



28 February 2013

Lodged by ASX Online

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

Dear Sir/Madam

APPENDIX 4D AND HALF-YEAR REPORT 31 DECEMBER 2012

Please find attached Directors' Report, ASX Appendix 4D and Half-Year Report prepared for the period ended 31 December 2012.

Yours faithfully,
TZ LIMITED

A handwritten signature in black ink that reads 'Mark Bouris'.

Mark Bouris
Chairman



DIRECTORS' REPORT

GROUP OVERVIEW

TZ Limited (TZL) posted a half year revenue of AUD \$11.2 million at 31 December 2012 achieving a 18% increase against the top line revenue in the corresponding period last year. Overall, the Group showed comparative improvements across all performance metrics including gross margin, SG&A (Selling, General and Administration) costs, operating losses and EBITDA.

Half Year To ...	Dec 2011	Dec 2012	Change
Sales (A\$ '000s)	\$9,399	\$11,131	▲ 18%
Gross Margin (%)	7%	17%	▲ 143%
Development Costs (A\$ '000s)	\$710	\$351*	▼ 51%
SG&A (A\$ '000s)	\$5,976	\$5,177	▼ 13%
Operating Loss (A\$ '000s)	(\$6,007)	(\$3,893)	▼ 35%
EBITDA (A\$ '000s)	(\$9,147)	(\$5,111)**	▲ 44%

* excluding intercompany transactions for development work undertaken by PDT

**excluding one-off impairment to goodwill recognised in the period

Telezygology, Inc. and its APAC sales operation counterpart, TZI Australia Pty Limited, (collectively "TZI"), continue to demonstrate strong sales growth with an expanding base of high profile reference customers and projects. Deployments in the second half of the year including Singapore Post, NEXTDC Sydney, Macquarie Telecom IntelliCentre 4, Vivo (Latin America) and scheduled government and financial sector projects in North America should drive accelerated sales growth through to fiscal year end. More detailed business unit performance information can be found in the TZI section of this report.

PDT continues to deliver its expected sales growth over the half year with significant improvement in profitability against last year's performance. Work is continuing to be done to improve business efficiencies and staff utilisation rates. More detailed business unit performance information can be found in the PDT section of this report.

In order to fund the Company's strategic priorities, TZL successfully completed a rights issue in the December 2012 quarter and raised approximately AUD\$4.6 million (before capital raising cost).

An impairment of \$4 million to goodwill has also been reflected in the half year report. The goodwill relates to the acquisition of Telezygology, Inc. in December 2003, taking into account synergies, assembled workforce and intellectual property inherent in the business at that time. In light of the time that has since passed and the substantial changes to the business which have occurred, and that cashflows have not been generated as quickly as expected following the commercialisation of the IXP and PAD products post 2009, the Board believe it is prudent and appropriate that an impairment write-down now be recognised.



TZI OVERVIEW

The TZI business continues to show strong sales growth with a solid backlog of committed purchase orders. The Company only recognises revenue at the point that products are dispatched and customers are invoiced. Backlog represents those orders that are pending shipment. Note that PAD Corporate Lockers have a 4 – 6 week manufacturing lead-time and PAD Parcel Lockers have a 12 week supply lead-time from placement of order.

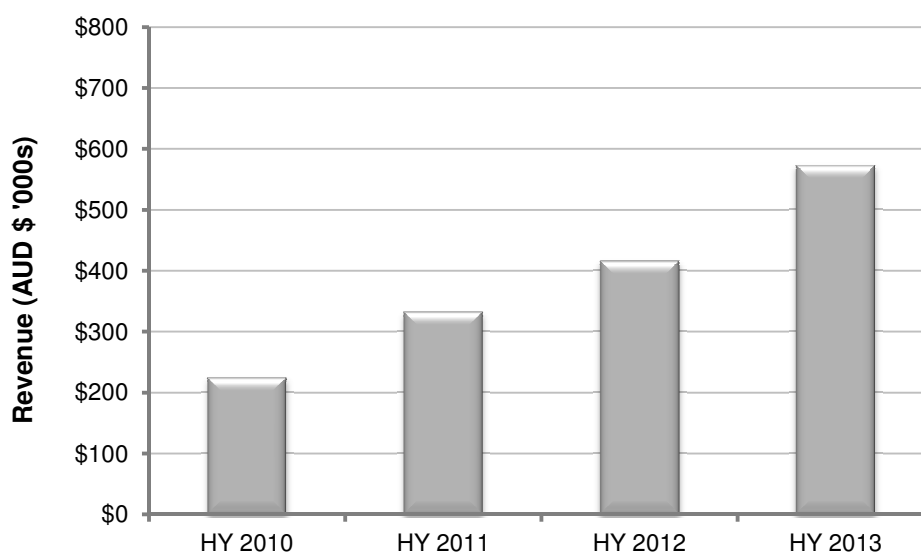
Half Year To ...	Dec 2011	Dec 2012	Change
Sales (\$ '000s)	\$793	\$1,265	▲ 60%
Backlog (\$ '000s)	\$165	\$418	▲ 153%
Gross Margin (%)	33%	46%	▲ 39%
Development Costs (\$ '000s)	\$710	\$351*	▼ 51%
SG&A (\$ '000s)	\$3,859	\$2,663	▼ 31%
Operating Loss (\$ '000s)	(\$4,311)	(\$2,796)	▼ 35%
EBITDA (A\$ '000s)	(\$3,747)	(\$2,231)	▲ 40%

* excluding intercompany transactions for development work undertaken by PDT

TZI business performance continues to improve across all metrics including top-line growth, improved margins, reduced SG&A and reduction in operating losses. The gains in business performance are significant when you also consider that the December 2011 numbers benefit from the Australia Post Parcel Locker Trial that ended in February / March 2012 and the favourable payment terms that were negotiated with Pitney Bowes which brought 50% of the sale payment forward on placement of purchase order.

