ASX APPENDIX 4D
HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2018

1. DETAILS OF REPORTING PERIOD

Name of Entity	ParaZero Limited ("the Company")
ABN	17 618 678 701
Reporting Period	**30 June 2018**
Previous Corresponding Period	30 June 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2018 US$	30 June 2017 US$	Increase/ (Decrease) %	Amount change US$
Revenues from ordinary activities	288,471	289,318	(0.29%)	(847)
Profit/(loss) after tax from ordinary activities attributable to members	(1,481,511)	(698,445)	112.12%	783,066
Profit/(loss) after tax attributable to members	(1,481,511)	(698,445)	112.12%	783,066

Comparisons to the previous corresponding period are comparisons to historical financial information extracted from ParaZero Ltd (Israel) for the half year ended 30 June 2017 (refer to notes 1 and 2 of the attached half-year financial report).

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Commentary on results:

For further information, refer to the review of activities contained in the directors' report, which forms part of the attached half-year financial report.

3. NET TANGIBLE ASSETS PER SHARE

	30 June 2018 US$	30 June 2017 US$
Net tangible asset backing per ordinary security	2.76 cents	(2.89) cents

The denominator for the net tangible asset calculation at 30 June 2018 has been adjusted to reflect the capital reorganisation (refer to notes 1, 2 and 3 of the attached half-year financial report). The number of shares outstanding for the half year ended 30 June 2018 is based on the number of ParaZero Limited shares on issue as at 30 June 2018.

4. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

Name of entity (or group of entities)	ParaZero Ltd
Date control gained	13 June 2018
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

On 13 June 2018, ParaZero Limited completed the acquisition of 100% of the issued capital of ParaZero Ltd ("ParaZero Israel"), an Israeli company which specialises in the development and manufacturing of drone safety systems for commercial drones. The acquisition of ParaZero Israel has been accounted for as a capital re-organisation rather than a business combination under the Australian Accounting Standards. As such, the historical financial information of ParaZero Limited is presented as a continuation of the pre-existing accounting values of the Israeli entity ParaZero Ltd. Refer to notes 1 and 2 of the attached half-year financial report.

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

5. DIVIDEND DETAILS

No dividend has been paid or recommended to be paid for the half-year ended 30 June 2018.

6. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

7 DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

N/A

8. FOREIGN ENTITIES

Not Applicable

9. AUDIT

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.

Mr Eden Attias
Executive Chairman & Chief Executive Officer

29 August 2018

ParaZero Limited

ACN 618 678 701

and its controlled entities

Half year report for the half-year ended

30 June 2018

Company Directory

Board of Directors

B. Gen. (ret.) Eden Attias	Executive Chairman/Chief Executive Officer
Mr Dan Arazi	Non-Executive Director
Dr Anton Uvarov	Non-Executive Director
Ms Charis Law	Non-Executive Director

Company Secretaries
Mr Peter Webse
Mr Stephen Buckley

Registered Office and Principal Place of Business
Level 2, 50 Kings Park Road
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Tel: +61 8 6377 8043

Postal Address
PO Box 271
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Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008

Share Registry
Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000

Solicitors
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Stock Exchange
Australian Securities Exchange
Level 40, Central Park
152- 158 St Georges Terrace
Perth WA 6000

ASX Code
PRZ

Half year report for the half-year ended 30 June 2018

Contents

Directors' report

The directors of ParaZero Limited ("ParaZero" or "the Company") (ASX: PRZ) submit herewith the half-year report of ParaZero Limited and its controlled entities ("the Group") for the half-year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors of the Company during or since the end of the half-year are:

Mr Eden Attias	Executive Chairman/CEO (appointed 13 June 2018)
Mr Dan Arazi	Non-Executive Director (appointed 13 June 2018)
Dr Anton Uvarov	Non-Executive Director (appointed 21 April 2017)
Ms Charis Law	Non-Executive Director (appointed 15 March 2018)
Mr Howard Digby	Non-Executive Director (appointed 21 April 2017, resigned 13 June 2018)

The above-named directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Business, operating and financial review

Acquisition of ParaZero Ltd ("ParaZero Israel") and ASX Listing of ParaZero Limited:

