

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 2022
Previous corresponding reporting period	30 June 2021

Results for Announcement to Market

	30 June 2022 \$	30 June 2021 \$	% increase/ (decrease) over corresponding period
Revenue from ordinary activities	44,725,569	8,962,485	399%
Profit/(Loss) after tax from ordinary activities attributable to members	(75,378,226)	(21,984,072)	243%
Net profit/(loss) for the period attributable to members	(75,378,226)	(21,984,072)	243%

Dividends

No dividends have been declared or paid during the year ended 30 June 2022. The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2022.

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

Explanation of Results

The Group derives its operating revenue from its education business through the sale of its cyber safety services to schools through contracted student licences (B2B) and its consumer business through the sale of its parental control service subscriptions to parents directly (B2C) and through its school networks (B2B2C).

The Group reported operating revenues of \$44.73 million for the current financial year representing a 399% increase from the prior year. The growth in revenue was driven by the acquisition of Smoothwall, and Cipafilter during the year as well as organic growth in annual recurring revenue (ARR). In the June quarter net revenue retention of 132% was achieved as the group passed through 12 million students (following the acquisition of Qustodio on 1 August 2022) and 24 thousand schools.

Explanation of Results (Continued)

Subsequent to 30 June 2022 the business completed the acquisition of Qustodio, pro-forma ARR including Qustodio has grown to \$77 million. Qustodio is the market leader in the parental controls category, the acquisition continued the Company's investment in expanding the scale of its product offering. In FY2022 we achieved scale, we:

- Grew the number of schools serviced by 316%, from 6,000 to 24,000
- Grew the number of students serviced by 300% from 3 million to 12 million
- Grew our K-12 ARR by 330% from \$14 million to \$61 million (pre Qustodio)
- Organically grew our ARR by 96%
- Reached 16% of US school districts (up from 10% in FY2021)

Employee benefits were a key expenditure item for the financial year being approximately \$48.90 million. As a technology business, employee wages and salary are a key business cost. During the year the Group significantly expanded its team, largely due to acquisition of new businesses, increasing to have approximately 420 employees at 30 June 2022. Acquisition related expenses were \$7.08 million during the year.

Non-cash share-based payments to employees and consultants during the period were approximately \$19.49 million. These equity incentives are designed to ensure employee interests were closely aligned with the achievement of the Group's operational and financial targets and also to reduce cash payments as part of the Group's commitment to reduce cash overheads. Another significant non-cash expenditure item was the depreciation and amortisation charge for the financial year of approximately \$10.53 million.

The Group reported a net loss attributable to members for the period of approximately \$75.38 million, for ongoing cash operating it is \$27.4 million after the removal of share based payments (\$19.49m), depreciation and amortisation (\$10.5m), acquisition related expenses (\$4.70m), one-off costs such as legal fees on an arbitration dispute that was found in the Company's favour (\$1.90m) and foreign exchange movement (\$11.36m).

On 1 August 2022 Family Zone acquired Qustodio, the market leader in the parental controls category. Qustodio was founded in 2012 and has over 280 thousand subscribers in 132 countries. Consideration for Qustodio comprised of:

- US\$11.06 million in cash consideration (including US\$2.6 million held in escrow as a provision for warranty and indemnity claims);
- US\$7.49 million of Convertible Notes have been issued (convertible at US\$0.429)
- US\$24.6 million Deferred Consideration Rights have been granted; and
- 18,241,404 Shares have been issued.

The acquisition offers Family Zone expertise, capability, scale, new markets an operational efficiencies including:

- Cross-sell into K-12. Qustodio has a highly resolved product, well suited to offer through Family Zone's 24,000 school footprint.
- Global footprint and language skills. Qustodio operates globally with a strong presence in key countries. These are hubs for K-12 expansion.
- Talent and talent pools. Qustodio is an outstanding outfit and Spain has a strong and cost effective talent pool in an attractive timezone.
- Dedicated consumer capability. The merger allows pooling of consumer capability and dedication of resources to direct and B2B2C channels.
- Expanded features. The merger will create an opportunity to bring together our consumer feature sets.
- Operating efficiencies. The merger will allow realisation of efficiencies through scale and duplication of effort.