Some of the growth is being facilitated by successful securement of larger projects and strategic initiatives with major customers like Singapore Post that present TZ with multi-million dollar, multi-year supply contracts.

IXP OVERVIEW



The IXP business continues to show good growth of >30% CAGR (Compound Annual Growth Rate) over the last few years underpinned by multi-year supply contracts with good reference customers in Australia, Latin America, Canada and North America. The HY 2010 and HY 2011 numbers also distort the true performance of the business as these early year sales represent initial stocking orders sold into the channel and held in inventory by distribution partner Anixter. The business now operates on a project sales basis generating quicker inventory turns and faster product movement through the channel.

The business is currently negotiating several high profile project sales opportunities in US and Europe. Recent project wins to the Middle East and Latin America should also see on-going follow-up purchases in the next half year.

Growth in the system integrator network now represents about 30% of overall sales, although ramp has been slower than expected. The strategic priority for the Company is to move the smaller cabinet deployments through the distribution channel and to focus sales resources on specification and larger contracts which yield the highest returns for the Company.

OEM business remains a high priority although delay in the launch of the SwingHandle product has also slowed progress in negotiations with OEM partners. The SwingHandle offers a strong proposition to the OEM market and opens the door for TZ to penetrate the standard key-lock cabinet segment. Pilot production samples of SwingHandle were released this week with the first production run scheduled for availability in April. The SwingHandle launch was delayed to allow strategic customer feedback to be accommodated in the new design and to also work on improving the launch price of SwingHandle through better component sourcing. The closer we can pitch the base mechanical product at the price of competing standard keyed swing-locks will help to drive adoption rates and increase overall sales volumes.



Macquarie Telecom – IntelliCentre 2 Sydney



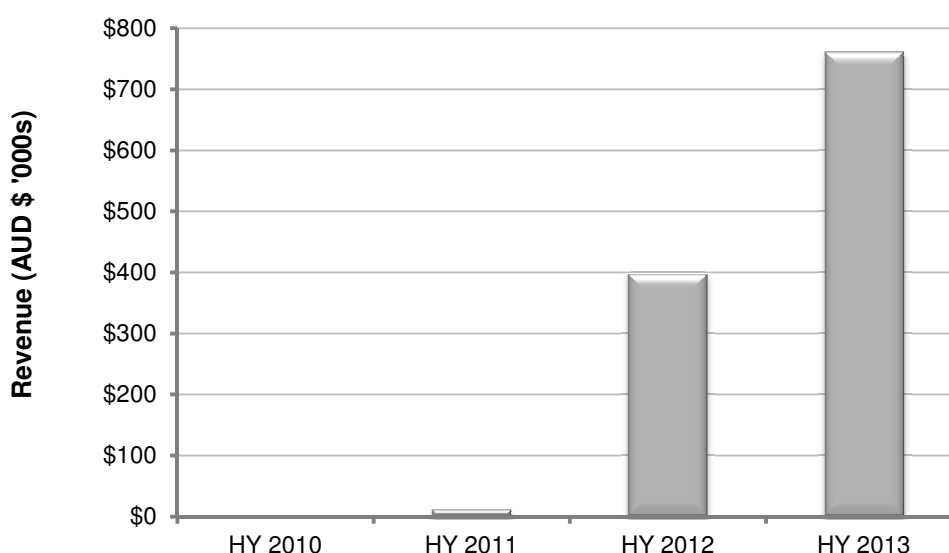
Our early adopter reference customers, NEXTDC and Macquarie Telecom are continuing to progress their deployment plans. The next six months should see increased sales to NEXTDC with the opening of their new data centre operations in Sydney and Perth scheduled for later in the year. Macquarie Telecom has also committed to deployment of TZ SlideHandles at their new IntelliCentre 4 in Canberra and on-going expansion at their IntelliCentre 2 facility in Sydney.

