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**FAMILY ZONE CYBER SAFETY LIMITED**  
**ACN 167 509 177**

**APPENDIX 4E**  
**GIVEN TO THE ASX UNDER LISTING RULE 4.3A**

**Reporting Period**

Financial year end	30 June 2018
Previous corresponding reporting period	30 June 2017

**Results for Announcement to Market**

	<b>30 June 2018 \$</b>	<b>30 June 2017 \$</b>	<b>% increase/ (decrease) over corresponding period</b>
Revenue from ordinary activities	2,329,780	1,589,202	47%
Profit/(Loss) after from ordinary activities tax attributable to members	(18,206,211)	(8,834,735)	106%
Net profit/(loss) for the period attributable to members	(18,194,548)	(8,834,735)	106%

**Dividends**

No dividends have been declared or paid during the year ended 30 June 2018. The Directors do not recommend the payments of a dividend in respect of the year ended 30 June 2018.

The Company does not have any dividend reinvestment plan in operation.

**Explanation of Results**

The operations of the Group during the financial period have focused on the sales and marketing of its suite of cyber safety products through its key distribution channels as well as the provision of ongoing customer support services and continual improvement and upgrade of its services.

Throughout the year, the Group continued its commercialisation strategy through key market sectors being consumer, education and telecommunications. Family Zone entered the education sector in mid 2017, a move driven by its strategic vision of integrated school and home IT policy management. It developed a unique model that supports schools and their cyber safety challenges, known as the "Partner Schools Program" which has proved to be a strong success to date with 144 schools signing up to the Partner School Program during the year, with more than 60 live and working with Family Zone to promote cyber safety to their school communities.

In November 2017 the Group completed the acquisition of Linewize a leading provider of cyber safety in New Zealand as part of its commercialisation strategy and expansion into the education sector. Consideration for the acquisition comprised NZD200,000 cash deposit and the issue of

9,513,708 ordinary shares and 9,500,000 Performance Shares. This acquisition also provided the Group access to the Linewize technology providing several improved features.

The Group also continued its marketing and business development in Asia signing a number of strategic partnership agreements with major telecommunication and device manufacturers during the financial year aimed at increasing market penetration in this region.

Family Zone continued its investment in R&D activities and the globalisation of its business during the year, resulting in the Group receiving government grant revenues of approximately \$2.65 million resulting in total income of approximately \$5.05 million.

The Group's commercialisation strategy has and will continue to require investment but has shown clear signs of revenue traction and global potential.

Family Zone also continued to invest in sales, marketing and support staff to support the growth of the business as well as its on-going development and customer support requirements. Employee wages was a key expenditure item for the financial year being approximately \$6.79million.

Non- cash share based payments to employees and consultants during the period were approximately \$4.30 million. These equity incentives are designed to ensure employee and consultants interests were closely aligned with the achievement of the Group's operational and financial targets. Another significant non-cash expenditure items was the depreciation and amortisation charge for the financial year of approximately \$3.27 million.

The Group reported a net loss attributable to members for the period of approximately \$18.2 million.

#### **Net Tangible Assets per Security**

<b>Net Tangible Liabilities per share</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Net tangible liabilities (cents per share)	(1.89)	(1.19)

#### **Controlled entities**

The following entities were incorporated and/or acquired as wholly owned subsidiaries of the Company during the year.

<b>Controlled entities</b>	<b>Country of Incorporation</b>	<b>Date of incorporation / acquisition</b>
Family Zone Inc.	USA	9 September 2016
Family Zone Cyber Safety Pte. Ltd.	Singapore	2 June 2017
Linewize Limited	New Zealand	29 November 2017
Linewize Services Limited	New Zealand	29 November 2017

Since the acquisition in November 2017, Linewize Limited and Linewize Services Limited ('Linewize') contributed a loss after tax of approximately \$1.0 million to the Group's net loss from ordinary activities.

The other controlled entities did not make any material contribution to the Group's loss from ordinary activities during the period.

The Group did not have any associates or joint ventures during the period.

### Earnings/(loss) per Share

Loss per share	30 June 2018	30 June 2017
Basic and diluted loss per share (cents per share)	(17.35)	(14.70)

### Audit

This Appendix 4E is based on the audited financial statements for the year ended 30 June 2018.

The independent audit report included an emphasis of matter highlighting matters that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

### Matters subsequent to the end of the financial year

On 6 July 2018 the Company announced that UK based advisory firm Tellus Matrix with its strategic partners had agreed to subscribe to 10,000,000 Shares at \$0.50 per Share to raise \$5 million ('Placement') and that following completion of the capital raising that Sir Peter Westmacott, a former British Ambassador to the UK would be appointed to the Board.

The Placement was completed on 29 August 2018 with Tim Levy agreeing to subscribe to 350,000 Shares (\$175,000) subject to shareholder approval.

On 17 July 2018 the Company announced it had entered into a partnership with the School Locker as a Family Zone education reseller. The School Locker is the biggest edu-product retailer to Australian parents with the Family Zone packages to be promoted to parents as part of schools Bring Your Own Device programs.

On 29 August 2018 the following restricted securities were released from escrow

- 22,566,971 Shares;
- 4,000,000 Options (\$0.25, 20 May 2019);
- 3,348,750 Options (\$0.25, 29 Aug 2019);
- 1,000,000 Employee Options (\$0.33, 19 Sept 2019)
- 10,499,999 Class B Performance Shares; and
- 10,499,998 Class C Performance Shares.

### Attachments

The Company's audited Annual Financial Report for the year ended 30 June 2018 ('Annual Report') is attached.

Additional Appendix 4E disclosure requirements can be found in the Annual Report which contains a Review of Operations, the Directors Report and the 30 June 2018 Financial Statements and accompanying notes including segment information in Note 22 and the Independent Auditor's Report on page 65 of the Annual Report.



**Family Zone Cyber Safety Limited**

ACN 167 509 177

## **ANNUAL REPORT**

for the year ended 30 June 2018

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## CORPORATE INFORMATION

### Directors

Tim Levy            Managing Director  
John Sims         Non-executive Chairman  
Crispin Swan     Executive Director - Sales  
Phil Warren       Non-executive Director

### Company secretary

Emma Wates

### Registered and principal administrative office:

945 Wellington Street  
WEST PERTH WA 6005  
Telephone: +61 8 9322 7600

### Principal place of business

Level 15, 207 Murray Street  
WEST PERTH WA 6000  
Telephone: 1300 398 326

### Share register

Automic Registry Services  
Suite 310, 50 Holt Street  
SURRY HILLS, NSW 2010  
Telephone: +61 8 9324 2099

### Solicitors

GTP Legal  
68 Aberdeen Street  
NORTHBIDGE WA 6003  
Telephone: +61 8 6555 1866

### Bankers:

Westpac Banking Corporation  
Level 14, 109 St Georges Terrace  
Perth WA 6000

### Auditors:

Pitcher Partners BA&A Pty Ltd  
Level 11, 12-14 The Esplanade  
PERTH WA 6000  
Telephone: +61 8 9322 2022

### Securities Exchange Listing

Family Zone Cyber Safety Limited is listed on the Australian Securities Exchange (ASX Code: FZO)

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## CHAIRMAN'S MESSAGE

Dear Fellow Shareholders,

I am pleased to present the 2018 Annual Report for Family Zone Cyber Safety Limited (ASX: FZO) ('the Company') and its wholly owned subsidiaries ('Family Zone' or 'the Group'), looking back on a year that has seen us deliver strong growth, build new partnerships and broaden our offering.

We achieved a 47 per cent increase in operating revenue for FY2018 compared to the previous year, with total revenue of \$5.0 million. During the year, we reached a user milestone, with 50,000 customers now on our books and many of these added during the past 12 months. These achievements demonstrate the Company's strategies for product and go-to-market are delivering on our goals.

Our growth in education was bolstered during the year by our decision to acquire the New Zealand-based edutech provider Linewize. Linewize had developed a leading cloud-based firewall and school cyber safety tools offering synergies with our own, as well as significant feature and cost structure improvements for the Company. This opened up Family Zone to 130,000 existing Linewize users and allowed us to integrate world-leading technology into our product suite. We are delighted with the progress and performance of this acquisition.

During 2018, we were also busy forming partnerships with some of the world's largest telecommunications companies and device manufacturers such as Vodafone and Alcatel in key markets including India, Indonesia, the Philippines and Malaysia as well as in Australia. Many of these partnerships are being rolled out in the first half of 2019 financial year.

We completed two oversubscribed share placements of \$5.2 million and \$5.0 million in the first half of the year to fund our operations, in particular our acquisition of Linewize, and I thank our new and existing shareholders for their support and continued belief. Subsequent to the year-end, Tellus Matrix underwrote and invested in a \$5.0 million placement with funds to support Family Zone's service delivery capability, business development activities, particularly in education and global partnerships, and further strengthen our balance sheet.

I would like to thank my fellow Board members for their efforts and support throughout the year as well as the management and staff who have all worked tirelessly during what has been a busy and productive 12 months.

2019 promises much excitement for the Company. Our education business in Australia and New Zealand is now well established and growing and our focus is now turning on launches in USA and with our telco and device partners. Importantly, the Company has and continues to invest in innovation, the fruits of which are expected to be delivered in this coming year. We look forward to continuing growth in revenue and improvement in cash flows in the coming financial year.

I expect significant growth across new and existing markets next year and our team is focussed, aligned and passionate about delivering shareholder value.

I look forward to sharing that journey with you.



John J Sims  
Chairman

## REVIEW OF OPERATIONS

Family Zone is a technology group focused on cyber safety and has developed unique and innovative solutions and partnerships to meet a growing demand to keep young people safe online and to manage an increasingly digital lifestyle.

The Company has developed a world-first universal approach to cyber safety. Under this model, interoperable technology can be installed on any device and in any network to manage the digital experience of users. Family Zone built the core platform in 2016 and has since been pursuing an aggressive commercialisation plan to embed this technology across the spectrum of devices and networks used by children. The Group has been rapidly building strategic partnerships with relevant providers in the cyber safety ecosystem such as schools, telecommunication companies, equipment manufacturers and cyber safety experts.

This commercialisation strategy has and will continue to require investment but is showing clear signs of growth, revenue traction and global potential.

The Company is pursuing and executing on a market opportunity of potentially enormous scale (estimated at US\$60-90bn of unsatisfied global demand).

Family Zone entered the education sector in mid-2017, a move driven by its strategic vision of integrated school and home IT policy management. It has developed a unique model that supports schools and their cyber safety challenges, which is termed its “Partner Schools Program”.

In addition to education, Family Zone has partnerships in Australia and internationally as it aims to take its technology to the world.

### 2018 Operational Highlights:

- **47% increase in customer revenue to approximately \$2.29 million with total revenue of approximately \$5.04 million**
- **144 Schools signed up to Family Zone’s Partner School program during the financial year**
- **Reached the milestone of 50,000 paying subscriber accounts**
- **Successful acquisition of New Zealand based edu-tech provider Linewize**
- **Formed partnerships with major telcos and device manufacturers in key Asian markets including Telkomsel, Maxis Communications, Vodafone India and Micromax**
- **Collaborated with Netsweeper, a global provider of enterprise internet content-filtering services on more than 500 million registered devices across 60 countries**
- **Grew presence in the US market, with plans for a full-scale marketing and sales campaign in 2019.**

### Partner School Program

The Partner School program involves schools partnering with Family Zone to promote and run cyber safety programs. These programs mandate, require or promote Family Zone services within the school community.

This Partner School Program represents a significant innovation. Under this commercial model, schools gain subsidised access to specialty cyber safety and security services, as well as the ability to offer a common cyber safety platform to the entire school community.

At year-end, Family Zone had 164 Partner Schools, mostly across Australia and New Zealand with more than 60 of these live and working with the Company to promote cyber safety programs within their community.

Furthermore, Family Zone has now started to gain traction in the important USA market with a small number of schools selecting to join the partner program.

### Expansion into the New Zealand Education Market

Family Zone completed the acquisition of Linewize Limited and Linewize Services Limited (“Linewize”), leading providers of cyber security and safety services in New Zealand, in November 2017 following a successful partnership agreement.



## REVIEW OF OPERATIONS

Founded in 2013, Linewize provides an innovative cloud-managed firewall service, specifically developed for the needs of the education sector. The Linewize platform and service covers user authentication, content filtering, network appliances, telecoms services, BYOD support, network access management and an award-winning suite of classroom tools.

Family Zone acquired Linewize to capitalise on opportunities identified as part of its aggressive commercialisation strategy and expansion into the education sector.

Consideration for the Linewize acquisition comprised a NZ\$200,000 cash deposit, the issue of 9,513,708 ordinary shares and 9,500,000 Performance Shares which convert into ordinary shares on achievement of various growth hurdles.

Key drivers for this strategic acquisition extended beyond the expansion into the NZ education market, with Linewize's technology providing several new features and significantly improving Family Zone's cost structure.

The Group's acquisition strategy in relation to Linewize included:

- Aggressive expansion inside New Zealand, leveraging Linewize's product and market positioning, and Family Zone's consumer offerings and "School Community" engagement model.
- Rapid merging of the School Zone and Linewize platforms for roll out through existing school deployments.
- Roll out Linewize's data analytics and machine learning services across Family Zone's entire suite of service offerings for parents, schools and telco carriers; and
- Leveraging the merged platform globally. The merged platform offers Family Zone order of magnitude improvements in deployment speed and servicing costs, accelerating potential global expansion.

Since completion of the acquisition in November 2017, Family Zone invested in upgrading Linewize to meet key functions required in the Australian market including SSL decryption and content caching and integrating it into the Group's broader platform. Progress has met the Group's expectations and confirmed the value and potential of this deal.

As of 1 April 2018, the merged platform is the product offered to all schools, with the platform now known as "School Manager". Deployment times have been fast and customer feedback to date has been extremely positive. In addition, product costs are lower.

### ***Progress in New Zealand***

In acquiring Linewize, Family Zone acquired its existing business, staff and 260 education clients. Since the acquisition, Family Zone has made good progress on extending this reach in New Zealand signing 15 new schools, transferring 17 schools from licence fees to become a Partner School and increasing contracted revenue in New Zealand by 20%.

As a transitional measure, the Group has been trading under the name Linewize by Family Zone in New Zealand. Stepped-up marketing and sales efforts commenced in April.

### **International Growth**

Family Zone entered multiple strategic partnerships during the financial year aimed at increasing the Group's market penetration in Asia. These partnerships included:

**Telkomsel** – Family Zone executed a full Commercial Value-Added Services Agreement and launched a commercial service, with Telkomsel, the largest mobile operator in southeast Asia reselling Family Zone's consumer services as "Family Protect" in Indonesia.

