

**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 2019 (previous corresponding period: 30 June 2018)

Tomizone Limited ("Tomizone" or "the Company") is pleased to report its 30 June 2019 preliminary final report.

Principal Activities

Tomizone offers an extensive suite of managed services, encompassing WiFi & Analytics, Business Cloud Applications, VoIP, Data Redundancy and Data Security, Business Security and Point of Sale. A monthly subscription model for all services gives SME through to multi-site enterprise clients a predictable, consolidated fee for all hardware, software, email, backup, telephony and security requirements, along with best-in-class priority support. As a managed service provider, the Company's strategy is simple: increase a client's bottom line, reduce their ICT burden, and harness their competitive edge by facilitating a stronger connection with their customers.

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

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				2019			2018
2.1	Revenue from ordinary activities	up	9.0%	to	5,636,945	from	5,172,061
2.2	NPAT from ordinary activities	up	-0.1%	to	(3,178,834)	from	(3,176,802)
2.3	Net profit for the period attributable to members of the parent	up	44.9%	to	(3,470,822)	from	(6,297,840)

2.4 Dividends (distributions)

In respect of the financial year ended 30 June 2019, there have been no dividends paid or provided for (2018: 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 \$5.6m during the FY2019 period (2018: \$5.2m). The increase in revenues can be attributed to both business acquisitions and organic revenue growth from the customer base. During the year the mix of Tomizone's contracted revenue has changed towards in-house contracts as opposed to the previous practice of selling the contracts to financiers. This change understates the FY19 revenue compared to FY18 revenue, as when a contract is sold to a financier all revenue is immediately brought to account, whereas in-house contract revenue is recognised monthly throughout the life of the contract (up to 4 years). Accordingly the 9.0% increase in revenue between FY18 and FY19 is higher if reported on a like for like basis.

Over the last year the Company has continued to expand its product set to better serve its customers.

Revenue margin decreased by 4%, impacted by a change in business and product mix, with Revenue growth coming from lower margin security and ICT products and services.

Operating costs have continued to be managed during the year with cost savings (mainly in the areas of labour costs and operating efficiencies) achieved both during the year and post year end. The Company has taken up some provisions at year end which have impacted on its NPAT results.

Net Loss after tax (NPAT) improved to \$3.5m (FY18: \$6.3m). The 2018 year included several large one off restructuring costs.

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3 **TOMIZONE LIMITED**
Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019	2018
Revenues	1	5,636,945	5,172,061
Direct costs	1	(2,803,549)	(2,396,892)
Gross profit		2,833,396	2,775,169
Operating expenses	1	(4,477,162)	(4,653,962)
Operating earnings before interest, taxation, depreciation & amortisation		(1,643,766)	(1,878,793)
Depreciation and amortisation	1	(347,349)	(261,847)
Other non-operating income / (costs)		2,244	(21,457)
Impairment of intangibles	3	(79,102)	(2,917,296)
Share based payments		(70,282)	(111,578)
Profit / (loss) before income tax and finance costs		(2,138,255)	(5,190,971)
Finance income		600	1,633
Finance costs	1	(1,211,168)	(1,064,169)
Profit / (loss) before income tax		(3,348,823)	(6,253,507)
Income tax credit		22,849	26,374
Net profit/(loss) after tax		(3,325,974)	(6,227,133)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit & loss:</i>			
Movement in Foreign Currency Translation		(144,848)	(70,707)
Other comprehensive income / (loss) for the period, net of income tax		(144,848)	(70,707)
Total comprehensive income / (loss) for the period		(3,470,822)	(6,297,840)

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		2019	2018
	Earnings per share (EPS)		
	Basic EPS	(0.79)	(2.09)
	Diluted EPS	(0.74)	(2.09)

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 2019

	Note	2019	2018
Current Assets			
Cash and cash equivalents	2	49,407	291,055
Trade and other receivables		2,595,817	1,779,889
Inventories & Work in Progress		109,463	30,966
Other financial assets		1,957	3,188
Total current assets		2,756,644	2,105,098
Non-current assets			
Other financial assets		530,498	485,545
Property, plant and equipment		349,621	470,819
Goodwill		-	-
Other intangible assets	3	905,088	1,124,344
Deferred tax assets		51,917	33,119
Total non-current assets		1,837,124	2,113,827
Total assets		4,593,769	4,218,925
Current Liabilities			
Trade and other payables		4,954,552	2,951,315
Interest-bearing loans and borrowings		5,507,393	1,680,622
Bank overdraft and other liabilities		65,628	60,142
Employee benefit liabilities		87,594	122,831
Deferred revenue		64,599	131,006
Other financial liabilities		-	7,063
Total current liabilities		10,679,766	4,952,979
Non-current liabilities			
Interest-bearing loans and borrowings		3,289,637	5,456,141
Deferred tax liabilities		258,468	307,168
Total non-current liabilities		3,548,105	5,763,309
Total liabilities		14,227,871	10,716,288
Net assets / (liabilities)		(9,634,103)	(6,497,363)
Equity			
Contributed equity		24,885,935	24,622,135
Reserves		510,579	585,145
Accumulated losses		(35,030,617)	(31,704,643)
Total equity		(9,634,103)	(6,497,363)

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

Commentary on Consolidated Statement of Financial Position

Total assets increased to \$4.6m, predominantly driven by the increase in receivables.