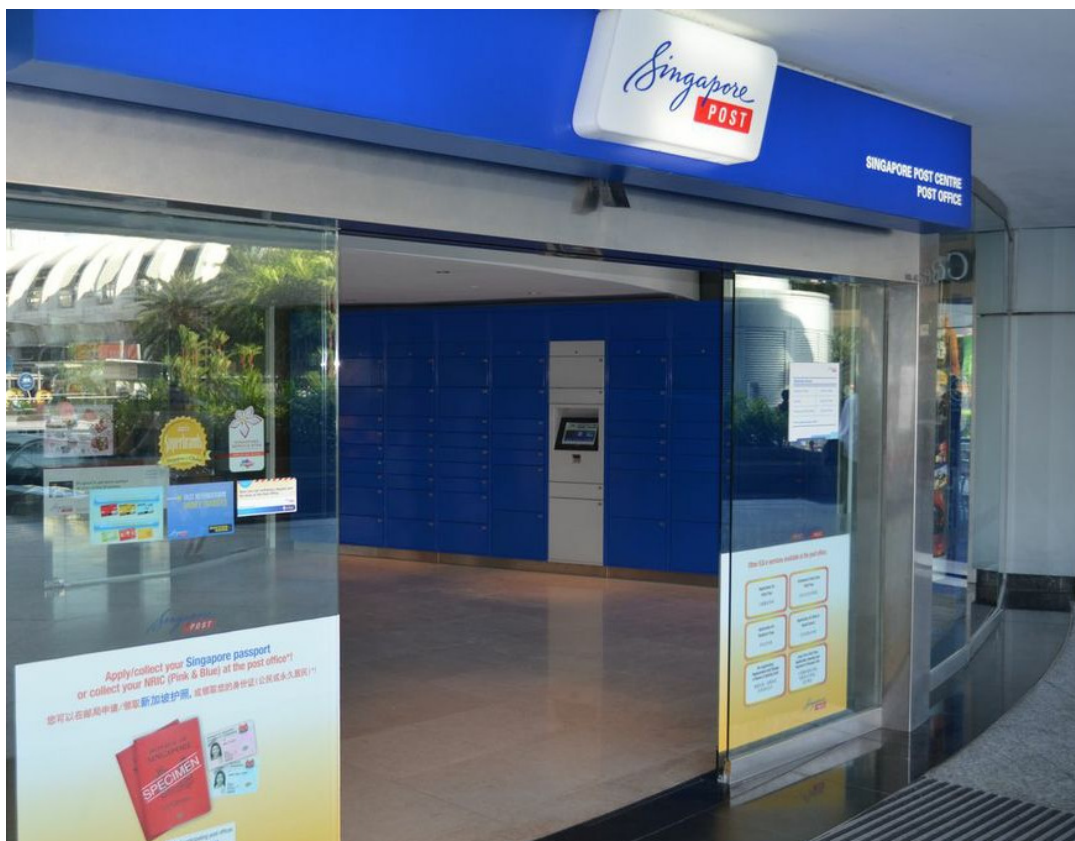
Strong traction with a number of new data centre opportunities in Australia should continue to drive sales growth locally. Since February 2013, a dedicated business development resource is now focusing on APAC business development and this focus should help to double turnover of the local business over the next 12 months. The US and EMEA business is also anticipating similar growth levels underpinned by three major projects which are slated for supply later this fiscal year.

PAD OVERVIEW

PAD Sales are up over 90% on the previous half year performance as a result of Singapore Post and strong sustainable sales growth through multi-period supply deals to corporate USA to customers such as Microsoft, Cisco and GE. New pilots are also underway with a number of targeted fortune 200 corporations which all represent multi-site deployment opportunities.

It is important to recognise that pilots or trials represent significant undertakings by corporate clients. Note that pilots and trials are fully funded programs (typically representing a TZ sale of \$30,000 to \$50,000) and requiring our clients to commit to infrastructure integration, changes to workflow practices and restructuring of mail delivery processes. A corporate client investing in a Locker pilot is looking at PAD strategically with the intent of multi-site deployment. These clients potentially represent multi-million dollar accounts over the next 3 to 5 years.





Singapore Post Smart Locker Bank – Singapore Post Centre

A major focus for the Company has been a push into the Postal Locker market, and securement of the Singapore Post contract has helped to establish TZ as a credible technology provider to the segment. Phase 1 of Singapore Post will be completed by the end of this week, representing production implementation of TZ's Asset Manager and PAD Kiosk integrated platform and a total of five locker banks installed (80 to 120 locker units per bank). Phase 1 will road-test the back-end infrastructure and support development of new work practices and mail delivery processes to support broad roll-out.

The budget is already allocated for Phase 2 which is expected to commence in April. Phase 2 will incorporate an increased feature set for both the Kiosk and Asset Manager software and will also represent the first significant scale deployment. A total of 5 deployment phases is planned with over 100 locker banks anticipated by Singapore Post across the country over the next 18 to 24 months.

There is a significant amount of resource effort required to deploy a Parcel Locker Network with a Postal organisation including significant back-end systems integration, workflow development and customisation. For this reason, TZ intends to focus its business development efforts on dominating the Asian market for Parcel Lockers and is currently in discussions with the major Postal organisations in the region. TZ believes it has a strong competitive advantage against Northern Hemisphere manufacturers in the Asia market due to Dexion's local manufacturing advantage, proven localised locker design to suit climate and environmental conditions and a credible reference customer in Singapore Post.

While Asia is the focus, TZ is however, pursuing technology sale and licensing opportunities in the US and European markets where turn-key supply is logistically difficult and the market is heavily dominated by established locker manufacturers.



Coles Click & Collect Refrigerated Locker Bank – Narre Warren, Victoria

Coles refrigerated lockers have been deployed in six locations across Victoria, ACT, NSW and QLD. The pilot program is currently underway to validate the delivery proposition with a view to a broader national deployment. Feedback to date is positive with good customer take-up and response.

The Coles initiative is being viewed closely by a number of other on-line grocery players. As a result TZ has engaged with several players in the US and Europe and is at the early stages of commercial feasibility assessment in exploring other grocery delivery hub offerings.





ADAM TZ Parcel Locker Design



The ADAM Parcel Locker design has been tested and well received based on focus group studies and was locked in for engineering and production with Dexion in December. Initially the Company was expecting to undertake a small pilot in late January of two prototype Locker banks in the Sydney CBD area however due to significant interest from the market, the Board agreed to expand the program and progress to full scale phased deployment with an initial six locker banks which scheduled for deployment across NSW, VIC, WA and QLD.

The change in deployment plans necessitated a change in manufacturing approach for production cost reasons and a commitment was made to the hard tooling of production parts. With a 12 week lead-time, tool and parts production has been impacted by Chinese New Year with our Chinese manufacturer shutting down for three weeks at the start of February. This has pushed supply lead-times out and availability of the lockers to end of March.

