



TOMIZONE LIMITED APPENDIX 4E PRELIMINARY FINAL REPORT

TOMIZONE LIMITED

A.B.N. 99 000 094 995

Appendix 4E

Preliminary Final Report

Year ended 30 June 2017 (previous corresponding period: 30 June 2016)

Tomizone Limited ("Tomizone" or "the Company") is pleased to report its 30 June 2017 preliminary final report.

Principal Activities

Tomizone is a managed services provider of Wi-fi based connectivity, analytics and location based services and software to enterprises, retailers, brands and public venues. Its product suites include SaaS and Internet of Things connectivity and related management services.

The Company's strategy is to provide its customers with a wide range of products and services that add value to Tomizone's customer. Its strategy is to grow by way of acquisitions of synergistic and aligned products and services, combined with organic growth of its core customer base and Wi-fi business.

Rule 4.3A Note

2 Results for announcement to the market

The financial report is presented in Australian dollars.

Results in accordance with Australian Accounting Standards		2017	2016
		\$	\$
2.1	Revenue from ordinary activities	down -19.8% to 2,181,126	from 2,720,240
2.2	NPAT from ordinary activities	up 35.0% to (2,398,854)	from (3,688,148)
2.3	Net profit for the period attributable to members of the parent	up 7.9% to (4,230,427)	from (4,593,492)

2.4 Dividends (distributions)

In respect of the financial year ended 30 June 2017, there have been no dividends paid or provided for (2016: nil).

2.5 Not applicable.

2.6 Brief explanation of the figures reported above to enable the figures to be understood

The Company generated revenue of \$2.1m during the FY2017 period (2016: \$2.7m). The decline in revenues can be attributed to airtime revenue decreasing as consumers shift to free WiFi usage and as Tomizone continues to transition from a paid airtime model to a subscription based model consistent with shifting market demands. Subscription services revenue grew by 3% year on year, with subscription revenues now representing 49% of the total revenue (2016: 38%).

During 2017 the Company expanded the product offering to include WiFi based advertising across a select group of customers. While advertising revenue was minimal in 2017 the Company expects this revenue stream to continue to grow as new products and customers are introduced to the WiFi advertising model.

The Company continued to manage direct costs resulting in an increase in gross margin from 57% in 2016 to 65%. The operating cost management initiatives undertaken in 2016 have meant a reduction in operating expenses of \$1.6m. The 2017 result included additional operating costs which were incurred in relation to the proposed acquisition of Social Light. Subsequent to year end this transaction has been mutually terminated which will result in cash flow savings in FY 2018.

Net profit after tax (NPAT) has improved by \$0.3m from 2016. The 2017 financial result includes an impairment loss of \$1.4m that relates to the Tomizone Lightswitch software, discussed further below at Note 3.



TOMIZONE LIMITED

3 Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenues	1	2,181,126	2,720,240
Direct costs	1	(770,699)	(1,165,421)
Gross profit		1,410,427	1,554,819
Operating expenses	1	(2,703,795)	(4,354,658)
Operating earnings before interest, taxation, depreciation & amortisation		(1,293,368)	(2,799,839)
Depreciation and amortisation	1	(474,192)	(574,570)
Other non-operating income / (costs)		(29,137)	11,414
Impairment of intangibles	3	(1,447,073)	(316,000)
Share based payments		(355,363)	(600,758)
Profit / (loss) before income tax and finance costs		(3,599,133)	(4,279,753)
Finance income		5,464	15,967
Finance costs	1	(687,785)	(518,402)
Profit / (loss) before income tax		(4,281,454)	(4,782,188)
Income tax credit		51,027	188,696
Net profit/(loss) after tax		(4,230,427)	(4,593,492)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit & loss:</i>			
Movement in Foreign Currency Translation		(2,842)	(36,743)
Other comprehensive income / (loss) for the period, net of income tax		(2,842)	(36,743)
Total comprehensive income / (loss) for the period		(4,233,269)	(4,630,235)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Rule 4.3A Note

14.1	2017 Cents per share	2016 Cents per share
Earnings per share (EPS)		
Basic EPS	(4.14)	(4.87)
Diluted EPS	(4.14)	(4.87)

EPS calculation is based on the weighted average number of shares on issue throughout the period.