**Maxis Communications** – Family Zone partnered with Maxis Communications, Malaysia's number one telco provider in the September quarter. The agreement saw Family Zone's consumer solutions rebranded and sold through Maxis, initially targeting the 2 million mobile phone services Maxis provides to children, followed by a launch into Maxis home internet user base.

## REVIEW OF OPERATIONS

**Smart Communications** – Philippines’ leading mobile provider signed a resale agreement with Family Zone, allowing the companies to target value-added services to the parents of Smart’s 8 million children’s mobile phone services.

**180C/eSchoolPad** – Family Zone signed a software licensing and collaboration agreement with Hong Kong-based edu-tech developer 180C Limited in April 2018. 180C’s flagship offering is eSchoolPad, a device management platform leveraging education and enterprise device management capabilities to enable fine-grained control of student devices. Under the licensing agreement, 180C licences Family Zone to resell eSchoolPad and 180C agree to develop and support interfaces between eSchoolPad and Family Zone.

**Vodafone India** – Family Zone signed a binding term sheet with Vodafone India to wholesale Family Zone’s cyber safety service Mobile Zone across its prepaid and postpaid segments and offer it as a discrete value-added service as well as a bundled service offering. Vodafone India, 100% owned by the Vodafone Group, is India’s largest telecommunications company with a 42% customer market share and more than 430 million subscribers.

**Micromax** – Device manufacturer Micromax agreed to pre-install Family Zone’s Mobile Zone technology on all its devices at the factory. Micromax is India’s second largest and the world’s 10th largest device manufacturer and sells more than 30 million devices a year through 125,000 retail outlets in India.



Family Zone’s reseller agreements with major telcos and device manufacturers are outlined in the table below.

Client	Opportunity	Status
Telkomsel Indonesia	Telkomsel has in excess of 160m subscribers and is one of the largest mobile carriers in the world. Estimated to have over 10m child users.	In pilot. Small penetration < 10,000 customers.
PLDT Philippines	Philippines’ main long distance provider. Primarily a provider of business services.	Live. Small penetration < 1,000 customers. Primary launch expected in CY Q3, 2018.
Smart Philippines	Philippines’ incumbent mobile carrier with over 60m subscribers, Estimated to have in excess of 8m child users.	Family Zone development complete. Launch pending client work and expected in CY Q3, 2018.
Maxis Malaysia	Malaysia’s incumbent telco provider with over 12m subscribes. Estimated to have circa 2m child users.	Family Zone development complete. Launch pending client work and expected in CY Q3, 2018.

## REVIEW OF OPERATIONS

Vodafone India	Largest telco in India with over 430m subscribers.	Scoping phase. Launch expected in CY Q4, 2018.
Alcatel Mobile	Third most sold smart device in Australia.	Alpha released. Launch expected in CY Q4, 2018.
Micromax India	One of the largest manufacturers of Android devices in India.	Scoping phase. Launch expected in CY Q4, 2018.

### Strategic Partnerships

#### **Collaboration with Netsweeper**



In May 2018, Family Zone signed a collaboration agreement with Netsweeper Inc., a leading global provider of enterprise internet content-filtering services with more than 500 million registered devices on its platforms and telcos in 60 countries deploying Netsweeper's services.

Family Zone's consumer products use Netsweeper for back-end web address categorisation. Under the collaboration agreement, Netsweeper will be rolled out across all Family Zone offerings, including schools and telcos around the world. The agreement includes arrangements to interface Netsweeper's telco deployments into the Family Zone policy ecosystem - opening up the potential of many telcos and millions of users to seamlessly enter Family Zone.

Pursuant to this agreement Family Zone will pre-pay for \$1,000,000 of future Netsweeper services in consideration for the issue of 2,087,436 shares in the Company. These shares are to be issued in FY2019.

#### **Collaboration with SchoolTV**

Family Zone formed a collaboration with SchoolTV in June 2018. SchoolTV is a leading Australian parenting resource, spearheaded by renowned child and adolescent psychologist Dr Michael Carr-Gregg.



Family Zone and SchoolTV both aim to better inform parents about the continuing rise of online threats, and to offer real solutions. They will leverage this partnership to boost their penetration in thousands of schools and among parents in Australia and New Zealand. The partnership provides schools and parents with the most advances and easily accessible platform relating to online safety technology.

Family Zone and SchoolTV have launched a holistic 'Wellbeing-Hub' to help schools and their parent community to deal with the challenges of modern parenting, sold to schools across Australia and New Zealand from July 2018 as a value-add to Family Zone's school offerings.

#### **Partnership with TCL Corporation (Alcatel)**

In March 2018, Family Zone announced an Application Reseller Agreement with TLC Mobile International Limited ('TCL Corporation'), the owner of the Alcatel brand. Under this agreement TLC Corporation will embed Family Zone filtering technology and mobile App onto Alcatel smart devices sold in Australia and New Zealand.



This agreement is scheduled to commence with Alcatel's new device range set to launch late-2018.

Headquartered in China, TCL Corporation is in the top 10 global manufacturers of smartphones, selling tens of millions of devices targeted towards prepaid, youth and value-conscious markets. The agreement enables Alcatel

## REVIEW OF OPERATIONS

to offer world-leading parental control features to their customers and offers Family Zone an additional distribution network and the ability to deliver exceptional customer experience.

Alcatel's devices are distributed directly to customers through retail outlets and also through partnerships with Australian telcos. Alcatel and Family Zone will jointly promote the devices to telcos, offering them not only a feature rich device, but also the opportunity to resell Family Zone services.

This partnership with a global smart device manufacturer is a significant milestone in the Company's ecosystem approach to cyber safety and vision for Family Zone technology to be embedded on every device and network that children use.

### Expansion into USA

Having established a presence in the USA, working with schools in West Virginia and more recently, Minnesota, Family Zone has been preparing for a larger launch in the important USA market, with a sales and marketing push to follow the full integration of School Manager via the Linewize acquisition.

With the integration complete, Family Zone's expansion into North America is taking shape, signing four Partner School campuses, and working on a substantial roll-out of Mobile Zone. It has also attracted an experienced senior sales executive to join the Family Zone USA team.

### Ongoing Product Innovation and Development

During the year, Family Zone continued to develop and update its product suite. The Zone Manager App was created following the initiation of Family Zone's collaboration with Telkomsel. It provides ability for parents to interact with the Family Zone platform with unparalleled parental control. The app was made available to Indonesian customers through Telkomsel, with its international roll out following.

Other product development and updates included:

- A major upgrade to Mobile Zone agents for PCs and Macs including advanced filtering and malfeasance mitigation.
- A major upgrade to Mobile Zone agents for Android to support on-device full-packet-inspection.
- Upgrades to search and safe search functions across our network and consumer platforms.
- Major upgrades to our school network filtering platform including adding support of upstream proxy, configurable SSL inspection and multi-tenant (i.e. groups of schools) support.
- Adding a number of new features for teaching staff to better and more easily manage classroom activity including student messaging, support for viewing students' screens on Edge, pushing new tabs to student browsers.
- A range of end (parent) user experience improvements.
- Alpha release of Family Zone Managed Devices (on eSchoolPad).

### IP and Trademarks

Family Zone initiated a significant review of its IP, patent and trademark portfolio with patent attorneys Griffith Hack during the September quarter to ensure it is defended from IP encroachments and to position it for potential corporate arrangements. The review identified several new potentially patentable claims for which it is preparing submissions. In addition, the Company is progressively registering its trademarks including "Family Zone" and "School Zone" in strategic markets including Australia, the US, UK, Philippines, Indonesia and India.

### Capital Raisings

In August 2017, Family Zone completed oversubscribed placement of 13,000,000 shares to sophisticated and institutional investors at \$0.40 per share raising \$5,200,000 (before costs). Net proceeds of this capital raising supported investment in Family Zone's service delivery capability, business development activities, particularly in education and global partnerships, and further strengthening the Company's balance sheet.

## REVIEW OF OPERATIONS

In December 2017, Family Zone raised \$5,000,000 in an oversubscribed share placement of 8,333,334 shares to sophisticated and institutional investors at \$0.60 per share. Net proceeds from the placement supported Family Zone's aggressive expansion in the attractive New Zealand market and accelerated integration of the Linewize and Family Zone platforms.

Subsequent to the year end, the Company's strategic advisor Tellus Matrix agreed to invest in and underwrite a placement of 10,000,000 shares at \$0.50 per share to raise \$5,000,000 (before costs). This share placement was completed on 29 August 2018 and funds raised will be used to support investment in Family Zone's service delivery capability, business development activities, particularly in education and global partnerships, and further strengthen the Company's balance sheet.

### IPO Milestone Achieved

Family Zone founders were issued 28,000,000 Performance Shares in consideration for the cancellation of close to half of their shares in the Company prior to the Company's IPO in August 2016. At the time, the founders had invested more than \$1,450,000 and have since increased their cash investment. The Performance Shares were issued in three classes and convert into ordinary shares (on a one-for-one basis) subject to the achievement of performance milestones.

During the financial year Family Zone achieved a key milestone associated with 9,333,333 Performance Shares held by Family Zone founders and 1,166,666 Performance Shares held by key executives. The first performance milestone was set as a 'proof point' for the viability of the Family Zone product. The hurdle was set as achievement of 15,000 paying subscribers generating at least \$100,000 revenue per month over three consecutive months. The achievement of this performance milestone resulted in 10,500,000 Performance Shares held by the founders and executives being converted into ordinary shares and 1,483,333 Performance Rights (held by key executives) vesting.

Subsequent performance milestones are based on demonstrating value in Family Zone's strategy of leveraging an ecosystem to drive consumer revenues, with the second and third performance milestones being the achievement of annual consumer revenues of \$10,000,000 and \$20,000,000 within 3 and 4 years of IPO respectively.

### Research & Development Grant

During the financial year Family Zone received a \$2,583,700 tax grant as part of the Australian Government Research & Development incentive scheme. In addition, the Group also received a \$72,159 export assistance grant.

As a technology innovator, Family Zone has an active program to develop intellectual property and expects to be able to be eligible for Research & Development claims in future years.

## DIRECTORS REPORT

Your Directors have pleasure in submitting their report together with the financial statements of Family Zone Cyber Safety Limited ('Company') and its wholly owned subsidiaries (the 'Group' or 'Family Zone') for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

### DIRECTORS

The Directors in office at any time during the financial year and until the date of this report are as follows:

Mr Tim Levy	Managing Director
Mr John Sims	Non-executive Independent Chairman
Mr Crispin Swan	Executive Director – Sales
Mr Phil Warren	Non-executive Independent Director

The Directors have been in office since the start of the year to the date of this report unless otherwise stated.

### PRINCIPAL ACTIVITIES

Family Zone is a technology group focussed on cyber safety. The Group's principal activities during the period have been the sales, marketing and customer support of its suite of cyber safety products and services.

There have been no other significant changes in the nature of these activities during the financial year.

### RESULTS

The Group reported total income for the year ended 30 June 2018 of \$5,049,374 (2017: \$2,290,721) with revenue from operations being \$2,329,780 (2017: \$1,589,202).

The net loss attributable to members of the Group for the year ended 30 June 2018 amounted to \$18,206,211 (2017: loss \$8,834,735).

### REVIEW OF OPERATIONS

The operations of the Group during the financial period have focussed on the sales and marketing of its suite of cyber safety products through its key distribution channels as well as the provision of ongoing customer support services and continual improvement and upgrade of its services.

A review of the Group's operations over the past financial year is outlined on pages 5 to 10 of the Annual Report.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the financial statements.

### AFTER BALANCE DATE EVENTS

On 6 July 2018 the Company announced that UK based advisory firm Tellus Matrix with its strategic partners had agreed to subscribe to 10,000,000 Shares at \$0.50 per Share to raise \$5 million ('Placement') and that following completion of the capital raising that Sir Peter Westmacott, a former British Ambassador to the US would be appointed to the Board.

The Placement was completed on 29 August 2018 with Tim Levy agreeing to subscribe to 350,000 Shares (\$175,000)



## DIRECTORS REPORT

subject to shareholder approval.

On 17 July 2018 the Company announced it had entered into a partnership with the School Locker as a Family Zone education reseller. The School Locker is the biggest edu-product retailer to Australian parents with the Family Zone packages to be promoted to parents a part of schools Bring Your Own Device programs.

On 29 August 2018 the following restricted securities were released from escrow

- 22,566,971 Shares
- 4,000,000 Options (\$0.25, 20 May 2019);
- 3,348,750 Options (\$0.25, 29 Aug 2019);
- 1,000,000 Employee Options (\$0.33, 19 Sept 2019)
- 10,499,999 Class B Performance Shares; and
- 10,499,998 Class C Performance Shares.

### LIKELY DEVELOPMENTS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report.

### ENVIRONMENTAL REGULATION

The Company is not subject to any significant environmental Commonwealth or State regulations or laws.

### DIVIDENDS

There were no dividends paid or declared or recommended since the start of the financial year.

### INFORMATION ON DIRECTORS

#### DIRECTORS

**Mr Tim Levy**  
B. Com, CA

#### Experience and expertise

Mr. Levy is a successful telecommunications and technology entrepreneur. He is the founder of Vodafone's largest Australian retail partner Mo's Mobiles and was the former CEO/COO of listed Optus reseller B Digital Limited. Prior to working in commerce Mr. Levy was a management consultant at Andersen's working in technology and change projects across Australia, South Africa, Zambia, Jordan and Saudi Arabia.

Mr. Levy is a graduate of the University of Western Australia and was a practising Chartered Accountant prior to his move into commerce.

