580,000          |
| Issue of shares         | 11 June 2021     | 58,836,535         | \$0.1200           | 7,060,384          |
| Less: share issue costs |                  | -                  | \$0.0000           | (626,895)          |
| Balance                 | 30 June 2021     | <u>176,508,947</u> |                    | <u>221,876,795</u> |

*Ordinary shares*

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

*Share buy-back*

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

*Unquoted options*

At 30 June 2021, there were 2,091,000 (2020: 2,361,000) options on issue associated with share-based payment arrangements (see note 34). Each option entitles the holder to subscribe for one fully paid share in the company upon exercise at any time from the date the vesting conditions have been satisfied until expiry of the options.

**Note 21. Equity - issued capital (continued)**

*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 2020 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 22. Equity - reserves**

|                              | <b>Consolidated</b> |                    |
|------------------------------|---------------------|--------------------|
|                              | <b>2021</b>         | <b>2020</b>        |
|                              | <b>\$</b>           | <b>\$</b>          |
| Foreign currency reserve     | (4,321,813)         | (4,337,139)        |
| Share-based payments reserve | 89,422              | 61,946             |
|                              | <u>(4,232,391)</u>  | <u>(4,275,193)</u> |

*Foreign currency reserve*

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

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*

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

| <b>Consolidated</b>                                 | Foreign<br>currency<br>\$ | Share-based<br>payments<br>\$ | Total<br>\$        |
|---|---------------------------|-------------------------------|--------------------|
| Balance at 1 July 2019                              | (4,388,768)               | -                             | (4,388,768)        |
| Foreign currency translation                        | 51,629                    | -                             | 51,629             |
| Share-based payments                                | -                         | 61,946                        | 61,946             |
| Balance at 30 June 2020                             | (4,337,139)               | 61,946                        | (4,275,193)        |
| Foreign currency translation                        | 15,326                    | -                             | 15,326             |
| Share-based payments                                | -                         | 41,569                        | 41,569             |
| Cancelled options transferred to accumulated losses | -                         | (14,093)                      | (14,093)           |
| Balance at 30 June 2021                             | <u>(4,321,813)</u>        | <u>89,422</u>                 | <u>(4,232,391)</u> |

**Note 23. Equity - dividends**

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



**Note 24. Financial instruments**

***Financial risk management objectives***

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

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

***Market risk***

***Foreign currency risk***

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

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

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

Creditors and debtors as at 30 June 2021 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:

|  | 2021                                |                           | 2020                                |                            |
|--|-------------------------------------|---------------------------|-------------------------------------|----------------------------|
|  | Weighted average interest rate<br>% | Balance<br>\$             | Weighted average interest rate<br>% | Balance<br>\$              |
| <b>Consolidated</b>                          |                                     |                           |                                     |                            |
| Cash and cash equivalents                    | 0.10%                               | 373,926                   | 0.10%                               | 1,043,158                  |
| Loan - First Samuel                          | 7.48%                               | <u>(4,111,044)</u>        | 8.25%                               | <u>(11,148,571)</u>        |
| Net exposure to cash flow interest rate risk |                                     | <u><u>(3,737,118)</u></u> |                                     | <u><u>(10,105,413)</u></u> |

**Note 24. Financial instruments (continued)**

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 \$3,737,118 (2020: net cash deficit \$10,105,413). An official increase/decrease in interest rates of 1 basis point (2020: 1 basis point) percentage point would have an adverse/favourable effect on profit before tax of \$37,371 (2020: adverse/favourable \$101,054) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

***Credit risk***

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

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

The consolidated entity has a concentration of credit risk exposure with 1 customer (2020: 2 customers), which as at 30 June 2021 owed the consolidated entity \$278,096 (2020: \$861,711) representing 11% (2020: 43%) of trade receivables. Of this balance, \$210,678 (2020: \$53,537) was outside the customer's respective terms of trade, however management is confident of collection and no impairment was made as at 30 June 2021. There are no guarantees against these receivables but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

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

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

***Liquidity risk***

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

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

**Note 24. Financial instruments (continued)**

*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.

