



**Family Zone Cyber Safety Limited**  
(ACN 167 509 177)

**and controlled entities**

**HALF YEAR FINANCIAL REPORT**

**for the half year ended 31 December 2019**



**family zone**

Family Zone Cyber Safety Limited  
and controlled entities  
Half Year Report 31 December 2019

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Family Zone Cyber Safety Limited  
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## **CORPORATE INFORMATION**

### **Directors**

Tim Levy	Managing Director
Peter Pawlowitsch	Non-Executive Chairman
Crispin Swan	Executive Director - Sales
Phil Warren	Non-Executive Director

### **Company Secretary**

Emma Wates

### **Registered and principal administrative office**

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

### **Principal place of business**

Level 17, 37 St Georges Terrace  
PERTH WA 6000

### **Share register**

Automic Registry Services  
Level 5  
126 Phillip Street  
Sydney NSW 2000

### **Solicitors**

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

### **Bankers**

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

### **Auditors**

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

### **Securities Exchange Listing**

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

## APPENDIX 4D INFORMATION

### Reporting period

Current period: Half year ended 31 December 2019  
Previous corresponding period: Half year ended 31 December 2018

### Results for announcement to market

	% increase/ (decrease)	31 December 2019	31 December 2018
Revenue from ordinary activities	11.0%	\$2,372,556	\$2,138,249
Profit/(loss) from ordinary activities after tax attributable to members	9.8%	(\$8,303,050)	(\$7,558,963)
Net profit/(loss) for the period attributable to members	9.8%	(\$8,303,050)	(\$7,558,963)

### Dividends

No dividends have been declared or paid during the period ended 31 December 2019. The Directors do not recommend the payments of a dividend in respect of the period ended 31 December 2019.

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

### Explanation of results

Please refer to Results and Review of Operations within the Directors Report for an explanation of the results.

### Net tangible assets per security

Net tangible assets/(liabilities) per share	31 December 2019 cents per share	30 June 2019 cents per share
Net tangible assets/(liabilities) per share	1.17	1.96

### Other

The Group has not gained or lost control of any entities during the period.

There are no associates or joint ventures held by the Group.

### Audit

The Independent Auditor's Review Report included an unmodified opinion with an Emphasis of Matter drawing attention to Note 1(e) in the financial report, which notes matters that indicate that a material uncertainty exists that, may cast significant doubt about the Group's ability to continue as a going concern.

## DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the condensed consolidated financial statements of Family Zone Cyber Safety Limited (**Company**) and its controlled entities (**Family Zone** or **Group**) for the half year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

### DIRECTORS

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

Mr Tim Levy	Managing Director	
My Peter Pawlowitsch	Non-Executive Chairman	Appointed 24 September 2019
Mr John Sims	Non-Executive Chairman	Resigned 24 September 2019
Mr Crispin Swan	Executive Director – Sales	
Mr Phil Warren	Non-Executive Director	
Sir Peter Westmacott	Non-Executive Director	Resigned 25 September 2019

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

### PRINCIPAL ACTIVITIES

Family Zone is a technology group focused on cyber safety. Meeting a growing demand to keep kids safe online and manage digital lifestyles, Family Zone has developed a unique ecosystem-based approach to cyber safety. The Family Zone ecosystem is a platform from which cyber safety settings, advice and support could be delivered across any network and any device - offering a universal approach to cyber safety at home, at school and anywhere in between. The innovation of the Family Zone Ecosystem is that it not only supports the needs of schools and parents but also that it also permits telecommunication service providers and device manufacturers to embed world's-best practice cyber safety into their offerings.

The principal activities of the Group during the period have been the continued sales and distribution, marketing and customer support of its suite of cyber safety products and services across its wholesale, education and consumer markets.

### RESULTS

The net loss attributable to members of the Group for the half year ended 31 December 2019 amounted to \$8,303,050 (31 December 2018: net loss attributable to members \$7,558,963).

The net loss attributable to members for the current period included share based payment expenses of \$679,582 and depreciation and amortisation charges of \$2,335,785. The net loss from operations for the period ended 31 December 2019 excluding these non-cash items was \$5,287,683.

