TZ Limited
ABN 26 073 979 272

Limited

29 September 2016

Lodged by ASX Online

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

Dear Sir/Madam

ANNUAL REPORT FOR THE YEAR TO 30 JUNE 2016

Please find attached the Annual Report for TZ Limited for the year ended 30 June 2016.

Yours faithfully

TZ LIMITED

Kenneth Ting
Director

TZ Limited

2016 Annual Report

"WE ARE FOCUSED ON CREATING LONG TERM SHAREHOLDER VALUE AND ARE THANKFUL TO OUR LONG STANDING SHAREHOLDERS FOR MAINTAINING THE BELIEF AND ON-GOING SUPPORT FOR THIS COMPANY."

CONTENTS

OVERVIEW

REVENUE
37% ▲

REVENUE
$20.8M FYR

$1.4M FY
R&D EXPENDITURE

40,000
LOCKERS DEPLOYED GLOBALLY THIS YEAR

3,818
IXP INSTALLATIONS GLOBALLY THIS YEAR

54,000
RADIALS PRODUCED THIS YEAR

CHAIRMAN'S LETTER

PAD REVENUE

43% ▲

IXP REVENUE

24% ▲

"WE HAVE BUILT SOMETHING MORE THAN A TECHNOLOGY WITH POTENTIAL FOR GLOBAL ROLL OUT. IT HAS GONE BEYOND JUST A PROOF-OF-CONCEPT."

"WE ARE THE LEADING SMART LOCKING AND FASTENING DEVICE TECHNOLOGY COMPANY IN THE WORLD. WE HAVE AN EXTENSIVE RANGE OF BLUE CHIP CORPORATE CUSTOMERS GLOBALLY."

Dear Shareholders,

Let me first acknowledge your disappointment, and ours, at the current share price and the understanding that shareholder expectations for the business were not met. Despite the perception, our underlying business foundations remain sound and this year saw a number of achievements including back-to-back cash flow positive quarters and another year of solid revenue growth. Over the course of the last five years, we have successfully improved the Company's financial position and had it not been for project timing issues, I believe this year would have continued that trend.

Revenue growth and profit margin was down this year compared to other years due to a strategic decision made by your Board to undertake our largest ever project with a global Transport and Logistics provider in the USA, after winning a tender which was highly contested by all our competitors in the parcel locker space. This decision was made at the expense of short term profitability in the interests of the longer term potential. The scale of this project and the diversion of management attention to win the tender, plan and coordinate the roll-out of Locker Banks has also impacted our focus on new business and revenue growth in the US. Nevertheless, this relationship should underpin baseline revenues for many years to come, as this customer considers its plans to roll out one of the largest parcel locker networks in the world. It also puts us in good stead to win other large scale tenders due to the credibility associated with successfully delivering such a large and visible project.

This project not only represents the largest single contract that the Company has ever been awarded but also a supply and install program that substantially eclipses any of our other major contracts in terms of scale and speed of deployment. I am pleased to say that we shipped more than 200 Locker Banks to the US by the end of June and have since completed the supply of all 300 Locker Banks from receipt of the purchase order in late March of this year. I believe that's an incredible achievement particularly when you consider the need to customise the Locker design, secure a manufacturing partner, complete production engineering and manufacture, assemble and ship that volume of product in less than six months.

FYR 15/16

Global Revenue increased across all regions: US, APAC, EMEA

$1.4M directed towards product development and next generation devices.

US subsidiary doubled the size of its business this year.

We still have significant work ahead of us as we complete the extensive software customisation and back-end system integration required and deploy these Locker Banks across the USA. With some 70 Locker Banks already successfully deployed, I am pleased to say we are meeting our service level undertakings.

Five years ago after the Australia Post trial, I am sure that no one would have anticipated that we could rise above significant competition and deliver a highly differentiated Smart Locker solution to major Postal and Logistics customers. Today, you can see our products extensively deployed in Australia, Singapore, Malaysia, Italy and USA.

Accordingly, I believe it is important to recognise where we have come from and where we are now.

We are the leading smart locking and fastening device technology company in the world. We have an extensive range of blue chip corporate customers globally and we have highly differentiated, innovative and proprietary hardware, software and service offerings.

In the data centre world, we are the leading provider of data cabinet security with consistent year-on-year market growth and a solid base of customers including major OEM technology partners, who have standardised TZ's IXP offerings as their solution of choice.

In the world of intelligent lockers, we are the only Company to provide application specific smart locker solutions servicing the Corporate Mail, Day Lockers, Higher Education, Residential and Postal and Logistics sectors. With clients that represent the key opinion leaders in their segment and in some cases, global brands, we can confidently say that we are the smart locker solution of choice.

Our growth, our customer base, our large market opportunities and the progress we are making is something we can be proud of. I maintain that we are a very different company today than when Ken and I were elected to the Board back in 2009. We are in far better shape than the market gives us credit for and I continue to be optimistic about our future.

Ongoing granting of patents and expansion of IP portfolio.

Transition of product manufacturing to Asian based suppliers.

Increased global staffing levels to service increased client base.

We have built something more than a technology with potential for global roll out. It has gone beyond just a proof-of-concept. We have a manufacturing supply chain business, global deployment and a 24/365 maintenance infrastructure proven with the most demanding customers in the world. That has significant value. We have achieved significant revenue growth year on year for the last four years, paid to us by global customers with enviable credentials. You don't just crack those customers with perfect timing, you persevere through the bumps along the way with patience, focus and diligence. We have a technology that is easily scalable and our current client base and their aggregate demand and contracts offer long tail contracts with annuity income. All this has been done from a small office in Sydney and an even smaller office in Chicago. Many technology start-ups strive to do this, but very few get there. The share price does not reflect this but this Company has had a tough upbringing, one that will keep it in good stead in the future. I for one will not be giving up on this great Australian company.

So moving forward we have a clear plan to build on the strong foundations that have been put in place.

This year represents a shift in focus to one of consolidation of the existing offerings, development of our smart device locking technology and to new revenue streams through licensing and strategic partnerships.

We have done the hard yards ourselves to build the rich base of credible reference customers and we now need to build on this to broaden the scope for our technology and rate of adoption. It will be another challenge on the TZ journey, but it is one that we are finally well placed to actively pursue.

We are focused on creating long term shareholder value and are thankful to our long standing shareholders for maintaining the belief and on-going support for this Company.

To my fellow Board members, management and employees, thank you for efforts this past year, thank you for taking on the challenges and above all, maintaining the “can do” mentality that has seen this Company through the last several years.

Mark Bouris

TZ Limited

"WE ARE FOCUSED ON CREATING LONG TERM SHAREHOLDER VALUE AND ARE THANKFUL TO OUR LONG STANDING SHAREHOLDERS."

> Hearth North Residential Lockers
Santa Clara, California US

"SO MOVING FORWARD WE HAVE A CLEAR PLAN TO BUILD ON THE STRONG FOUNDATIONS THAT HAVE BEEN PUT IN PLACE."

REVIEW OF OPERATIONS

"TODAY WE CAN CONFIDENTLY STATE THAT WE HAVE A SUITE OF HIGHLY DIFFERENTIATED, INTEGRATED HARDWARE AND SOFTWARE SOLUTIONS."

Mark Bouris
Chairman and Executive Director

Kenneth Ting
Executive Director and Company Secretary

Paul Casey
Non-Executive Director

Reflecting on the year just passed, it is clear that the direction and driving fundamentals that were put in place over the course of the last several years have worked to support and underpin our revenue growth and helped to position us as a leading brand in the markets we participate in.