- ParaZero Limited (PRZ) was incorporated on 21 April 2017 primarily for the purpose of investigating opportunities to invest in technology companies and being listed on the Australian Securities Exchange ("ASX").
- On 13 June 2018, ParaZero Limited completed the acquisition of 100% of the issued capital of ParaZero Ltd ("ParaZero Israel"), an Israeli company which specialises in the development and manufacturing of drone safety systems for commercial drones ("Acquisition"). The transaction between the Company and ParaZero Israel is treated as a capital re-organisation; from a legal and taxation perspective, PRZ is considered the acquiring entity, for accounting purposes, ParaZero Israel has been identified as the accounting acquirer of the Group. The accompanying consolidated financial statements represent a continuation of ParaZero Israel's financial statements. The consolidated results reflect a full period of ParaZero Israel plus ParaZero Limited from the effective date of acquisition, 13 June 2018 to 30 June 2018. The comparative period results reflect ParaZero Israel.
- Further information on the Acquisition is detailed in note 2 of the financial statements.
- ParaZero Limited raised A$5M and was admitted to the Official List on ASX on 14 June 2018 and Official Quotation of the securities commenced on 22 June 2018.
- The loss of the Group for the half-year ended 30 June 2018, after accounting for income tax, amounted to US$1,481,511. The loss after tax for the half year ended 30 June 2017 was US$698,445.

Execution on Company's Business Plan which included:

- Selection as a participant in an Unmanned Aircraft Systems (UAS) Integration Pilot Program (IPP) for safe integration of UAS operations into the National Airspace System (NAS) in the United States.
- Integration into **insurance products** that provide comprehensive hull and liability coverage for all manner of UAS risks at a discount if using ParaZero safety systems.

- Establishment of **sales partnerships** with distributors and retailers in the United States and Australia, under which the Company provides drone safety systems for commercial user, using popular drone models for sale. The Company continues to expand its sales footprint across the drone industry, by continuing to identify further distributors and retailers to sell its products.
- ParaZero's safety system was tested in real time when a drone operated in the homeland security sector suffered critical flight failure. ParaZero's system identified the flight failure and initiated safety system protocol that deployed the systems parachute and **successfully saved hundreds of thousands of dollars** in payload equipment, by bringing the drone and payload down safely.
- Production facilities, infrastructure and inventories were established in preparation for future production and sales aiming to support the company **after market line of product**.

Subsequent to the half-year ended 30 June 2018, ParaZero's key objectives for the second half of 2018 activities include:

- Parazero participated in the successful completion of the first phase of testing of UAS flight tests by the North Dakota Department of Transportation, working in partnership with CNN, Botlink, and Northern Plains UAS Test Site (NPUASTS). The tests where for establishing potential **flight over people** in a controlled airspace, in which the Company's systems were tested.
- **After market product** - Parazero delivered first orders of safety products for DJI Matrice 200 drone. DJI is the dominant global drone manufacturer of commercial drones and the Matrice 200 is one of the leading commercial models available today. This illustrates the ability of the Company to create successful products as it continues to ramp up its sales and marketing activities and build up an effective distribution network.
- Manufacturing inventories in preparation for expected volume for the holiday seasons. Additionally, marketing and distribution activities will be implemented during the next two (2) quarters. The Company is marketing its commercial safety systems for the retail consumer mass market.
- Expanding the design and production of additional ParaZero commercial systems for consumer drone models.
- Expanding design and installation of ParaZero for commercial UAS systems aiming to support the Company after market products.
- Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

On the half year report, the Company notes the following:

1) The Company's gross margin was lower in 2018 than in 2017 due to the targeting of new products to new markets. The Company was previously focused on the customized commercial market and has expanded into after-market products for the retail market which attracts a relatively lower gross margin, but opens up a higher volume market which enables the company to switch to mass production in the near future. This is anticipated to enable greater economies of scale, lowering product costs and increasing profit margins in future periods.
2) The first half of 2018 incurred higher than normal outlays for R&D of new products and technologies, building new sales and marketing channels, and brand strengthening activities.
3) Increase in expenditures aimed at product manufacturing, inventory build-up and activities focused on securing future recurring revenue contracts.

4) The Company's G&A expenses in 2018 included the provision for the Performance Options as well as expenses related to the Australian company, that were not relevant in the Company's 2017 reports.

Auditor’s independence declaration

The auditor’s independence declaration is included on page 4 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors

Mr Eden Attias
Executive Chairman
29 August 2018
Tel Aviv, Israel

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DECLERATION OF INDEPENDENCE BY MATTHEW CUTT TO THE DIRECTORS OF PARAZERO LIMITED

As lead auditor for the review of Parazero Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Parazero Limited and the entity it controlled during the period.

M Cutt

Matthew Cutt

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Parazero Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Parazero Limited, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Parazero Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Parazero Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Parazero Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

BDO Audit (WA) Pty Ltd

BDO

M Cutt

Matthew Cutt

Director

Perth, 29 August 2018

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes as set out on pages 8 to 27 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date.