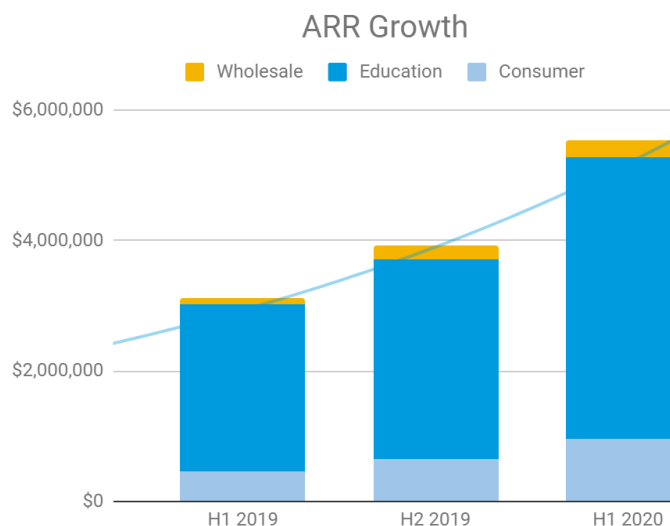
The Group's cash at bank was \$4,522,682 as at 31 December 2019.

## REVIEW OF OPERATIONS

The half year ended 31 December 2019 saw the materialisation of strong results from key strategies launched by the Company at the beginning of 2019 calendar year (CY).

Channel	Accounts/ Students	YoY growth
DIRECT Accounts	14k	111%
SCHOOL Clients	1,168	90%
STUDENT Licences	615k	70%
W'SALE	90k	222%

(ARR- Annual Recurring Revenue)



During the 2019 CY the Group sought to capitalise on Family Zone's unique cyber safety platform and establish a sustainable and rapidly scalable operation.

Family Zone's key strategic objectives for 2019 CY were:

1. Move the Group's education sales focus from Australia and New Zealand to the massively scalable USA school districts;
2. Establish a freemium product offering to drive scale through schools and partners; and
3. Drive down fixed costs.

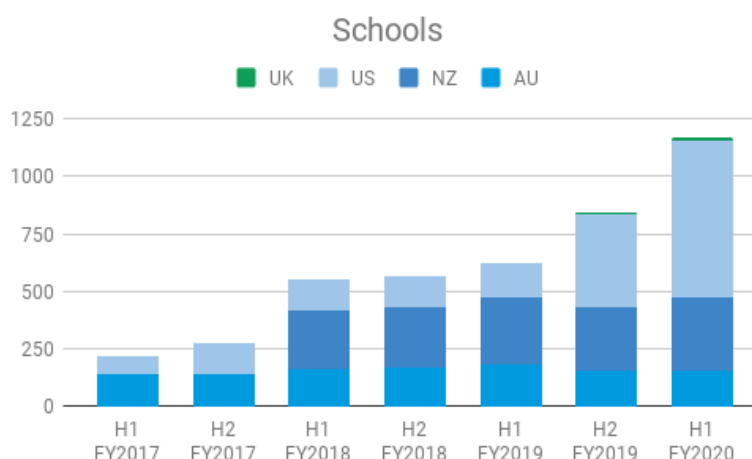
At the end of the 2019 CY the Company has made great progress on these initiatives.

### Sales focus and achievements

During the 2019 CY the Group re-organised its sales team to focus on the significant sales opportunity of USA school districts. The Group has swiftly built a sales capability and achieved success resulting in 688 USA schools and 340,000 licensed students as at 31 December 2019.

The half year ended December 2019 showed the emerging financial impacts of this initiative with revenue from USA schools increasing 4714% year on year to \$511,774 for the period.

The Group's accounting practice is to amortise service revenue across contract terms, the growth in USA revenue



demonstrates a material growth in contracted revenue.

Notwithstanding the re-focus onto USA education, overall services revenue increased by a pleasing 24% year on year as outlined below.