Today we can confidently state that we have a suite of highly differentiated, integrated hardware and software solutions that are application specific, developed in partnership with our customers, to uniquely deliver a strong value proposition to the targeted segment.

The committed investment in new product development and our desire to enhance and improve our various offerings has enabled us to stand out amongst the competition and be seen as a true technology leader. The large list of major corporate customers that have endorsed and adopted our technology and continue to purchase our products, is testimony to that fact.

infrastructure
protection

"OUR IXP BUSINESS CONTINUES TO DELIVER YEAR-ON-YEAR GROWTH."

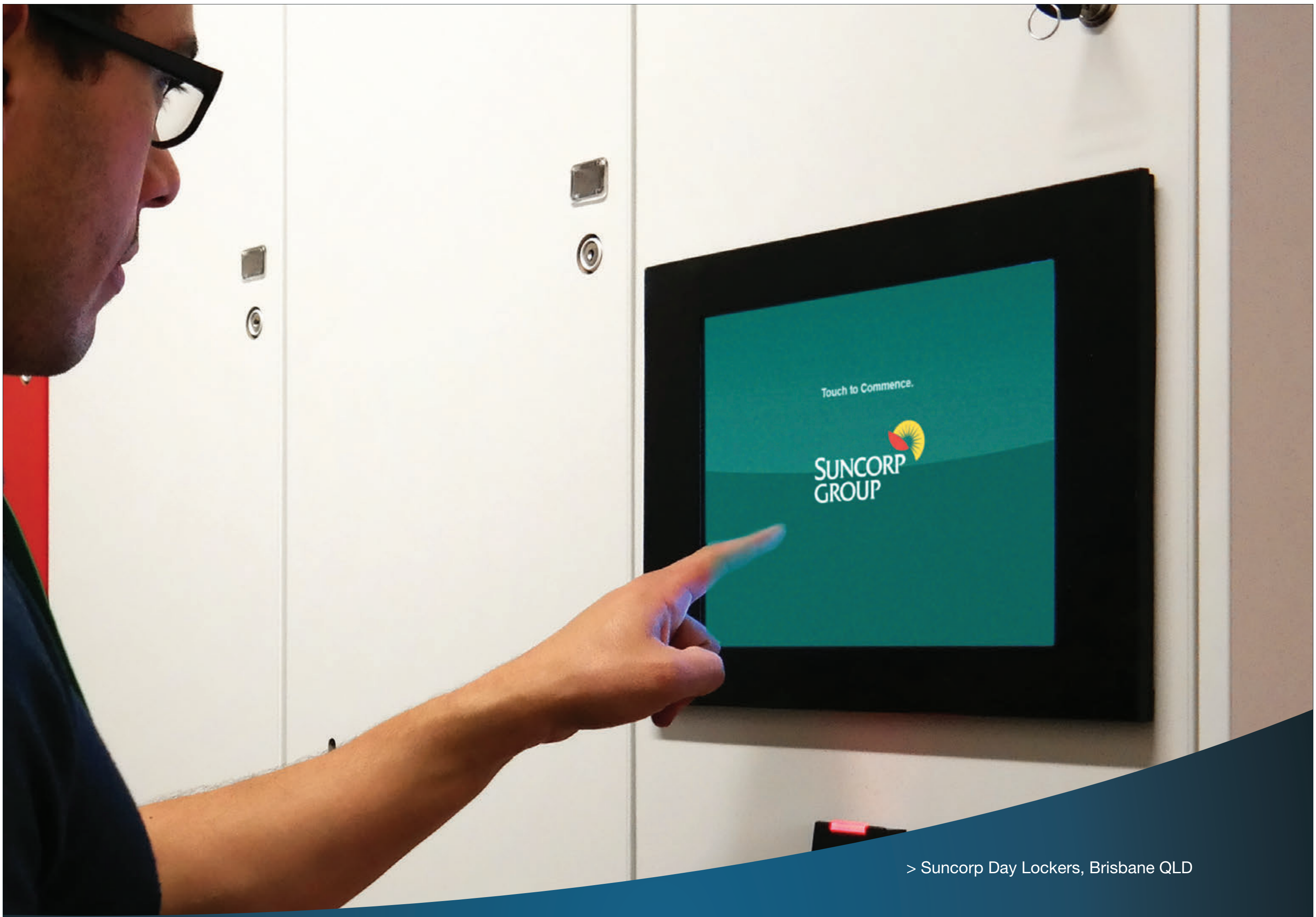
Our IXP business continues to deliver year-on-year growth of at least 20% to 30% at healthy margins with sales to a loyal and growing base of credible reference customers. We have established a business that is supported strongly by a network of distribution and system integrator partners in the US, Europe, Asia and Australia and the new product additions like the PushLock and SwingHandle have helped us maintain a unique position as the only cabinet electronic locking solution that has an unprecedented level of compatibility with the diverse range of data centre cabinets available on the market. Industry reforms such as PCI-DSS (Payment Card Industry Data Security Standard) and HIPAA (Health Insurance Portability and Accountability Act of 1996), will continue to drive a higher level of data management and compliance, which in turn will favourably impact the adoption of electronic locking solutions such as ours.

Our PAD business has exhibited another consecutive year of significant growth. If you profile this business, it is clear that the foundations for on-going sustained growth are very strong and we are well placed to maintain this momentum:

1. Our Postal and Logistics business has continued to develop. With the exception of Pos Indonesia, all of our customers who undertook pilots with us have progressed to the next phase of expanding their network. Singapore Post, Pos Malaysia, Poste Italiane and a major US transportation and logistics organisation have all embarked on new Parcel Locker initiatives and TZ has successfully tendered and secured these on-going supply contracts. These contracts will see over 400 Locker Banks deployed this calendar year across the US, Italy, Malaysia, Singapore and Australia with scope for further deployments in the New Year. This represents lower margin business for us, but the scale of the deployments and the on-going hardware and software maintenance annuity stream does compensate for the lower upfront returns.

TZ® | packaged asset delivery

"OUR PAD BUSINESS HAS EXHIBITED ANOTHER CONSECUTIVE YEAR OF SIGNIFICANT GROWTH."



> Suncorp Day Lockers, Brisbane QLD

2. Our Day Locker business remains incredibly strong with on-going retained sales with customers such as Westpac and KPMG as they expand nationally across their multiple locations. Our customer base is growing in Australia and we have successfully replicated this business with sales of the solution in Singapore. We are confident that the US market is also primed for this offering particularly as the agile workplace becomes an increasingly critical part of corporate facility planning in years to come.

3. Our Corporate Accountable Mail sector remains solid with continued sales to the established network of customers. With fresh deployments to a number of well-known technology companies on the West Coast of the US and a pipeline of new opportunities in the US, Europe and Australia, this business is also well placed for continued growth.

4. Our focus on the Higher Education sector is also yielding some positive results with our new Campus Smart Locker solution gaining significant traction with a number of Universities. Successful deployments at Vanderbilt, Gonzaga, University of Nebraska and East Tennessee State are providing a highly credible reference for other Universities who are actively seeking to follow suit. We are currently participating on several university tenders that if successful, will lead to new and large deployments in mid-2017.

5. In the residential sector, the launch of our new Residential software offering represents our first cloud-based SaaS (Solution as a Service) offering. Our first strategic customer for this product is the Prometheus Real Estate Group who is the largest privately held owner of multi-family properties in the San Francisco Bay Area with over 12,000 units. We are excited at the prospect of a new subscription based business and the potential that this type of offering could have for the Company.