(b) in the directors' opinion, there are reasonable grounds to believe that ParaZero Limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Mr Eden Attias
Executive Chairman
29 August 2018
Tel Aviv, Israel

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2018

		Consolidated	
		Half-year ended	
	Note	30 Jun 2018 US$	30 Jun 2017 US$
Revenue		288,471	289,318
Cost of sales		(205,072)	(159,585)
Gross profit		**83,399**	**129,733**
Research and development expenses		(690,444)	(218,983)
Sales and marketing expenses		(299,804)	(123,659)
General and administration expenses		(342,999)	(278,505)
Share-based payments	5	(113,253)	-
Loss before finance expenses		(1,363,101)	(491,414)
Finance expenses		(118,410)	(207,031)
Loss before income tax expenses		(1,481,511)	(698,445)
Income tax expense		-	-
Loss for the period		**(1,481,511)**	**(698,445)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:		-	-
Foreign currency translation differences, net of tax		(60,834)	-
Other comprehensive income/(loss) for the period		**(60,834)**	**-**
Total comprehensive loss for the period		**(1,542,345)**	**(698,445)**
Loss attributable to:			
Owners of ParaZero Limited		(1,481,511)	(698,445)
Total comprehensive loss attributable to:			
Owners of ParaZero Limited		(1,542,345)	(698,445)
Loss per share:			
Basic and diluted (cents per share)	7	(1.69)	(0.80)

Condensed notes to the consolidated financial statements are included on pages 12 to 27.

Consolidated statement of financial position as at 30 June 2018

	Note	Consolidated 30 Jun 2018 US$	Consolidated 31 Dec 2017 US$
Current assets			
Cash and cash equivalents		3,483,503	53,983
Trade and other receivables		177,390	40,350
Inventory		27,397	-
Other		-	81,529
Total current assets		**3,688,290**	**175,862**
Non-current assets			
Property, plant and equipment		78,484	81,354
Total non-current assets		**78,484**	**81,354**
Total assets		**3,766,774**	**257,216**
Current liabilities			
Trade and other payables		611,018	356,934
Credit and current maturities of long term loans from banks		214,992	158,635
Liability for Chief Office Scientist grants		53,654	118,965
Total current liabilities		**879,664**	**515,569**
Non-current liabilities			
Convertible loans	8	-	2,962,043
Long term loans from bank		26,109	59,122
Liability for Chief Office Scientist grants		434,019	267,519
Total non-current liabilities		**460,128**	**3,407,649**
Total liabilities		**1,339,792**	**3,923,218**
Net assets/(liabilities)		**2,426,982**	**(3,666,002)**
Equity			
Issued capital	3	8,627,926	1,196,187
Reserves	4	483,756	341,000
Accumulated losses		(6,684,700)	(5,203,189)
Total equity/(deficiency)		**2,426,982**	**(3,666,002)**

Condensed notes to the consolidated financial statements are included on pages 12 to 27.

Consolidated statement of changes in equity for the half-year ended 30 June 2018

Consolidated	Issued capital US$	Share-based payment reserve US$	Predecessor Accounting reserve US$	Foreign exchange reserve US$	Accumulated losses US$	Total US$
Balance at 1 Jan 2017	**884,706**	**-**	**-**	**-**	**(2,728,000)**	**(1,843,294)**
Loss for the period	-	-	-	-	(698,446)	(698,446)
Other comprehensive income, net of income tax	-	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(698,446)**	**(698,446)**
Balance at 30 June 2017	**884,706**	**-**	**-**	**-**	**(3,426,446)**	**(2,541,740)**
Balance at 1 Jan 2018	**1,196,187**	**341,000**	**-**	**-**	**(5,203,189)**	**(3,666,002)**
Loss for the period	-	-	-	-	(1,481,511)	(1,481,511)
Other comprehensive income, net of income tax	-	-	-	(60,834)	-	(60,834)
Total comprehensive loss for the period	**-**	**-**	**-**	**(60,834)**	**(1,481,511)**	**(1,542,345)**
Shares issued under the IPO	3,799,392	-	-	-	-	3,799,392
Shares issued in settlement of convertible notes	4,319,573	-	-	-	-	4,319,573
Transactions under common control	-	-	(188,690)	-	-	(188,690)
Performance options granted (share-based payments)	-	113,253	-	-	-	113,253
Options granted to broker (share-based payments)	(279,027)	279,027	-	-	-	-
Other share issue costs	(408,199)	-	-	-	-	(408,199)
Balance at 30 June 2018	**8,627,926**	**733,280**	**(188,690)**	**(60,834)**	**(6,684,700)**	**2,426,982**

Condensed notes to the consolidated financial statements are included on pages 12 to 27.