#### Other current directorships of ASX listed companies

Nil

#### Other directorships held in ASX listed companies in the last three years

Nil

**DIRECTORS REPORT****Mr John Sims**

B. Acc (Glasgow)

**Experience and expertise**

Mr. Sims is a successful technology and telecommunications executive with over 35 years' experience. Based in San Francisco his former roles include:

- President, Global Sales, BlackBerry Limited
- Global Head of Telecom & President, SAP Mobile Services, SAP AG
- Board Member, Mobixell Networks
- CEO, 724 Solutions Inc
- Founder and CEO, TANTAU Software Inc
- COO, SCC Communications (now Intrado, part of West Corp) and
- Vice President, Telecommunications, Tandem Computers

**Other current directorships of ASX listed companies**

Nil

**Other directorships held in ASX listed companies in the last three years**

Nil

**Mr Crispin Swan**B. Arts (Hons)  
(UK/Germany)  
European Business  
Programme**Experience and expertise**

Mr Swan is an experienced sales executive and general manager working across a range of global enterprises. His expertise is in international business development, executive and IT & T sales. Mr. Swan's former roles have included:

- Vice President Sales Asia Pacific, Mavenir Systems
- Regional Sales Director and General Manager, Airwide Solutions
- Network Infrastructure Solutions IS Manager for Australia & Papua New Guinea
- Sales Manager, Sema
- Account Manager, Cisco Systems
- Account Manager, Alcatel-Lucent and
- Sales Executive, Cable & Wireless Communications

**Other current directorships of ASX listed companies**

Nil

**Other directorships held in ASX listed companies in the last three years**

Nil

**Mr Phil Warren**

B. Com, CA

**Experience and expertise**

Mr Warren is a Chartered Accountant and managing director of West Perth based corporate advisory firm Grange Consulting. Mr. Warren has over 20 years of experience in finance and corporate roles in Australia and Europe. He has specialised in company valuations, mergers and acquisitions, capital raisings, debt financing, financial management, corporate governance and company secretarial services for a number of public and private companies.

Mr. Warren has established a number of ASX listed companies from initial unlisted shell seed raisings through to asset acquisitions leading to ASX listings and continues to act as corporate advisor to some of these companies. Mr. Warren is a non-executive director of Cassini Resources Limited and Rent.com.au Limited and also sits on a number of unlisted company boards in his capacity as finance director.

**Other current directorships of ASX listed companies**

Cassini Resources Limited, Rent.com.au Limited, Jupiter Energy Limited

**Other directorships held in ASX listed companies in the last three years - Nil**



## DIRECTORS REPORT

### MEETINGS OF DIRECTORS

The number of Director's meetings held and the number of meetings attended by each of the Directors for the year ended 30 June 2018.

Director	Number of Board meetings eligible to attend	Number Board meetings attended
Tim Levy	6	6
John Sims	6	6
Crispin Swan	6	6
Phil Warren	6	6

The number of audit committee meetings held and the number of meetings attended by each of the Directors for the year ended 30 June 2018.

Director	Number of audit committee meetings eligible to attend	Number audit committee meetings attended
John Sims	2	2
Phil Warren (Chairman)	2	2

The number of remuneration committee meetings held and the number of meetings attended by each of the Directors for the year ended 30 June 2018.

Director	Number of remuneration committee meetings eligible to attend	Number remuneration committee meetings attended
John Sims	1	1
Phil Warren (Chairman)	1	1

### DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in fully paid ordinary shares (**Shares**), unlisted options, performance shares and performance rights of the Group were:

Director	Shares	Unlisted Options	Performance Shares		Performance Rights		
			Class B	Class C	Class D	Class E	Class F
Tim Levy	10,179,729	750,000	3,878,610	3,878,610	-	-	-
John Sims	100,000	1,500,000	-	-	-	-	-
Crispin Swan	4,196,574	750,000	2,205,383	2,205,383	333,340	333,330	333,330
Phil Warren	115,310	2,000,000	-	-	-	-	-

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In August 2017 the Group paid an insurance premium of \$42,970 for Directors and Officers Liability Insurance cover with an indemnity limit of \$10,000,000.

## DIRECTORS REPORT

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court under Section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Group.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2018 is provided in this report.

### NON-AUDIT SERVICES

Pitcher Partners BA&A Pty Ltd consented to and was appointed as the Group's auditors on 20 May 2016.

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. Non-audit services were provided by the Company's current auditors, Pitcher Partners BA&A Pty Ltd as detailed below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	30 June 2018 \$	30 June 2017 \$
<b>Amounts paid/ payable to Pitcher Partners BA&amp;A Pty Ltd or related entities for non-audit services</b>		
Pitcher Partner BA&A Pty Ltd – Other assurance engagements	\$6,250	-
Pitcher Partners (WA) Pty Ltd - Taxation	\$8,500	13,702
<b>Total auditors remuneration for non-audit services</b>	<b>\$14,750</b>	<b>13,702</b>

### UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares or interests of the Company under option are:

Tranche	Date Option Granted	Expiry Date of Option	Exercise Price of Option	Number of shares under Option
1	20/05/2016	20/05/2019	\$0.25	4,000,000
2	29/08/2016	29/08/2019	\$0.25	5,888,438
3	19/09/2016 to 31/08/2017	19/09/2019	\$0.33	5,232,569
4	16/12/2016	15/12/2019	\$0.30	5,335,000
5	05/05/2017	05/05/2020	\$0.30	1,750,000
6	04/12/2017	04/12/2020	\$0.50	850,000
7	04/12/2017	04/12/2020	\$0.60	850,000
8	09/04/2018	09/04/2021	\$0.75	516,765
9	09/04/2018	09/04/2021	\$0.90	516,765
<b>Total</b>				<b>24,939,537</b>

## DIRECTORS REPORT

### SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE

As at the date of this report details of ordinary shares issued by the Company are as a result of the exercise of Options are

Tranche	Date Option Granted	Number of Shares issued	Amount paid for Shares
2	29/08/2016	4,205,313	\$1,051,328
3	19/09/2016 to 31/08/2017	620,422	\$204,739
4	16/12/2016	665,000	\$199,500
<b>Total</b>		<b>5,490,735</b>	<b>\$1,455,567</b>

### ROUNDING OF AMOUNTS

The Company has applied the relief available to it in ASIC Legislative Instrument 2016/191, and accordingly certain amounts included in this report and in the financial report have been rounded off to the nearest \$1 (where rounding is applicable), under the option available to the Company under ASIC Corporations.

## DIRECTORS REPORT

### REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for the year ended 30 June 2018. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the Financial Report.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group, and includes the following specified executives in the Group:

#### A. Details of Key Management Personnel

Name	Position	Period of Responsibility
Mr Tim Levy	Managing Director	Appointed 1 April 2014
Mr John Sims	Non-Executive Chairman	Appointed 13 May 2016
Mr Crispin Swan	Executive Director - Sales	Appointed 3 September 2015
Mr Phil Warren	Non-Executive Director	Appointed 13 May 2016

#### B. Remuneration Policies

Remuneration levels for Directors, secretaries and senior executives of the Group ("the Directors and senior executives") will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Group's remuneration strategy. No such advice was obtained during the current year.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and senior executives;
- the Directors and senior executives ability to control the relevant performance;
- the Group's performance; and
- the amount of incentives within each Directors and senior executive's remuneration.

Remuneration packages include a mix of fixed remuneration and variable remuneration and short and long-term performance-based incentives.

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds.

Remuneration levels will be, if necessary reviewed annually by the Board through a process that considers the overall performance of the Group. If required, external consultants provide analysis and advice to ensure the Directors' and senior executives' remuneration is competitive in the market place.

The remuneration policy will be tailored to increase goal congruence between shareholders and Directors and key management personnel. This will be facilitated through the issue of options and performance shares to key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)****Service Agreements**

The Group has services agreements with each of its executive Directors and key management personnel. The Group has also entered into Non-executive Director appointment letters outlining the policies and terms of this appointment including compensation to the office of Director.

The principal terms of the executive service agreements existing at reporting date are set out below:

*Mr Tim Levy – Managing Director*

The Company has an executive services agreement with Mr Tim Levy for his role as Managing Director of the Group which commenced 29 August 2016 (the date the Company was admitted to the Official List of ASX) and continues until terminated under the termination provisions outlined below. The principal terms of this agreement (as varied) are as follows:

- a) a base salary of \$220,000 per annum plus statutory superannuation;
- b) the issue of 750,000 Incentive Options, which have been issued;
- c) the agreement may be terminated
  - (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
  - (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Levy is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 12 month period;
  - (iii) by either party with 12 months written notice if the role of Managing Director becomes redundant. If the Company terminates the employment of Mr Levy within 12 months of a Change of Control it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy it shall be obliged to pay Mr Levy for any notice period worked. In addition, it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary (less tax) and any accumulated entitlements;
  - (iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law; and
  - (v) by Mr Levy immediately, by giving notice, if the Company is in breach of a material term of this agreement.

*Mr Crispin Swan – Executive Director – Sales*

The Company has an executive services agreement with Mr Crispin Swan for his role as Executive Director - Sales of the Company which commenced on 29 August 2016 (the date the Company was admitted to the Official List of ASX) and continues until terminated under the termination provisions outlined below. The principal terms of the agreement (as varied) are as follows:

- a) a base salary of \$240,000 per annum plus statutory superannuation;
- b) the issue of 750,000 Incentive Options, which have been issued;
- c) the agreement may be terminated
  - (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
  - (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Swan is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 12 month period;
  - (iii) by either party with 12 months written notice if Mr Swan's role becomes redundant. If the Company terminates the employment of Mr Swan within 12 months of a Change of Control it will be deemed to be

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)**

- a termination by reason of redundancy. If the Company terminates for reason of redundancy it shall be obliged to pay Mr Swan for any notice period worked. In addition, it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary and any accumulated entitlements;
- (iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law; and
  - (v) by Mr Swan immediately, by giving notice, if the Company is in breach of a material term of this agreement.

*Non-Executive Directors and Chairman*

Non-executive Director fees are set based on fees paid to other Non-Executive Directors of comparable companies. The aggregate remuneration for Non-Executive Directors has been set by the Board at an amount not to exceed \$500,000 per annum. The Board has resolved that the Non-Executive Directors' fees will be \$50,000 per annum for the Chairman and \$40,000 per annum for non-executive Directors (plus statutory superannuation).

The key terms of the Non-Executive Director service agreements are as follows:

*Non-Executive Director Appointment – John Sims*

The Company has entered into an agreement with Mr John Sims in respect of his appointment as a Non-Executive Director and Chairman of the Company.

Mr Sims will be paid a fee of \$50,000 per annum (exclusive of statutory superannuation) for his services as Non-Executive Director and Chairman from 29 August 2016 (the date of the Company's admission to the Official List of ASX) and will be reimbursed for all reasonable expenses incurred in performing his duties. In addition, the Company has issued to him 1,500,000 Incentive Options each exercisable at \$0.25 on or before 20 May 2019.

The appointment of Mr Sims as Non-Executive Chairman is otherwise on terms that are customary for an appointment of this nature.

*Non-Executive Director Appointment – Phil Warren*

The Company has entered into an agreement with Mr Phil Warren in respect of his appointment as a Non-Executive Director of the Company.

Mr Warren will be paid a fee of \$40,000 per annum (exclusive of statutory superannuation) for his services as Non-Executive Director from 29 August 2016 (the date of the Company's admission to the Official List of ASX) and will be reimbursed for all reasonable expenses incurred in performing his duties. In addition, the Company has issued to him 500,000 Incentive Options each exercisable at \$0.25 on or before 20 May 2019.

The Company does not have a Director's Retirement Scheme in place at present.

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)**
**C. Remuneration of Key Management Personnel**

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group for the year ended 30 June 2018 are set out in the following table.

Directors and Key Management Personnel	Short -term			Post employment			Long term		Share based payments <sup>1</sup>	TOTAL	Performance based % of remuneration	
	Salary fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Retirement benefits \$	Termination benefits \$	Incentive Plans \$	Long Service Leave \$	Options/ Performance Rights (PR) \$	\$	Fixed based %	Performance based %
Mr Tim Levy	206,667	-	-	19,633	-	-	-	-	-	<b>226,300</b>	100%	0%
Mr Crispin Swan	234,067	-	-	21,533	-	-	-	-	293,989	<b>549,589</b>	47%	53%
Mr John Sims	50,000	-	-	-	-	-	-	-	-	<b>50,000</b>	100%	0%
Mr Phil Warren	40,000	-	-	3,800	-	-	-	-	-	<b>43,800</b>	100%	0%
<b>Total Directors</b>	<b>530,734</b>	-	-	<b>44,966</b>	-	-	-	-	<b>293,989</b>	<b>869,689</b>	<b>66%</b>	<b>34%</b>

Note 1: Mr Crispin Swan was issued 1,000,000 Performance Rights (comprising 333,340 Class A Performance Rights, 333,330, Class B Performance Rights and 333,330 Class C Performance Rights) during the period as an equity settled share based payments. The performance conditions attaching to these Performance Rights are outlined on page 25 of the Remuneration Report.

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)**

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group for the year ended 30 June 2017 are set out in the following table.

Directors and Key Management Personnel	Short -term			Post employment			Long term		Share based payments	TOTAL	Performance based % of remuneration	
	Salary fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Retirement benefits \$	Termination benefits \$	Incentive Plans \$	Long Service Leave \$	Options/ Performance Rights (PR) \$	\$	Fixed based %	Performance based %
30 June 2017												
Mr Tim Levy	159,420	-	-	15,145	-	-	-	-	-	<b>174,565</b>	100%	0%
Mr Crispin Swan	175,362	-	-	16,659	-	-	-	-	-	<b>192,021</b>	100%	0%
Mr John Sims	41,667	-	-	-	-	-	-	-	-	<b>41,667</b>	100%	0%
Mr Phil Warren	35,597	-	-	3,381	-	-	-	-	-	<b>38,978</b>	100%	0%
<b>Total Directors</b>	<b>412,046</b>	-	-	<b>35,185</b>	-	-	-	-	-	<b>447,231</b>	<b>100%</b>	<b>0%</b>



**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)**
**D. Relationship between remuneration and company performance**

The Directors assess performance of the Group with regard to the achievement of both operational and financial targets with a current focus on subscriber numbers, sales revenues and share price. Directors and executives are issued options and, in some cases, performance shares, to encourage the alignment of personal and shareholder interests.

Options issued to Directors and executives may be subject to market based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Board believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee share and option arrangements.

Performance shares and rights vest on the achievement of operational and financial milestones, providing those Directors and executives holding performance shares and performance rights an incentive to meet the operational and financial milestones prior to the expiry date of the performance shares and performance rights.

On the resignation of Directors and executives any vested options issued as remuneration are retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value.

The following table shows gross income, profits/(losses) and dividends for the last two years for the listed entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in gross income which has been reflected in the increase of the Group's share price. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall upwards trend in shareholder wealth over the past two years.