Explanation of Results (Continued)

During the year the Group raised approximately \$188.37 million through share placements to sophisticated and professional investors as well as a share purchase plan to existing investors.

The Group ended the year with \$32.75 million cash at 30 June 2022.

Net Tangible Assets per Security

Net Tangible Asset/(Liabilities) per share	30 June 2022	30 June 2021
Net tangible assets/(liabilities) (cents per share)	(2.91)	6.34

Controlled entities

The Company gained control over a number of entities during the financial year as a part of the acquisition of Smoothwall (Topco Oasis Limited and its controlled entities) and CipaFilter (Derbytech Inc), as detailed below. The Company's controlled entities as at 30 June 2022 are outlined below.

Controlled entities	Country of Incorporation	Date of incorporation or acquisition
Family Zone Inc.	USA	9 September 2016
Family Zone Cyber Safety Pte. Ltd.	Singapore	2 June 2017
Family Zone NZ Cyber Safety Ltd	New Zealand	29 November 2017
Cyber Education Pty Ltd	Australia	1 July 2020
Net Ref Education LLC	United States of America	30 Jun 2021
Family Zone UK Cyber Safety Limited	United Kingdom	16 August 2021
Topco Oasis Limited	United Kingdom	16 August 2021
Bidco Oasis Limited	United Kingdom	16 August 2021
Oval (2304) Limited	United Kingdom	16 August 2021
Smoothwall Limited	United Kingdom	16 August 2021
Linewize Limited	United Kingdom	16 August 2021
(formerly Rubicon Bidco Limited)		
Ensco 1227 Limited	United Kingdom	16 August 2021
eSafe Global Limited	United Kingdom	16 August 2021
Smoothwall Inc.	United States of America	16 August 2021
Safeguard Software Limited	United Kingdom	16 August 2021
Derbytech Inc.	United States of America	1 March 2022

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

Audit

This Appendix 4E is based on the financial report for the year ended 30 June 2022, which is in the process of being audited.

Attachments

The Preliminary Final Report of Family Zone Cyber Safety Limited for the year ended 30 June 2022 is attached.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue			
Revenue from ordinary activities	4	44,725,569	8,962,485
Other revenue		455,083	4,255,261
Expenses			
Direct costs	5	(14,603,964)	(7,039,159)
Share based payments	6	(19,488,977)	(1,729,387)
Employee benefits costs		(48,899,090)	(19,019,042)
Administration costs		(10,293,931)	(4,658,072)
Finance costs		(2,093,953)	(96,961)
Depreciation and amortisation	9,10	(10,532,162)	(2,605,522)
Acquisition related expenses		(4,698,075)	-
Loss before income tax		(65,429,500)	(21,930,397)
Income tax benefit/(expense)		1,414,093	-
Loss after tax for the period attributable to the members of Family Zone Cyber Safety Limited		(64,015,407)	(21,930,397)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(11,362,819)	(53,676)
Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety Limited		(75,378,226)	(21,984,072)
Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety Limited	7	(9.23)	(6.00)