| <b>Consolidated - 2021</b>           | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| <b>Non-derivatives</b>               |                                  |                   |                          |                          |                 |                                     |
| <i>Non-interest bearing</i>          |                                  |                   |                          |                          |                 |                                     |
| Trade payables                       | -                                | 2,159,131         | -                        | -                        | -               | 2,159,131                           |
| Other payables                       | -                                | 961,407           | -                        | -                        | -               | 961,407                             |
| <i>Interest-bearing - variable</i>   |                                  |                   |                          |                          |                 |                                     |
| Loan - First Samuel                  | 7.48%                            | 4,111,044         | -                        | -                        | -               | 4,111,044                           |
| <i>Interest-bearing - fixed rate</i> |                                  |                   |                          |                          |                 |                                     |
| Loan - PPP                           | 1.00%                            | 614,840           | -                        | -                        | -               | 614,840                             |
| Lease liability                      | 7.57%                            | 199,045           | 218,238                  | 179,052                  | -               | 596,335                             |
| <b>Total non-derivatives</b>         |                                  | <b>8,045,467</b>  | <b>218,238</b>           | <b>179,052</b>           | <b>-</b>        | <b>8,442,757</b>                    |

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

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

**Note 25. 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 26. 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:

|                              | <b>Consolidated</b> |                  |
|------------------------------|---------------------|------------------|
|                              | <b>2021</b>         | <b>2020</b>      |
|                              | \$                  | \$               |
| Short-term employee benefits | 1,503,006           | 1,539,254        |
| Post-employment benefits     | 130,669             | 90,077           |
| Share-based payments         | 38,349              | 43,549           |
|                              | <u>1,672,024</u>    | <u>1,672,880</u> |

**Note 27. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by PKF Brisbane Audit, the auditor of the company:

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2021</b>         | <b>2020</b>   |
|   | \$                  | \$            |
| <i>Audit services - PKF Brisbane Audit</i>  |                     |               |
| Audit or review of the financial statements | <u>85,500</u>       | <u>85,000</u> |
| <i>Other services - PKF Brisbane</i>        |                     |               |
| Tax services                                | <u>10,000</u>       | <u>-</u>      |
|   | <u>95,500</u>       | <u>85,000</u> |

**Note 28. Contingent liabilities**

The consolidated entity does not have any contingent liabilities at 30 June 2021 and 30 June 2020.

**Note 29. Related party transactions**

*Parent entity*

TZ Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 31.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2021</b>         | <b>2020</b> |
|  | \$                  | \$          |
| Payment for other expenses:  |                     |             |
| Interest paid/(payable) to First Samuel Limited - an entity with significant influence | 848,795             | 463,420     |

**Note 29. Related party transactions (continued)**

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

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

|   | <b>Consolidated</b> |             |
|---|---------------------|-------------|
|   | <b>2021</b>         | <b>2020</b> |
|   | \$                  | \$          |
| Non-current borrowings:   |                     |             |
| Loan from First Samuel Limited - an entity with significant influence | 4,111,044           | 11,148,571  |

*Terms and conditions*

Refer to note 18 for details of terms and conditions on the First Samuel Limited loan facility.

**Note 30. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

|                            | <b>Parent</b> |             |
|----------------------------|---------------|-------------|
|                            | <b>2021</b>   | <b>2020</b> |
|                            | \$            | \$          |
| Loss after income tax      | (849,470)     | (5,024,378) |
| Total comprehensive income | (849,470)     | (5,024,378) |

*Statement of financial position*

|                              | <b>Parent</b> |               |
|------------------------------|---------------|---------------|
|                              | <b>2021</b>   | <b>2020</b>   |
|                              | \$            | \$            |
| Total current assets         | 6,128,239     | 2,332,714     |
| Total assets                 | 7,700,842     | 2,500,314     |
| Total current liabilities    | 8,187,702     | 481,106       |
| Total liabilities            | 8,187,702     | 11,629,677    |
| Equity                       |               |               |
| Issued capital               | 221,876,795   | 212,426,391   |
| Share-based payments reserve | 89,422        | 61,946        |
| Accumulated losses           | (222,453,077) | (221,617,700) |
| Total deficiency in equity   | (486,860)     | (9,129,363)   |

*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 2021 and 30 June 2020.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

**Note 30. Parent entity information (continued)**

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

*Significant accounting policies*

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

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

**Note 31. Interests in subsidiaries**

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

| Name                                   | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|--|---|--------------------|-----------|
|  |   | 2021<br>%          | 2020<br>% |
| Telezygology, Inc.                     | United States of America                                  | 100.00%            | 100.00%   |
| PDT Holdings, Inc.                     | United States of America                                  | 100.00%            | 100.00%   |
| Product Development Technologies, Inc. | United States of America                                  | 100.00%            | 100.00%   |
| PDT Tooling, Inc.                      | United States of America                                  | 100.00%            | 100.00%   |
| TZI Australia Pty Limited              | Australia   | 100.00%            | 100.00%   |
| A.C.N. 156 637 704 Pty Ltd             | Australia   | 100.00%            | 100.00%   |
| TZI Singapore Pte Ltd                  | Singapore   | 100.00%            | 100.00%   |
| TZI UK Limited                         | United Kingdom  | 100.00%            | 100.00%   |