Five years ago, we were hopeful that our pilots and trials would lead to larger business opportunities. Today, we have been able to build on those early successes and establish a sustainable business with an expanding base of new customers in new geographies.

This year we also embarked on a number of key initiatives to expand opportunities beyond the current business streams and most importantly, to help us move towards our goal of sustainable profitability.

> Westpac Kogarah Day Lockers, Sydney NSW

Improving Our Organisational Efficiency

Since 2015, we have focused on consolidating our resources, restructuring to better align resource needs with our growth markets and building a management team capable of driving the business across the three regional geographies. We have successfully achieved this in several functional areas but in markets like the US and Australia, where large supply contracts are currently underway, this has been incredibly challenging. The large quantum of work, the deadlines demanded by our customers and the burden of extensive travel have impacted our ability to optimise staffing efficiencies and have necessitated the recruitment of additional management and technical field resources.

The turnover of resources, the cost of recruitment and the impact on business continuity has made it a difficult year to improve on our operational cost position. A program is currently underway to improve staffing efficiencies in these two geographies.

Improving Our Cost Base

The transition of manufacturing and sourcing to Asia, although hampered by delays due to quality and production issues, was completed in early March. We now have a production platform that is scalable for the future and capable of delivering our proprietary devices at a significantly improved cost. Unfortunately, the delays in production has meant that we have not seen the benefit of this cost improvement in the FY2016 numbers. In addition, the short lead-times and particularly heavy demand on devices in the last quarter of FY2016 necessitated the supply of product from our US manufacturing source, due to the difficulties in ramping up quick enough for production in Asia. This also impacted our margin expectations.

Leveraging Strategic Partners

An important focus for the business last year has been the need to establish partnerships that can aggressively broaden our areas of participation. Strategic partnerships with larger organisations enable us to achieve far greater customer engagement and more importantly eliminate the tight coupling of revenue generation with the need for more resources.

> University of Toronto Data Center
Toronto, Ontario Canada

The development of the strategic alliance relationship with Ricoh has been a key objective for the Company. Since formalising contract terms in April, we have worked hard and made collaborative investments in time and resources to deliver an extensive sales and technical product training programs to Ricoh's national sales and business analyst teams. This effort is now yielding a growing pipeline of qualified corporate opportunities that we are confident will lead to sales in the second quarter of the new fiscal year.

What has started as a US centric relationship has now expanded throughout Ricoh's global organisation and has opened doors to cooperative relationships with Ricoh Europe and Ricoh Asia Pacific.

While the relationship in Asia Pacific is founded on the provision of deployment resources to meet the service and maintenance expectations of our Postal and Logistics customers, we are pleased to see that Ricoh Europe has embraced TZ's products and technology and are aggressively promoting them to their substantial sales and customer base starting in the UK market.

With other channel partnerships also under development, we are looking forward to building an extensive network of distribution and service partners for our PAD products that will broaden our geographic reach, allow us to access an established sales and customer base, and provide a fertile area for new growth opportunities.

Technology Licensing

The last year has been an exciting year in terms of technology development. In the past, our investments have been focused on the enhancement and improvement of our various hardware and software offerings.

Over the last 12 months we have extended our development efforts to map out the architecture for our next generation of smart locking devices, leveraging the advancements in electronics, smartphone technologies, energy harvesting and wireless connectivity.

We are excited by the prospect of the new proof of concept devices and our ability to lay the technology foundation for us to truly embrace the "internet of things", albeit focused around locking and fastening.

> Couriers Please POPStation Parcel Lockers, Wishart QLD

"THIS COMPANY STARTED WITH A DREAM OF REINVENTING LOCKING AND FASTENING THROUGH REMOTE ACTIVATION."

Founded on these new devices, we are currently working on a couple of large opportunity sectors that will see us push into retail, healthcare and residential access control. We believe that our established operating businesses will provide the necessary credibility for us to once again confidently pursue technology licensing as a key part of our on-going business.

This Company started with a dream of reinventing locking and fastening through remote activation. We have had a challenging path towards achieving that goal but the vision and technology direction still remains intact and is a beacon for the future.

We have proven that we can commercialise the technology and we now need to reposition ourselves as a leading technology player and demonstrate that the blue sky opportunities that come with the myriad of technology applications remains a very real and potential goal for the future. Licensing of the Company's technology will significantly improve the Company's profitability going forward but was difficult without the credibility that we have today with some of the largest organizations in the world already using our technology.

FINANCIAL STATEMENTS

TZ® | Limited

TZ | Limited

TZ Limited
Corporate directory
30 June 2016

Directors	Mark Bouris - Chairman Kenneth Ting Paul Casey
Company secretary	Kenneth Ting
Notice of annual general meeting	The details of the annual general meeting of TZ Limited are: 10:00am, Thursday 28 November 2016 at: Press Room, Radisson Hotel 27 O'Connell Street Sydney NSW 2000
Registered office	Level 11, 1 Chifley Square Sydney NSW 2000 Head office Tel: +61 2 9222 8890
Principal place of business	TZ Limited and TZI Australia Pty Limited Level 11, 1 Chifley Square, Sydney NSW 2000 Australia Telezygology Inc., 1017 W. Washington Blvd, Unit 2C, Chicago IL 60607, USA TZI Singapore Pte Limited, Centennial Business Suites, Suntec Tower 2, 9 Temasek Boulevard #29-01 Singapore 038989
Share register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Tel: 1300 787 272 Fax: +61 3 9473 2500
Auditor	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney NSW 2000
Solicitors	Landerer & Company Level 31, 133 Castlereagh Street Sydney NSW 2000
Bankers	St George Bank Limited Level 3, 1 Chifley Square Sydney NSW 2000
Stock exchange listing	TZ Limited shares are listed on the Australian Securities Exchange (ASX code: TZL)
Website	www.tz.net TZ Limited's public website contains information regarding its products and the company, including an investor services section E-mail: info@tz.net
Corporate Governance Statement	The Corporate governance statement which was approved at the same time as the annual report can be found at http://tz.net/investors/corporate-governance/

TZ Limited
Directors' report
30 June 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of TZ Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

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

Mark Bouris - Chairman
Kenneth Ting
Paul Casey

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of the development of intelligent devices and smart device systems that enable the commercialisation of hardware and software solutions for the management, control and monitoring of business assets and the provision of associated value added services through its subsidiaries globally.

Currently this technology is monetised through the sale of its IXP and PAD product lines. Infrastructure Protection (IXP) offers a cost effective, cabinet level locking solution that delivers physical security, environmental monitoring, authorised access control and real-time compliance reporting for the data centre market. Package Asset Delivery (PAD) solutions feature state-of-the-art system of modular lockers that integrate a network of TZ SMArt™ locking devices and proprietary system software. PAD solutions are used in the postal / logistics sector and for accountable mail and corporate day lockers in the commercial market.

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

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $7,034,000 (30 June 2015: $6,436,000).

Further information on the review of operations is detailed in the Chairman’s Letter on page 3 and in the Review of Operations on page 9 of the Annual Report.

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 19 July 2016, the Company issued 2,018,149 new ordinary shares at an issue price of $0.11 per share under a Share Purchase Plan first announced on 20 June 2016. The issue price of the new shares was the same issue price under the Placement which was completed on 20 June 2016.

No other matter or circumstance has arisen since 30 June 2016 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 Chairman’s Letter on page 3 and in the Review of Operations on page 9 of the Annual Report.