TOMIZONE LIMITED

4 Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	2	228,791	1,676,020
Trade and other receivables		453,262	1,049,735
Inventories & Work in Progress		1,230	-
Other financial assets		1,699	5,876
Total current assets		684,982	2,731,631
Non-current assets			
Other financial assets		37,529	11,633
Property, plant and equipment		164,120	373,243
Goodwill		338,896	338,896
Other intangible assets	3	25,999	1,765,297
Deferred tax assets		7,210	4,360
Total non-current assets		573,754	2,493,429
Total assets		1,258,736	5,225,060
Current Liabilities			
Trade and other payables		1,626,886	2,387,662
Interest-bearing loans and borrowings		3,920,907	57,294
Bank overdraft and other liabilities		107,879	117,397
Employee benefit liabilities		202,388	219,552
Deferred revenue		134,769	520,434
Other financial liabilities		-	51,903
Total current liabilities		5,992,829	3,354,242
Non-current liabilities			
Interest-bearing loans and borrowings		-	3,827,866
Deferred tax liabilities		6,510	55,048
Total non-current liabilities		6,510	3,882,914
Total liabilities		5,999,339	7,237,156
Net assets / (liabilities)		(4,740,603)	(2,012,096)
Equity			
Contributed equity		20,186,318	19,041,318
Reserves		550,589	193,669
Accumulated losses		(25,477,510)	(21,247,083)
Total equity		(4,740,603)	(2,012,096)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Commentary on Consolidated Statement of Financial Position

Net current assets (NCA) \$0.6m (2016: \$2.7m) reflect the holdings of cash reserves and trade receivables. Post 30 June 2017 the Company completed a 1-for-1 Entitlement Offer, discussed further at Note 12. The variance in Trade Receivables relates to a large project installation that was outstanding at 30 June 2016.

Non current assets have decreased to \$0.5m as at 30 June 2017, this movement was predominately driven by the impairment loss recognised in relation to the Lightswitch software of \$1.4m, discussed further at Note 3.

The change in current and non current interest bearing borrowing reflects the original repayment term of the convertible bond debt issued in June 2016. Subsequent to 30 June 2017 the repayment term of 75% of the convertible bond debt was amended to August 2019, originally June 2018. The terms of the convertible bond debt amendments are discussed further at Section 12. These changes to the convertible bond debt will reduce on-going interest costs by \$105,000 per annum.



TOMIZONE LIMITED

5 Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (1)		2,439,130	2,500,666
Payments to suppliers and employees		(3,907,449)	(5,426,490)
Interest received		4,904	17,061
Borrowing costs paid		(595,720)	(400,638)
Net cash flows from/(used in) operating activities		(2,059,135)	(3,309,401)
Cash flows from investing activities			
Investment in intellectual property		-	(525,739)
Purchase of property, plant and equipment		-	(26,740)
Proceeds from sale of property, plant and equipment		10,000	-
Net cash flows from/(used in) investing activities		10,000	(552,479)
Cash flows from financing activities			
Proceeds from issues of shares and exercise of share options		960,000	-
Proceeds from borrowings		35,184	2,856,738
Repayment of borrowings		(178,414)	(1,356,504)
Transaction costs on issue of shares		(201,588)	-
Net cash flows from/(used in) financing activities		615,181	1,500,234
Net increase/(decrease) in cash and cash equivalents		(1,433,954)	(2,361,646)
Cash and cash equivalents at the beginning of the financial year		1,594,343	3,950,225
Effect of exchange rate changes on cash		(14,186)	5,764
Cash and cash equivalents at the end of the financial year	2	146,203	1,594,343

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

(1) Where customers (hotspot owners) collect revenue from a consumer (individual WiFi user) on Tomizone's behalf via on-site voucher cash sales, the cash receipt by Tomizone from the customer is reflected as net of commission for cash settlement purposes. This payable is then offset against individual customer's clearing account whereby the net account balance, if any, is settled to Tomizone.

This results in reported operating cash flow receipts from customers being lower than recognised sales revenue.