**Note 32. Cash flow information**

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

|  | Consolidated       |                    |
|--|--------------------|--------------------|
|  | 2021<br>\$         | 2020<br>\$         |
| Loss after income tax expense for the year         | (1,658,204)        | (5,120,229)        |
| Adjustments for:                                   |                    |                    |
| Depreciation and amortisation                      | 852,463            | 841,921            |
| Share-based payments                               | 41,569             | 61,946             |
| Foreign exchange differences                       | (6,993)            | 63,967             |
| Interest accrued on borrowings                     | (37,527)           | 148,571            |
| Change in operating assets and liabilities:        |                    |                    |
| Decrease/(increase) in trade and other receivables | (486,816)          | 1,195,469          |
| Decrease/(increase) in contract assets             | (1,347,265)        | 238,737            |
| Decrease in inventories                            | 42,361             | 212,579            |
| Decrease/(increase) in other operating assets      | 71,070             | (292,047)          |
| Increase/(decrease) in trade and other payables    | 582,604            | (2,008,197)        |
| Increase/(decrease) in contract liabilities        | (600,984)          | 681,922            |
| Increase/(decrease) in employee benefits           | (49,705)           | 169,180            |
| Net cash used in operating activities              | <u>(2,597,427)</u> | <u>(3,806,181)</u> |

**Note 32. Cash flow information (continued)**

*Non-cash investing and financing activities*

|                                      | <b>Consolidated</b> |             |
|--------------------------------------|---------------------|-------------|
|                                      | <b>2021</b>         | <b>2020</b> |
|                                      | <b>\$</b>           | <b>\$</b>   |
| Additions to the right-of-use assets | 614,321             | -           |
| Shares issued on conversion of loan  | 256,915             | -           |
|                                      | <u>871,236</u>      | <u>-</u>    |

*Changes in liabilities arising from financing activities*

| <b>Consolidated</b>                   | Loan - First<br>Samuel<br>\$ | Loan - PPP<br>\$ | Lease<br>liabilities<br>\$ | Total<br>\$       |
|---------------------------------------|------------------------------|------------------|----------------------------|-------------------|
| Balance at 1 July 2019                | 8,000,000                    | -                | -                          | 8,000,000         |
| Lease additions                       | -                            | -                | 521,579                    | 521,579           |
| Net cash from financing activities    | 3,000,000                    | 676,054          | (292,915)                  | 3,383,139         |
| Other changes                         | -                            | -                | (163,016)                  | (163,016)         |
|                                       | <u>11,000,000</u>            | <u>676,054</u>   | <u>65,648</u>              | <u>11,741,702</u> |
| Balance at 30 June 2020               | 11,000,000                   | 676,054          | 65,648                     | 11,741,702        |
| Net cash used in financing activities | (6,743,085)                  | -                | (83,634)                   | (6,826,719)       |
| Shares issued on conversion of loan   | (256,915)                    | -                | -                          | (256,915)         |
| Lease additions                       | -                            | -                | 614,321                    | 614,321           |
| Exchange differences                  | -                            | (61,214)         | -                          | (61,214)          |
|                                       | <u>4,000,000</u>             | <u>614,840</u>   | <u>596,335</u>             | <u>5,211,175</u>  |
| Balance at 30 June 2021               | 4,000,000                    | 614,840          | 596,335                    | 5,211,175         |

**Note 33. Earnings per share**

|   | <b>Consolidated</b> |                    |
|---|---------------------|--------------------|
|   | <b>2021</b>         | <b>2020</b>        |
|   | <b>\$</b>           | <b>\$</b>          |
| Loss after income tax attributable to the owners of TZ Limited                            | <u>(1,658,204)</u>  | <u>(5,120,229)</u> |
|   | <b>Number</b>       | <b>Number</b>      |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>107,057,626</u>  | <u>80,468,726</u>  |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>107,057,626</u>  | <u>80,468,726</u>  |
|   | <b>Cents</b>        | <b>Cents</b>       |
| Basic earnings per share  | (1.55)              | (6.36)             |
| Diluted earnings per share  | (1.55)              | (6.36)             |

For the purpose calculating the diluted earnings per share the denominator has excluded 2,091,000 options (2020: 2,361,000 options) as the effect would be anti-dilutive.