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

TZ Limited
Directors' report
30 June 2016

Information on directors

Name:	Mark Bouris
Title:	Executive Chairman
Qualifications:	BCom (UNSW), MCom (UNSW), HonDBus (UNSW), HonDLitt (UWS), FCA
Experience and expertise:	Mark Bouris is the Executive Chairman of TZ Limited and has over 26 years' experience in the finance and property sectors. Mark is also the Executive Chairman of Yellow Brick Road, Non-Executive Chairman of Anteo Diagnostics Limited and a board member of the Sydney Roosters. He is an Adjunct Professor at the University of New South Wales Australian School of Business and he sits on boards for the University of NSW Business Advisory Council and the University of Western Sydney Foundation Council. Mark is also the author of three business and finance books.
Other current directorships:	Executive Chairman of Yellow Brick Road Holdings Limited (ASX: YBR) and Non-Executive Chairman of Anteo Diagnostics Limited (ASX: ADO).
Former directorships (last 3 years):	Non-Executive Chairman of Serena Resources Limited.
Special responsibilities:	None
Interests in shares:	3,104,677 ordinary shares
Interests in options:	9,500,000 options over ordinary shares

Name:	Kenneth Ting
Title:	Executive Director and Company Secretary
Qualifications:	BCom, BLaw, CA
Experience and expertise:	Kenneth Ting has a background in accounting, law and investment banking with a focus on the commercialisation of technology and public and private equity raisings. Kenneth joined Deutsche Bank in 1997 after 4 years at PricewaterhouseCoopers Corporate Finance and Tax division. He was Vice President of Technology Investment Banking at Deutsche Bank and worked in Deutsche Bank's Sydney, San Francisco and London offices. Kenneth has a passion for technology and has worked with technology companies throughout his career. He has been involved in the completion of over $5 billion in M&A, private equity and IPO assignments in Australia, USA and Europe. His industry specialisation is in the electronics manufacturing, software, IT services, telecommunication and internet sectors.
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive Director of Serena Resources Limited.
Special responsibilities:	None
Interests in shares:	3,664,172 ordinary shares
Interests in options:	9,000,000 options over ordinary shares

Name:	Paul Casey
Title:	Non-Executive Director
Experience and expertise:	Paul Casey brings over 31 years' experience in international travel and tourism and early stage investing. Paul was President and Chief Executive Officer ('CEO') of Hawaiian Airlines, a New York Stock Exchange ('NYSE') listed company, from 1997 until 2002. Prior to that he led the Hawaii Visitors and Convention Bureau ('HVCB') as President and CEO and he held a succession of senior management positions with Continental Airlines and Thomas Cook. Paul has run a travel software start-up in Bangkok, was the CEO of an investment firm focussed on rolling up travel-related businesses in China and was involved in restructuring a number of travel and tourism projects. He is also an investor and adviser to several Hawaii early stage companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	236,363 ordinary shares
Interests in options:	None

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

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

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

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mark Bouris	10	10
Kenneth Ting	10	10
Paul Casey	10	10

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

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

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.

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

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

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

TZ Limited
Directors' report
30 June 2016

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

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

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

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

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

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

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

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

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

Use of remuneration consultants
During the financial year ended 30 June 2016, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')
At the last AGM 79.5% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
The key management personnel of the consolidated entity consisted of the directors of TZ Limited and the following persons:
- William Leong - Chief Operating Officer of Telezygology Inc.
- Benjamin Ford - Regional Technical Manager (resigned on 28 August 2015)
- Brent Allan Henley - Chief Financial Officer (appointed as CFO on 14 January 2016; resigned on 9 August 2016)
- Craig Holden - Chief Financial Officer TZ Limited (appointed as CFO on 26 March 2015; resigned on 30 November 2015)

TZ Limited
Directors' report
30 June 2016

2016	Short-term benefits: Cash salary and fees $	Short-term benefits: Other $	Short-term benefits: Bonus $	Post-employment benefits: Super-annuation $	Long-term benefits: Employee leave $	Share-based payments: Options $	Total $
Non-Executive Directors:							
P Casey	103,396	-	-	-	-	-	103,396
Executive Directors:							
M Bouris	440,917	10,200	-	-	-	70,144	521,261
K Ting	399,461	6,000	-	-	-	70,144	475,605
Other Key Management Personnel:							
W Leong	231,982	19,369	33,784	6,644	-	-	291,779
B Ford*	68,536	-	-	2,475	-	-	71,011
B A Henley*	101,821	-	-	9,673	-	-	111,494
C Holden*	102,103	12,000	-	9,700	-	-	123,803
	1,448,216	47,569	33,784	28,492	-	140,288	1,698,349

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

2015	Short-term benefits: Cash salary and fees $	Short-term benefits: Other $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Employee leave $	Share-based payments: Options $	Total $
Non-Executive Directors:							
P Casey	89,616	-	-	-	-	-	89,616
Executive Directors:							
M Bouris	440,917	10,200	-	-	-	245,653	696,770
K Ting	346,435	6,000	-	-	-	245,653	598,088
Other Key Management Personnel:							
W Leong	195,165	11,949	24,078	4,879	-	-	236,071
B Ford	160,000	5,000	-	15,200	-	-	180,200
C Holden	58,385	-	-	5,547	-	-	63,932
	1,290,518	33,149	24,078	25,626	-	491,306	1,864,677

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2016	2015	2016	2015	2016	2015
Non-Executive Directors:						
P Casey	100%	100%	-	-	-	-
Executive Directors:						
M Bouris	100%	65%	-	-	-	35%
K Ting	100%	59%	-	-	-	41%
Other Key Management Personnel:						
W Leong	88%	95%	12%	5%	-	-
B A Henley	100%	-	-	-	-	-
B Ford	100%	97%	-	3%	-	-
C Holden	100%	100%	-	-	-	-

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

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

Name:	William Leong
Title:	Chief Operating Officer of Telezygology Inc.
Agreement commenced:	1 October 2010
Term of agreement:	No fixed term
Details:	Base salary of US$175,000 and notice period by negotiation

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

Name:	Brent Allan Henley
Title:	Chief Financial Officer
Agreement commenced:	14 January 2016
Term of agreement:	No fixed term
Details:	Base salary of AU$220,000 and four week notice period

Name:	Craig Holden
Title:	Chief Financial Officer
Agreement commenced:	26 March 2015
Term of agreement:	No fixed term
Details:	Base salary of AU$220,000 and four week notice period

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 2016.

Options

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
15 January 2014*	18 February 2016	30 June 2020	$0.60	$0.092

* 5,000,000 options were granted, 2,500,000 to Mark Bouris and 2,500,000 to Kenneth Ting.