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 2022

	Note	2022 \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	32,746,157	34,933,166
Trade and other receivables		12,012,607	8,812,572
Prepayments		2,063,394	1,944,985
Inventory		1,118,019	372,927
Contract assets		2,798,194	-
Total current assets		50,738,371	46,063,650
Non-current assets			
Intangible assets	9	182,208,713	5,973,314
Financial assets		189,738	158,833
Plant and equipment	10	3,161,989	2,764,399
Right of use assets		3,249,322	2,552,116
Contract assets		1,143,106	-
Total non-current assets		189,952,868	11,448,662
TOTAL ASSETS		240,691,239	57,512,312
LIABILITIES			
Current liabilities			
Trade and other payables		10,957,788	10,851,035
Contract liabilities		28,729,297	5,567,461
Deferred consideration		1,731,101	-
Provisions		2,943,041	1,201,546
Borrowings		662,199	284,406
Lease liabilities		1,315,393	590,186
Total current liabilities		46,338,819	18,494,634
Non-current liabilities			
Trade and other payables		-	68,307
Contract liabilities		12,289,822	2,937,026
Deferred consideration		1,836,071	-
Provisions		374,179	237,762
Borrowings		203,339	157,889
Lease liabilities		2,336,868	2,278,972
Deferred tax liability		12,002,697	-
Total non-current liabilities		29,042,976	5,679,956
TOTAL LIABILITIES		75,381,795	24,174,590
NET ASSETS		165,309,444	33,337,722
EQUITY			
Issued capital	12	294,524,896	106,052,956
Reserves	13	19,432,568	11,917,378
Accumulated losses		(148,648,020)	(84,632,612)
TOTAL EQUITY		165,309,444	33,337,722

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	56,673,575	10,448,193	(62,702,217)	(12,905)	4,406,646
Loss for the year	-	-	(21,930,396)	-	(21,930,396)
Total other comprehensive income	-	-	-	(53,676)	(53,676)
Total comprehensive loss for the year	-	-	(21,930,396)	(53,676)	(21,984,072)
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of Ordinary Shares, net of transaction costs	49,379,381	-	-	-	49,379,381
Issue of Options, Performance Rights & Performance Shares	-	3,497,434	-	-	3,497,434
Reversal of performance rights	-	(1,884,679)	-	-	(1,884,679)
Reversal of employee options	-	(76,988)	-	-	(76,988)
Total transactions with owners	49,379,381	1,535,767	-	-	50,915,148
Balance at 30 June 2021	106,052,956	11,983,960	(84,632,613)	(66,581)	33,337,722
	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2021	106,052,956	11,983,960	(84,632,613)	(66,581)	33,337,722
Loss for the year	-	-	(64,015,407)	-	(64,015,407)
Total other comprehensive income	-	-	-	(11,362,819)	(11,362,819)
Total comprehensive loss for the year	-	-	(64,015,407)	(11,362,819)	(75,378,226)
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of Ordinary Shares, net of transaction costs	188,471,940	-	-	-	188,471,940
Issue of Options, Performance Rights & Performance Shares	-	20,744,005	-	-	20,744,005
Reversal of performance rights	-	(1,865,997)	-	-	(1,865,997)
Reversal of employee options	-	-	-	-	-
Total transactions with owners	188,471,940	18,878,008	-	-	207,349,948
Balance at 30 June 2022	294,524,896	30,861,968	(148,648,020)	(11,429,400)	165,309,444

The 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 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		41,347,825	10,406,435
Government grants received		3,475,816	2,094,471
Payments to suppliers and employees		(81,800,534)	(27,889,077)
Interest received		49,447	62,179
Interest paid		(390,574)	(151,655)
Net cash flows (used in) operating activities	8	(37,318,020)	(15,477,646)
Cash flows from investing activities			
Payments for purchase of businesses, net of cash received		(142,280,536)	31,399
Purchase of plant & equipment		(1,307,505)	(2,008,981)
Net cash flows (used in) investing activities		(143,588,041)	(1,977,582)
Cash flows from financing activities			
Proceeds from issue of shares, net of issue costs		179,729,557	47,783,224
Payment of principal portion of lease liabilities		(1,210,500)	(573,002)
Proceeds from borrowings		3,542,265	442,295
Repayments of borrowings		(3,243,061)	(1,206,711)
Net cash flows from financing activities		178,818,261	46,445,806
Net increase in cash and cash equivalents		(2,087,800)	28,990,578
Cash and cash equivalents at beginning year		34,933,166	5,807,193
Effects of foreign exchange rates		(99,209)	135,395
Cash and cash equivalents at end year	8	32,746,157	34,933,166

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Non-cash financing and investing activities

During the year the Group issued equity securities as payment for services to the value of \$1,874,674 (2021: \$111,213). These issue costs are not reflected in the consolidated statement of cash flows.