ADAM will break new ground for TZ in terms of a fully integrated end-to-end multi-feature offering starting with on-line integration with e-commerce retailers through Temando's software engine. We are expecting to formalise early adopter e-commerce customers in the next 30 days. These new teaming relationships will help to drive initial outbound and goods return volume to the Locker locations and also support on-site Kiosk digital advertising programs – a capability built into the ADAM lockers.

We are currently focused on a number of logistics partners who will support initial deployment. Teaming agreements are currently being negotiated which we hope to finalise in the same time frame. These relationships could not be crystallised previously without the basic parameters being established including the specific service offerings, locker locations and the subscription and transactional fees being charged by TZ.

Deals are also under negotiation with a number of property partners which will provide access to ideal locker locations. The Company should be able to announce locations and partners in the coming weeks.

PDT OVERVIEW

Sales are up 17% on previous half year result with an overall improvement in gross margin performance. There has however, been significant improvement in profitability against the previous comparative period due to improved staff utilisation and optimisation.

Further initiatives are planned to continue to support sales growth and to deliver margin improvement. A solid backlog of USD \$3.7M was committed as at 31st December 2012.

Half Year To ...	Dec 2011	Dec 2012	Change
Sales (\$ '000s)	\$8,606	\$9,866	▲ 15%
Gross Margin (%)	6%	14%	▲ 133%
SG&A (\$ '000s)	\$1,412	\$1,472	▲ 4%
Operating Loss (\$ '000s)	(\$899)	(\$84)	▼ 91%
EBITDA (\$ '000s)	(\$601)	\$161	▲ 127%

APPENDIX 4D HALF-YEAR REPORT

1. Company details

Name of entity:	TZ Limited
ABN:	26 073 979 272
Reporting period:	Half-year ended 31 December 2012
Previous corresponding period:	Half-year ended 31 December 2011

2. Results for announcement to the market

Revenues from ordinary activities	up	17.5%	to	\$ 11,199,000
Loss from ordinary activities after tax attributable to the owners of TZ Limited	down	3.0%	to	\$(12,045,000)
Loss for the period attributable to the owners of TZ Limited	down	3.0%	to	\$(12,045,000)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$12,045,000 (31 December 2011: \$12,419,000).

3. Net tangible assets

Net tangible assets backing per ordinary security	Reporting period (8.81) cents	Previous corresponding period (14.82) cents
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4. Control gained over entities

Name of entities (or group of entities) Not applicable

Date control gained

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)

\$ -

Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)

\$ -

5. Loss of control over entities

Name of entities (or group of entities)	Not applicable	
Date control lost		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)		\$ -
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)		\$ -

6. Dividends

Current period

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

Previous corresponding period

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

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Not applicable.

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Intanova Pty Limited	0.00%	50.00%	\$ -	\$(62,735)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit(loss) from ordinary activities before income tax			\$ -	\$(62,735)
Income tax on operating activities			\$ -	\$ -

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The accounts were subject to a review by the auditors and a modified review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of TZ Limited for the half-year ended 31 December 2012 is attached.

12. Signed



Signed: _____

Date: 28 February 2013

Mark Bouris
Director
Sydney

TZ Limited

ABN 26 073 979 272

Interim Report - 31 December 2012

TZ Limited
Directors' report
31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of TZ Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2012.

Directors

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

Mark Bouris - Chairman
Kenneth Ting
Dickory Rudduck

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- the development of intelligent devices and smart device systems that enable the commercialisation of hardware and software solutions for the management, control and monitoring of business assets and the provision of associated value added services through Telezygology Inc., and TZI Australia Pty Limited ('TZI'); and
- providing a fee for service product design and engineering consulting (services) through Product Development Technologies Inc., ('PDT').

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$12,045,000 (31 December 2011: \$12,419,000).

The consolidated entity delivered a half year sales result of approximately USD\$11.8 million, up 19% on the previous comparative period. There is overall improvement in gross margin and general business performance as a result of improved PDT performance and growth in TZI. Operating costs are down due to previous restructuring efforts although there has been an increase in development activities associated with investment to support SwingHandle commercialisation, Singapore Post implementation and the ADAM Parcel Locker Network in Australia.

TZI continues to show strong sales growth with an expanding base of high profile reference customers and projects. Deployments in the second half of the year including Singapore Post, NEXTDC Sydney, Macquarie Telecom IntelliCentre 4, Vivo (Latin America) and other government and financial sector projects in North America should accelerate the growth already experienced on previous years' performance.

PDT achieved its forecast targets for the half year although overall profitability has room for improvement. Work continues to be done to improve business efficiencies and staff utilisation rates.

In the December quarter, the consolidated entity successfully completed a rights issue and raised approximately \$4.6 million before capital raising cost.

An impairment of \$4 million to goodwill has also been reflected in the half year report. The goodwill relates to the acquisition of Telezygology, Inc. in December 2003, taking into account synergies, assembled workforce and intellectual property inherent in the business at that time. In light of the time that has since passed and the substantial changes to the business which have occurred, and that cashflows have not been generated as quickly as expected following the commercialisation of the IXP and PAD products post 2009, the Board believe it is prudent and appropriate that an impairment write-down now be recognised.

Significant changes in the state of affairs

During the financial half-year, the consolidated entity was awarded the contract for the supply, delivery, design, development, installation, testing, documentation and commissioning of Singapore Post's smart locker network for the Singapore market. This provided the opportunity to demonstrate to the world the consolidated entity's Packaged Asset Delivery technology and well as adding much needed revenue and contribution.