The number of options over ordinary shares granted to and vested in directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Number of options granted during the year 2016	Number of options granted during the year 2015	Number of options vested during the year 2016	Number of options vested during the year 2015
Mark Bouris	-	-	2,500,000	2,500,000
Kenneth Ting	-	-	2,500,000	2,500,000

Vesting conditions for options granted as compensation

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

Additional information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000
Sales revenue	21,178	20,116	8,392	15,129	20,785
Adjusted EBITDA *	(5,837)	(16,735)	(8,552)	(4,469)	(5,277)
Loss after income tax	(12,361)	(23,204)	(11,798)	(6,436)	(7,034)

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

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

	2012	2013	2014	2015	2016
Share price at financial year end ($)	0.10	0.12	0.14	0.09	0.10
Basic earnings per share (cents per share)	(9.60)	(13.57)	(4.39)	(1.57)	(1.51)

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30 June 2016

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mark Bouris	2,968,314	-	136,363	-	3,104,677
Kenneth Ting	3,527,809	-	136,363	-	3,664,172
Paul Casey	236,363	-	-	-	236,363
Benjamin Ford	250,000	-	-	(250,000)	-
	6,982,486	-	272,726	(250,000)	7,005,212

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mark Bouris	10,500,000	-	-	(1,000,000)	9,500,000
Kenneth Ting	9,750,000	-	-	(750,000)	9,000,000
	20,250,000	-	-	(1,750,000)	18,500,000

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Mark Bouris	9,500,000	-	9,500,000
Kenneth Ting	9,000,000	-	9,000,000
	18,500,000	-	18,500,000

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
26 February 2010	30 June 2017	$2.00	1,750,000
26 February 2010	30 June 2018	$3.00	1,750,000
15 January 2014	30 June 2018	$0.25	5,000,000
15 January 2014	30 June 2019	$0.40	5,000,000
15 January 2014	30 June 2020	$0.60	5,000,000
			18,500,000

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

Shares issued on the exercise of options
There were no ordinary shares of TZ Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

TZ Limited
Directors' report
30 June 2016

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

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

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

Rounding of amounts
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument 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 immediately after this directors' report.

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

TZ Limited
Directors' report
30 June 2016

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

On behalf of the directors

Mark Bouris
Director

28 September 2016
Sydney

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Sydney NSW 2000

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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 audit of TZ Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M R Leivesley
Partner - Audit & Assurance

Sydney, 28 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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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 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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2016. The directors have the power to amend and reissue the financial statements.

TZ Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue	4	20,826	15,195
Other income	5	120	233
Expenses			
Raw materials and consumables used		(14,004)	(8,666)
Employee benefits expense		(8,119)	(6,976)
Occupancy expense		(514)	(356)
Depreciation and amortisation expense	6	(1,894)	(1,563)
Impairment of assets		-	(401)
Communications expense		(232)	(242)
Professional and corporate services		(1,079)	(1,157)
Travel and accommodation expense		(893)	(984)
Other expenses		(1,354)	(1,466)
Finance costs		(15)	-
Loss before income tax (expense)/benefit		(7,158)	(6,383)
Income tax (expense)/benefit	7	124	(53)
Loss after income tax (expense)/benefit for the year attributable to the owners of TZ Limited	20	(7,034)	(6,436)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		230	1,603
Other comprehensive income for the year, net of tax		230	1,603
Total comprehensive income for the year attributable to the owners of TZ Limited		(6,804)	(4,833)
		Cents	**Cents**
Basic earnings per share	32	(1.51)	(1.57)
Diluted earnings per share	32	(1.51)	(1.57)

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

TZ Limited

TZ Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Assets			
Current assets			
Cash and cash equivalents	8	6,102	5,688
Trade and other receivables	9	6,067	5,007
Inventories	10	805	336
Other	11	344	325
Total current assets		13,318	11,356
Non-current assets			
Property, plant and equipment	12	549	794
Intangibles	13	9,503	9,310
Total non-current assets		10,052	10,104
Total assets		23,370	21,460
Liabilities			
Current liabilities			
Trade and other payables	14	8,975	4,201
Provisions	15	336	266
Total current liabilities		9,311	4,467
Non-current liabilities			
Deferred tax	16	102	110
Provisions	17	56	51
Total non-current liabilities		158	161
Total liabilities		9,469	4,628
Net assets		13,901	16,832
Equity			
Issued capital	18	204,731	200,998
Reserves	19	(3,300)	(3,530)
Accumulated losses	20	(187,530)	(180,636)
Total equity		13,901	16,832

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 2016

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2014	192,278	(5,133)	(174,691)	12,454
Loss after income tax expense for the year	-	-	(6,436)	(6,436)
Other comprehensive income for the year, net of tax	-	1,603	-	1,603
Total comprehensive income for the year	-	1,603	(6,436)	(4,833)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	8,720	-	-	8,720
Share-based payments	-	-	491	491
Balance at 30 June 2015	200,998	(3,530)	(180,636)	16,832

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015	200,998	(3,530)	(180,636)	16,832
Loss after income tax benefit for the year	-	-	(7,034)	(7,034)
Other comprehensive income for the year, net of tax	-	230	-	230
Total comprehensive income for the year	-	230	(7,034)	(6,804)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	3,733	-	-	3,733
Share-based payments	-	-	140	140
Balance at 30 June 2016	204,731	(3,300)	(187,530)	13,901

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 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,901	13,518
Payments to suppliers (inclusive of GST)		(21,447)	(17,556)
Grants received		120	233
Interest received		28	50
Other revenue		13	16
Interest and other finance costs paid		(15)	-
Income taxes refunded/(paid)		116	(71)
Net cash used in operating activities	31	(1,284)	(3,810)
Cash flows from investing activities			
Payments for property, plant and equipment		(367)	(259)
Payments for intangibles		(1,668)	(1,637)
Proceeds from release of security deposits		-	10
Net cash used in investing activities		(2,035)	(1,886)
Cash flows from financing activities			
Proceeds from issue of shares	18	4,000	9,000
Transaction costs on shares issued		(267)	(280)
Net cash from financing activities		3,733	8,720
Net increase in cash and cash equivalents		414	3,024
Cash and cash equivalents at the beginning of the financial year		5,688	2,646
Effects of exchange rate changes on cash and cash equivalents		-	18
Cash and cash equivalents at the end of the financial year	8	6,102	5,688

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

TZ Limited
Notes to the financial statements
30 June 2016

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

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

In making the assessment of the applicability of the going concern assumption, the directors conducted a comprehensive review of the consolidated entity's affairs including, but not limited to:
- the consolidated entity's financial position as at 30 June 2016;
- the cash flow forecast for the consolidated entity for the period of 12 months from the date of the issuance of these financial statements;
- sales and profitability forecasts for the consolidated entity for not only the current financial year, but beyond 30 June 2017; and
- the continued support of the consolidated entity's shareholders.

For the year ended 30 June 2016, the consolidated entity incurred losses after income tax of $7,034,000 and net cash outflows from operating activities of $1,284,000.

While the consolidated entity incurred losses for the financial year, in assessing the appropriateness of the going concern concept the following factors have been taken into consideration:
- the directors are of the view the consolidated entity is on track to meet revenue targets for the 2017 financial year and that this is strongly supported by a substantial backlog of purchase orders and secured contracts. It is expected, as the monthly revenue levels increase, the consolidated entity's operating business units will be in a position to contribute positive cash; and
- the directors maintain a positive outlook on achieving profitability in the 2017 financial year based upon forward orders and the strength of the sales pipeline.

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

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

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

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

TZ Limited
Notes to the financial statements
30 June 2016

Note 1. Significant accounting policies (continued)

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

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TZ Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. TZ Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

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

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

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

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the 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.

TZ Limited
Notes to the financial statements
30 June 2016

Note 1. Significant accounting policies (continued)

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

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

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

Project revenue
Project revenues are recognised by reference to the stage of completion of the contracts.

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

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

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

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

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

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

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.

TZ Limited
Notes to the financial statements
30 June 2016

Note 1. Significant accounting policies (continued)

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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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Note 1. Significant accounting policies (continued)

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

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

Customer relationships
Customer relationships acquired as part of a business combination are recognised separately from goodwill and are carried at their fair value at date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on a straight line basis over the estimated useful life of between 10 to 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 5 to 11 years.

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

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

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

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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on 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.

Note 1. Significant accounting policies (continued)

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

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

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.