Consolidated statement of cash flows for the half-year ended 30 June 2018

		Consolidated	
		Half-year ended	
	Note	30 Jun 2018 US$	30 Jun 2017 US$
Cash flows from operating activities			
Receipts from customers		232,960	289,318
Payments to suppliers and employees		(1,537,574)	(1,155,317)
Net cash (used in) operating activities		(1,304,614)	(674,098)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4,107)	(42,335)
Cash from acquisition of subsidiary	2(a)	15,441	-
Net cash provided by/(used in) investing activities		11,334	(42,335)
Cash flows from financing activities			
Proceeds from equity instruments of the Company	3	3,799,392	-
Repayment of borrowings		(33,013)	(22,385)
Proceeds from borrowings		1,263,830	-
Change in bank overdraft		60,435	155,441
Loan from related party		-	120,422
Receipts from Office of Chief Scientist		101,189	191,901
Share issue costs		(408,199)	-
Net cash provided by financing activities		4,783,634	253,478
Net increase/(decrease) in cash and cash equivalents		**3,490,354**	**(462,955)**
Cash and cash equivalents at the beginning of the period		53,983	483,930
Impact of movement in foreign exchange rates		(60,834)	-
Cash and cash equivalents at the end of the period		**3,483,503**	**20,975**

Condensed notes to the consolidated financial statements are included on pages 12 to 27.

Condensed notes to the consolidated financial statements for the half-year ended 30 June 2018

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this half-year report be read in conjunction with any public announcements made by ParaZero Limited up to the date of this report in accordance with the continuous disclosure requirements arising under the ASX Listing Rules.

The half-year financial report was authorised for issue by the directors on 29 August 2018.

Basis of preparation

The half-year report has been prepared on an accruals basis and is based on historical cost. Cost is based on the fair values of the consideration given in exchange for assets. The half-year report is presented in United States dollars (US$) and all values are rounded to the nearest dollar unless otherwise stated.

Capital reorganisation

On 13 June 2018, ParaZero Limited ("PRZ" or "the Company") completed the acquisition of 100% of the issued capital of ParaZero Ltd ("ParaZero Israel") in exchange for 51,580,391 shares ("Acquisition"). The transaction between the Company and ParaZero Israel is treated as a capital reorganisation; from a legal and taxation perspective, PRZ is considered the acquiring entity, for accounting purposes, ParaZero Israel has been identified as the accounting acquirer of the Group.

Consequently, this half-year report presents:

- the results of ParaZero Israel for the period from 1 January 2018 to 13 June 2018;
- the results of the consolidated Group for the period from 13 June 2018 to 30 June 2018; and
- the consolidated Group position as at 30 June 2018.

The comparative period results reflect ParaZero Israel, not the Company.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the ParaZero Israel's last annual financial statements for the year ended 31 December 2017.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. Whilst the Company is expected to be cash-flow negative in the foreseeable future as a result of continued research and development expenditures, the directors have reviewed the forecast cash flows from a period until August 2019, and are confident that, they will have sufficient working capital to maintain their operations, and if and when necessary, temporarily defer uncommitted costs.

Adoption of new and revised Accounting Standards

A number of new or amended Standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contract with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The impact of these standards and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

Adoption of Accounting Standards

The following Accounting Standards have been applied for the first time during the half-year ended 30 June 2018:

<u>Foreign currency transaction and balances</u>

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollars ('US$'), which is the presentation currency of the parent entity. The functional currency of the parent is Australian dollars.

Transaction 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 continued to be carried at the exchange rate at the date of the 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 translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

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 year-end exchange rates prevailing at that reporting period;
- 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 arising on translation of foreign operations with functional currencies other than US dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

AASB 9 Financial Instruments and associated Amending Standards.

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward-looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

Group revenues consists of mainly of revenues from sales of safety systems for drones. Customers of the Group are service providers or drones manufacturers or agents.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority in the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are change to one or more of the three (3) elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary;
- de-recognises the carrying amount of any non-controlling interests;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investments retained; and
- recognises any surplus or deficit in profit and loss.

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets and liabilities.