<b>Customer Revenue</b>	<b>Half Dec 2019</b>	<b>Half Dec 2018</b>	<b>YoY</b>
Services	\$2,172,590	\$1,753,728	24%
Hardware	\$199,966	\$384,521	(48%)
<b>Total</b>	<b>\$2,372,556</b>	<b>\$2,138,250</b>	<b>11%</b>

Hardware revenue fell in the period, as a result of the Company shifting focus in its wholesale channels to the launch of the freemium Insights product (as outlined further below).

<b>Interest and other income</b>	<b>Half Dec 2019</b>	<b>Half Dec 2018</b>	<b>YoY</b>
Interest revenue	\$2,711	\$3,015	(10%)
Other	-	\$5,706	(100%)
R&D Grant	\$1,055,688	\$2,782,977	(62%)
<b>Total</b>	<b>\$1,058,379</b>	<b>\$2,791,698</b>	<b>(62%)</b>

The year on year decrease in R&D Grant income noted above reflects a change in the accounting recognition of this income in the 6 months ended 31 December 2018 from a cash to an accrual basis, in the prior period. R&D Grant income reported in the half year ended 31 December 2018 represents R&D claims for an 18 month period whilst the R&D Grant income for the half year ended 31 December 2019 represents R&D claims accrued for the 6 month period only. During the current period cash receipts from R&D Grant income were \$1,943,696 (2018: \$1,882,977).

## **Development and launch of Family Zone Insights**

In the current period the Group delivered its freemium consumer offering, Family Zone Insights.

Insights is free product which provides parents with:

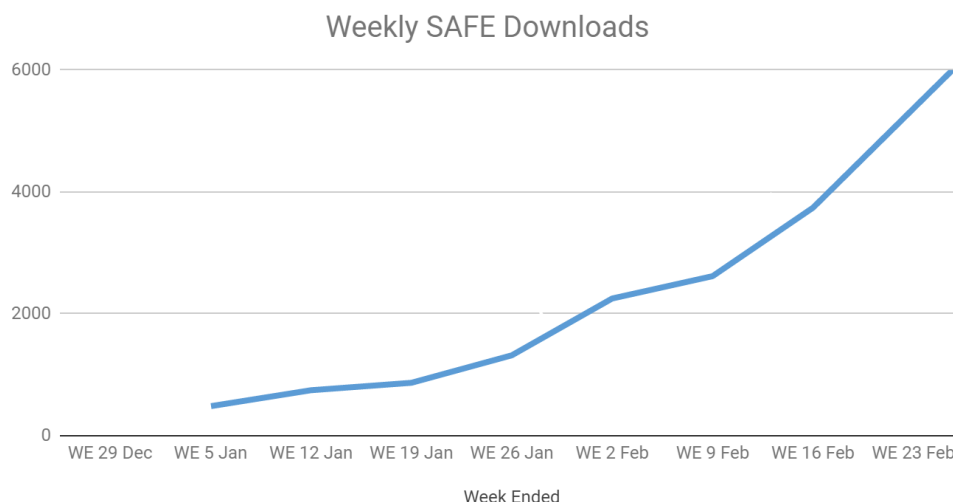
- Detailed reports and drill downs into their children's internet usage;
- The ability to locate their children's devices;
- The ability to trace their children's location history;
- Alerts for risky activity such as the use of inappropriate Apps;
- Analysis of their children's internet activity;
- Timely and relevant advice from cyber safety experts; and
- Upgrade opportunities to seamlessly subscribe to premium parental controls.

The purpose of Insights is drive scale. Insights is being made available to Family Zone's school clients and wholesale partners offering them valuable (brand building) tools for their community/customers and offering Family Zone upgrade sales opportunities.

Insights was soft- launched in Australia and a re-branded version called Telkomsel Safe was launched by Telkomsel in Indonesia in November 2019.

With modest promotion 7,200 accounts had signed up by 31 December 2019 and pleasingly initial engagement indicators are strong with a greater than 60% activation-rate for downloaded Apps for this period.

In February 2020, Telkomsel started providing some initial marketing of the product and this has resulted in a considerable increase in downloads, as shown in the below graph.