TOMIZONE LIMITED

6 Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Contributed Equity	Reserves	Accumulated Losses	Total Equity
Year ended 30 June 2016				
Balance at 1 July 2015	18,804,902	(314,915)	(16,653,591)	1,836,396
Loss for the period	-	-	(4,593,492)	(4,593,492)
Other comprehensive income	-	(36,743)	-	(36,743)
Total comprehensive income for the period	-	(36,743)	(4,593,492)	(4,630,235)
Issue of convertible note	-	180,985	-	180,985
Exercise of Director A & B Options (Granted 22 May 2015)	236,416	(236,416)	-	-
Recognition of prior period issued options	-	600,758	-	600,758
Balance at 30 June 2016	19,041,318	193,669	(21,247,083)	(2,012,096)
Year ended 30 June 2017				
Balance at 1 July 2016	19,041,318	193,669	(21,247,083)	(2,012,096)
Loss for the period	-	-	(4,230,427)	(4,230,427)
Other comprehensive income	-	(2,842)	-	(2,842)
Total comprehensive income for the period	-	(2,842)	(4,230,427)	(4,233,269)
Issue of share capital - private placements	1,145,000	-	-	1,145,000
Recognition of prior period issued options	-	213,999	-	213,999
Employee share-based payments	-	141,364	-	141,364
Equity component - convertible note	-	4,399	-	4,399
Balance at 30 June 2017	20,186,318	550,589	(25,477,510)	(4,740,603)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



TOMIZONE LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

1. Revenue and Expenses

	2017	2016
	\$	\$
Profit before income tax expense includes the following revenues and expenses:		
(a) Revenue		
Revenue from operations	2,181,126	2,720,240
	2,181,126	2,720,240
(b) Other income		
Interest	5,464	15,967
(c) Expenses		
Direct costs	770,699	1,165,421
Operating activities	2,703,795	4,354,658
	3,474,494	5,520,079
Depreciation expense <i>(included in expenses above)</i>		
Plant and equipment	191,765	323,091
	191,765	323,091
Amortisation expense <i>(included in expenses above)</i>		
Software intangible amortisation	253,427	311,365
Customer intangible amortisation	29,000	104,000
	282,427	415,365
Total depreciation and amortisation expense	474,192	738,456
(d) Other income and expense disclosures		
Finance costs expensed:		
Debt facilities	590,345	610,208
Other finance costs	97,440	172,859
	687,785	783,067

2. Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents are comprised of the following:

	2017	2016
	\$	\$
Cash on hand and at bank deposits on call	228,791	1,676,020
Bank overdrafts	(82,588)	(89,223)
	146,203	1,586,797

3. Impairment

An impairment loss of \$1,401,073 (2016: \$Nil) was recognised for the internally developed software product, Lightswitch, which action wrote-off the entire carrying value of Lightswitch. The recoverable amount of the asset is its value-in-use, determined by management's expectation that the market will shift considerably towards other lower cost, feature rich alternative WiFi software products within Tomizone's current product set.

This migration of customer's to other Tomizone products will significantly reduce future revenues and profits from Lightswitch in the foreseeable future, and as such, management have fully impaired the software. The carrying amount of the Lightswitch software as at 30 June 2017 is \$Nil (2016: \$1,663,288).



TOMIZONE LIMITED

Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

9 Net Tangible Assets per share

	2017 Cents per share	2016 Cents per share
Basic NTA per share	(4.99)	(4.33)
Diluted NTA per share	(4.99)	(4.33)

NTA per share calculation is based on weighted average number of shares on issue throughout the period.

12 Other Significant Information

The Group has no contingent liabilities at 30 June 2017.

Subsequent Events

Changes to the Board of Directors

On 4th July 2017, the Company announced that it had accepted the resignation of Mr Tarun Kanji as non-executive Director and Chairman. Concurrently the Company announced the appointment of Mr Ian Bailey and Mr Matt Adams, both as non-executive Directors. Mr Bailey also took the role of Chairman of the Company with immediate effect.

Extension of Convertible Note

On 4th July 2017, the Company announced that it had entered into agreements with Subscription Bond holders to:

- extend the term of 75% (or \$3,150,000) of outstanding Subscription Bonds to 14 August 2019; and
- redeem 20% (or \$840,000) of all outstanding Subscription Bonds on the condition that half of the redemption amount (\$420,000) forms part of the underwriting of the Entitlement Offer (details below).