**Note 34. Share-based payments**

*The TZ Employee Incentive Scheme*

The TZ Employee Incentive Scheme ('TZEIS') was approved by shareholders at the 2009 Annual General Meeting that was held on 26 February 2010 and re-approved by shareholders at the 2020 Annual General Meeting held on 4 November 2020. TZEIS was established to attract, retain, motivate and reward senior executives and directors (including non-executive directors) of the company (collectively the 'Participants') by issuing options to the Participants to allow the Participants to acquire fully paid ordinary class shares in the company upon exercising the options.

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

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

2021

| Grant date                      | Expiry date | Exercise price | Balance at the start of the year | Granted  | Exercised | Expired          | Balance at the end of the year |
|---------------------------------|-------------|----------------|----------------------------------|----------|-----------|------------------|--------------------------------|
| 06/08/2019                      | 31/08/2024  | \$0.2500       | 787,000                          | -        | -         | (90,000)         | 697,000                        |
| 06/08/2019                      | 31/08/2025  | \$0.4000       | 787,000                          | -        | -         | (90,000)         | 697,000                        |
| 06/08/2019                      | 31/08/2026  | \$0.4500       | 787,000                          | -        | -         | (90,000)         | 697,000                        |
|                                 |             |                | <u>2,361,000</u>                 | <u>-</u> | <u>-</u>  | <u>(270,000)</u> | <u>2,091,000</u>               |
| Weighted average exercise price |             |                | \$0.3667                         | \$0.0000 | \$0.0000  | \$0.3667         | \$0.3667                       |

2020

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

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.17 years (2020: 5.2 year).

**Note 35. Events after the reporting period**

On 1 July 2021, TZ drew down the full debenture facility of \$2,500,000 that was established with First Samuel on 29 June 2021, and which matures on 31 July 2022. This facility carries a coupon rate of BBSW + 4.5% per annum and a facility fee of 1% per annum payable in advance. The drawn funds were used to repay \$2.1 million of debt due under the old facility that matured on 31 July 2021 as well as the facility fee of the new debenture facility.

On 17 August 2021, the company issued 16,666,667 ordinary shares to First Samuel Limited at a deemed issue price of \$0.12 per share following the conversion of \$2,000,000 of debenture debt into ordinary shares in the company which was approved by the company's shareholders at an Extraordinary General Meeting held on 16 August 2021.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.





**Note 35. Events after the reporting period (continued)**

No other matter or circumstance has arisen since 30 June 2021 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 2021 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

A handwritten signature in black ink, appearing to be 'S. Beeton', written over a horizontal line.

Scott Beeton  
Managing Director

30 August 2021  
Sydney

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

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of TZ Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$1,658,204 and net operating cash outflows of \$2,597,427 during the year ended 30 June 2021. The consolidated entity has recorded a net current asset deficiency of \$3,444,748 as at 30 June 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

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## Key Audit Matter

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

### 1. Carrying amount of intangible assets with finite useful lives

#### Why significant

As at 30 June 2021 the carrying value of intangible assets with finite useful lives was \$1,571,725 (2020: \$1,845,580), as disclosed in Note 15.

The group's accounting policy in respect of intangible assets with finite useful lives is outlined in Note 1.

The carrying amount of intangible assets with finite useful lives is a key audit matter due to:

- the significant audit effort required to test the carrying amount of intangible assets with finite useful lives; and
- the level of judgement applied in evaluating management's assessment of impairment.

As outlined in Notes 1 and 15, management assessed the carrying amount of intangible assets with finite useful lives through impairment testing utilising a fair value less costs of disposal model in which significant judgements are applied in determining key assumptions. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of intangible assets with finite useful lives, and accordingly the amount of any impairment charge, to be recorded in the current financial year.

#### How our audit addressed the key audit matter

In assessing this key audit matter, we involved senior audit team members who understand the industry.

Our audit procedures included, amongst others:

- evaluating management's methodology for determining the carrying amount of intangible assets with finite useful lives by comparing the fair value less costs of disposal model with generally accepted valuation methodology and accounting standard requirements;
- conducting sensitivity analysis on key assumptions such as weighted average cost of capital (WACC) and growth rates, within reasonable foreseeable ranges;
- challenging the key assumptions used in the value in use model by:
  - assessing growth rates used in comparison to historical results
  - evaluating the WACC rate used in comparison to market and industry information available
  - assessing yearly revenue forecasts in comparison to historical results and approved budgets, and
  - assessing the impact of the COVID-19 pandemic on all key assumptions;
- assessing the appropriateness of the group's accounting policy for the capitalisation of development costs;
- obtaining a list of additions to intangible assets and assessing against the recognition criteria of AASB 138 *Intangible Assets*;
- assessing management's estimate of future economic benefits related to the costs capitalised; and
- assessing the appropriateness of the related disclosures in Note 1 and 15.