On 25 October 2012, the company raised \$4,612,000 before capital raising expenses through a renounceable entitlement offer, in which shareholders were entitled to acquire one new ordinary share for every three ordinary shares held at a price of 10 cents per ordinary share. All participants received one free attaching Rights option exercisable at 14 cents at any time on or before 31 October 2013, for every two new shares issued. The proceeds raised were used to assist in funding capital requirements to meet the contract with Singapore Post.

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

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

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

On behalf of the directors



Mark Bouris
Director



Kenneth Ting
Director

28 February 2013
Sydney



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Auditor's Independence Declaration To The Directors of TZ Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of TZ Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Coulton
Partner - Audit & Assurance

Sydney, 28 February 2013

TZ Limited
Financial report
31 December 2012

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General information

The financial report covers TZ Limited as a consolidated entity consisting of TZ Limited and the entities it controlled. The financial report is presented in Australian dollars, which is TZ Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

Registered office

Level 11, 1 Chifley Square
Sydney NSW 2000

Principal place of business

TZ Limited and TZI Australia Pty Limited, Level 11, 1
Chifley Square, Sydney NSW 2000
Telezygology Inc., 1017 W. Washington Blvd, Unit 2C,
Chicago IL 60607, USA
PDT Inc., One Corporate Drive, Suite 110, Lake Zurich IL
60047, USA

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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 February 2013. The directors have the power to amend and reissue the financial report.

TZ Limited
Statement of comprehensive income
For the half-year ended 31 December 2012

		Consolidated	
	Note	31 Dec 2012	31 Dec 2011
		\$'000	\$'000
Revenue	3	11,199	9,528
Other income	4	39	261
Expenses			
Raw materials and consumables used		(1,530)	(1,041)
Subcontractors costs		(4,391)	(3,610)
Employee benefits expense		(5,796)	(6,750)
Occupancy expense		(432)	(391)
Depreciation and amortisation expense	5	(863)	(887)
Communications expense		(159)	(160)
Professional and corporate services		(1,231)	(1,422)
Travel and accommodation expense		(339)	(564)
Development costs		(351)	(710)
Net loss on movement in fair value of derivative liabilities		(368)	(3,293)
Net loss on renegotiation of convertible notes		(1,125)	-
Share of net losses of joint venture accounted for using the equity method		-	(63)
Impairment of goodwill		(4,010)	-
Impairment of joint venture		-	(203)
Other expenses		(627)	(729)
Finance costs	5	<u>(2,083)</u>	<u>(2,371)</u>
Loss before income tax (expense)/benefit		(12,067)	(12,405)
Income tax (expense)/benefit		<u>22</u>	<u>(14)</u>
Loss after income tax (expense)/benefit for the half-year attributable to the owners of TZ Limited		(12,045)	(12,419)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(414)</u>	<u>892</u>
Other comprehensive income for the half-year, net of tax		<u>(414)</u>	<u>892</u>
Total comprehensive income for the half-year attributable to the owners of TZ Limited		<u><u>(12,459)</u></u>	<u><u>(11,527)</u></u>
		Cents	Cents
Basic earnings per share	14	(7.75)	(10.08)
Diluted earnings per share	14	(7.75)	(10.08)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

TZ Limited
Statement of financial position
As at 31 December 2012

		Consolidated	
	Note	31 Dec 2012	30 Jun 2012
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6	2,214	904
Trade and other receivables		5,308	5,544
Inventories		216	342
Other		26	-
Total current assets		<u>7,764</u>	<u>6,790</u>
Non-current assets			
Property, plant and equipment		1,481	1,575
Intangibles	7	14,621	19,553
Deferred tax		1,000	942
Other		183	186
Total non-current assets		<u>17,285</u>	<u>22,256</u>
Total assets		<u>25,049</u>	<u>29,046</u>
Liabilities			
Current liabilities			
Trade and other payables		5,415	5,592
Borrowings	8	892	10,381
Derivative financial instruments		-	48
Provisions		97	92
Other		523	437
Total current liabilities		<u>6,927</u>	<u>16,550</u>
Non-current liabilities			
Borrowings	9	16,660	3,720
Derivative financial instruments		1,496	759
Deferred tax		1,198	1,144
Provisions		-	16
Other		392	462
Total non-current liabilities		<u>19,746</u>	<u>6,101</u>
Total liabilities		<u>26,673</u>	<u>22,651</u>
Net assets/(liabilities)		<u>(1,624)</u>	<u>6,395</u>
Equity			
Issued capital	10	157,574	153,443
Reserves		(6,538)	(6,124)
Accumulated losses		(152,660)	(140,924)
Total equity/(deficiency)		<u>(1,624)</u>	<u>6,395</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 half-year ended 31 December 2012

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2011	149,113	(6,997)	(129,332)	12,784
Loss after income tax (expense)/benefit for the half- year	-	-	(12,419)	(12,419)
Other comprehensive income for the half-year, net of tax	-	892	-	892
Total comprehensive income for the half-year	-	892	(12,419)	(11,527)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	-	387	387
Balance at 31 December 2011	<u>149,113</u>	<u>(6,105)</u>	<u>(141,364)</u>	<u>1,644</u>
	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total deficiency \$'000
Consolidated				
Balance at 1 July 2012	153,443	(6,124)	(140,924)	6,395
Loss after income tax (expense)/benefit for the half- year	-	-	(12,045)	(12,045)
Other comprehensive income for the half-year, net of tax	-	(414)	-	(414)
Total comprehensive income for the half-year	-	(414)	(12,045)	(12,459)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	4,131	-	-	4,131
Share-based payments	-	-	309	309
Balance at 31 December 2012	<u>157,574</u>	<u>(6,538)</u>	<u>(152,660)</u>	<u>(1,624)</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 half-year ended 31 December 2012