Financial instruments

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment
From 1 January 2018, the Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Depreciation
Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:
Computers – 3 years
Furniture and office equipment – 3 - 17 years
Leasehold improvements – the shorter of the lease term and the useful life

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Revenue

The Group manufactures and sells safety systems for drones. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been trucked to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average principle and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Employee benefits

Post-employment benefits

The Company's liability for severance pay is pursuant to Section 14 of the Israeli Severance Compensation Act, 1963 (Section 14). The majority of the Company's employees are included under this section and are entitled only to monthly deposits made in the employee's name with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. The funds deposited are made available to the employee at the time the employer-employee relationship is terminated, regardless of cause of termination. The severance pay liabilities and deposits under Section 14 are accounted for as defined contribution benefits and accordingly are not reflected in the statement of financial position, as the severance pay risks have been irrevocably transferred to the severance funds.

Short term employee benefits

Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Company expects the benefits to be wholly settled.

Equity settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria (Performance Milestones). The number of share options and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually best. The fair value is determined using either Black-Scholes or Binomial barrier up and in model depending on the type of share-based payment.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

Grants received from the Chief Scientist in Israel are recognised as a liability on the date of their receipt if there is reasonable assurance that the research activity will lead to sales entitling the State to royalties.

The liability in respect of the loan is initially recognised at fair value.

The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and is offset from the research and development expenses. Subsequent to initial recognition, the liability is measured at amortised cost using the effective interest method. Amounts paid as royalties are recognised as settlement of the liability. When economic benefits are not expected from the research activity, grants received are recognised as a deduction from the corresponding research and development expenses. In such a case, the liability for the payment of royalties is accounted for as a contingent liability. At each reporting date, the Company examines whether there is reasonable assurance that the liability that was recognised, all or part, will not be settled (since the Company will not be required to pay royalties) based on the best estimate of future sales using the original effective interest rate, and if there is reasonable assurance the appropriate liability is derecognised against a decrease in research and development expenses. Amounts paid as royalties are recognised as settlement of the liability.

ParaZero Israel received from the National Authority for Technology and Innovation (hereinafter referred to as “the Chief Scientist”) grants for participation in research and development and in return it undertook to pay royalties at the rate of 3% - 3.5% of the sales resulting from the research and development financed as aforesaid, in an amount of up to 100% of the grants received. The grants that were received are linked to the dollar and bear interest at the Libor rate. As at 30 June 2018, the Company has recognised a liability in respect of all the grants that were received.

Financing income and expenses
Financing expenses includes bank charges, changes in foreign currency losses, changes in fair value of derivatives and interest expenses.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses, depending on whether foreign currency movements are in a net gain or net loss position.

Loss per share
The Company presents basic and diluted earnings or loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, which includes, *inter alia*, ordinary shares issuable for little or no consideration. There is no difference between basic and diluted loss per share since there are no dilutive potential ordinary shares.

Segment reporting
The Company does not present segment information as the Company currently operates in a single segment.

Share-based payments
Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that fair value of goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Predecessor accounting
Business combinations involving entities under common control are accounted for using the predecessor accounting method. Under this method:

- carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained. As a result, no fair value adjustments are recorded on acquisition; and
- the carrying value of net assets acquired or liabilities assumed is recorded as a separate element of equity on consolidation.

Critical accounting judgements and estimates
The preparation of financial statements requires the use of certain critical accounting judgements and estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. There are no areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements except for the following:

Key judgement: capital re-organisation
The acquisition of 100% of the issued capital of ParaZero Ltd (Israel) by the Company, by way of issuing the shareholders of ParaZero Ltd (Israel) fully paid ordinary shares in the Company, has been determined by management to be a capital re-organisation as the transaction does not meet the definition of a business. Capital re-organisation transactions are a complex accounting area because there are no specific applicable accounting standards to these types of transactions. In the absence of specific guidance, management has used the guidance

in AASB 108 'Accounting Policies, Change in Accounting Estimates and Errors (para 10)' whereby management have used its judgement in developing and applying a relevant and reliable accounting policy using pre-combination book values to account for this transaction as no substantive economic change has occurred.

Key estimate: share-based payments
The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market based vesting conditions. The probability of achieving non-market based vesting conditions of performance options is assessed at each reporting period. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in note 5.

2. Common control entity

Summary of Acquisition
On 21 April 2017, ParaZero Limited (*formerly Diverse Security Needs Limited*) (the legal acquirer) was incorporated in Australia primarily for the purpose of investigating opportunities to invest in technology companies and being listed on the Australian Securities Exchange ("ASX").