	<b>2017</b> \$	<b>2018</b> \$
Gross Income	2,290,721	5,049,374
Net profit/(loss)	(8,834,735)	(18,206,211)
Share price at year-end	0.33	0.475
Dividends paid	0.00	0.00

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)**
**E. Key management personnel's equity holding**
**a) Number of Options held by Key Management Personnel**

The number of the options of the Group held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2018 are as follows:

Directors and Executives	Held at 1 July 2017	Options exercised	Options expired	Other changes	Held at 30 June 2018	Vested and exercisable at 30 June 2018
Mr Tim Levy	750,000	-	-	-	750,000	750,000
Mr Crispin Swan	750,000	-	-	-	750,000	750,000
Mr John Sims	1,500,000	-	-	-	1,500,000	1,500,000
Mr Phil Warren	2,000,000	-	-	-	2,000,000	2,000,000
<b>Total</b>	<b>5,000,000</b>	-	-	-	<b>5,000,000</b>	<b>5,000,000</b>

**b) Number of Shares held by Key Management Personnel**

The number of ordinary shares of the Group held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities as at the date of this report is as follows:

Directors and Executives	Held at 1 July 2017	Received as remuneration	Shares issued for cash subscription	Other changes <sup>1</sup>	Held at 30 June 2018
Mr Tim Levy	6,301,118	-	-	3,878,611	10,179,729
Mr Crispin Swan	1,991,190	-	-	2,205,384	4,196,574
Mr John Sims	100,000	-	-	-	100,000
Mr Phil Warren	115,310	-	-	-	115,310
<b>Total</b>	<b>8,507,618</b>	-	-	<b>6,083,995</b>	<b>14,591,613</b>

1. Shares issued on conversion of Class A Performance Shares following achievement of performance milestone.

**c) Number of Employee Options issued during the year under the Employee Share Option Plan.**

No options were issued during the year under the Company's Employee Share Option Plan to any Directors.

**d) Performance Share Holdings of Key Management Personnel**

The number of Performance Shares of the Group held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2018 are as follows:

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)**

	Held at 1 July 2017			Held at 30 June 2018		
	Class A Performance Shares <sup>1</sup>	Class B Performance Shares	Class C Performance Shares	Class A Performance Shares <sup>1</sup>	Class B Performance Shares	Class C Performance Shares
Mr Tim Levy	3,878,611	3,878,610	3,878,610	-	3,878,610	3,878,610
Mr Crispin Swan	2,205,384	2,205,383	2,205,383	-	2,205,383	2,205,383
Mr John Sims	-	-	-	-	-	-
Mr Phil Warren	-	-	-	-	-	-
<b>Total</b>	<b>6,083,995</b>	<b>6,083,993</b>	<b>6,083,993</b>	<b>-</b>	<b>6,083,993</b>	<b>6,083,993</b>

1. Class A Performance Shares converted into Shares during the financial period following achievement of performance milestone being 15,000 paying subscribers of the Group generating at least \$100,000 revenue per month over 3 consecutive months (as confirmed by the Group's auditor) by 29 August 2018.

The Performance Shares convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- Class B Performance Shares convert on achievement of \$10,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income (as confirmed by the Group's auditor) by 29 August 2019.
- Class C Performance Shares convert on achievement of \$20,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income (as confirmed by the Group's auditor) by 29 August 2020.

As at 30 June 2018 the Class B and C Performance Milestones have not been achieved.

The Performance Shares held by the Directors outlined above were not granted as part of their remuneration but issued to the Directors in consideration for cancellation of ordinary shares they held in the Company prior to the Company's listing of ASX.

e) Performance Rights Holdings of Key Management Personnel

The number of Performance Rights of the Group held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2018 are as follows:

Directors and Executives	Performance Rights held at 1 July 2017	Received as remuneration	Other changes	Performance Rights held at 30 June 2018
Mr Tim Levy	-	-	-	-
Mr Crispin Swan	-	1,000,000 <sup>1</sup>	-	1,000,000
Mr John Sims	-	-	-	-
Mr Phil Warren	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>

1. Comprising 333,340 Class D Performance Rights, 333,330, Class E Performance Rights and 333,330 Class F Performance Rights.

The Performance Rights are subject to the following performance based vesting milestones

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)**

Class of Performance Right	Vesting Condition	Milestone Date	Number of Performance Rights vesting	Expiry Date
<b>Class D Performance Rights</b>	On achievement of 15,000 paying subscribers of the Company generating at least \$100,000 revenue per month over 3 consecutive months	29 August 2018	33,334 for each Tier 1 partnering deal that goes live before the Expiry Date	4 Dec 2020
<b>Class E Performance Rights</b>	On achievement of \$10,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income	29 August 2019	33,333 for each Tier 1 partnering deal that goes live before the Expiry Date	4 Dec 2020
<b>Class F Performance Rights</b>	On achievement of \$20,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income	29 August 2020	33,333 for each Tier 1 partnering deal that goes live before the Expiry Date	4 Dec 2020

*Once the applicable Vesting Condition has been satisfied, the number of Performance Rights specified in the table above will vest for each Tier 1 partnering deal that goes live between the date of grant and the Expiry Date.*

The Performance Rights have been valued based on the share price of the Company at the date of approval of the issue of the Performance Rights being \$0.675 per Share. The total value of the Performance Rights issued to Mr Swan when granted is \$675,000 with the share based payment expense recognised over the vesting period of the Performance Rights.

**F. Key Management Personnel Loans**

No loans were provided to, made, guaranteed or secured directly or indirectly to any KMP or their related entities during the financial year.

**G. Other Transactions with Key Management Personnel**

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

**a) Grange Consulting**

Mr Phil Warren, a Director of the Company, is also a director of Grange Consulting and an entity related to him is a shareholder of Grange Consulting.

The Group engaged Grange Consulting to act as Corporate Advisor to its initial public offering on ASX and capital raising. Pursuant to this engagement Grange Consulting received a \$75,000 (plus GST) transaction management fee and a \$50,000 (plus GST) success fee following its listing on ASX in August 2016.

Grange Consulting has also been engaged to provide financial management and company secretarial services to the Group. Pursuant to this engagement Grange Consulting will receive \$7,500 (plus GST) per month for these services. An administration fee of 5% is also payable on each invoice. This engagement can be terminated by either party giving 60 days' notice in writing.

A summary of the total fees paid to Grange Consulting and Grange Capital Partners for the year ended 30 June 2018 and 30 June 2017 is as follows:

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT CONTINUED (AUDITED)**

	30 June 2018 \$	30 June 2017 \$
Company secretarial services	94,500	90,402
Success fee upon listing on ASX	-	50,000
Transaction management on lodgement of prospectus	-	75,000
<b>Total</b>	<b>94,500</b>	<b>215,402</b>
1. Amounts payable to Grange Consulting and Grange Capital as at 30 June 2018 were \$17,586 (incl GST).		

**b) Loan Funds provided by Mr Tim Levy**

Mr Tim Levy has loaned funds to the Company and made payments on behalf of the Company in the year ended 30 June 2017 which resulted loan funds being payable to Mr Levy. Movements in the loan account during the last two financial years are outlined Note 25 of the Financial Accounts.

No interest was payable on the funds loaned to the Company by Mr Levy and the amounts loaned to the Company were fully repaid as at 30 June 2018.

**c) Consulting Fees paid to Mr Crispin Swan**

Mr Crispin Swan was paid \$10,000 for consulting services provided in July 2016 prior to the Company's listing on ASX. These services were provided on an arm's length basis with commercial terms no more favourable than those that the Company would have transacted with other parties for similar services provided.

\*\*\*\*\* END OF AUDITED REMUNERATION REPORT \*\*\*\*\*

Signed in accordance with a resolution of the Directors.



**Mr Tim Levy**  
*Managing Director*  
 30 August 2018

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF FAMILY ZONE CYBER SAFETY LIMITED**

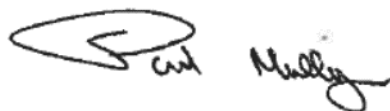
In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Family Zone Cyber Safety Limited and the entities it controlled during the year.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN  
Executive Director  
Perth, 30 August 2018

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the year ended 30 June 2018*

	Note	2018 \$	2017 \$
Revenue	4	2,329,780	1,589,202
Cost of sales		(1,213,262)	(969,317)
<b>Gross profit</b>		<b>1,116,520</b>	<b>619,885</b>
Other income	4	2,719,594	701,519
Gain on bargain purchase	13	72,142	-
Administration	5	(4,199,771)	(1,383,382)
Impairment of intangible assets		-	(52,248)
Employee and director benefits expense	5	(6,562,179)	(3,876,030)
Finance costs		(34,915)	(25,604)
Marketing expenses	6	(1,232,543)	(1,118,759)
Research & development expenses		(2,508,800)	(1,118,011)
Share based payment expense	22	(4,306,427)	(1,498,978)
Depreciation & amortisation		(3,269,831)	(1,083,127)
<b>Loss before income tax</b>		<b>(18,206,211)</b>	<b>(8,834,735)</b>
Income tax benefit/(expense)	7	-	-
<b>Loss after tax for the period attributable to the members of Family Zone Cyber Safety Limited</b>		<b>(18,206,211)</b>	<b>(8,834,735)</b>
Other comprehensive income		11,663	-
<b>Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety Limited</b>		<b>(18,194,548)</b>	<b>(8,834,735)</b>
Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety Limited	8	(17.35)	(14.70)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 30 June 2018*

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	2,461,222	1,387,577
Trade and other receivables	18	1,197,011	963,183
Inventory	10	149,929	169,987
<b>Total Current Assets</b>		<b>3,808,163</b>	<b>2,520,747</b>
<b>Non-Current Assets</b>			
Intangibles	11	9,025,186	3,325,003
Trade and other receivables	18	321,928	1,007,424
Plant and equipment	19	257,682	217,421
<b>Total Non-current Assets</b>		<b>9,604,796</b>	<b>4,549,848</b>
<b>TOTAL ASSETS</b>		<b>13,412,958</b>	<b>7,070,595</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	3,372,409	3,461,738
Provisions	17	508,157	191,099
<b>Total Current Liabilities</b>		<b>3,880,566</b>	<b>3,652,837</b>
<b>Non-current Liabilities</b>			
Trade and other payables	12	243,883	806,424
Contingent consideration	13	2,245,505	-
<b>Total Non-current Liabilities</b>		<b>2,489,388</b>	<b>806,424</b>
<b>TOTAL LIABILITIES</b>		<b>6,369,954</b>	<b>4,459,261</b>
<b>NET ASSETS</b>		<b>7,043,004</b>	<b>2,611,334</b>
<b>EQUITY</b>			
Issued capital	14	30,873,178	12,582,677
Reserves	15	6,853,786	2,506,406
Accumulated losses	16	(30,683,960)	(12,477,749)
<b>TOTAL EQUITY</b>		<b>7,043,004</b>	<b>2,611,334</b>

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



**CONSOLIDATED STATEMENT OF CHANGES OF EQUITY**
*For the year ended 30 June 2018*

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	1,433,717	1,605,348	(3,643,014)	-	(603,949)
Loss for the year	-	-	(8,834,735)	-	(8,834,735)
Total other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	<b>(8,834,735)</b>	-	<b>(8,834,735)</b>
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of Ordinary Shares, net of transaction costs	11,148,960	-	-	-	11,148,960
Issue of Options, Performance Rights & Performance Shares	-	901,058	-	-	901,058
Total transactions with owners	11,148,960	901,058	-	-	12,050,018
<b>Balance at 30 June 2017</b>	<b>12,582,677</b>	<b>2,506,406</b>	<b>(12,477,749)</b>	-	<b>2,611,334</b>
	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	12,582,677	2,506,406	(12,477,749)	-	2,611,334
Loss for the year	-	-	(18,206,211)	-	(18,206,211)
Total other comprehensive income	-	-	-	11,663	11,663
<b>Total comprehensive loss for the year</b>	-	-	<b>(18,206,211)</b>	<b>11,663</b>	<b>(18,194,548)</b>
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of Ordinary Shares, net of transaction costs	18,290,501	-	-	-	18,290,501
Issue of Options, Performance Rights & Performance Shares	-	4,335,717	-	-	4,335,717
Total transactions with owners	18,290,501	4,335,717	-	-	22,626,218
<b>Balance at 30 June 2018</b>	<b>30,873,178</b>	<b>6,842,123</b>	<b>(30,683,960)</b>	<b>11,663</b>	<b>7,043,004</b>

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes

**CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the year ended 30 June 2018*

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipt from customers		2,880,833	1,344,222
Government grants received		2,655,859	687,778
Payments to suppliers and employees		(16,088,385)	(7,370,432)
Interest received		4,949	9,522
<b>Net cash flows (used in) operating activities</b>	20	<b>(10,556,642)</b>	<b>(5,328,910)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment		(112,540)	(40,140)
Payments for intangible assets		(49,764)	(3,025,000)
Non-related party loans		(45,208)	
Net cash paid for acquisition of business		(167,039)	-
<b>Net cash flows (used in) investing activities</b>		<b>(374,550)</b>	<b>(3,065,140)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of issue costs		11,993,175	8,439,400
Proceeds received for shares not yet issued		-	622,000
<b>Net cash flows from financing activities</b>		<b>11,993,175</b>	<b>9,061,000</b>
Net increase in cash and cash equivalents		1,061,982	667,350
Cash and cash equivalents at beginning year		1,387,577	720,227
Effects of foreign exchange rates		11,663	-
<b>Cash and cash equivalents at end year</b>	9	<b>2,461,222</b>	<b>1,387,577</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### NOTE 1: REPORTING ENTITY

Family Zone Cyber Safety Limited is the listed public company incorporated and domiciled in Australia and head of the Group. The financial statements of the Group are as at and for the year ended 30 June 2018.

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report which does not form part of this financial report.

The financial statements were authorised by the Board of Directors on the date of signing the Directors' Declaration.

### NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

The Financial Statements and Notes of the Group comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Statements and Notes comply with International Financial Reporting Standards.

Family Zone Cyber Safety Limited is a company limited by shares. The financial report is presented in Australian currency. Family Zone Cyber Safety Limited is a for-profit entity.

#### (a) Going Concern

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

The Statement of Comprehensive Income shows that the Group incurred a net loss of \$18,206,211 during the year ended 30 June 2018 (2017: loss of \$8,834,735). The Statement of Financial Position shows that the Group had cash and cash equivalents of \$2,461,222 as at 30 June 2018 (2017: \$1,387,577).

Subsequent to year end the Group successfully raised \$5.0 million through the issue of 10,000,000 shares at \$0.50 per Share to sophisticated and professional investors. The funds raised are to be used to support investment in service delivery and acceleration of business development activities particularly in education and global partnerships and to strengthen the Group's financial position.