		Consolidated	
	Note	31 Dec 2012	31 Dec 2011
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,546	10,762
Payments to suppliers and employees (inclusive of GST)		<u>(13,761)</u>	<u>(15,549)</u>
		(3,215)	(4,787)
Interest received		28	90
Other revenue		732	254
Interest and other finance costs paid		(28)	(693)
Income taxes paid		<u>22</u>	<u>(14)</u>
Net cash used in operating activities		<u>(2,461)</u>	<u>(5,150)</u>
Cash flows from investing activities			
Payments for new joint venture capital invested		-	(200)
Payments for property, plant and equipment		(303)	(177)
Payments for intangibles	7	-	(35)
Proceeds from short term deposit redemptions		<u>-</u>	<u>5,000</u>
Net cash from/(used in) investing activities		<u>(303)</u>	<u>4,588</u>
Cash flows from financing activities			
Proceeds from issue of shares	10	4,613	-
Share issue transaction costs		(328)	-
Proceeds from borrowings		-	423
Repayment of borrowings		<u>(225)</u>	<u>(423)</u>
Net cash from financing activities		<u>4,060</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		1,296	(562)
Cash and cash equivalents at the beginning of the financial half-year		904	1,146
Effects of exchange rate changes on cash		<u>14</u>	<u>(76)</u>
Cash and cash equivalents at the end of the financial half-year	6	<u><u>2,214</u></u>	<u><u>508</u></u>

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

TZ Limited
Notes to the financial statements
31 December 2012

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

The following amending Accounting Standard is most relevant to the consolidated entity:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation.

Going concern

The financial statements have been prepared on a going concern basis.

In making this assessment, management conducted a comprehensive review of the company's affairs including, but not limited to:

- The consolidated entity's financial position for the half year ended 31 December 2012;
- The cash flow forecast for the consolidated entity for the period up to 28 February 2014;
- Sales and profitability forecasts for the consolidated entity for not only the current financial year, but beyond 30 June 2013; and
- The continued support of the consolidated entity's shareholders and lenders.

Management also considered the impact of maturity on 19 February 2014 of convertible notes with a face value of \$12,000,000. Unless those notes are converted to shares by the holder prior to maturity, the principal and interest outstanding on maturity, will be payable in cash by the consolidated entity.

A fundamental component of the ability to continue as a going concern is the company's ability to generate revenue and to raise capital as required. In October 2012, the consolidated entity raised approximately \$4.6 million before capital raising expenses. The proceeds raised have been used in funding capital requirements to meet the contract with Singapore Post.

At 31 December 2012 the consolidated entity's current assets exceeded current liabilities by \$837,000. For the half year ended 31 December 2012, the consolidated entity incurred losses after income tax of \$12,045,000 and net cash outflows from operating activities of \$2,461,000.

TZ Limited
Notes to the financial statements
31 December 2012

Note 1. Significant accounting policies (continued)

In making its assessment, management acknowledges that the ability of the consolidated entity to continue as a going concern is dependent on the generation of sufficient profits and positive cash flows, the continued support of shareholders and lenders, the conversion of the notes to shares and the raising of additional share capital as and when required in the future.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments. These operating segments are based on the internal reports that are reviewed and used by the executive management committee (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM comprises the executive directors, chief executive officer, chief financial officer and divisional managers. The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation ('EBITDA' or 'segment result') and profit before income tax.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

PDT Holdings Inc. ('PDT')	PDT Group operates its engineering and design division predominantly in the USA, whilst maintaining a presence in the UK and the Ukraine.
Telezygology Inc. and TZI Australia Pty Limited ('TZI')	TZI's primary role is the development and commercialisation of hardware and software products primarily in the US, Australian and Asian markets.

Operating segment information

	PDT (USA) \$'000	TZI (USA & AUST) \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 31 Dec 2012				
Revenue				
Sales to external customers	9,866	1,265	-	11,131
Intersegment sales	364	-	(364)	-
Total sales revenue	10,230	1,265	(364)	11,131
Other revenue	86	1	20	107
Total revenue	10,316	1,266	(344)	11,238
EBITDA				
Head office revenue/income	161	(2,231)	-	(2,070)
Head office costs				(3,053)
Depreciation and amortisation				(863)
Impairment of assets				(4,010)
Interest expense				(2,083)
Loss before income tax benefit				(12,067)
Income tax benefit				22
Loss after income tax benefit				(12,045)

TZ Limited
Notes to the financial statements
31 December 2012

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2011	PDT (USA) \$'000	TZI (USA & AUST) \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue				
Sales to external customers	8,606	793	-	9,399
Intersegment sales	183	-	(183)	-
Total sales revenue	<u>8,789</u>	<u>793</u>	<u>(183)</u>	<u>9,399</u>
Other revenue	42	58	290	390
Total revenue	<u>8,831</u>	<u>851</u>	<u>107</u>	<u>9,789</u>
EBITDA	<u>(601)</u>	<u>(3,747)</u>	<u>-</u>	<u>(4,348)</u>
Head office revenue/income				300
Head office costs				(5,099)
Depreciation and amortisation				(887)
Interest expense				<u>(2,371)</u>
Loss before income tax expense				(12,405)
Income tax expense				<u>(14)</u>
Loss after income tax expense				<u>(12,419)</u>

Note 3. Revenue

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
<i>Sales revenue</i>		
Sales and services revenue	<u>11,131</u>	<u>9,399</u>
<i>Other revenue</i>		
Interest	28	90
Royalty	40	39
	<u>68</u>	<u>129</u>
Revenue	<u><u>11,199</u></u>	<u><u>9,528</u></u>