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Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

Earnings per share

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

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

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

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

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.

Note 1. Significant accounting policies (continued)

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

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 July 2016 will not have a material impact on the consolidated entity.

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Note 1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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

Note 2. Critical accounting judgements, estimates and assumptions

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

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

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

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.

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

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

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

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity operates in one segment being the development and commercialisation of hardware and software products primarily in the US, Australian and Asian markets. This is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

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

Major customers
During the year ended 30 June 2016 approximately 49% (2015: 20%) of the consolidated entity's external revenue was derived from sales to two customers.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Australia	5,587	5,525	940	1,270
United States of America	12,932	5,681	9,110	8,832
United Kingdom	-	475	-	-
Singapore	1,045	3,131	2	2
Malaysia	619	259	-	-
Italy	415	58	-	-
Other	187	-	-	-
	20,785	15,129	10,052	10,104

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Note 3. Operating segments (continued)

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post employment benefits assets and rights under insurance contracts but include the PDT Holdings business for the period held.

A reconciliation of the loss after income tax expense to adjusted EBITDA is as follows:

	Consolidated	
	2016 $'000	2015 $'000
Loss after income tax expense	(7,034)	(6,436)
Add: Impairment of assets	-	401
Less: Interest income	(28)	(50)
Add: Interest expense	15	-
Add: Depreciation and amortisation	1,894	1,563
Add/(less): Income tax expense/(benefit)	(124)	53
Adjusted EBITDA	(5,277)	(4,469)

Note 4. Revenue

	Consolidated	
	2016 $'000	2015 $'000
Sales revenue		
Sale of goods and project revenue	20,785	15,129
Other revenue		
Interest	28	50
Royalty	13	15
Other revenue	-	1
	41	66
Revenue	20,826	15,195

Note 5. Other income

	Consolidated	
	2016 $'000	2015 $'000
Government grants	120	233

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Note 6. Expenses

	Consolidated 2016 $'000	Consolidated 2015 $'000
Loss before income tax includes the following specific expenses:		
Depreciation (note 12)		
Leasehold improvements	6	11
Plant and equipment	95	54
Office equipment	64	20
Total depreciation	165	85
Amortisation (note 13)		
Trade names	-	11
Re-acquired right (Intevia Licence)	876	775
Other intangible assets	853	692
Total amortisation	1,729	1,478
Total depreciation and amortisation	1,894	1,563
Impairment		
Plant and equipment (note 12)	-	280
Settlement of promissory note	-	121
Total impairment	-	401
Net foreign exchange loss	35	92
Minimum lease payments	430	271
Defined contribution superannuation expense	467	332
Share-based payments expense	140	491

Note 7. Income tax expense/(benefit)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Income tax expense/(benefit)		
Current tax	(116)	72
Deferred tax - origination and reversal of temporary differences	(8)	(19)
Aggregate income tax expense/(benefit)	(124)	53
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease in deferred tax liabilities (note 16)	(8)	(19)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax (expense)/benefit	(7,158)	(6,383)
Tax at the statutory tax rate of 30%	(2,147)	(1,915)
Current year tax losses not recognised	1,905	2,034
Difference in overseas tax rates/refunds	118	(66)
Income tax expense/(benefit)	(124)	53

TZ Limited
Notes to the financial statements
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Note 7. Income tax expense/(benefit) (continued)

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

Note 8. Current assets - cash and cash equivalents

	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash and cash equivalents	4,902	5,688
Cash on deposit	1,200	-
	6,102	5,688

Note 9. Current assets - trade and other receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade receivables	4,366	3,239
Other receivables	52	-
Work in progress	1,564	1,728
Goods and services tax receivable	85	40
	6,067	5,007

Customers with balances past due but without provision for impairment of receivables amount to $1,584,000 as at 30 June 2016 ($675,000 as at 30 June 2015).

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

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Past due 0 - 30 days	984	261
Past due 30 - 60 days	68	99
Past due 60 - 90 days	9	315
Past due over 90 days	523	-
	1,584	675

Note 10. Current assets - inventories

	Consolidated 2016 $'000	Consolidated 2015 $'000
Finished goods - at cost	805	336

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Note 11. Current assets - other

	Consolidated 2016 $'000	Consolidated 2015 $'000
Prepayments	219	222
Security deposits	63	63
Other deposits	62	40
	344	325

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2016 $'000	Consolidated 2015 $'000
Leasehold improvements - at cost	421	418
Less: Accumulated depreciation	(406)	(400)
	15	18
Plant and equipment - at cost	1,799	1,995
Less: Accumulated depreciation	(1,469)	(1,369)
	330	626
Office equipment - at cost	710	619
Less: Accumulated depreciation	(506)	(469)
	204	150
	549	794

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2014	26	1,141	65	1,232
Additions	2	156	101	259
Exchange differences	1	2	4	7
Impairment of assets	-	(280)	-	(280)
Transfers in/(out)	-	(339)	-	(339)
Depreciation expense	(11)	(54)	(20)	(85)
Balance at 30 June 2015	18	626	150	794
Additions	3	239	125	367
Disposals	-	-	(5)	(5)
Exchange differences	-	-	(2)	(2)
Transfers in/(out)	-	(440)	-	(440)
Depreciation expense	(6)	(95)	(64)	(165)
Balance at 30 June 2016	15	330	204	549

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Note 13. Non-current assets - intangibles

	Consolidated 2016 $'000	Consolidated 2015 $'000
Goodwill - at cost	4,155	4,155
Less: Impairment	(4,010)	(4,010)
	145	145
Trade names - at cost	13	13
Less: Accumulated amortisation	(13)	(13)
	-	-
Re-acquired right (Intevia Licence) - at cost	10,240	10,118
Less: Accumulated amortisation	(6,758)	(5,882)
	3,482	4,236
Other intangibles - at cost	8,668	6,868
Less: Accumulated amortisation	(2,792)	(1,939)
	5,876	4,929
	9,503	9,310

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

Consolidated	Goodwill $'000	Trade names $'000	Re-acquired right $'000	Other intangibles $'000	Total $'000
Balance at 1 July 2014	145	10	4,131	2,967	7,253
Additions	-	-	-	1,637	1,637
Exchange differences	-	1	880	678	1,559
Transfers in/(out)	-	-	-	339	339
Amortisation expense	-	(11)	(775)	(692)	(1,478)
Balance at 30 June 2015	145	-	4,236	4,929	9,310
Additions	-	-	-	1,668	1,668
Exchange differences	-	-	122	132	254
Amortisation expense	-	-	(876)	(853)	(1,729)
Balance at 30 June 2016	145	-	3,482	5,876	9,503

* Other intangibles in the above reconciliation includes Patents and Development costs.

Impairment of goodwill
Goodwill is allocated to the following CGU:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Infinity Design Pty Limited	145	145

Note 13. Non-current assets - intangibles (continued)

The consolidated entity has assessed the goodwill balance and has determined that there is no impairment to goodwill at 30 June 2016. The recoverable amount of the CGU was determined based on a value in use calculation covering a five year period. Management believes that no reasonable change in any of the key assumptions would cause the carrying value to exceed the recoverable amount.

The key assumptions used are as follows:
Revenue growth - 5% (2015: 5%)
Cost growth - 3% (2015: 3%)
Discount rate - 14.6% (2015: 16.6%)

For the purpose of impairment testing of re-acquired rights and other intangibles the following cash generating units ('CGU'), IXP and PAD, are the units to benefit from the core patented technology and product development costs.