The ability of the Group to continue as a going concern is dependent on it being able to successfully raise further debt or capital funding. The Directors believe that it is reasonable that the Group can raise additional capital, if required, as a result of the following:

- The Group has raised \$5.0m subsequent to year end and at a premium price to that of the market highlighting the support of sophisticated and professional investors for the Group; and,
- The Directors intend to raise capital as needed

The financial statements do not include any additional adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 30 June 2018**(b) Use of Estimates and Judgements*Significant Judgements and Key Assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

*(i) Share Based Payments*

The Company measures the cost of equity-settled transactions with suppliers and employees by reference to the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted. The fair value of the equity instruments granted is determined 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.

*(ii) Research and Development Assets*

The Group's accounting policy for capitalised development expenditure is set out in Note 3(h). The application of this policy necessarily requires management to make certain estimates and assumptions as to the future events and circumstances of the Group. Any such estimate and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the expenditures relate to aspects of the asset no longer utilised, or it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit or loss.

*(iii) Impairment of assets*

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset specific discount rates and the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

*(iv) Contingent Consideration*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on a probability weighted payout approach. The probability weighted value of the contingent consideration was then

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 30 June 2018*

discounted to determine the net present value of the contingent consideration. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer to note 13 for details).

As part of the accounting for the acquisition of Linewize, contingent consideration with an estimated fair value of \$2,238,275 was recognised at the acquisition date and remeasured to \$2,245,505 as at the reporting date. Future developments may require further revisions to the estimate.

**NOTE 3: SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**(a) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Subscription/service revenue is recognised over the life of the service contract as the Groups service obligations under the contract are satisfied. Hardware revenues are recognised when the significant risks and rewards of ownership of the hardware are transferred to the buyer and the amount of revenue can be measured reliably.

**Interest Revenue**

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

**Other revenue**

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

**(b) Government Grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

**(c) Income Tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (e) *Financial Assets and Financial Liabilities*

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the Group. A financial liability is removed from the Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires. Financial assets not measured at fair value comprise loans and receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

All financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

### (f) *Trade and Other Receivables*

Trade accounts and other receivables represent the principal amounts due at reporting date less, where applicable, any allowances for doubtful accounts.

### (g) *Inventories*

Finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

### (h) *Intangible Assets*

Expenditure on the research phase of projects to develop new customised software for IT and billing systems is recognised as expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets provided they meet the following recognition requirements;

- Development costs can be reliably measured
- The project is technically and commercially feasible
- The Group intends to and has sufficient resources to complete the project
- The Group has the ability to use or sell the software.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

Additionally, as part of its asset acquisitions the group has committed to the development of projects which are expected to bring substantial economic benefits over the next 12-36 months. Costs relating to the acquisition and development of the products have been capitalised.

All intangible assets are amortised at 33%.

### (i) Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount values exceeds the estimated recoverable amount the assets are written down to the recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and Equipment	10% - 40%

### (j) Research & Development Expense

The Group expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Group has received formal notification that a patent has been granted. The Group believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Group will only record a development asset when there is certainty that the Group will be able to patent the technology it has created, as demonstrated by the approval of the patent application and as a result expect future economic benefits to flow to the Group.

Following initial recognition of development expenditure as a development asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, which will normally be the useful life of the patent. Amortisation is recorded in other expenses and is currently undertaken at a rate of 33%.

During the period of development, the asset is tested for impairment annually.

### (k) Impairment of Assets

At each reporting date, the Group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets should be impaired. If such indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

### (l) Trade and Other Payables

Trade accounts and other payables and accrued liabilities represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest.

### (m) Cash and Cash Equivalents



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 30 June 2018*

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(n) Employee Benefits****(i) Short-term employee benefit obligations**

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**(ii) Long-term employee benefit obligations**

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled wholly within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur

Contributions are made by the Group to employee's superannuation funds. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

**(m) Share-Based Payment Arrangements**

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a 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 and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

**(n) 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.

**(o) Earnings per Share****(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 30 June 2018*

during the financial year.

**(ii) 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.

**(p) Segment Reporting**

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group), whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Group has two operating segments being information technology (and more specifically the provision of cyber safety services) Australia, and information technology (and more specifically the provision of cyber safety services) New Zealand that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. In the year ended 30 June 2017 the Group operated under one operating segment being information technology (and more specifically the provision of cyber safety services) Australia.

**(q) 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 Group'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 Group'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.

**(r) Goods and Services Tax ('GST')**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 30 June 2018*

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.

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

(s) *Foreign Currency Translation*

(i) *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the parent is Australian Dollars. The consolidated financial statements are presented in Australian Dollars.

(ii) *Transactions and Balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the transition of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

(iii) *Group Companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences transferred to the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(t) *Business Combinations*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

### (u) *New Accounting Standards and Interpretations*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Group for the year ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations 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 Group 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 Group'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 Group. 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 Group will adopt this standard from 1 July 2018.

The Group does not hold any complex financial assets and does not expect the new changes to have any impact on its recognition of financial assets. Similarly, the Group does not engage in any hedge accounting and as such, the new hedge accounting rules will have no impact.

The Group has a complex financial liability in the form of contingent consideration payable which will continue to be measured at fair value through profit or loss under the new standard.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

#### *AASB 15 Revenue from Contracts with Customers*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 30 June 2018*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that a Group will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group 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, a Company 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 the Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company'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 judgments 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 Company will adopt this standard from 1 July 2018 and is continuing to assess the impact of its adoption. It is expected that there will be no change to the recognition of service revenue which will continue to be recognised over the life of the contract as the Group's performance obligations are satisfied over time rather than on deployment. These performance obligations under the contract are not likely to be distinct and hence will be grouped together as part of a single contract. This has been applied to all current contracts and agreements in place and revenue recognised on this basis.

**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 Group will adopt this standard from 1 July 2019. There will be minimal impact as current leases are in relation to immaterial office leases held by the group.

**(v) Rounding**

The Company has applied the relief available to it in ASIC Legislative Instrument 2016/191 and accordingly, certain amounts included in the Directors' report and in the financial report have been rounded off to the nearest \$1 (where rounding is applicable), under the option available to the Company under ASIC Corporations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**(w) Leases**

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, transfer to the Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the profit or loss on a straight line basis over the lease term..

**NOTE 4: REVENUE AND OTHER INCOME**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Operating Revenue</b>		
Service revenue	2,064,367	709,035
Hardware revenue	265,413	880,167
	<b>2,329,780</b>	<b>1,589,202</b>
<b>Interest and other income</b>		
Interest revenue	19,282	12,399
Other	44,453	1,214
	<b>63,735</b>	<b>13,613</b>
<b>Government Grant</b>		
Research and Development Grant	2,583,700	631,813
Export Assistance Grant	72,159	56,093
	<b>2,655,859</b>	<b>687,906</b>

**NOTE 5: LOSS**

Loss before income tax has been determined after charging the following expenses

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Directors' fees	530,734	412,046
Director consulting costs <sup>(1)</sup>	-	10,000
Employee wages	6,788,633	2,619,728
Consulting	323,690	178,426
Travel & Accommodation	612,867	298,730
Contractors & Service Providers	1,631,549	814,979
Superannuation	563,036	273,150
Total expenditure	<b>10,450,509</b>	<b>4,607,059</b>

(1) Relates to Mr Crispin Swan for consulting services provided. These services have been provided on an arm's length basis with commercial terms no more favourable than those that the Company would have transacted with other parties for similar services provided.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**NOTE 6: MARKETING EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Sales and Marketing</b>		
Advertising	698,020	676,061
Call centre charges	148,280	123,296
Domain licenses	5,805	5,120
Other	380,437	314,282
	<b>1,232,543</b>	<b>1,118,759</b>

**NOTE 7: INCOME TAX**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>(a) The major components of income tax expense / (benefit) comprise of:</b>		
Current tax benefit	-	-
Deferred tax benefit	-	-
	-	-
<b>(b) Reconciliation of prima facie tax on continuing operations to income tax expense / (benefit):</b>		
Profit / (loss) before tax for the year	(18,206,211)	(8,834,735)
Prima facie income tax payable on profit before income tax at:		
- 27.50% (Australia)	(4,458,576)	(2,650,402)
- 28.00% (New Zealand)	(318,462)	-
- 27.9% (US)	(237,754)	-
- 17.00% (Singapore)	(645)	-
<i>Adjustments for:</i>		
Entertainment	4,639	4,094
Share based payments	1,184,267	449,693
R&D tax incentive classified as income	710,518	(189,544)
Non-deductible expenditure	1,185,860	474,236
Offset against DTL/DTA not recognised	1,930,153	-
Tax losses not recognised	-	1,911,922
<b>Income tax expense attributable to profit</b>	<b>-</b>	<b>-</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Deferred taxes</b>		
<i>Deferred tax asset balance comprises:</i>		
Tax losses	2,589,970	1,900,905
Plant & Equipment	-	291,885
Provisions & Accruals	191,542	225,815
Capital & Business related costs	303,083	218,954
Offset against deferred tax liability / not recognised	(3,84,596)	(2,637,558)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
*Deferred tax liability balances comprises:*

PPE and Intangible assets	(395,108)	-
Prepayments	-	(120)
Offset against deferred tax assets / not recognised	395,108	120
Net deferred tax asset / (liability)	-	-

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>(d) Deferred tax assets / liabilities included in income tax expense</b>		
Decrease / (increase) in deferred tax assets	(1,221,059)	(2,391,305)
(Decrease) / increase in deferred tax liabilities	(336,614)	214,720
Adjust for recognition/offset of DTA/DTL	1,557,673	2,176,585
	-	-
<b>(e) Deferred income tax related to items charged or credited directly to equity</b>		
Decrease / (increase) in deferred tax assets	-	243,188
(Decrease) / increase in deferred tax liabilities	-	-
Adjust for derecognition / offset of DTA/DTL	-	(243,188)
	-	-
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>(f) Deferred tax assets / liabilities not brought to account</b>		
Temporary differences	99,518	736,533
Operating tax losses – Australia	2,589,970	1,900,905
Operating tax losses – Other jurisdictions	833,165	-
	<b>3,522,653</b>	<b>2,637,437</b>

The tax benefits of the above deferred tax assets will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**NOTE 8: LOSS PER SHARE**

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income or loss and share data used in the total operations basic and diluted earnings per share computations:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss used in the calculation of basic and diluted loss per share	(18,206,211)	(8,838,458)
Basic earnings/(loss) per share attributable to equity holders (cents Per Share)	(17.35)	(14.70)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding	104,927,965	60,117,590
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	<b>104,927,965</b>	<b>60,117,590</b>

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

**NOTE 9: CASH AND CASH EQUIVALENTS**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	2,461,222	1,387,577
<b>Total Cash and Cash Equivalents</b>	<b>2,461,222</b>	<b>1,387,577</b>

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 24 on financial instruments for details on the Company's exposure to risk in respect of its cash balance.

**NOTE 10: INVENTORY**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Current:</b>		
At net realisable value:		
Finished goods	149,929	169,987
<b>Total Inventory</b>	<b>149,929</b>	<b>169,987</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**NOTE 11: INTANGIBLES**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Intellectual Property at cost <sup>(1)</sup>	13,707,892	5,187,142
Less: Accumulated amortisation and impairment	(4,955,835)	(1,862,139)
Customer Contracts at cost <sup>(2)</sup>	339,181	-
Less: Accumulated amortisation and impairment	(66,052)	-
	<b>9,025,186</b>	<b>3,325,003</b>

(1) *Intellectual Property includes \$8,470,986 acquired as part of the Linewize acquisition (refer to note 13 for further detail). The remaining amortisation period for this IP is 29 months. The remaining amortisation period on the remainder of the IP is 17 Months*

(2) *The remaining amortisation period for customer contracts is 29 months.*

a) Reconciliation of movements in intangible assets

	<b>\$</b>
<b>Intangible Assets</b>	
Balance at 1 July 2016	380,146
Additions	4,069,042
Impairment expense	(52,248)
Amortisation expense	(1,071,937)
<b>Balance at 30 June 2017</b>	<b>3,325,003</b>
Additions <sup>(1)</sup>	8,859,931
Impairment expense	-
Amortisation expense	(3,159,748)
<b>Balance at 30 June 2018</b>	<b>9,025,186</b>

(1) *Refer to Note 13: Business combinations for additional detail on intangible assets acquired as part of business combination.*

**NOTE 12: TRADE AND OTHER PAYABLES**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Current:</b>		
Trade payables <sup>(2)</sup>	500,277	589,321
Revenue in advance	1,645,500	1,078,281
Accruals & other payables	1,226,632	1,172,136
Share monies received in advance <sup>(1)</sup>	-	622,000
<b>Total Current Trade and Other Payables</b>	<b>3,372,409</b>	<b>3,461,738</b>
<b>Non Current:</b>		
Revenue in advance <sup>(1)</sup>	243,883	806,424
<b>Total Non Current Trade and Other Payable</b>	<b>243,883</b>	<b>806,424</b>
<b>Total Trade and Other Payables</b>	<b>3,616,292</b>	<b>4,268,162</b>

(1) *FY 17 balance relates to share monies which were received in the 30 June 2017 financial year for shares issued during financial year 30 June 2018.*

(2) *Current trade payables are non-interest bearing and are normally settled on 30-day terms*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**NOTE 13: BUSINESS COMBINATION**

On 29 November 2017, Family Zone acquired 100% of the share capital in Linewize Services Limited and Linewize Limited (**Linewize**) which own and operate an innovative cloud-managed firewall service, specifically developed for the needs of the education sector. Its services covers user authentication, content filtering, network appliances, telecoms services, BYOD support, network access management and an award winning suite of classroom tools. Linewize is the leading provider of cyber security and safety services in New Zealand with its technology represented in a network of 260 schools and 130,000 students at the time of the acquisition.

The key drivers and benefits of this acquisition included providing the Group access to a rapidly expanding network of schools and parents plus access to world leading technology for schools and experienced executives as well as strategic opportunities for Family Zone to build out features, transform service levels and achieve order of magnitude reductions in service costs through Linewize's innovative and world class cloud technology.

**a) Details of the consideration paid to Vendors:**

	\$
Cash deposit paid	179,578
Ordinary shares issued	6,326,616
Contingent consideration (Performance Shares issued)	2,238,275
<b>Total purchase consideration</b>	<b>8,744,469</b>

The value of the ordinary shares issued as part of the consideration was assessed at a price of \$0.665 per Share which was based on the quoted price at the date of the business combination.