Refer Note 11 for details of working capital loan facility entered into during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

NOTE 1: BASIS OF PREPARATION OF THE YEAR END FINANCIAL REPORT

The preliminary financial report has been prepared in accordance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with the Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*. This year end financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this preliminary report is to be read in conjunction with the annual financial report for the year ended 30 June 2021, the interim financial report for the half-year ended 31 December 2021 and any public announcement made by Family Zone Cyber Safety Limited during the reporting period in accordance with the continuous disclosure requirement of the *Corporations Act 2001*.

NOTE 2: SEGMENT REPORTING

The chief operating decision maker has been identified as the Board of Directors.

The Group has three main operating segments being the provision of educational technology services in Australia & New Zealand ("ANZ"), the United Kingdom ("UK") and the United States of America ("USA"). Previously, during the year ended 30 June 2021, the group operated within three main operating segments being Australia, New Zealand and the United States of America along with Corporate which includes head office & corporate expenditure. This is consistent with the internal reporting provided to the chief operating decision maker.

30 June 2022	ANZ	UK	USA	Total
Segment Income	\$	\$	\$	\$
Sales revenue	3,798,563	28,961,334	11,965,672	44,725,569
Other income	149,580	79,246	226,257	455,083
Total Income	3,948,143	29,040,580	12,191,929	45,180,652

30 June 2022	ANZ	UK	USA	Total
Segment Expenses	\$	\$	\$	\$
Direct Costs	(6,149,322)	(6,534,889)	(1,919,753)	(14,603,964)
Operating expenses	(33,114,605)	(19,730,799)	(13,139,645)	(65,985,049)
Share-based payments	(13,303,148)	(3,198,644)	(2,987,185)	(19,488,977)
Loss before depreciation and amortisation	(48,618,932)	(423,752)	(5,854,654)	(54,897,338)
Depreciation and amortisation	(3,356,700)	(5,896,182)	(1,279,280)	(10,532,162)
Loss before Income Tax	(51,975,632)	(6,319,934)	(7,133,934)	(65,429,500)

NOTE 2: SEGMENT REPORTING (CONTINUED)

30 June 2021	Australia	New Zealand	USA	Corporate	Total
	\$	\$	\$	\$	\$
Segment Income					
Sales revenue	3,048,256	977,635	4,936,374	220	8,962,485
Other income	4,306,202	2,743	-	4	4,308,949
Total Income	7,354,458	980,378	4,936,374	224	13,271,434

30 June 2021	Australia	New Zealand	USA	Corporate	Total
	\$	\$	\$	\$	\$
Segment Expenses					
Direct Costs	(5,985,077)	(149,714)	(904,368)	-	(7,039,159)
Operating expenses	(16,139,246)	(1,157,694)	(5,259,709)	(51,255)	(22,607,904)
Research and Development	(1,017,866)	(18,520)	(183,473)	-	(1,219,859)
Share-based payments	-	-	-	(1,729,387)	(1,729,387)
Loss before depreciation and amortisation	(15,787,731)	(345,550)	(1,411,176)	(1,780,418)	(19,324,875)
Depreciation and amortisation	(741,907)	(1,294,538)	(569,077)	-	(2,605,522)
Loss before Income Tax	(16,529,638)	(1,640,088)	(1,980,253)	(1,780,418)	(21,930,397)

30 June 2022	ANZ	UK	USA	Other	Total
	\$	\$	\$	\$	\$
Segment Assets	39,266,455	179,271,705	22,153,079	-	240,691,239
Segment Liabilities	(11,577,718)	(44,021,955)	(19,782,122)	-	(75,381,795)