On 13 June 2018, the Company completed a transaction with the shareholders of ParaZero Ltd (Israel) under common control to acquire 100% of the share capital in ParaZero Ltd (Israel) in exchange for 51,580,391 ordinary shares in the Company.

As at the date of acquisition, the assets and liabilities of the Company were as follows:

(a) Assets acquired and liabilities ParaZero Limited assumed at the date of acquisition

	US$
Assets	
Cash and cash equivalents	15,441
Other current assets	16,995
Intercompany loan receivable	938,450
Liabilities	
Trade and other payables	(95,746)
Convertible notes	(1,063,830)
Net assets/(liabilities)	**(188,690)**

The fair values of assets acquired and liabilities assumed approximate their carrying value.

(b) Predecessor Accounting Reserve

	US$
Net liabilities of ParaZero Limited at acquisition date	(188,690)
Predecessor Accounting Reserve	**(188,690)**

3. Issued capital

	30 Jun 2018 US$	31 Dec 2017 US$
87,830,391 (31 Dec 2017: 102,736) fully paid ordinary shares	**8,627,926**	**1,196,187**

Movement in ordinary capital	**Date**	**No. of shares**	**Unit Price[1] (US$)**	**Total[2] (US$)**
Opening balance as at 1 January 2018[3]		102,736	n/a	1,196,187
Less: adjustment for predecessor accounting[3]	13 Jun 2018	(102,736)	n/a	-
Existing shares of ParaZero Limited	13 Jun 2018	2,500,000	n/a	-
Issue of shares to ParaZero Ltd shareholders[4]	13 Jun 2018	31,907,600	-	-
Issue of shares to ParaZero Ltd convertible note holders[5]	13 Jun 2018	19,672,791	0.152	2,989,786
Capital raising under the initial public offer	13 Jun 2018	25,000,000	0.152	3,799,392
Issue of shares on conversion of Company convertible notes[6]	13 Jun 2018	8,750,000	0.152	1,329,787
Costs of capital raising	-	-	-	(408,199)
Issue of 4,000,000 options to lead manager (*refer to note 5*)	-	-	-	(279,027)
Closing balance as at 30 June 2018		**87,830,391**		**8,627,926**

[1] The unit price in US$0.152 has been obtained by converting the issue price of A$0.20 at a rate of 1.316.

[2] Due to rounding, the figures may not precisely reflect the absolute figures obtained on multiplying the number of shares by the unit price.

[3] The application predecessor accounting for the acquisition and consolidation of the common controlled entity: ParaZero Ltd (Israel) required the value of ParaZero Limited shares on issue as at 31 December 2017.

[4] The Company issued 31,907,600 fully paid ordinary shares to ParaZero Ltd (Israel) shareholders. Refer to note 2 for further information.

[5] At the acquisition date (13 June 2018), ParaZero Ltd (Israel) had convertible loan notes outstanding, which were fully converted into 19,672,791 ordinary shares of the Company. The shares issued have been valued at the offer issue price of A$0.20, and the difference between the carrying amount of the outstanding liabilities, and the fair value of the shares granted, has been recognised as a finance expense/(credit).

[6] At acquisition date (13 June 2018), the Company had A$1,400,000 worth of convertible notes on issue. Upon completion of the Company's initial pubic offering and admission to the ASX Official List, the convertible notes automatically converted to 8,750,000 shares, each at a price of A$0.16 per share (a 20% discount to the offer issue price). The shares issued have been valued at the offer issue price of A$0.20, and the difference between the carrying amount of the outstanding liabilities, and the fair value of the shares granted, has been recognised as a finance expense/(credit).

4. Reserves

	30 Jun 2018 US$	31 Dec 2017 US$
Share-based payment reserve (i)	733,280	341,000
Foreign exchange reserve (ii)	(60,834)	-
Predecessor accounting reserve (iii)	(188,690)	-
	483,756	**341,000**

(i) Share-based payment reserve

Movements in share-based payment reserve	**30 June 2018**	
	No.	**US$**
Opening balance at 1 January 2017	-	-
Movement during the year	-	341,000
Closing balance at 31 December 2017	-	341,000
Opening balance at 1 January 2018	-	341,000
Issue of options to lead manager (refer to note 5)	4,000,000	279,027
Issue of ESOP performance options (refer to note 5)	55,000,000	113,253
Issue of Replacement options*	8,419,069	-
Closing balance at 30 June 2018	67,419,069	733,280

* the Replacement options were issued for no consideration to replace the options held by employees of ParaZero Ltd (Israel) under an employee option scheme adopted by ParaZero Israel at a date prior to its entry into the Acquisition. The options are exercisable at A$0.0027 expiring on or before 13 June 2023.

