

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 2020 (previous corresponding period: 30 June 2019)

Tomizone Limited ("Tomizone" or "the Company") is pleased to report its 30 June 2020 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		2020		2019			
2.1	Revenue from ordinary activities	down	-28.1%	to	4,037,348	from	5,618,917
2.2	NPAT from ordinary activities	up	36.9%	to	(2,656,567)	from	(4,210,402)
2.3	Net profit for the period attributable to members of the parent	up	42.2%	to	(2,517,197)	from	(4,354,570)

2.4 Dividends (distributions)

In respect of the financial year ended 30 June 2020, there have been no dividends paid or provided for (2019: 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 \$4.04m during the FY2020 period (2019: \$5.6m). The decrease in revenues can be attributed to the impact of COVID-19 and subsequent lockdowns in New Zealand and Australia on the sales arm of the Group. Tomizone has discontinued financing contracts and now completes in-house contracts for the Group's recurring base.

Over the last year the Company has continued to expand its product set to better serve its customers, and has adapted to the new business environment under COVID-19.

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.

Net Loss after tax (NPAT) decreased to (\$2.5m) compared to a loss of (\$4.35m) in FY19. Net loss after tax but before impairment is (\$2.34m) which is an improvement over FY19 (loss of \$4.2m)

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

For the year ended 30 June 2020

	Note	2020	2019
Revenues	1	4,037,348	5,618,917
Direct costs	1	(2,077,408)	(2,824,249)
Gross profit		1,959,940	2,794,668
Operating expenses	1	(2,944,676)	(5,347,365)
Operating earnings before interest, taxation, depreciation & amortisation		(984,736)	(2,552,697)
Depreciation and amortisation	1	(258,555)	(347,349)
Other non-operating income / (costs)		114,958	(7,222)
Impairment of intangibles	3	(173,007)	(109,903)
Share based payments		(46,673)	(70,282)
Profit / (loss) before income tax and finance costs		(1,348,013)	(3,087,453)
Finance income		231	600
Finance costs	1	(1,375,053)	(1,211,168)
Profit / (loss) before income tax		(2,722,835)	(4,298,021)
Income tax credit		66,268	87,619
Net profit/(loss) after tax		(2,656,567)	(4,210,402)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit & loss:</i>			
Movement in Foreign Currency Translation		139,370	(144,168)
Other comprehensive income / (loss) for the period, net of income tax		139,370	(144,168)
Total comprehensive income / (loss) for the period		(2,517,197)	(4,354,570)

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	2020	2019
Earnings per share (EPS)		
Basic EPS	(0.006)	(0.010)
Diluted EPS	(0.006)	(0.010)

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 2020

	Note	2020	2019
Current Assets			
Cash and cash equivalents	2	229,338	49,407
Trade and other receivables		492,887	695,649
Inventories & Work in Progress		25,730	109,463
Other financial assets		1,942	1,957
Total current assets		749,897	856,476
Non-current assets			
Other financial assets		9,352	9,566
Property, plant and equipment		217,218	344,765
Other intangible assets	3	624,043	942,085
Deferred tax assets		38,659	53,744
Total non-current assets		889,272	1,350,160
Total assets		1,639,169	2,206,636
Current Liabilities			
Trade and other payables		5,059,497	3,447,155
Interest-bearing loans and borrowings		6,920,752	6,142,358
Bank overdraft and other liabilities		60,824	51,658
Employee benefit liabilities		191,522	91,604
Deferred revenue		51,628	64,599
Other financial liabilities		67,011	-
Total current liabilities		12,351,234	9,797,374
Non-current liabilities			
Interest-bearing loans and borrowings		2,103,854	2,668,646
Deferred tax liabilities		172,454	258,468
Total non-current liabilities		2,276,308	2,927,114
Total liabilities		14,627,542	12,724,488
Net assets / (liabilities)		(12,988,373)	(10,517,852)
Equity			
Contributed equity		24,885,935	24,885,935
Reserves		697,303	511,259
Accumulated losses		(38,571,611)	(35,915,046)
Total equity		(12,988,373)	(10,517,852)

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 decreased to \$1.64m from \$2.2m primarily due to the amortisation and impairment of the intangible contract book.