30 June 2021	Australia	New Zealand	USA	Other	Total
	\$	\$	\$	\$	\$
Segment Assets	49,110,470	482,595	7,898,132	21,115	57,512,312
Segment Liabilities	(15,278,331)	(741,101)	(8,155,158)	-	(24,174,590)

NOTE 3: BUSINESS COMBINATIONS

Smoothwall:

On 16 August 2021, the Company acquired 100% of the issued fully paid capital of the Smoothwall group of companies comprising Topco Oasis Limited and its wholly owned subsidiaries Bidco Oasis Limited, Oval (2304) Limited, Smoothwall Limited, Linewize Limited (Formerly known as Rubicon Bidco Limited), Smoothwall Inc, Safeguard Software Limited, Ensco 1227 Limited and eSafe Global Limited (Smoothwall).

Smoothwall is one of the world's leading providers of digital and safeguarding services with a strong market position in the UK and operations in the US. The acquisition creates the world's most compelling K-12 digital safety solution incorporating Family Zone's fast growing Linewize K-12 solutions, FZO parental controls and Smoothwall's scale and world-leading solutions.

Acquisition related costs of \$2,286,270 were included in the statement of profit or loss in the reporting period ending 30 June 2022 in relation to the Smoothwall acquisition. Since acquisition the business has contributed a loss after tax of \$2,705,851 which is included within the profit or loss of the Group.

Purchase consideration	Fair values
	\$
Cash consideration - GBP	
	74,723,466
GBP:AUD exchange rate applied	
	1.892378
Cash consideration - AUD	
	141,405,011
Total purchase consideration	141,405,011
Assets acquired	
Cash and cash equivalents	2,446,424
Trade and other receivables	7,739,558
Contract assets	5,156,487
Inventory	262,780
Prepayments	1,070,728
Right of use assets	677,829
Plant and equipment	235,868
Customer relationships	13,785,971
Software assets	34,657,003
Brand assets	6,619,537
Total assets acquired	72,652,185
Liabilities assumed	
Trade and other payables	(12,245,897)
Contract liabilities	(33,577,266)
Provisions	(254,413)
Lease liability	(677,829)
Borrowings	(94,619)
Deferred tax liabilities	(13,833,242)
Total liabilities assumed	(60,683,266)
Net identifiable assets acquired	11,968,919
Add: Goodwill ¹	129,436,090
Acquisition date fair value of total consideration	141,405,009

NOTE 3: BUSINESS COMBINATIONS (CONTINUED)

1. The goodwill of \$129,436,090 (see Note 9) is attributable to the know-how and the expected synergies from merging this business acquired into Family Zone's current operations.

Cash used to acquire business, net of cash	\$
Acquisition-date fair value of the total consideration transferred	141,405,009
Less: cash and cash equivalents acquired	(2,446,424)
Net cash used	138,958,575

Cipafilter (Derbytech Inc.):

On 1 March 2022, the Group agreed to acquire 100% of the share capital of Derbytech Inc, a privately owned company which specialises in K-12 education technology filtering in the Midwest of the USA. The company was acquired in exchange for 13,116,316 ordinary shares in Family Zone Cyber Safety Limited along with cash consideration to be paid in instalments over the course of 30 months (final payment in September 2024).

Purchase consideration	Fair value
	\$
Deferred cash consideration (paid over 30 months from acquisition date) - USD	2,674,528
Ordinary shares in Family Zone Cyber Safety Limited issued as consideration - USD equivalent	3,977,006
Total fair value of consideration - USD	6,651,534
USD:AUD exchange rate applied	1.385176
Total fair value of consideration - AUD	9,213,544
Total fair value of consideration - AUD	9,213,544
Assets acquired	
Cash and cash equivalents	105,588
Trade and other receivables	45,536
Inventory	149,690
Plant and equipment	135,858
Customer relationships	1,370,568
Software assets	263,575
Total assets acquired	2,070,815
Liabilities assumed	
Trade and other payables	(38,705)
Contract liabilities	(1,904,082)
Provisions	(135,398)
Deferred tax liabilities	(498,414)
Total liabilities assumed	(2,576,599)
Net identifiable assets acquired	(505,784)
Add: Goodwill ¹	9,719,326
Acquisition date fair value of total consideration	9,213,542

1. The goodwill of \$9,719,326 (see Note 9) is attributable to the know-how and the expected synergies from merging this business acquired from Family Zone's current operations.
Since acquisition, the business has contributed \$505,989 which is included within the profit or loss of the Group.