Note 4. Other income

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Net foreign exchange gain	12	6
Other income	<u>27</u>	<u>255</u>
Other income	<u><u>39</u></u>	<u><u>261</u></u>

TZ Limited
Notes to the financial statements
31 December 2012

Note 5. Expenses

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	92	113
Plant and equipment	130	148
Office furniture and equipment	105	91
	<u>327</u>	<u>352</u>
<i>Amortisation</i>		
Re-acquired rights	312	314
Other intangibles	224	221
	<u>536</u>	<u>535</u>
Total depreciation and amortisation	<u>863</u>	<u>887</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>2,083</u>	<u>2,371</u>
<i>Share-based payments expense</i>		
Share-based payments expense	<u>155</u>	<u>387</u>

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Cash at bank	696	904
Cash on deposit	1,518	-
	<u>2,214</u>	<u>904</u>

The company invested an amount of \$1.5 million to a unit trust which is investing in fixed interest securities. The investment can be redeemed at anytime at the company's request to meet cash flow requirements for business operations.

TZ Limited
Notes to the financial statements
31 December 2012

Note 7. Non-current assets - intangibles

	Consolidated	
	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Goodwill - at cost	9,136	9,326
Less: Impairment	(4,010)	-
	<u>5,126</u>	<u>9,326</u>
Trade names - at cost	1,168	1,190
	<u>1,168</u>	<u>1,190</u>
Re-acquired right (Intevia Licence) - at cost	8,390	9,057
Less: Accumulated amortisation	(3,700)	(3,950)
	<u>4,690</u>	<u>5,107</u>
Patents - at cost	1,440	1,454
Less: Accumulated amortisation	(366)	(328)
	<u>1,074</u>	<u>1,126</u>
Development costs - at cost	1,715	1,792
Less: Accumulated amortisation	(465)	(412)
	<u>1,250</u>	<u>1,380</u>
Customer relationships - at cost	3,169	3,235
Less: Accumulated amortisation	(1,856)	(1,811)
	<u>1,313</u>	<u>1,424</u>
	<u>14,621</u>	<u>19,553</u>

Reconciliations

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

	Goodwill	Trade	Re-acquired	Other	Total
	\$'000	names	right	intangibles	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Balance at 1 July 2012	9,326	1,190	5,107	3,930	19,553
Additions	-	-	-	16	16
Exchange differences	(190)	(21)	(105)	(86)	(402)
Impairment of assets	(4,010)	-	-	-	(4,010)
Amortisation expense	-	(1)	(312)	(223)	(536)
	<u>5,126</u>	<u>1,168</u>	<u>4,690</u>	<u>3,637</u>	<u>14,621</u>
Balance at 31 December 2012	<u>5,126</u>	<u>1,168</u>	<u>4,690</u>	<u>3,637</u>	<u>14,621</u>

Impairment of goodwill

Goodwill relates to the acquisition of Telezygology Inc. in December 2003 and would have effectively represented the synergies, assembled workforce and intellectual property inherent in the business at that time.

In light of the time passed since the acquisition and the substantial changes to the business over the last decade, such synergies and assembled workforce are now of little value to the consolidated entity. Given these factors and that cashflows have not been generated as quickly as expected following the commercialisation of the IXP and PAD products post 2009, the Board determined that impairment of the goodwill is prudent and appropriate. An impairment charge of \$4,010,000 has been made in the current period in relation to this.

TZ Limited
Notes to the financial statements
31 December 2012

Note 8. Current liabilities - borrowings

	Consolidated	
	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Bank loans	892	966
Convertible notes payable - Series I	-	9,415
	<u>892</u>	<u>10,381</u>

Bank loans

The facility was extended in August 2012. The credit facility consists of a Revolving Line of Credit and a Term Loan. Security consists of accounts receivable less than 60 days old, and eligible receivables are subject to a 20% reduction in value.

Convertible notes - Series I

The company negotiated a twelve month extension of Series I Convertible Notes with a face value of \$12,000,000 from its previous maturity date of 19 February 2013 to 19 February 2014 with the lender QVT. The extension has been subsequently approved by shareholders at the 2012 AGM. Refer to note 9 for detailed information on convertible notes.

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Convertible notes payable - Series I, III, IIIB and IV (30 Jun 2012: - Series III and IIIB)	<u>16,660</u>	<u>3,720</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Bank loans	<u>892</u>	<u>966</u>

Assets pledged as security

The bank loans are secured by a mortgage over the assets of PDT Inc., Group.

TZ Limited
Notes to the financial statements
31 December 2012

Note 9. Non-current liabilities - borrowings (continued)

Convertible notes

Series I

The convertible notes were issued under the terms of a Convertible Note and Option Subscription Deed dated 24 December 2007. 24,000 notes were issued each with a face value of \$1,000. The notes have a 5 year term, are convertible at the lower of: (i) the agreed conversion price; and (ii) the lowest issue price of any subsequent share issue during the terms of the convertible notes. The current conversion price is 35 cents per share. The notes pay interest at a rate of 10%.

Convertible notes with a face value of \$12,000,000 were due to mature on 18 February 2013 but TZ Limited has negotiated a twelve month extension of this maturity date with the lender QVT, which was approved by the shareholders at the 2012 AGM, and now expire on 19 February 2014. The convertible notes have now been classified as non-current.

Unless those notes are converted to shares by the holder prior to maturity, the principal and interest outstanding on maturity will be payable in cash by TZ Limited.