Intangibles of \$905k is made up of the acquired customer contract book representing future cash receivables and this has given rise to a Deferred Tax liability.

The change in current and non current interest bearing borrowing reflects the convertible notes being classified as current.

TOMIZONE LIMITED
5 Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019	2018
Cash flows from operating activities			
Receipts from customers		5,758,602	4,840,136
Payments to suppliers and employees		(6,518,949)	(6,737,820)
Interest received		184	4,847
Borrowing costs paid		(573,779)	(697,780)
Net cash flows from/(used in) operating activities		(1,333,943)	(2,590,617)
Cash flows from investing activities			
Purchase of property, plant and equipment		(132,444)	(212,123)
Proceeds from sale of property, plant and equipment		34,349	61,547
Investment of Subsidiaries		-	(197,037)
Loans to other entities		(16,348)	(272,204)
Net cash flows from/(used in) investing activities		(114,443)	(619,817)
Cash flows from financing activities			
Proceeds from issues of shares and exercise of share options		-	3,699,304
Proceeds from borrowings		1,604,594	444,660
Repayment of borrowings		(408,036)	(699,832)
Transaction costs on issue of shares		-	(76,231)
Net cash flows from/(used in) financing activities		1,196,558	3,367,901
Net increase/(decrease) in cash and cash equivalents		(251,828)	157,467
Cash and cash equivalents at the beginning of the financial year		259,170	146,203
Effect of exchange rate changes on cash		5,382	(44,500)
Cash and cash equivalents at the end of the financial year	2	12,724	259,170

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

TOMIZONE LIMITED
6 Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Contributed	Reserves	Accumulated Losses	Total Equity
Year ended 30 June 2018				
Balance at 1 July 2017	20,186,318	550,589	(25,477,510)	(4,740,603)
Loss for the period	-	-	(6,227,133)	(6,227,133)
Other comprehensive income	-	(70,707)	-	(70,707)
Total comprehensive income for the period	-	(70,707)	(6,227,133)	(6,297,840)
Issue of share capital - private placements	4,429,501	-	-	4,429,501
Recognition of prior period issued options	-	(14,527)	-	(14,527)
Share-based payments	6,316	119,790	-	126,106
Equity component - convertible note	-	-	-	-
Balance at 30 June 2018	24,622,135	585,145	(31,704,643)	(6,497,363)
Year ended 30 June 2019				
Balance at 1 July 2018	24,622,135	585,145	(31,704,643)	(6,497,363)
Loss for the period	-	-	(3,325,974)	(3,325,974)
Other comprehensive income	-	(144,848)	-	(144,848)
Total comprehensive income for the period	-	(144,848)	(3,325,974)	(3,470,822)
Issue of share capital	263,800	-	-	263,800
Recognition of prior period issued options	-	-	-	-
Employee share-based payments	-	70,282	-	70,282
Equity component - convertible note	-	-	-	-
Balance at 30 June 2019	24,885,935	510,579	(35,030,617)	(9,634,103)

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 2019

1. Revenue and Expenses

	2019	2018
Profit before income tax expense includes the following revenues and expenses:		
(a) Revenue		
Revenue from operations	5,636,945	5,172,061
	5,636,945	5,172,061
(b) Other income		
Interest	600	1,633
	600	1,633
(c) Expenses		
Direct costs	2,803,549	2,396,892
Operating activities	4,477,162	4,653,962
	7,280,711	7,050,854
Depreciation expense <i>(included in expenses above)</i>		
Plant and equipment	219,226	217,877
	219,226	217,877
Amortisation expense <i>(included in expenses above)</i>		
Software intangible amortisation	13,966	17,970
Customer intangible amortisation	114,157	26,000
	128,123	43,970
Total depreciation and amortisation expense	347,349	261,847
(d) Other income and expense disclosures		
Finance costs expensed:		
Debt facilities	1,133,025	785,076
Other finance costs	78,143	279,093
	1,211,168	1,064,169

2. Cash and Cash Equivalents

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

	2019	2018
Cash on hand and at bank deposits on call	49,407	291,055
Bank overdrafts	(36,683)	(31,885)
	12,724	259,170

3. Impairment

An impairment charge of \$79k (2018: \$2,917,296) was recognised against the contract book.

9 Net Tangible Assets per share

	2019	2018
Basic NTA cents per share	(2.48)	(2.52)
Diluted NTA cents per share	(2.48)	(2.52)

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

12 Other Significant Information

Subsequent Events

Tomizone Limited has come to an agreement with holders of its Senior Convertible Notes to extend the maturity date and continue to accrue interest while it completes its financial restructure.

The significant majority of Noteholders have agreed to a six month extension to 14 February 2020 and for interest to accrue during this time. Four Noteholders have agreed to a shorter extension period and accordingly, pursuant to the terms of the Convertible Notes the current maturity date is 14 September 2019. Tomizone will continue discussions with these Noteholders to align their agreement with all other Noteholders.

There have been no other subsequent events since the end of the financial year.

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 products 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 The Group is currently exploring options to recapitalise the business including a full debt restructure and equity raise. It is expected further announcements will be made in regard to this initiative in the coming months

14.7 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 have not been audited. It is not considered likely that any audit qualification will arise.

John Seton

Chairman - Tomizone Limited

30th day of August, 2019