NOTE 4: REVENUE

	2022 \$	2021 \$
Operating Revenue		
Service revenue ¹	44,377,054	8,698,594
Hardware revenue ²	348,515	263,891
	44,725,569	8,962,485

(1) Service revenue is recognised over the life of the service contract as the service obligations under the contract are satisfied.

(2) Hardware revenue is recognised at the point in time when control of the asset is transferred to the customer and over the life of the service as the supply obligations under the contract are satisfied.

Disaggregation of revenue from contracts with customers

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled over time and at a point in time. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

Timing of revenue recognition – 30 June 2022	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue
At a point in time	-	-	348,515
Over time	43,813,658	563,396	-
Total	43,813,658	563,396	348,515

Geographical Regions - 30 June 2022	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue
Australia	1,765,861	563,396	71,635
New Zealand	1,099,567	-	58
UK	24,439,321	-	7,256
USA	15,799,453	-	269,566
Europe	370,198	-	-
Canada	7,142	-	-
Asia	220,454	-	-
Rest of the world	111,662	-	-
Total	43,813,658	563,396	348,515

FAMILY ZONE CYBER SAFETY LIMITED
APPENDIX 4E

Timing of revenue recognition – 30 June 2021	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue
At a point in time	-	-	263,891
Over time	8,221,918	476,676	-
Total	8,221,918	476,676	263,891

Geographical Regions - 30 June 2021	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue
Australia	2,277,162	476,488	266,693
New Zealand	988,093	-	-
USA	4,956,663	(32)	(2,802)
Rest of the world	-	220	-
Total	8,221,918	476,676	263,891

Contract liabilities

Contract liabilities recognised relate to amounts invoiced in advance of the transfer of services to customers for its subscription service offerings. Revenue is recognised for these amounts over time, over the life of the service contract, as the Group's service performance obligations are satisfied.

a) **Reconciliation of movements in contract liabilities**

Contract Liabilities	\$
Balance at 1 July 2020	4,232,115
Additions	12,970,966
Recognised within service revenue	(8,698,594)
Balance at 30 June 2021	8,504,487
Additions – Smoothwall (Refer to Note 3)	33,577,266
Additions - CipaFilter (Refer to Note 3)	1,904,082
Additions	39,186,741
Recognised within service revenue	(44,377,054)
Other including foreign exchange movements	2,223,597
Balance at 30 June 2022	41,019,119

NOTE 5: EXPENSES

	2022	2021
	\$	\$
Direct Costs		
Service costs	3,670,857	1,033,077
Hardware costs	2,933,764	258,133
Data & hosting costs	6,849,919	5,747,949
Other costs of sales	1,149,424	-
	14,603,964	7,039,159
Administration		
Marketing	2,141,307	1,058,729
Legal costs	2,388,060	368,498
IT costs	2,445,999	1,173,522
Corporate and compliance costs	1,830,759	699,992
General administrative costs	1,487,806	1,357,331
	10,293,931	4,658,072

NOTE 6: SHARE BASED PAYMENTS

Share based payments made during the year ended 30 June 2022 are summarised below:

	2022	2021
	\$	\$
Performance rights incentives issued to directors and employees	14,855,529	2,366,761
Options incentives issued to employees and directors	4,358,319	250,086
Remuneration incentive shares issued to employees	1,874,674	-
Options issued to consultants	266,452	272,272
Reversal of SBP expenses	(1,865,997)	(1,303,507)
Shares issued to employees and directors as incentive	-	200,080
Broker and advisor options issued	-	222,426
Less amounts recognised within equity	-	(111,213)
Total share based payment expense	19,488,977	1,896,905