**b) Contingent consideration**

The contingent consideration comprised 9,500,000 Performance Shares (Classes D to H Performance Shares) which convert into Shares subject to the achievement of various revenue and customer targets over a 5 year period as outlined in the table below:

Class of Performance Share	Number of Consideration Performance Shares	Performance Milestones	Range of Contingent Consideration
D	1,000,000	NZ\$1,250,000 of Recurring Revenue; or 310 LW School Deploys; or 5,000 FZO NZ Accounts.	\$0 - \$665,000
E	1,000,000	NZ\$1,750,000 of Recurring Revenue; or 360 LW School Deploys; or 10,000 FZO NZ Accounts.	\$0 - \$665,000
F	2,000,000	NZ\$3,750,000 of Recurring Revenue; or 460 LW School Deploys; or 20,000 FZO NZ Accounts.	\$0 - \$1,330,000
G	2,500,000	NZ\$6,250,000 of Recurring Revenue; or 585 LW School Deploys; or 32,500 FZO NZ Accounts.	\$0 - \$1,662,500

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

H	3,000,000	NZ\$9,250,000 of Recurring Revenue and FZO NZ Group Revenue	\$0 - \$1,995,000
<b>Total</b>	<b>9,500,000</b>		<b>\$0 - \$6,317,500</b>
<i>LW School Deploys means the total school deployments of the core technology of Linewize in any country.</i>			

The value of the contingent consideration has been assessed based on a probability weighted payout approach. The probability weighted value of the contingent consideration was then discounted to determine the net present value of the contingent consideration.

As at 30 June 2018, the contingent consideration has been revalued at \$2,245,505 resulting in a revaluation expense recognised in the statement of profit or loss and other comprehensive income of \$7,230.

**c) Assets and liabilities acquired**

Assets and liabilities held by Linewize at the acquisition date recognised on acquisition at fair value:

	\$
Cash	12,539
Accounts receivable	35,671
Inventory	10,937
Property plant and equipment	37,803
Accounts payable and accruals	(45,277)
Loans payable	(45,208)
Intangible asset - Contracted customers	339,181
Intangible asset - Linewize IP/Platform	8,470,986
<b>Net identifiable assets acquired</b>	<b>8,816,632</b>
Less: Gain on bargain purchase	(72,163)
<b>Total purchase consideration</b>	<b>8,744,469</b>

The gain on bargain purchase arose when the Group's share of the fair value of identifiable net assets of Linewize acquired exceeded the cost of the acquisition paid by the Group. The excess is recognised as income within the Statement of Profit or Loss and Other Comprehensive Income.

**d) Contribution since acquisition**

Since the acquisition Linewize has contributed a loss after tax of \$1,094,663 which is included within the profit of the Group. Had the acquiree been controlled for the entire reporting period, the contribution to Group net loss would have been \$1,949,225.

**NOTE 14: ISSUED CAPITAL**

	2018	2017
	Number of Shares	Number of Shares
Issued Ordinary Shares - no par value (fully paid)	134,610,852	81,795,928
<b>Total</b>	<b>134,610,852</b>	<b>81,795,928</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

	Number of Shares	Value \$
<b>Opening balance – 1 July 2016</b>	<b>16,000,029</b>	<b>1,433,717</b>
<b>Closing balance – 30 June 2017</b>	<b>81,795,928</b>	<b>12,582,677</b>
Shares issued to major shareholder on 20 July 2017	3,333,334	1,000,000
Share issued under sophisticated investor placement on 9 August 2017	13,000,000	5,200,000
Shares issued to Fidelio on 29 November 2017	1,549,443	1,045,872
Shares issued to Linewize Vendors on 29 November 2017	9,513,708	6,326,616
Shares issued under sophisticated investor placement on 4 December 2017	8,366,668	5,020,001
Issued on conversion of options between 31 August 2017 and 30 June 2018	5,418,438	1,444,911
Issued on conversion of rights between 9 April 2018 and 18 June 2018	11,633,333	-
Less: share issue costs		(1,746,899)
<b>Closing balance – 30 June 2018</b>	<b>134,610,852</b>	<b>30,873,178</b>

**Capital Management**

When managing capital, the Board's objective is to ensure the Group continues as a going concern as well as to maximise the returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The Board is constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may issue new shares, return capital to shareholders or sell assets to reduce debt.

The Group was not subject to any externally imposed capital requirements during the year.

**NOTE 15: RESERVES**
**Nature and Purpose of Reserve**

The share based payment reserve records the value of options, performance rights and performance shares issued to the Group's directors, employees, and third parties. The value of the amount disclosed during the year reflects the value of options and performance shares issued by the Group.

	2018 \$	2017 \$
Performance Shares	1,657,455	1,156,424
Performance Rights	1,830,128	-
Options	3,354,540	1,349,982
Foreign Currency Translation Reserve	11,663	-
<b>Total Reserves</b>	<b>6,853,786</b>	<b>2,506,406</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**Options outstanding at 30 June 2018**

The following options over ordinary shares of the Company existed at reporting date:

Grant Date	Expiry Date	Exercise Price	Balance at start of Year (number)	Granted During the Year (number)	Exercised during the year (number)	Forfeited during the year (number)	Balance at year end (number)	Vested and exercisable at year end (number)
20/05/2016	20/05/2019	\$0.25	4,000,000	-	-	-	4,000,000	4,000,000
29/08/2016	29/08/2019	\$0.25	10,093,751	-	(4,205,313)	-	5,888,438	5,888,438
19/9/16 - 31/8/17	19/09/2019	\$0.33	4,899,773	2,433,272	(548,125)	(1,480,054)	5,304,866	2,576,564
16/12/2016	15/12/2019	\$0.30	6,000,000	-	(665,000)	-	5,335,000	3,835,000
05/05/2017	05/05/2020	\$0.30	1,750,000	-	-	-	1,750,000	1,750,000
04/12/2017	04/12/2020	\$0.50	-	850,000	-	-	850,000	850,000
04/12/2017	04/12/2020	\$0.60	-	850,000	-	-	850,000	850,000
09/04/2018	09/04/2021	\$0.75	-	516,765	-	-	516,765	516,765
09/04/2018	09/04/2021	\$0.90	-	516,765	-	-	516,765	516,765
<b>Total</b>			<b>26,743,524</b>	<b>5,166,802</b>	<b>(5,418,438)</b>	<b>(1,480,054)</b>	<b>25,011,834</b>	<b>20,783,532</b>

**Performances shares outstanding at 30 June 2018**

The following performance shares of the Company existed at reporting date. On achievement of the performance milestones attaching to the class of performance shares, the performance shares automatically convert into fully paid ordinary shares for nil consideration.

Class	Grant Date	Expiry Date	Balance at start of Year (number)	Granted During the Year* (number)	Converted during the year (number)	Forfeited during the year (number)	Balance at year end (number)
A	16/6/16 - 16/12/16	29/08/2018	10,500,000	-	(10,500,000)	-	-
B	16/6/16 - 16/12/16	29/08/2019	10,499,999	-	-	-	10,499,999
C	16/6/16 - 16/12/16	29/08/2020	10,499,998	-	-	-	10,499,998
D	29/11/2017	29/11/2022	-	1,000,000	-	-	1,000,000
E	29/11/2017	29/11/2022	-	1,000,000	-	-	1,000,000
F	29/11/2017	29/11/2022	-	2,000,000	-	-	2,000,000
G	29/11/2017	29/11/2022	-	2,500,000	-	-	2,500,000
H	29/11/2017	29/11/2022	-	3,000,000	-	-	3,000,000
			<b>31,499,997</b>	<b>9,500,000</b>	<b>(10,500,000)</b>	<b>-</b>	<b>30,499,997</b>

1. Performance Shares issued during the year were in part consideration for the Linewize acquisition. The Performance Shares convert into Shares subject to the achievement of various performance targets and have been reported as contingent consideration for the acquisition. Refer to Note 13: Business combinations for further details.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

Reconciliation of movement in performance share reserve:

	Number of Performance Shares	Value \$
Opening Balance - 1 July 2017	31,499,997	1,349,982
Share based payment expense for the year in respect to Performance Shares on issue as at 1 July 2017	-	307,473
Performance Shares issued on 29 November 2017 <sup>(1)</sup>	9,500,000	-
Performance Shares converted into ordinary shares on achievement of performance milestone	(10,500,000)	-
	<b>30,499,997</b>	<b>1,657,455</b>

*(1) Performance Shares issued during the year were in part consideration for the Linewize acquisition. The Performance Shares convert into Shares subject to the achievement of various performance targets and have been reported as contingent consideration for the acquisition. Refer to Note 13: Business combinations for further details.*

**Performance Rights at 30 June 2018**

The following Performance Rights of the Company existed at reporting date:

Grant Date	Expiry Date	Exercise Price	Balance at start of Year (number)	Granted During the Year (number)	Exercised during the year (number)	Forfeited during the year (number)	Balance at year end (number)	Vested and exercisable at year end (number)
04/12/2017	04/12/2020	Nil	-	5,450,000 <sup>1</sup>	(1,133,333) <sup>2</sup>	-	4,316,667	350,000 <sup>2</sup>
<p>1. Comprising 1,483,333 Class A Performance Rights 1,483,331 Class B Performance Rights, 1,483,336 Class C Performance Rights, 333,340 Class D Performance Rights, 333,330 Class E Performance Rights and 333,330 Class F Performance Rights.</p> <p>2. 1,113,333 Class A Performance Rights were exercised during the period and 350,000 Class A Performance Rights were vested and exercisable.</p>								

Reconciliation on movement in performance right reserve:

	Number of Performance Rights	Value \$
Opening Balance - 1 July 2017	-	-
Performance Rights issued on 4 December 2017	5,450,000	1,830,128
Performance Rights exercised during the period following achievement of performance milestone	(1,133,333)	-
	<b>4,316,667</b>	<b>1,830,128</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

These Performance Rights have been valued at grant date and each Class are being expensed over the vesting period.

Performance Rights	Valuation Date	Vesting Date	Fair Value at Grant Date <sup>1</sup>	Number Issued	Total Expense for the period
Class A	04/12/2017	29/08/2018	\$0.675	1,483,333	\$1,001,250
Class B	04/12/2017	29/08/2019	\$0.675	1,483,331	\$327,422
Class C	04/12/2017	29/08/2020	\$0.675	1,483,336	\$207,467
Class D	04/12/2017	29/08/2018	\$0.675	333,340	\$173,791
Class E	04/12/2017	29/08/2019	\$0.675	333,330	\$73,577
Class F	04/12/2017	29/08/2020	\$0.675	333,330	\$46,621
<b>Total</b>				<b>5,450,000</b>	<b>\$1,830,128</b>

1. The above Performance Rights have been valued using the Black Scholes Model applying the following inputs: share price at grant date of \$0.675 per share; expected volatility of 100%; expected dividends of nil; and a risk free rate of 2.28%.

**NOTE 16: ACCUMULATED LOSSES**

	2018 \$	2017 \$
Accumulated Losses	(30,683,960)	(12,477,749)
Opening balance	(12,477,749)	(3,643,014)
Net loss for the financial year	(18,206,211)	(8,834,735)
<b>Total Accumulated Losses</b>	<b>(30,683,960)</b>	<b>(12,477,749)</b>

**NOTE 17: PROVISIONS**

	2018 \$	2017 \$
<b>Current:</b>		
Provision for annual leave	461,028	191,099
Provision for doubtful debts	47,129	-
<b>Total Current Provisions</b>	<b>508,157</b>	<b>191,099</b>

**NOTE 18: TRADE AND OTHER RECEIVABLES**

	2018 \$	2017 \$
<b>Current:</b>		
Trade receivable	264,180	138,351
Prepayments	143,373	75,519
GST receivable	53,078	94,458
Contract receivable	736,380	654,855
<b>Total Current Trade and Other Receivable</b>	<b>1,197,011</b>	<b>963,183</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**Non-Current:**

Contract receivable	304,000	1,007,424
Bonds and deposits	17,928	-
<b>Total Non-Current Trade and Other Receivable</b>	<b>321,928</b>	<b>1,007,424</b>
<b>Total Trade and Other Receivable</b>	<b>1,518,939</b>	<b>1,970,607</b>

**NOTE 19: PROPERTY PLANT & EQUIPMENT**

	2018 \$	2017 \$
Property plant & equipment – at cost	405,152	232,611
Less: Accumulated amortisation and impairment	(147,470)	(15,190)
	<b>257,682</b>	<b>217,421</b>

## a) Reconciliation of movements in fixed assets

**Property Plant and Equipment**

	\$
Balance at 1 July 2016	6,852
Additions	225,759
Depreciation expense	(15,190)
<b>Balance at 30 June 2017</b>	<b>217,421</b>
Additions	172,541
Depreciation expense	(132,280)
<b>Balance at 30 June 2018</b>	<b>257,681</b>

**NOTE 20: OPERATING CASH FLOW INFORMATION**

	2018 \$	2017 \$
<b>Reconciliation of cash flow from operations with loss after income tax</b>		
Loss for the year	(18,206,211)	(8,834,735)
<i>Non-cash items</i>		
Impairment	-	52,248
Share based payments	4,306,427	1,498,978
Depreciation and amortisation	3,269,831	1,083,127
Other	139,192	(319,386)
<i>Changes in Assets and Liabilities</i>		
Increase / (Decrease) in Trade and Other Payables	742,355	3,073,995
(Increase)/ Decrease in Inventory	(30,995)	46,042
(Increase)/ Decrease in Trade and Other Receivables	(532,526)	(1,929,179)
Increase)/ (Decrease) in other provisions	(112,953)	-
<b>Cash flows used in operations</b>	<b>(10,556,642)</b>	<b>(5,328,910)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**NOTE 21: AUDITOR'S REMUNERATION**

	2018	2017
	\$	\$
The auditor of Family Zone Cyber Safety Limited		
<i>Amounts received or due and receivable by Pitcher Partners for:</i>		
Pitcher Partners BA&A Pty Ltd		
- Audit and review services	41,000	36,000
- Non-audit services – Other assurance engagements	6,250	-
Pitcher Partners (WA) Pty Ltd – Taxation	8,500	8,000
<b>Total remuneration of Pitcher Partners BA&amp;A Pty Ltd and related firms</b>	<b>55,750</b>	<b>44,000</b>

**NOTE 22: SHARE BASED PAYMENTS**

Share based payments made during the year ended 30 June 2018 are summarised below.