(ii) Foreign exchange reserve
The foreign exchange reserve records exchange differences arising on translation from functional currency to presentation currency.

(iii) Predecessor accounting reserve
The predecessor accounting reserve arises from the capital reorganisation and records the net liabilities of ParaZero Ltd (Israel) as at the acquisition date of 13 June 2018. Refer to note 2 for more information.

5. Share-based payments

During the half-year period ended 30 June 2018, the Group entered into a number of share-based payments:

- 4,000,000 options, vesting immediately, with an exercise price of at A$0.30 each on or before 13 June 2021 to the lead manager and other seed investors, escrowed for 24 months ("**Broker Options**");
- 55,000,000 performance options with an exercise price of A$0.20 each on or before 13 June 2023 to were issued to Mr Eden Attias and other management personnel, also escrowed for 24 months ("**Performance Options**"). These Performance Options vest and become exercisable in three (3) tranches, subject to satisfaction of the following performance conditions:
    - o **Class A** - one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of US$1,500,000 from total sales of products based on the Technology in a Year;

- **Class B** - one third of the Performance Options will vest upon satisfaction of either one of the two sub-conditions:
  - the Group achieving aggregate revenue of US$4,000,000 from total sales of products based on the Technology in a Year; or
  - the 14-trading day volume weighted average price of the Company shares has increased in value by more than 300% from the IPO price.
- **Class C** - one third of the Performance Options will vest upon the satisfaction of either one of two sub-conditions:
  - the Group achieving aggregate revenue of US$8,000,000 from total sales of products based on the Technology in a Year; or
  - the 14-trading day volume weighted average price of the Company shares has increased in value by more than 500% from the IPO price.

The term “Year” shall mean one of: (a) the time period commencing 1 July 2018 and ending on the 12 months anniversary of the completion of the listing or completion of the relisting or IPO; (b) the 12-month period immediately after the end of the first Year; and (c) the 12-month period immediately after the end of the second Year.

Fair value

The Broker Options and the Class A Performance Options were valued using a Black-Scholes model, whereas the Class B and Class C Performance Options were valued using an “Up & In” Binomial Barrier model. The following inputs were used:

Type of Option	**Broker**	**Class A Performance**	**Class B Performance**	**Class C Performance**
Valuation basis	Black-Scholes		“Up & In” Binomial Barrier	
Exercise price	A$0.30	A$0.20	A$0.20	A$0.20
Barrier price	n/a	n/a	A$0.80	A$1.20
Expected volatility	85%	85%	60%	60%
Implied option life	3 years	3 years	5 years	5 years
Risk-free interest rate	2.13%	2.18%	2.42%	2.42%
Dividend yield	n/a	n/a	n/a	n/a
Exchange rate (AU$:US$)	1.316	1.316	1.316	1.316
Value per option	US$0.0698	US$0.0824	US$0.0653	US$0.0527
No. of options	4,000,000	18,333,333	18,333,333	18,333,333
Total valuation	US$279,027	US$1,510,686	US$1,197,661	US$966,295
Expected vesting period	n/a	1 year	2 years	3 years

The Broker Options vest immediately, and thus the whole amount is recorded as a share-based payment. As the options were granted for services rendered in respect of the IPO, the amount is treated as a capital raising cost, and capitalised against the share capital raised. Due to the specialised nature of the services rendered, management do not consider it possible to determine their value, and thus the cost recorded is the fair value of the options granted.

The Class A performance options have a solely non-market performance condition, and therefore, the charge recognised reflects the management's current expectation of the total vesting period. Management have assessed the likelihood of achieving the non-market performance milestone Class A as 80% at 30 June 2018. In the period to 30 June 2018, the charge recognised in respect of these options was US$70,361.

The Class B and C performance options contain both a market and a non-market performance condition. Management have assessed the likelihood of achieving the non-market performance milestone Class B and C as 50% at 30 June 2018 with an estimated date of achievement of the vesting milestone on 13 June 2020 for Class B and 13 June 2021 for Class C. As a result, a charge is recognised over the vesting periods of each of Class B and Class C. This was equal to US$42,892 in the period to 30 June 2018.

6. Dividends

The Company did not pay or propose any dividends in the half-year ended 30 June 2018.