TOMIZONE LIMITED
5 Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020	2019
Cash flows from operating activities			
Receipts from customers		4,862,416	5,758,602
Payments to suppliers and employees		(4,970,357)	(6,518,950)
Interest received		165	184
Borrowing costs paid		(71,023)	(573,779)
Net cash flows from/(used in) operating activities		(178,799)	(1,333,944)
Cash flows from investing activities			
Purchase of property, plant and equipment		(35,624)	(132,444)
Proceeds from sale of property, plant and equipment		(972)	34,349
Loans to other entities		-	(16,348)
Net cash flows from/(used in) investing activities		(36,596)	(114,443)
Cash flows from financing activities			
Proceeds from borrowings		609,465	1,604,594
Repayment of borrowings		(208,070)	(408,036)
Net cash flows from/(used in) financing activities		401,394	1,196,558
Net increase/(decrease) in cash and cash equivalents		186,000	(251,829)
Cash and cash equivalents at the beginning of the financial year		12,724	259,170
Effect of exchange rate changes on cash		(5,570)	5,382
Cash and cash equivalents at the end of the financial year	2	193,154	12,724

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 2020

	Contributed	Reserves	Accumulated Losses	Total Equity
Year ended 30 June 2018				
Balance at 1 July 2018	24,622,135	585,145	(31,704,643)	(6,497,363)
Loss for the period	-	-	(4,210,403)	(4,210,403)
Other comprehensive income	-	(144,168)	-	(144,168)
Total comprehensive income for the period	-	(144,168)	(4,210,403)	(4,354,571)
Issue of share capital - private placements	263,800	-	-	263,800
Share-based payments	-	70,282	-	70,282
Balance at 30 June 2019	24,885,935	511,259	(35,915,046)	(10,517,852)
Year ended 30 June 2019				
Balance at 1 July 2019	24,885,935	511,259	(35,915,046)	(10,517,852)
Loss for the period	-	-	(2,656,567)	(2,656,567)
Other comprehensive income	-	139,370	2	139,372
Total comprehensive income for the period	-	139,370	(2,656,565)	(2,517,195)
Employee share-based payments	-	46,674	-	46,674
Balance at 30 June 2020	24,885,935	697,303	(38,571,611)	(12,988,373)

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 2020

1. Revenue and Expenses

	2020	2019
Profit before income tax expense includes the following revenues and expenses:		
(a) Revenue		
Revenue from operations	4,037,348	5,618,917
	4,037,348	5,618,917
(b) Other income		
Interest	231	600
	231	600
(c) Expenses		
Direct costs	2,077,408	2,824,249
Operating activities	2,944,676	5,347,365
	5,022,084	8,171,614
Depreciation expense <i>(included in expenses above)</i>		
Plant and equipment	104,972	137,886
	104,972	137,886
Amortisation expense <i>(included in expenses above)</i>		
Software intangible amortisation	3,287	7,073
Customer intangible amortisation	111,981	113,596
	115,268	120,669
Total depreciation and amortisation expense	220,240	258,555
(d) Other income and expense disclosures		
Finance costs expensed:		
Debt facilities	1,549,211	1,340,836
Other finance costs	8,262	34,217
	1,557,473	1,375,053

2. Cash and Cash Equivalents

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

	2020	2019
Cash on hand and at bank deposits on call	229,338	49,407
Bank overdrafts and credit cards	(36,184)	(36,683)
	193,154	12,724

3. Impairment

An impairment charge of \$173k (2019: \$110k) was recognised against the contract book.

9 Net Tangible Assets per share

	2020	2019
Basic NTA cents per share	(3.20)	(2.70)
Diluted NTA cents per share	(3.20)	(2.70)

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

12 Other Significant Information

Subsequent Events

Tomzone continues to pursue a full financial restructure which will lead to a largely debt free group of companies along with sufficient working capital. The most material element of this restructure (by debt value) is Tomizone's debt owing to FE Investments Limited. Following the receivership of FE Investments Limited, Tomizone has been negotiating with FE's receivers to come to an arrangement to settle the outstanding amounts. A high level settlement has been agreed between the parties and is now subject to long form documentation which is being prepared. This settlement is part of Tomizone's wider financial restructure which continues to progress through both Tomizone's Board and management and external advisors.

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 audited accounts which are unqualified.

John Seton
Chairman - Tomizone Limited
27th day of August, 2021