**(a) Recognised Share Based Payment Expense**

	2018	2017
	\$	\$
Broker options issued for capital raising services provided	-	286,035
Shares issued to consultants in lieu of services provided	1,045,874	635,421
Options issued to employees as incentive	1,122,952	422,747
Shares issued to employees as incentive	-	154,775
Performance Rights issued to employees as incentive and for services	1,830,128	-
Performance Share issued to employees as incentive and for services	307,473	-
	<b>4,306,427</b>	<b>1,498,978</b>

**(b) Options Granted During the Year**

The Group's current Employee Share Option Plan (**ESOP**) was approved by the board of directors on 7 July 2016. The ESOP is designed to provide medium and long term incentives for all employees (including non-executive and executive directors) and to attract and retain experienced employees, board members and executive officers and provide motivation to make the group more successful.

Under the ESOP, participants have been granted options which only vest if certain performance milestones are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefit.

Any option may only be exercised after the option has vested and other conditions imposed by the board have been satisfied. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, shares allotted pursuant to the exercise of options will be allotted following receipt of relevant documentation and payments will rank equally with all other shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

During the year the following Employee Options were granted and vested:

Tranche	Valuation Date	Expiry Date	Exercise Price	Issued during the year	Vested during the year	Total Share-Based Payment Expense for the year
1	19/09/2016	19/09/2019	\$0.33	-	997,866	\$141,086
2	02/12/2016	19/09/2019	\$0.33	-	807,140	\$99,650
3	20/02/2017	19/09/2019	\$0.33	-	317,328	\$26,816
4	31/08/2017	19/09/2019	\$0.33	2,433,272	972,601	\$428,389
5	16/12/2016	15/12/2019	\$0.30	-	4,500,000	\$427,011
<b>Total</b>				<b>2,433,272</b>	<b>7,594,934</b>	<b>\$1,122,952</b>

As these Employee Options were considered to represent the value of the services received over the vesting period, the Group has determined the most appropriate values for these Employee Options using the Black Scholes Model applying the following inputs.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Underlying share price	\$0.30	\$0.195	\$0.18	\$0.51	\$0.20
Exercise price	\$0.33	\$0.33	\$0.33	\$0.33	\$0.30
Expected volatility	100%	100%	100%	100%	100%
Expiry date (years)	3.00	3.00	3.00	2.05	3.00
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free rate	2.28%	2.28%	2.28%	2.28%	2.28%
Value per option	\$0.182	\$0.102	\$0.082	\$0.325	\$0.106

The vesting conditions attached to the Tranche 1-4 Employee Options are as follows:

Vesting Date	Vesting condition
31/12/2017	25% of the Options will vest and become exercisable upon the Company having 20,000 paying subscribers registered by 31 December 2017. Vested as at 30 June 2018.
31/12/2017	25% of the Options vest and become exercisable upon the Company having 30,000 paying subscribers registered by 31 December 2017. Vested as at 30 June 2018.
30/06/2019	50% of the Options will vest and become exercisable upon the Company achieving \$10,000,000 of customer revenue in any of the financial years ended 30 June 2017, 30 June 2018 or 30 June 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

The vesting conditions attaching to the Tranche 5 Employee Options are as follows:

<b>Vesting Date</b>	<b>Vesting condition</b>
15/12/2019	25% vest on Family Zone achieving \$2.0m Cumulative Revenue in 24 months from engagement or 20,000 Paying Zones. Vested as at 30 June 2018.
15/12/2019	25% vest on Family Zone achieving \$4.0m Cumulative Revenue in 24 months from engagement or 30,000 Paying Zones. Vested as at 30 June 2018.
15/12/2019	25% vest on Family Zone achieving \$8.0m Cumulative Revenue in 24 months from engagement or 40,000 Paying Zones. Vested as ay 30 June 2018.
15/12/2019	25% vest on Family Zone achieving \$10.0m Cumulative Revenue in 24 months from engagement or 50,000 Paying Zones.

**c) Performance Rights**

During the year, the Group issued 5,450,000 Performance Rights to key executives. The Performance Rights issued convert into ordinary shares on a one for one basis subject to the achievement of a series of vesting conditions.

These Performance Rights were considered to represent the value of the services received over the vesting period. The Performance Rights have been valued based on the share price of the Company at the date of approval of the issue of the Performance Rights with a share based payment expense recognised over the vesting period of the Performance Rights.

The total share based payment expense for the year in respect to the Performance Rights on issue was \$1,830,128.

**d) Performance Shares**

During the financial period, the Company issued 9,500,000 Performance Shares as part of the consideration for the Linewize acquisition. These Performance Shares were considered to be contingent consideration for the acquisition of Linewize. Refer to Note 13 Business Combinations for further details.

The total share based payment expense for the year in respect to the 31,499,997 Performance Shares that had been issued to employees in lieu of services in the prior period was \$307,473.

**NOTE 23: SEGMENT INFORMATION**

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In the prior year, the Group operated in one segment being cyber security services in Australia. During the financial year the Group completed the acquisition of Linewize (refer to note 13 for additional information). As a result of the acquisition, the Group now has two operating segments that are consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The two main operating segments in which the group operates are information technology (and more specifically the provision of cyber safety services) Australia, and information technology (and more specifically the provision of cyber safety services) New Zealand. The Group also operates in Asia, and America, however these are in the early stages of development, and have been allocated to other. Other also includes head office & corporate expenditure.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

<b>30 June 2018</b>	<b>Australia</b>	<b>New Zealand</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Income</b>				
Sales revenue	2,068,772	239,517	21,492	2,329,780
Other income	2,779,284	12,445	7	2,791,736
<b>Total Income</b>	<b>4,848,055</b>	<b>251,962</b>	<b>21,499</b>	<b>5,121,516</b>
<b>Segment Expenses</b>				
Cost of sales	(1,145,401)	(50,150)	(17,710)	(1,213,261)
Operating expenses	(9,898,573)	(1,206,309)	(924,527)	(12,029,409)
Research and Development	(2,385,566)	(116,385)	(6,848)	(2,508,800)
Share based payments	-	-	(4,306,427)	(4,306,427)
<b>Loss before depreciation and amortisation</b>	<b>(8,581,484)</b>	<b>(1,120,882)</b>	<b>(5,523,401)</b>	<b>(14,936,380)</b>
Depreciation and amortisation	(1,540,024)	(1,729,806)	-	(3,269,831)
<b>Loss before Income Tax</b>	<b>(10,121,508)</b>	<b>(2,850,689)</b>	<b>(5,234,013)</b>	<b>(18,206,211)</b>
<b>30 June 2018</b>	<b>Australia</b>	<b>New Zealand</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Assets and Liabilities</b>				
Cash	2,366,182	53,342	41,698	2,461,222
Trade and other receivables	1,365,988	118,181	34,771	1,518,939
Inventory	92,423	57,507	-	149,929
Plant and equipment	218,390	39,291	-	257,681
Intangible assets	1,930,708	7,094,478	-	9,025,186
Trade and other payables	(3,108,858)	(498,205)	(9,229)	(3,655,209)
Provisions	(451,800)	(56,357)	-	(508,157)
Contingent consideration	(2,245,505)	-	-	(2,245,505)
<b>Net Assets</b>	<b>167,527</b>	<b>6,808,237</b>	<b>67,240</b>	<b>7,043,004</b>

**NOTE 24: FINANCIAL INSTRUMENTS**
**(a) Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash, receivables, and payables.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

The Group manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the Company's risk management policy. The primary objective of the policy is to reduce the volatility of cash flows and asset values arising from such movements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rate risk, ageing analysis and monitoring of credit allowances to manage credit risk and the use of future cash flow forecasts to monitor liquidity risk.

**(b) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

**(c) Categorisation of Financial Instruments**

Details of each category in accordance with Australian Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, are disclosed either on the face of the Statement of Financial Position or in the notes.

**(d) Credit Risk**
**(i) Exposure to Credit Risk**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2018 \$	2017 \$
<b>Financial Assets - Current</b>		
Cash and cash equivalents	2,461,222	1,387,577
Trade receivables	264,180	138,351
<b>Total Financial Assets</b>	<b>2,725,403</b>	<b>1,525,928</b>

Financial assets as at 30 June 2018 are neither past due nor impaired.

**(ii) Interest Rate Risk**

The Group's maximum exposure to interest rates at the reporting date was:

	Range of Effective Interest Rate (%)	Carrying Amount \$	Interest Rate Exposure			Total \$
			Variable Interest Rate \$	Non Interest Bearing \$	Fixed Interest Rate \$	
<b>2018</b>						
<b>Financial Assets - Current</b>						
Cash and cash equivalents	0 – 1	2,461,222	-	-	2,461,222	<b>2,461,222</b>
<b>2017</b>						
<b>Financial Assets - Current</b>						
Cash and cash equivalents	0 – 1	1,387,577	-	-	1,387,577	<b>1,387,577</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**(e) Fair value of Financial Instruments**

The directors consider the carrying amount of the Group's financial instruments to be a reasonable approximation of their fair value on account of their short maturity cycle.

**(f) Liquidity Risk**
**(i) Exposure to Liquidity Risk**

The carrying amount of the Group's financial liabilities represents the maximum liquidity risk. The Group's maximum exposure to liquidity risk at the reporting date was:

	2018 \$	2017 \$
<b>Financial Liabilities - Current</b>		
Trade and other payables	799,387	1,155,169
Share monies received in advance	-	622,000
<b>Total financial liabilities</b>	<b>799,387</b>	<b>1,777,169</b>

**(ii) Contractual Maturity Risk**

The following table discloses the contractual maturity analysis at the reporting date:

2018 Financial Instrument	0-6 months \$	6-12 months \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
<b>Financial Assets</b>					
Cash	2,461,222	-	-	-	2,461,222
Trade and other receivables	264,180	-	-	-	264,180
<b>Total financial assets</b>	<b>2,725,403</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,725,403</b>
<b>Financial Liabilities</b>					
Trade and other payables	799,387	-	-	-	799,387
<b>Total financial liabilities</b>	<b>799,387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>799,387</b>
<b>2017 Financial Instrument</b>	<b>0-6 months \$</b>	<b>6-12 months \$</b>	<b>Over 1 to 5 years \$</b>	<b>More than 5 years \$</b>	<b>Total \$</b>
<b>Financial Assets</b>					
Cash	1,387,577	-	-	-	1,387,577
Trade and other receivables	1,007,424	-	703,782	-	1,970,607
<b>Total financial assets</b>	<b>2,395,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,358,184</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**Financial Liabilities**

Trade and other payables	1,155,169	-	-	-	1,155,169
Share monies in advance	622,000	-	-	-	622,000
<b>Total financial liabilities</b>	<b>1,777,169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,777,169</b>

**(g) Market Risk**
**(i) Currency Risk**

The Group's primary operations were in Australia during the year ended 30 June 2017.

Following the acquisition of Linewize during the current financial year, primary operations now include those in New Zealand which gives rise to foreign exchange risk arising from foreign currency transactions with respect to the New Zealand dollar (NZD). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency (NZD) that is not the functional currency of the Group (AUD).

The Group's exposure to foreign currency risk with respect to the AUD/NZD exchange rate was as follows:

**Value of NZD exposure expressed in AUD**

	<b>2018</b>	<b>2017</b>
Net assets (liabilities)	(245,905)	-
Net profit (Loss)	(1,135,000)	-

**Foreign Currency sensitivity:**

Based on the net liability position of the foreign subsidiaries at 30 June 2018, had the Australian dollar weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$113,500 higher/\$113,500 lower (2017: Nil), and the effect on equity would have been \$24,591 higher/\$24,591 lower (2017: Nil).

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

**(ii) Interest Rate Risk**

The Group's only exposure to interest rate risk is on balances held as cash as set out in Note 24(d)(ii). The Group is not exposed to debt interest rate risk as there is nil debt for 2018 (2017: Nil).

**(iii) Other Price Risk**

By virtue of the nature and classification of the financial instruments held by the Group, it is not exposed to significant other price risk.

**(iv) Sensitivity Disclosure Analysis**

Taking into account past performance, future expectations and economic forecasts, the Group believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Reserve Bank of Australia).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*

It is considered that 100 basis points is a 'reasonably possible' estimate of potential variations in the interest rate.

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Company at year end as presented to key management personnel, if changes in the relevant risk occur.

	Carrying Amount \$	Interest Rate Risk			Equity \$
		+1% Profit \$	+1% Equity \$	-1% Profit \$	
<b>2018</b>					
<b>Financial Assets - Current</b>					
Cash and cash equivalents	2,461,222	24,612	24,612	(24,612)	(24,612)
Trade Receivables	328,662	-	-	-	-
<b>2017</b>					
<b>Financial Assets - Current</b>					
Cash and cash equivalents	1,387,577	13,875	13,875	(13,875)	(13,875)

**NOTE 25: RELATED PARTY TRANSACTIONS**
**(a) Parent and Subsidiaries**

The parent entity and ultimate parent entity of the Group is Family Zone Cyber Safety Limited, a company listed on the Australian Securities Exchange. The components of the Group are:

	Incorporation	Extent of control	
		2018	2017
<b>Parent</b>			
Family Zone Cyber Safety Limited	<b>Australia</b>	-	-
<b>Controlled entities</b>			
Family Zone Inc.	<b>USA</b>	100%	100%
Family Zone Cyber Safety Pte. Ltd.	<b>Singapore</b>	100%	100%
Linewize Limited	<b>New Zealand</b>	100%	-
Linewize Services Limited	<b>New Zealand</b>	100%	-



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**(b) Key Management Personnel Compensation**

Information on remuneration of all Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report. The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	530,734	412,046
Post-employment benefits	-	-
Share based payment	293,989	-
<b>Total</b>	<b>824,723</b>	<b>412,046</b>

**(c) Loans with Key Management Personnel**
*(Mr Tim Levy – Managing Director)*

A loan balance has arisen between Family Zone Cyber Safety Limited and Mr Tim Levy as a result of funds loaned to the Company and payments made on behalf of the Company by the Mr Levy. Movements in the loan account during the year are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Opening balance payable by the Company	(20,483)	(44,483)
Loans received from director	-	(120,483)
Cash repayments	20,483	144,483
<b>Total Payable to the Company</b>	<b>-</b>	<b>(20,483)</b>

**(c) Other Transactions with Key Management Personnel**
**a) Grange Consulting**

Mr Phil Warren, a Director of the Company, is also a Managing Director of Grange Consulting and an entity related to him is shareholder of Grange Consulting.

A summary of the total fees paid to Grange Consulting and Grange Capital Partners for the year ended 30 June 2018 and 30 June 2017 is as follows:

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Company secretarial services	94,500	90,402
Success fee on listing on the ASX	-	50,000
Transaction management on lodgement of the prospectus	-	75,000
<b>Total</b>	<b>94,500</b>	<b>215,402</b>

*Amounts payable to Grange Consulting/Grange Capital as at 30 June 2018 were \$17,586 (Including GST)*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*For the year ended 30 June 2018*
**NOTE 26: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

On 6 July 2018 the Company announced that UK based advisory firm Tellus Matrix with its strategic partners had agreed to subscribe to 10 million Shares at \$0.50 per Share to raise \$5 million (Placement) and that following completion of the capital raising that Sir Peter Westmacott, a former British Ambassador to the US would be appointed to the Board.