Additionally, the Company will seek shareholder approval to:

- issue new options over TOM shares to Subscription Bondholders with an exercise price of \$0.10 per option; and
- adjust the conversion price of the remaining Subscription Bonds from \$0.15 to \$0.05 per TOM share.

The repayment of \$420,000 and conversion of \$420,000 was completed in August 2017 reducing the remaining total Subscription Bonds outstanding amount to \$3,360,000. \$1,050,000 is repayable June 2018, \$2,310,000 is repayable August 2019.

Capital Raise - Placement

On 4th July 2017, the Company issued 13,333,332 new fully paid shares in the Company to sophisticated and professional investors at an issue price of \$0.015 per new share to raise \$0.20 million, before costs and expenses. Funds raised from the Placement will be used by the Company to fund its working capital requirements and the redemption of the Subscription Bonds.

Additionally, further to the announcement made on 10th January 2017, the Company completed the second tranche of the Previous Placement, and issued 444,444 new fully paid shares in the Company to sophisticated and professional investors at an issue price of \$0.09 to raise \$40,000, before costs and expenses.

Capital Raise - Entitlement Offer

On 4th July 2017, the Company announced it was undertaking a 1-for-1 non-renounceable pro-rata Entitlement Offer to raise up to a further \$1.84 million at an issue price of \$0.015 per share. The Entitlement Offer was partially underwritten by a group of underwriters for up to \$1.72 million.

The proceeds of the Entitlement Offer will be used as follows:

- \$840,000 will be used to redeem and pay out part of the Subscription Bonds, of which \$420,000 will be reinvested into the Company by the Subscription Bondholders via the underwriting of the Entitlement Offer; and
- the remaining balance will be used to fund the ongoing working capital and expansion of the business.

The Entitlement Offer and Underwriting Agreement was completed in August 2017.



Restructuring

On 13th July 2017, the Company announced the departure of the Chief Executive Officer Geoff Wanless, due to the changing nature and restructuring of the business over the past year.

Social Light Acquisition

On 14th August 2017, the Company announced that upon final review of the Social Light business that both parties had mutually and amicably agreed not to proceed with the transaction.

The Companies have agreed to terminate the current sale and purchase agreement and look to replace it with a technology purchase and IP transfer agreement, which will see Tomzone own the software, source code and intellectual property of the software required by Tomzone for its customers. Social Light will continue as Tomzone's development partner for the maintenance and ongoing development of its software.

Benefits of the strategy for Tomzone's shareholders are:

- less dilutive given Tomzone no longer has to issue the Social Light vendors 24,500,300 ordinary shares;
- retained access to Social Light's technology products and capabilities through agreed procurement terms;
- a resulting quarterly overhead saving of ~\$100,000;
- less time commitment managing a business with operations in the Philippines.

As at 31st August 2017 the Company is continuing to finalise the conditions of termination and agreed on-going supplier relationship.

Other than the above matters there are no other matters or circumstances that have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

- the consolidated entity's operations in the future financial years, or
- the results of those operations in the future financial years, or
- the consolidated entity's state of affairs in the future financial years.

The financial statements of the Tomzone Limited and its subsidiaries have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

14 Commentary on the results for the period

- 14.1 Earnings Per Share - refer to section above.
- 14.2 Returns to shareholders including distributions and buy backs - refer to section above.
- 14.3 Significant features of operating performance - articulated in Commentary section above.
- 14.4 The Group's operating segment has been determined based on internal management structure and the nature of the product provided by the Group. It reflects the business level at which financial information is provided to management for decision making regarding resource allocation and performance assessment. On this basis it is concluded that the Group is reviewed for management purposes as a single operating segment.
- 14.5 A discussion of trends in performance - articulated in Commentary section above
- 14.6 Unless otherwise explicitly stated above there are no other significant factors that could not be quantified.

15 Audit

This report is based on accounts which are in the process of being audited. It is not considered likely that any audit qualification will arise.

Ian Bailey
Chairman - Tomzone Limited
31st day of August, 2017