NOTE 7: EARNINGS PER SHARE

	2022	2021
Loss per share		
Basic and diluted loss per share (cents per share)	(9.23)	(6.00)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	693,575,436	365,463,540

NOTE 8: CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash at Bank	32,746,157	34,933,166
Total cash and cash equivalents	32,746,157	34,933,166

Reconciliation of loss after income tax to net cash from/(used in) operating activities

	2022	2021
	\$	\$
Loss for the year	(64,015,407)	(21,930,395)
<i>Non-cash items</i>		
Share-based payments	19,488,977	1,896,905
Depreciation, amortisation and impairment	10,766,813	2,605,522
Revaluation of contingent consideration	-	46,190
Interest expense	1,703,380	111,448
Other income	(249,435)	-
Income tax benefit/(expense)	(1,414,093)	
<i>Changes in Assets and Liabilities</i>		
Increase/(decrease) in trade and other payables	(6,232,992)	2,898,035
Increase/(decrease) in contract liabilities	(4,236,569)	4,272,372
(Increase)/decrease in inventory	(342,913)	(122,935)
(Increase)/decrease in trade and other receivables	4,178,439	(5,935,503)
Increase/(decrease) in provisions	1,207,108	680,717
(Increase)/decrease in contract assets	984,781	-
(Increase)/decrease in prepayments	843,891	-
Cash flows used in operations	(37,318,020)	(15,477,646)

NOTE 9: INTANGIBLE ASSETS

	2022	2021
	\$	\$
Goodwill at cost	130,698,211	-
Software at cost	50,738,191	18,795,242
Less: Accumulated amortisation and impairment	(19,531,378)	(13,756,182)
Customer lists at cost	15,545,349	1,273,434
Less: Accumulated amortisation and impairment	(1,166,278)	(339,180)
Branding at cost	6,163,109	-
Less: Accumulated amortisation and impairment	(238,491)	-
	182,208,713	5,973,314

a) Reconciliation of movements in intangible assets

	\$
Intangible Assets	
Balance at 1 July 2020	1,251,177
Additions arising from business combinations - Customer lists	934,253
Additions arising from business combinations - Software	5,035,257
Amortisation expense	(1,247,373)
Balance at 30 June 2021	5,973,314
 Balance at 1 July 2021	 5,973,314
Additions arising from business combinations – Goodwill ¹ - Smoothwall	129,436,090
Additions arising from business combinations – Customer lists ¹ - Smoothwall	13,785,971
Additions arising from business combinations – Software ¹ - Smoothwall	34,657,003
Additions arising from business combinations – Branding ¹ - Smoothwall	6,619,537
Additions arising from business combinations – Goodwill ¹ - Cipafilter	9,719,326
Additions arising from business combinations – Customer lists ¹ - Cipafilter	1,370,568
Additions arising from business combinations – Software ¹ - Cipafilter	263,575
Amortisation expense	(7,670,968)
Other including foreign exchange movements	(11,945,703)
Balance at 30 June 2022	182,208,713

1. Refer Note 3 for further information regarding business combinations during the period.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	2022	2021
	\$	\$
Property, plant & equipment – at cost	8,451,159	4,339,440
Less: Accumulated depreciation	(5,289,170)	(1,575,041)
Total property, plant and equipment	3,161,989	2,764,399

a) Reconciliation of movements in fixed assets

Property, Plant and Equipment	\$
Balance at 1 July 2020	1,540,565
Additions	2,012,139
Depreciation expense	(788,305)
Balance at 30 June 2021	2,764,399
Additions arising from business combinations - Smoothwall ¹	235,868
Additions arising from business combinations - Cipafilter ¹	135,858
Additions	1,559,039
Depreciation expense	(1,653,271)
Other including foreign exchange movements	120,096
Balance at 30 June 2022	3,161,989

NOTE 11: BORROWINGS

On 3 May 2022, The Group entered into a \$10,000,000 working capital loan facility with Northcity Asset Pty Ltd. At 30 June 2022, the facility remained undrawn. The Group can withdraw from the Loan prior to the first Facility Draw-Down.