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, 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.

## Directors' Responsibilities for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. 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.

## Opinion

In our opinion, the Remuneration Report of TZ Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.



PKF BRISBANE AUDIT



SHAUN LINDEMANN  
PARTNER

BRISBANE  
30 AUGUST 2021

The shareholder information set out below was applicable as at 17 August 2021.

**Distribution of equitable securities**

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

|                                       | Ordinary shares   |                          | Options over ordinary shares |                          |
|---------------------------------------|-------------------|--------------------------|------------------------------|--------------------------|
|                                       | Number of holders | % of total shares issued | Number of holders            | % of total shares issued |
| 1 to 1,000                            | 1,328             | 0.16                     | -                            | -                        |
| 1,001 to 5,000                        | 377               | 0.53                     | -                            | -                        |
| 5,001 to 10,000                       | 179               | 0.75                     | -                            | -                        |
| 10,001 to 100,000                     | 375               | 7.32                     | 2                            | 7.17                     |
| 100,001 and over                      | 194               | 91.24                    | 5                            | 92.83                    |
|                                       | <u>2,453</u>      | <u>100.00</u>            | <u>7</u>                     | <u>100.00</u>            |
| Holding less than a marketable parcel | <u>1,665</u>      | <u>0.59</u>              | <u>-</u>                     | <u>-</u>                 |

**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 |
| First Samuel Ltd ACN 086243567 (ANF ITS MDA Clients A/C)      | 32,957,981         | 17.06                    |
| J P Morgan Nominees Australia Pty Limited                     | 16,668,057         | 8.63                     |
| HSBC Custody Nominees (Australia) Limited                     | 15,477,255         | 8.01                     |
| Delcor Advisory Investment Group Pty Ltd                      | 14,041,074         | 7.27                     |
| One Managed Investment Funds Limited (TI Growth A/C)          | 7,154,403          | 3.70                     |
| Mr David Frederick Oakley (DFO Investment A/C)                | 4,098,174          | 2.12                     |
| Mr Scott Joseph Bogue   | 3,530,471          | 1.83                     |
| One Managed Investment Funds Limited (TI Absolute Return A/C) | 3,229,993          | 1.67                     |
| Mr Philip Anthony Feitelson                                   | 3,125,000          | 1.62                     |
| Mr David Frederick Oakley                                     | 2,963,684          | 1.53                     |
| Exelmont Pty Ltd  | 2,443,545          | 1.26                     |
| Guthrie CAD/GIS Software Pty Ltd                              | 2,035,000          | 1.05                     |
| Mr Peter Howells  | 2,028,571          | 1.05                     |
| Surflodge Pty Ltd (JE Lynch Staff Super FD A/C)               | 1,995,670          | 1.03                     |
| Bourse Securities Pty Ltd                                     | 1,625,570          | 0.84                     |
| Appwam Pty Ltd  | 1,600,000          | 0.83                     |
| Hayward Australasia Pty Ltd                                   | 1,590,402          | 0.82                     |
| Guthrie CAD/GIS Software Pty Ltd (Guthrie Super Fund A/C)     | 1,555,000          | 0.80                     |
| National Nominees Limited                                     | 1,516,669          | 0.79                     |
| Bevels Investments & Services Pty Limited                     | 1,500,000          | 0.78                     |
|   | <u>121,136,519</u> | <u>62.69</u>             |

*Unquoted equity securities*

|                              | Number on issue | Number of holders |
|------------------------------|-----------------|-------------------|
| Options over ordinary shares | 2,091,000       | 7                 |



**Substantial holders**

Substantial holders in the company are set out below:

|  | <b>Ordinary shares</b> |                                 |
|--|------------------------|---------------------------------|
|  | <b>Number held</b>     | <b>% of total shares issued</b> |
| First Samuel Ltd ACN 086243567 (ANF ITS MDA Clients A/C) | 32,957,981             | 17.06                           |
| J P Morgan Nominees Australia Pty Limited                | 16,668,057             | 8.63                            |
| HSBC Custody Nominees (Australia) Limited                | 15,477,255             | 8.01                            |
| Delcor Advisory Investment Group Pty Ltd                 | 14,041,074             | 7.27                            |

**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.