Series III

1,714 Series III convertible notes with a face value of \$1,000 each were issued under the terms of an Issue and Amendment Deed with QVT Funds dated 23 April 2010. The notes have a five year term and are convertible at a variable rate, being the lesser of: (i) 35 cents per share; and (ii) the lowest issue price of any subsequent share issue during the terms of the convertible notes. Interest will accrue on each Series III note at 10% per annum, payable on 31 December each year.

Series IIIB

4,275 Series IIIB convertible notes with a face value of \$1,000 each were issued on 24 December 2010. The notes have a five year term and are convertible at a variable rate, being the lesser of: (i) \$0.42; and (ii) the lowest issue price of any subsequent share issue during the terms of the convertible notes. Interest accrues on each Series IIIB note at 10% per annum, payable on 31 December each year.

Series IV

1,799 Series IV convertible notes with a face value of \$1,000 each were issued on 7 December 2012 as a result of shareholders' approval at the company's 2012 AGM. The notes have a five year term and are convertible at a variable rate, being the lesser of: (i) \$0.42; and (ii) the lowest issue price of any subsequent share issue during the terms of the convertible notes. Interest will accrue on each Series IV note at 10% per annum, payable on 31 December each year.

Note 10. Equity - issued capital

	Consolidated		Consolidated	
	31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>184,480,350</u>	<u>138,356,402</u>	<u>157,574</u>	<u>153,443</u>

TZ Limited
Notes to the financial statements
31 December 2012

Note 10. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2012	138,356,402		153,443
Issue of shares	25 October 2012	46,118,801	\$0.10	4,612
Issue of shares on exercise of option	5 December 2012	5,147	\$0.14	1
Less: share issue transaction costs				(482)
		<u>184,480,350</u>		<u>157,574</u>
Balance	31 December 2012	<u>184,480,350</u>		<u>157,574</u>

Note 11. Equity - dividends

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

Note 12. Related party transactions

Parent entity

TZ Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$	\$
Payment for other expenses:		
Rent and serviced office expenditure paid to State Capital Property Pty Limited, a company in which Mark Bouris is a director.	73,507	129,153
Administration fees and storage costs paid to YBR Services Pty Limited, a company in which Mark Bouris is a director.	21,686	19,879
Accounting fees paid to Yellow Brick Road Accounting and Wealth Management Pty Limited, a company in which Mark Bouris is a director.	236,920	245,950
Business Insurance Policy arranged by Yellow Brick Road Wealth Management Pty Limited, a company in which Mark Bouris is a director.	125	1,219
Marketing expenses paid to Yellow Brick Road Group Pty Limited, a company in which Mark Bouris is a director.	72,500	55,000

TZ Limited
Notes to the financial statements
31 December 2012

Note 12. Related party transactions (continued)

Receivable from and payable to related parties

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

	Consolidated	
	31 Dec 2012	30 Jun 2012
	\$	\$
Current payables:		
Administration fees and storage costs paid to YBR Services Pty Limited, a company in which Mark Bouris is a director.	17,725	3,976
Accounting fees paid to Yellow Brick Road Accounting and Wealth Management Pty Limited, a company in which Mark Bouris is a director.	24,475	51,315
Marketing expenses paid to Yellow Brick Road Group Pty Limited, a company in Which Mark Bouris is a director.	11,000	11,000
Rent, phone expense and service office expenditure payable to State Capital Property Pty Limited, a company in which Mark Bouris is a director.	123	13,961

Loans to/from related parties

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

Terms and conditions

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

Note 13. Events after the reporting period

QVT Fund LP and Quintessence Fund L.P. (the 'QVT Funds') that hold convertible notes issued by the company has agreed to waive a total interest payment of \$1,978,800 for the 2012 calendar year by accepting additional ordinary shares issued at \$0.14 each for the interest accrued on the existing convertible notes. The agreement with the QVT Funds may be subject to shareholders' approval if required.

No other matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

TZ Limited
Notes to the financial statements
31 December 2012

Note 14. Earnings per share

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Loss after income tax attributable to the owners of TZ Limited	<u>(12,045)</u>	<u>(12,419)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>155,401,062</u>	<u>123,225,688</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>155,401,062</u>	<u>123,225,688</u>
	Cents	Cents
Basic earnings per share	(7.75)	(10.08)
Diluted earnings per share	(7.75)	(10.08)

TZ Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Mark Bouris
Director



Kenneth Ting
Director

28 February 2013
Sydney

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Independent Auditor's Review Report To the Members of TZ Limited

We have reviewed the accompanying half-year financial report of TZ Limited ("the Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of TZ Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualification to our review conclusion, we draw attention to the following matters that are described in Note 1 to the half-year financial report.

Convertible notes with a face value of \$12,000,000 are due to mature on 19 February 2014. Unless those notes are converted to shares by the holder prior to maturity the principal and interest outstanding on maturity will be payable in cash by TZ Limited. There is a material uncertainty as to whether the consolidated entity will have sufficient cash to redeem the notes, if required.

For the half-year ended 31 December 2012 the consolidated entity incurred losses after income tax of \$12,045,000, net cash outflows from operating activities of \$2,461,000 and is in a net liability position of \$1,624,000.

The ability of the consolidated entity to continue as a going concern is dependent on the generation of sufficient profits and positive cash flows, the continued support of shareholders and lenders, the conversion of the notes to shares and the raising of additional share capital as and when required in the future.

These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

In the event that the consolidated entity is unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the normal course of business and at amounts different to those currently recorded in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Simon Coulton
Partner - Audit & Assurance

Sydney, 28 February 2013