The facility has a 5 year term. Interest is accrued at 10% per annum on funds drawn and 1% per annum on undrawn funds, payable in cash only at maturity. No debt covenants are applicable. Negative pledges are included with regards to incurring any additional indebtedness, granting security, making distributions and disposing of assets that are material in nature. Security is provided through a first ranking registered security over all present and future assets of The Group.

A facility fee of 2% of the Facility amount (\$200,000) was paid on establishment along with 3,000,000 options to acquire ordinary shares of the company with an exercise price of \$0.60 per share, expiring on 31 January 2026. Thereafter, a facility maintenance fee of up to 7,000,000 options (subject to shareholder approval) at an exercise price of \$0.60 per share, expiring 31 January 2026, are payable in three instalments on 31 July 2022 (2,000,000 options), 31 January 2022 (2,000,000 options) and 31 July 2023 (3,000,000 options) unless the facility is terminated by the Company prior to these dates. If shareholder approval is not granted, cash fees of up to \$500,000 are payable in the event that the facility remains open until 31 July 2023.

NOTE 12: ISSUED CAPITAL

	2022	2021
	Number of Shares	Number of Shares
Issued Ordinary Shares - no par value (fully paid)	821,925,394	391,266,604
Total	821,925,394	391,266,604
	Number of Shares	Value
		\$
Opening balance – 1 July 2020	295,543,169	56,673,575
Issue of Tranche 2 placement shares on 7 July 2020	30,833,333	3,700,440
Shares issued on exercise of performances rights	6,218,074	-
Shares issued on exercise of broker and advisor options	7,005,792	1,426,184
Shares issued on exercise of employee options	435,034	78,306
Issue of placement shares - Oct/Nov 2020	45,454,545	20,000,000
Issue of share purchase plan shares on 25 Nov 2020	4,679,466	2,053,505
Issue of shares to Netsweeper: services rendered on 3 Dec 2020	680,680	272,272
Shares issued in lieu of cash remuneration or as incentive	416,511	200,080
Shares to be issued - placement shares May 2021	-	23,000,000
Shares to be issued - NetRef tranche 1 share consideration	-	1,235,018
Less: share issue costs	-	(2,586,425)
Closing balance – 30 June 2021	391,266,604	106,052,955
Shares issued on exercise of Performance rights	6,158,131	-
Shares issued on exercise of Broker and Advisor options	1,507,500	303,075
Shares issued on exercise of employee options	1,502,697	270,485
Issue of Placement Shares ¹	355,587,242	163,858,818
Issue of Cipafilter shares	13,116,316	5,508,853
Issue of Netref consideration	4,225,921	1,358,853
Shares issued in lieu of cash remuneration or as incentive	2,876,845	1,874,674
Shares issued on exercise of Director options	686,753	-
Issue of Retail entitlement offer shares	44,561,551	24,508,853
Deed of settlement SC	435,834	-
Costs of shares issued	-	(9,211,670)
Closing Balance – 30 June 2022	821,925,394	294,524,896

¹32,494,312 Placement shares issued on ASX on 1 July 2022 for which consideration of \$11,048,066 (included in value above) was received before 30 June 2022.

NOTE 13: 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.

	2022 \$	2021 \$
Performance Shares Reserve	1,660,671	1,660,671
Performance Rights Reserve	17,764,618	4,775,087
Options Reserve	11,436,679	5,548,201
Foreign Currency Translation Reserve	(11,429,400)	(66,581)
Total Reserves	19,432,568	11,917,378