7. Loss per share

	30 Jun 2018 US cents per share	**30 Jun 2017** US cents per share
Basic and diluted loss per share (US cents per share)	(1.69)	(0.80)

7.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	30 Jun 2018 US$	**30 Jun 2017 US$**
Loss for the year attributable to owners of the Company	(1,481,511)	(698,445)

	30 Jun 2018 No.	**30 Jun 2017** No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	87,830,391	87,830,391

The weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the half-years ended 30 June 2018 and 30 June 2017 has been adjusted to reflect the capital reorganisation. The weighted average number of shares outstanding for the half-year ended 30 June 2018 is based on the weighted average number of shares of ParaZero Limited outstanding in the period following the acquisition. The share capital of ParaZero Ltd (Israel) as at 30 June 2017 was 102,736 shares on issue which the shareholders subsequently exchanged for shares in the Company.

8. Convertible loans

As at the acquisition date (13 June 2018), ParaZero Israel had a total of US$3,181,505 of convertible loans and accrued interest which were converted into 19,672,791 fully paid ordinary shares of the Company on the acquisition date (13 June 2018). The share issued have been valued at the offer issue price of A$0.20 and the difference between the carrying amount of the outstanding liabilities and the fair value of the shares granted, has been recognised as a finance expense/(credit). Refer to note 3 for further information.

9. Commitments

Operating lease commitments – rent expense

	US$
Not longer than 1 year	95,585
Longer than 1 year and not longer than 5 years*	129,502
Longer than 5 years	-

** The original lease agreement is for a period of 2 years but the Company has an option of extending it for another 3 years.*

Where commitments are denominated in foreign currencies, the amounts have been converted to US dollars based on the exchange rate prevailing as at 30 June 2018.

10. Segment information

The Company has identified its operating segment based on internal reports that are reviewed by the board and management. The Company has one (1) operating segment.

11. Contingent assets and liabilities

The directors are not aware of any contingent liabilities or assets as at 30 June 2018 or subsequent to period end.

12. Related party transactions

Entity / Key management personnel	Nature of transactions	Transaction value US$	Payable balance US$
B. Gen. (ret.) Eden Attias	Issue of 159,717 ordinary shares	-	-
B. Gen. (ret.) Eden Attias	Issue of 18,000,000 performance options[1]	42,401	-
B. Gen. (ret.) Eden Attias	Executive salary and director fees	40,288	7,866
Dr Anton Uvarov	Issue of 187,500 ordinary shares[2]	28,500	-
Dr Anton Uvarov (held in the name of Yulia Uvarov <Techinvest Nominee A/C>	Issue of 387,500 ordinary shares[3]	12	-
Dr Anton Uvarov	Issue of 350,000 options[4]	24,430	-
Dr Anton Uvarov	Director fees	1,748	1,748
Charis Law	Issue of 375,000 ordinary shares[3]	11	-
Charis Law	Issue of 200,000 options[4]	13,960	-
Charis Law	Director fees	1,748	1,748
Dan Arazi	Director fees	1,748	1,748
Howard Digby (held in the name of Lamma Nominees)	Issue of 350,000 options[4]	24,430	-
Howard Digby (held in the name of Lamma Nominees)	Issue of 387,500 ordinary shares[3]	12	-
Howard Digby	Issue of 125,000 ordinary shares[5]	19,000	-

[1] Employee Share Option Plan Performance Options issued (refer to note 5 for terms, conditions and valuations). The value recorded in the table above represents the pro-rata expense of the options recorded in the consolidated statement of profit or loss and other comprehensive income during the period.

[2] Shares issued in respect of the conversion of ParaZero Limited convertible notes totalling A$30,000 on completion of the Company's Initial Public Offering and subsequent admission to the ASX Official List. The conversion price was A$0.16 per share. The shares issued have been valued at the offer issue price of A$0.20.

[3] On 21 April 2017 (the incorporation date of ParaZero Limited), the issued capital of ParaZero Limited was 10,000,000 ordinary shares at A$100. In April 2018, share consolidations occurred which resulting in 2,500,000 ordinary shares (the existing share capital of ParaZero Limited at acquisition date). The value per share has been calculated at A$0.00004/US$0.00003 based upon the incorporation date capital of A$100.

[4] Options issued to key management personnel in their capacity as lead manager. Options are exercisable at A$0.30 each on or before 13 June 2021. Refer to note 5 for terms and conditions of the options.

[5] Shares issued in respect of the conversion of ParaZero Limited convertible notes totalling A$20,000 on completion of the Company's Initial Public Offering and subsequent admission to the ASX Official List. The conversion price was A$0.16 per share. The shares issued have been valued at the offer issue price of A$0.20.