In 2015, the recoverable amounts of the re-acquired rights and other intangibles were determined with reference to the consolidated entity excluding Infinity Design operating as one CGU.

	Consolidated	
	2016	2015
	$'000	$'000
IXP	1,035	-
PAD	8,323	-
	9,358	-

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations covering a detailed five year forecast and followed by an extrapolation of expected cash flows from the remaining useful lives using growth rates noted below. Management consider the CGU's operate in the global markets for IXP and PAD products. The growth rates reflect conservative estimates for each CGU noting current contracts and expansion of the same and general market growth over the forecast period.

Management believes that no reasonable change in any of the key assumptions would cause the carrying value to exceed the recoverable amount.

The key assumptions used are as follows:

	IXP	PAD
Revenue growth (average)	26%	23%
Margins (average)	50%	44%
Discount rate	14.3%	16.4%

In 2015, the key assumptions used to calculate the recoverable amount of the re-acquired rights and other intangible assets were:
Revenue growth (average) - 21%
Margins (average) - 46%

TZ Limited
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Note 14. Current liabilities - trade and other payables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade payables	6,219	3,175
Employee expense payables	78	143
Unearned income	1,419	-
Other payables	1,259	883
	8,975	4,201

Refer to note 22 for further information on financial instruments.

Note 15. Current liabilities - provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Employee benefits	336	266

Note 16. Non-current liabilities - deferred tax

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred tax liability	102	110
Movements:		
Opening balance	110	129
Credited to profit or loss (note 7)	(8)	(19)
Closing balance	102	110

Note 17. Non-current liabilities - provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Employee benefits	56	51

Note 18. Equity - issued capital

	Consolidated 2016 Shares	Consolidated 2015 Shares	Consolidated 2016 $'000	Consolidated 2015 $'000
Ordinary shares - fully paid	501,965,203	465,601,566	204,731	200,998

Note 18. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2014	384,874,293		192,278
Issue of shares	3 December 2014	8,000,000	$0.12	1,000
Issue of shares	5 March 2015	14,840,780	$0.11	1,632
Issue of shares	18 March 2015	57,886,493	$0.11	6,368
Less: share issue costs		-	$0.00	(280)
Balance	30 June 2015	465,601,566		200,998
Issue of shares	24 June 2016	36,363,637	$0.11	4,000
Less: share issue costs		-	$0.00	(267)
Balance	30 June 2016	501,965,203		204,731

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

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

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

Unquoted options
At 30 June 2016 there were 18,500,000 (2015: 20,250,000) options. Each option entitles the holder to subscribe for one fully paid share in the company at the exercise price per share at any time from the date of issue until expiry of the options subject to various vesting dates.

Capital risk management
The consolidated entity'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 initiating was seen as value adding.

The capital risk management policy remains unchanged from the 30 June 2015 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 19. Equity - reserves

	Consolidated	
	2016	2015
	$'000	$'000
Foreign currency reserve	(3,300)	(3,530)

TZ Limited
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Note 19. Equity - reserves (continued)

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

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

Consolidated	Foreign currency $'000	Total $'000
Balance at 1 July 2014	(5,133)	(5,133)
Foreign currency translation	1,603	1,603
Balance at 30 June 2015	(3,530)	(3,530)
Foreign currency translation	230	230
Balance at 30 June 2016	(3,300)	(3,300)

Note 20. Equity - accumulated losses

	Consolidated	
	2016 $'000	**2015 $'000**
Accumulated losses at the beginning of the financial year	(180,636)	(174,691)
Loss after income tax (expense)/benefit for the year	(7,034)	(6,436)
Transfer from share based payments reserve	140	491
Accumulated losses at the end of the financial year	(187,530)	(180,636)

Note 21. Equity - dividends

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

Note 22. Financial instruments

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

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

Market risk

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

Note 22. Financial instruments (continued)

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 US financial commitments in a timely and cost-effective manner. The consolidated entity will continually monitor this risk and consider entering into forward foreign exchange, foreign currency swap and foreign currency option contracts if appropriate.

Creditors and debtors as at 30 June 2016 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:

	2016		2015	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash and cash equivalents	2.95%	6,102	1.50%	5,688
Net exposure to cash flow interest rate risk		6,102		5,688

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

The consolidated entity has a net cash surplus totalling $6,102,000 (2015: net cash surplus $5,688,000). An official increase/decrease in interest rates of one (2015: one) percentage point would have a favourable/adverse effect on profit before tax of $61,000 (2015: adverse/favourable $57,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

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

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Note 22. Financial instruments (continued)

The consolidated entity has a credit risk exposure with one customer, which as at 30 June 2016 owed the consolidated entity $754,126 (14% of trade receivables) (2015: $748,919 (23% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2016. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

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

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

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

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

Consolidated - 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,219	-	-	-	6,219
Employee expenses payable	-	78	-	-	-	78
Other payables	-	1,259	-	-	-	1,259
Total non-derivatives		7,556	-	-	-	7,556

Consolidated - 2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,175	-	-	-	3,175
Employee expenses payable	-	143	-	-	-	143
Other payables	-	883	-	-	-	883
Total non-derivatives		4,201	-	-	-	4,201

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

Note 23. Fair value measurement

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

Note 24. Key management personnel disclosures

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

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	1,529,569	1,347,745
Post-employment benefits	28,492	25,626
Share-based payments	140,288	491,306
	1,698,349	1,864,677

Note 25. Remuneration of auditors

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

	Consolidated	
	2016 $	2015 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	139,500	137,000
Other services - Grant Thornton Audit Pty Ltd		
Independent tax advice and tax compliance	12,500	29,200
	152,000	166,200
Audit services - network firms		
Audit or review of the financial statements	46,628	21,500

Note 26. Contingent liabilities

The consolidated entity does not have any contingent liabilities at 30 June 2016 and 30 June 2015.

Note 27. Commitments

	Consolidated	
	2016 $'000	2015 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	155	108
One to five years	236	57
	391	165

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

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Note 28. Related party transactions

Parent entity
TZ Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

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

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

	Consolidated 2016 $	Consolidated 2015 $
Payment for other expenses:		
Accounting fees charged by Yellow Brick Road Accounting and Wealth Management Pty Limited, a commonly controlled entity in which Mark Bouris is a director.	56,096	299,365
Rent and serviced office expenditure paid to Yellow Brick Road Group Pty Limited, a commonly controlled entity in which Mark Bouris is a director.	171,960	143,300
Rent and serviced office expenditure paid to State Capital Property Pty Limited, a commonly controlled entity in which Mark Bouris is a director.	-	28,660
Broker fees for insurance policies arranged by Yellow Brick Road Wealth Management Pty Limited (formerly YBR General Insurance Brokers Pty Limited), a commonly controlled entity in which Mark Bouris is a director.	170	800
Administration fees and storage costs paid to YBR Services Pty Ltd, a commonly controlled entity in which Mark Bouris is a director.	-	55,617
Marketing expenses paid to Yellow Brick Road Group Pty Limited, a commonly controlled entity in which Mark Bouris is a director.	60,000	120,000

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

	Consolidated 2016 $	Consolidated 2015 $
Current payables:		
Accounting fees payable to Yellow Brick Road Accounting and Wealth Management Pty Ltd, a commonly controlled entity in which Mark Bouris is a director.	-	12,447
Rent, serviced office expenditure and remaining rental bond payable to State Capital Property Pty Limited, a commonly controlled entity in which Mark Bouris is a director.	31,526	31,526
Administration fees and storage costs payable to YBR Services Pty Ltd, a commonly controlled entity in which Mark Bouris is a director.	10,284	10,284
Marketing expenses payable to Yellow Brick Road Group Pty Limited, a commonly controlled entity in which Mark Bouris is a director.	-	22,000