The Placement was completed on 29 August 2018 with Tim Levy agreeing to subscribe to 350,000 Shares (\$175,000) subject to shareholder approval.

On 17 July 2018 the Company announced it had entered into a partnership with the School Locker as a Family Zone education reseller. The School Locker is the biggest edu-product retailer to Australian parents with the Family Zone packages to be promoted to parents a part of schools Bring Your Own Device programs.

On 29 August 2018 the following restricted securities were released from escrow

- 22,566,971 Shares
- 4,000,000 Options (\$0.25, 20 May 2019);
- 3,348,750 Options (\$0.25, 29 Aug 2019);
- 1,000,000 Employee Options (\$0.33, 19 Sept 2019)
- 10,499,999 Class B Performance Shares; and
- 10,499,998 Class C Performance Shares.

Apart from the events discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Company in subsequent financial years

**NOTE 27: COMMITMENTS AND CONTINGENT LIABILITIES**
**Operating Lease Commitments – Group as Lessee:**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	<b>30 June 2018</b>	<b>30 June 2017</b>
	\$	\$
Within one year	66,298	28,652
Later than one year but not later than five years	-	28,652
Later than five years	-	-

The Directors are not aware of any other commitments or any contingent liabilities that may arise from the Group's operations as at 30 June 2018.

## DIRECTORS DECLARATION

In the Directors' opinion:

- (a) the accompanying financial statements set out on pages 29 to 63 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
  - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2018.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Tim Levy  
Managing Director

30 August 2018

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FAMILY ZONE CYBER SAFETY LIMITED**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Family Zone Cyber Safety Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Material Uncertainty Related to Going Concern*

We draw attention to Note 2(a) to the financial report which indicates that the Group incurred a net loss of \$18,194,548 during the year ended 30 June 2018 (2017: loss of \$8,834,735), and as of that date, the Group had net current liabilities of \$72,403 (2017: \$1,132,090) and had cash and cash equivalents of \$2,461,222 (2017: \$1,387,577). These conditions, along with other matters as set forth in Note 2(a), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FAMILY ZONE CYBER SAFETY LIMITED**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p>Carrying value of intangible assets <i>Refer to Note 2(b), 3(h), 11 &amp; 13</i></p>	
<p>At 30 June 2018, the consolidated statement of financial position of the Group includes intangible assets of \$9,025,186.</p> <p>The evaluation of the recoverable amount of each cash generating unit ('CGU') requires significant judgement in determining the key assumptions and estimates, including but not limited to:</p> <ul style="list-style-type: none"> <li>▪ growth rate assumptions; and</li> <li>▪ forecast future cash flows</li> </ul> <p>supporting the expected future cash flows of the business and the utilisation of the relevant assets.</p>	<p>Our procedures included, amongst others:</p> <p>Obtaining an understanding of the relevant controls associated with the preparation of the valuation models used to assess the recoverable value of each CGU.</p> <p>Assessing management's determination of CGUs based on our understanding of the nature of the Group's business and the economic environment.</p> <p>Critically reviewing and challenging significant judgements by management in respect of the key assumptions and estimates used to determine the recoverable value of each CGU.</p> <p>Critically reviewing and challenging management's assessment of impairment indicators and assessment of useful life of each CGU.</p> <p>Considering the adequacy of the disclosures included within the financial report.</p>

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FAMILY ZONE CYBER SAFETY LIMITED**

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Revenue Recognition

*Refer to Note 3(a), 3(b) & 4*

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For the year ended 30 June 2018, the Group has revenue of \$2,329,780 from contracts to provide services which involve a high volume of transactions and are recognised as the services are delivered.

The determination of revenue recognition requires management judgements in accounting for revenue, discounts and credit notes.

Our procedures included, amongst others:

Obtaining an understanding of the relevant controls associated with the treatment of revenue, including those relating to discounts, incentives and rebates.

Considering the appropriateness of the Group's revenue recognition accounting policies including those relating to discounts, incentives and rebates and assessing compliance with the policies and applicable accounting standards.

Testing a sample of transactions by sighting evidence of signed contracts and related invoices and comparing the revenue amount recognised to the contracted term.

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FAMILY ZONE CYBER SAFETY LIMITED**

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Share Based Payments

*Refer to Note 3(m) & 22*

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At 30 June 2018, share based payments of \$4,306,427 represent a significant portion of the Group's expenditure.

Share based payments must be recorded at fair value of the service provided, or in the absence of such, at the fair value of the underlying equity instrument granted. In calculating the fair value there are a number of judgements management must make including but not limited to:

- Assessing the probability of achieving key performance milestones in relation to vesting conditions; and
- Assessing the fair value of the share price on grant date, estimate of expected future share price volatility, expected dividend yield and risk-free rate of interest.

Our procedures included, amongst others:

Obtaining an understanding of the relevant controls associated with the preparation of the valuation model used to assess the fair value of share based payments, including those relating to volatility of the underlying security and the appropriateness of the model used for valuation.

Critically evaluating and challenging the methodology and assumptions of management in their preparation of valuation model, agreeing inputs to internal and external sources of information.

Assessing the Group's accounting policy as set out within Note 3(m) for compliance with the requirements of AASB 2 *Share-based Payment*.

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*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Directors report, which was obtained as at the date of our audit report, and any additional other information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FAMILY ZONE CYBER SAFETY LIMITED**

*Responsibilities of the Directors 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* and for 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FAMILY ZONE CYBER SAFETY LIMITED**

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FAMILY ZONE CYBER SAFETY LIMITED**

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

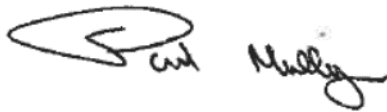
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Family Zone Cyber Safety Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN  
Executive Director  
Perth, 30 August 2018

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## ASX ADDITIONAL INFORMATION

Additional information required by the Listing Rules not disclosed elsewhere in this Annual Report is set out below.

### 1. Number of holders and voting rights of each class of equity securities

The issued capital of the Company as at 20 August 2018 includes the following securities:

Equity Class	Number of holders	Total on issue
Fully paid ordinary shares	1,404	134,949,816
Unlisted Incentive Options (\$0.25, 20 May 2019)	5	4,000,000
Unlisted Options (\$0.25, 29 Aug 2019)	24	5,888,438
Unlisted Employee Options (\$0.33, 19 Sept 2019)	37	5,232,569
Unlisted Employee Options (\$0.30, 15 Dec 2019)	2	5,335,000
Broker Options (\$0.30, 5 May 2020)	1	1,750,000
Broker Options (\$0.50, 4 Dec 2020)	1	850,000
Broker Options (\$0.60, 4 Dec 2020)	1	850,000
Broker Options (\$0.75, 9 Apr 2021)	1	516,765
Broker Options (\$0.90, 9 Apr 2021)	1	516,765
Performance Shares (Class A-H)	14	30,499,997
Performance Rights (Class A-F)	12	4,050,000

All issued fully paid ordinary shares (**Shares**) carry one vote per share. Options, Performance Share and Performance Rights do not entitle the holder to vote on any resolution proposed at a general meeting of Shareholders.

### 2. Substantial holders in the Company

Substantial Shareholder	Number of Shares held	% of Total Shares
Timothy Nominees Pty Ltd	10,179,729	7.54%
Gasmere Pty Ltd	6,808,888	5.05%

### 3. Distribution of equity securities as at 20 August 2018

#### a) Fully paid ordinary shares

Holding Ranges	Holders	Total Shares	% Total Shares
1 - 1,000	119	83,398	0.06%
1,001 - 5,000	357	978,953	0.73%
5,001 - 10,000	228	1,856,854	1.38%
10,001 - 100,000	533	20,248,886	15.00%
100,001 - 9,999,999,999	160	111,781,725	82.83%
<b>Totals</b>	<b>1,397</b>	<b>134,949,816</b>	<b>100.00%</b>

There were 172 holders with less than a marketable parcel of Shares based on the closing share price of \$0.375 on 20 August 2018.

**ASX ADDITIONAL INFORMATION (CONTINUED)**
**b) Unlisted Incentive Options (\$0.25, 20 May 2019)**

<b>Holding Ranges</b>	<b>Holders</b>	<b>Total Incentive Options</b>	<b>% Total Incentive Options</b>
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	5	4,000,000	100.00%
<b>Totals</b>	<b>5</b>	<b>4,000,000</b>	<b>100.00%</b>

**c) Unlisted Options (\$0.25, 29 Aug 2019)**

<b>Holding Ranges</b>	<b>Holders</b>	<b>Total Options</b>	<b>% Total Options</b>
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	1	7,813	0.13%
10,001 - 100,000	12	706,250	11.99%
100,001 - 9,999,999,999	11	5,174,375	87.87%
<b>Totals</b>	<b>24</b>	<b>5,888,438</b>	<b>100.00%</b>

**d) Employee Options (\$0.33, 19 Sept 2019)**

<b>Holding Ranges</b>	<b>Holders</b>	<b>Total Employee Options</b>	<b>% Total Employee Options</b>
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	15	1,071,840	20.48%
100,001 - 9,999,999,999	22	4,160,729	79.52%
<b>Totals</b>	<b>37</b>	<b>5,232,569</b>	<b>100.00%</b>

**e) Employee Options (\$0.30, 15 Dec 2019)**

<b>Holding Ranges</b>	<b>Holders</b>	<b>Total Employee Options</b>	<b>% Total Employee Options</b>
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	2	5,335,000	100.00%
<b>Totals</b>	<b>2</b>	<b>5,335,000</b>	<b>100.00%</b>

**ASX ADDITIONAL INFORMATION (CONTINUED)**
**f) Broker Options (\$0.30-\$0.90, 5 May 2020 to 9 Apr 2021)**

<b>Holding Ranges</b>	<b>Holders</b>	<b>Total Broker Options</b>	<b>% Total Broker Options</b>
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	4,483,530	100.00%
<b>Totals</b>	<b>1</b>	<b>4,483,530</b>	<b>100.00%</b>

**4. Top 20 Shareholder as at 20 August 2018**

<b>Position</b>	<b>Holder Name</b>	<b>Holding</b>	<b>% IC</b>
1	TIMOTHY NOMINEES PTY LTD <TIMOTHY FAMILY A/C>	10,179,729	7.54%
2	GASMERE PTY LTD	6,808,888	5.05%
3	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	5,185,040	3.84%
4	CARLO CHIODO/CHIODO TRADING	4,700,588	3.48%
5	FRESHIE PTY LTD <THE SWAN FAMILY A/C>	4,196,574	3.11%
6	TRIGGER ASSETS PTY LTD <THE TRIGGER INVESTMENT A/C>	3,885,986	2.88%
7	MCCUSKER HOLDINGS PTY LTD	3,670,000	2.72%
8	SISU INTERNATIONAL PTY LTD	3,456,000	2.56%
9	NOVALANE COM PTY LTD <ROBINSON FAMILY A/C>	3,422,680	2.54%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,349,896	2.48%
11	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,182,778	2.36%
12	SCOTT ROBERT NOAKES	3,040,000	2.25%
12	MICHAEL OLIVER LAWSON	3,040,000	2.25%
13	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,901,966	2.15%
14	FIDELIO	2,684,506	1.99%
15	CITICORP NOMINEES PTY LIMITED	2,338,950	1.73%
16	HARRY HATCH	2,000,000	1.48%
17	GONDWANA INVESTMENT GROUP PTY LTD <KUMOVA FAMILY SUPER FUND A/C>	1,846,860	1.37%
18	NATIONAL NOMINEES LIMITED	1,625,000	1.20%
19	TR NOMINEES PTY LTD	1,500,000	1.11%
20	FOCUS ASSET MANAGEMENT PTY LTD	1,361,666	1.01%
	<b>Total</b>	<b>74,377,107</b>	<b>55.11%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>134,949,816</b>	<b>100.00%</b>

**ASX ADDITIONAL INFORMATION (CONTINUED)**
**5. Restricted Securities**

The following securities as classified as restricted securities and are subject to escrow periods as outlined below

Security	Escrowed to 29 Nov 2019	Escrowed to 29 Nov 2018	Escrowed to 29 Aug 2018
Shares	6,080,000	760,000	22,566,971
Incentive Options (\$0.25, 20 May 2019)			4,000,000
Employee Options (\$0.33, 19 Sept 2019)			1,000,000
Prospectus Options (\$0.25, 29 Aug 2019)			3,348,750
Class B Performance Shares			10,499,999
Class C Performance Shares			10,499,998

**6. Unquoted Securities**

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

**a) Unlisted Incentive Options (\$0.25, 20 May 2019)**

Holder Name	Holding	% Total Incentive Options
John Sims <The Sims Family A/C>	1,500,000	37.50%
<b>Total Incentive Options</b>	<b>4,000,000</b>	<b>100.00%</b>

**b) Broker Options (\$0.30-\$0.90, 5 May 2020 to 9 Apr 2021)**

Holder Name	Holding	% Total Broker Options
TR Nominees Pty Ltd	4,483,530	100.00%
<b>Total Broker Options</b>	<b>4,483,530</b>	<b>100.00%</b>

**c) Performance Shares**

Holder Name	Holding	% Total Performance Shares
Timothy Nominees Pty Ltd <Timothy Family A/C>	7,757,220	25.43%
<b>Total</b>	<b>30,499,997</b>	<b>100.00%</b>

**7. On-market buy back**

There is currently no on-market buyback program for any of the Company's listed securities and no securities were purchased on market during the financial period.

**ASX ADDITIONAL INFORMATION (CONTINUED)**

**8. Use of Funds**

In accordance with ASX Listing Rule 4.10.19, Family Zone confirms it has used the cash and assets in a form readily convertible into cash, that it had at the time of its admission to ASX, for the period from admission to 30 June 2018 in a way that is consistent with its business objectives and strategy.

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## CORPORATE GOVERNANCE

In accordance with ASX Listing Rule 4.10.3 the Company's corporate governance statement can be found at the following URL:

<https://cdn2.hubspot.net/hubfs/416543/Corporate%20Governance%20Statement%20-Family%20Zone%2030%20June%202018%20-%20FINAL.pdf?t=1535601911645>

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of Shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main corporate governance practises in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3<sup>rd</sup> edition unless otherwise stated.

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