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 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2016 $'000	Parent 2015 $'000
Loss after income tax	(7,240)	(4,493)
Total comprehensive income	(7,240)	(4,493)

Statement of financial position

	Parent 2016 $'000	Parent 2015 $'000
Total current assets	9,061	5,357
Total assets	17,981	17,584
Total current liabilities	4,316	412
Total liabilities	4,316	412
Equity		
Issued capital	204,731	200,998
Accumulated losses	(191,066)	(183,826)
Total equity	13,665	17,172

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 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

TZ Limited

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Note 30. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Telezygology, Inc.	United States of America	100.00%	100.00%
PDT Holdings, Inc.	United States of America	100.00%	100.00%
Product Development Technologies, Inc.	United States of America	100.00%	100.00%
PDT Tooling, Inc.	United States of America	100.00%	100.00%
TZI Australia Pty Limited	Australia	100.00%	100.00%
Infinity Design Pty Limited	Australia	100.00%	100.00%
TZI Singapore Pte Ltd	Singapore	100.00%	100.00%

Note 31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Loss after income tax (expense)/benefit for the year	(7,034)	(6,436)
Adjustments for:		
Depreciation and amortisation	1,894	1,563
Impairment of property, plant and equipment	-	280
Net loss on disposal of property, plant and equipment	5	-
Share-based payments	140	491
Foreign exchange differences	-	19
Impairment of assets	-	121
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,079)	(1,962)
Increase in inventories	(469)	(111)
Decrease in other operating assets	440	163
Increase in trade and other payables	4,576	2,101
Decrease in deferred tax liabilities	(8)	(18)
Increase in employee benefits	75	101
Increase/(decrease) in other operating liabilities	176	(122)
Net cash used in operating activities	(1,284)	(3,810)

Note 32. Earnings per share

	Consolidated 2016 $'000	Consolidated 2015 $'000
Loss after income tax attributable to the owners of TZ Limited	(7,034)	(6,436)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	466,197,691	410,883,317
Weighted average number of ordinary shares used in calculating diluted earnings per share	466,197,691	410,883,317

Note 32. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(1.51)	(1.57)
Diluted earnings per share	(1.51)	(1.57)

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

Note 33. Share-based payments

Director and Executive Equity Plan
The Director and Executive Equity Plan ('DEEP') was approved by shareholders at 2009 Annual General Meeting that was held on 26 February 2010. It gives directors and senior executives the opportunity to participate in the plan. There were three tranches of options and two tranches of rights granted to the directors in 2010 and three tranches of options granted to the directors in 2014. Details of unexpired options that remain on issue are set out below.

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

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

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/02/2010	30/06/2016	$1.00	1,750,000	-	-	(1,750,000)	-
26/02/2010	30/06/2017	$2.00	1,750,000	-	-	-	1,750,000
26/02/2010	30/06/2018	$3.00	1,750,000	-	-	-	1,750,000
15/01/2014	30/06/2018	$0.25	5,000,000	-	-	-	5,000,000
15/01/2014	30/06/2019	$0.40	5,000,000	-	-	-	5,000,000
15/01/2014	30/06/2020	$0.60	5,000,000	-	-	-	5,000,000
			20,250,000	-	-	(1,750,000)	18,500,000
Weighted average exercise price			$0.83	$0.00	$0.00	$1.00	$0.81

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

Grant date	Expiry date	2016 Number	2015 Number
26/02/2010	30/06/2016	-	1,750,000
26/02/2010	30/06/2017	1,750,000	1,750,000
26/02/2010	30/06/2018	1,750,000	1,750,000
15/01/2014	30/06/2018	5,000,000	5,000,000
15/01/2014	30/06/2019	5,000,000	5,000,000
15/01/2014	30/06/2020	5,000,000	5,000,000
		18,500,000	20,250,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.72 years (2015: 3.48 years).

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Note 34. Events after the reporting period

On 19 July 2016, the Company issued 2,018,149 new ordinary shares at an issue price of $0.11 per share under a Share Purchase Plan first announced on 20 June 2016. The issue price of the new shares was the same issue price under the Placement which was completed on 20 June 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

TZ Limited
Directors' declaration
30 June 2016

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 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Mark Bouris

Mark Bouris
Director

28 September 2016
Sydney

Grant Thornton

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Independent Auditor's Report
To the Members of TZ Limited

Report on the financial report

We have audited the accompanying financial report of TZ Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Emphasis of matter

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

For the year ended 30 June 2016, the consolidated entity incurred losses after income tax of $7,034,000 and net cash outflows from operating activities of $1,284,000.

Grant Thornton

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

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

Report on the remuneration report

We have audited the remuneration report included in pages 20 to 25 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of TZ Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M Leivesley

M R Leivesley
Partner - Audit & Assurance

Sydney, 28 September 2016

TZ Limited
Shareholder information
30 June 2016

The shareholder information set out below was applicable as at 8 September 2016.

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	705	-
1,001 to 5,000	667	-
5,001 to 10,000	295	-
10,001 to 100,000	779	-
100,001 and over	369	2
	2,815	2
Holding less than a marketable parcel	1,463	-

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
NATIONAL NOMINEES LIMITED	177,908,123	35.30
J P MORGAN NOMINEES AUSTRALIA LIMITED	37,292,773	7.40
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,537,647	5.27
ONE MANAGED INVESTMENT FUNDS LIMITED (TECHNICAL INVESTING ABSOLUTE RETURN A/C)	10,422,163	2.07
UBS NOMINEES PTY LTD	8,725,023	1.73
ROD INVESTMENTS (VIC) PTY LTD (GRONOW SUPER FUND A/C)	7,444,200	1.48
SURFLODGE PTY LTD (JE LYNCH STAFF SUPER FD A/C)	6,256,828	1.24
MR DAVID FREDERICK OAKLEY	5,246,363	1.04
ZELLVEST PTY LTD (NO 2 ACCOUNT)	4,980,058	0.99
ONE MANAGED INVESTMENT FUNDS LIMITED (TI GROWTH A/C)	4,300,000	0.85
MR DAVID FREDERICK OAKLEY (DFO INVESTMENT A/C)	4,136,363	0.82
ONE MANAGED INVESTMENT FUNDS LIMITED (TI FAMILY WEALTH A/C)	4,004,548	0.79
LSR AUTOBODY PTY LTD	4,000,000	0.79
MR KEN TUDER & MS THUY LE (TUDER LE S/F A/C)	3,902,159	0.77
MRS MARGARET JANE WATT	3,790,000	0.75
SURFLODGE PTY LTD	3,509,264	0.70
LEE SMASH REPAIRS PTY LTD (LSR SUPERANNUATION FUND A/C)	3,350,000	0.66
NGP INVESTMENTS (NO 2) PTY LIMITED	2,649,087	0.53
ITICORP NOMINEES PTY LIMITED	2,515,804	0.50
NORTHSHORE COLLISION CENTRE PTY LTD	2,500,000	0.50
	323,470,403	64.18

TZ Limited
Shareholder information
30 June 2016

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	18,500,000	2

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

	Ordinary shares	
	Number held	% of total shares issued
NATIONAL NOMINEES LIMITED	177,908,123	35.30
J P MORGAN NOMINEES AUSTRALIA LIMITED	37,292,773	7.40
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,537,647	5.27

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.

Limited