The launch of Insights is a significant milestone offering the Group direct access to large audiences and the ability to obtain insights into children's online activity for the purpose of promoting cyber safety and Family Zone's premium parental controls offering.

### Driving down fixed costs

Through CY 2019 the Group worked to optimise its cost structure for sustainability and global scale. In January 2019 the Group targeted \$4 million in annualised cost savings and by the end of the current period has achieved and identified in excess of this target.

The following table shows the Group's costs for the current and prior period excluding non-cash cost items (which include depreciation, share based payment expense and revaluation of contingent consideration).

Costs	Half Dec 2019	Half Dec 2018	YoY
Advertising and marketing	\$467,605	580,107	(19%)
Administration and corporate costs	\$608,562	956,557	(36%)
Cost of sales	\$874,513	1,109,937	(21%)
Finance costs	\$33,293	27,646	20%
IT	\$1,422,907	683,353	108%
Employee benefits	\$4,698,037	5,165,931	(9%)
Other	\$500,895	508,425	(1%)
<b>Total</b>	<b>\$8,605,812</b>	<b>9,031,956</b>	<b>(5%)</b>

It is highlighted that in a partnership with Google, Family Zone is moving its back-end hosting and data services to Google Cloud Platform which is expected to not only offer important services and features for our customers but material reductions in the Company's IT costs going forward.

### Award of US Patent

During the period Family Zone was awarded a Patent for its "Device Management System" in the US from the US Patent & Trademark Office and in Australia from IP AUSTRALIA.

These awards further validate the uniqueness of the Company's platform approach to cyber safety and offers opportunities and IP protections for the Group globally. They also establish a mechanism for Family Zone to win in our chosen market and protect the Group from competitor encroachment.



## **Board changes**

During the period experienced ASX technology executive Peter Pawlowitsch was appointed to the Board as non-executive Chairman with existing Directors John Sims and Peter Westmacott resigning.

Mr Pawlowitsch is a renowned, successful and experienced ASX company director who specialises in technology businesses and the transition from start up to sustainability. He is currently the non-executive chairman of Novatti Group (ASX: NOV) and a non-executive director of Dubber Corporation Ltd (ASX: DUB), VRX Silica Ltd (ASX: VRX) and Knosys Ltd (ASX: KNO) and has previously been a director of a number of other ASX listed companies.

Mr Pawlowitsch holds a Bachelor of Commerce from the University of Western Australia is a current member of CPA Australia, a Fellow of the Governance Institute of Australia and holds a Masters of Business Administration from Curtin University.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

## **AFTER BALANCE DATE EVENTS**

No matters or circumstances have arisen since the end of the period which 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 subsequent financial years.

## **LIKELY DEVELOPMENTS**

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

## **ENVIRONMENTAL REGULATION**

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

## **ROUNDING OF AMOUNTS**

In accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

## **DIVIDENDS**

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

Signed in accordance with a resolution of the Directors.



**Mr Tim Levy**  
*Managing Director*  
28 February 2020

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF FAMILY ZONE CYBER SAFETY LIMITED AND ITS  
CONTROLLED ENTITIES**

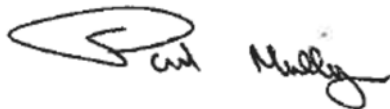
In relation to the independent review for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

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

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

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN  
Executive Director  
28 February 2020



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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Revenue from ordinary activities	3	2,372,556	2,138,249
Cost of sales		(874,513)	(1,109,937)
<b>Gross Profit</b>		<b>1,498,043</b>	<b>1,028,312</b>
Other income	3	1,058,379	2,791,698
Revaluation (loss)/gain on contingent consideration		(112,806)	862,113
Advertising and marketing		(467,605)	(580,107)
Administration and corporate costs		(608,562)	(956,557)
Finance costs		(33,293)	(27,646)
Information technology		(1,422,907)	(683,353)
Share based payments	4	(679,582)	(2,093,983)
Employee benefits		(4,698,037)	(5,165,931)
Depreciation and amortisation		(2,335,785)	(2,225,084)
Other expenses		(500,895)	(508,425)
<b>Loss before income tax</b>		<b>(8,303,050)</b>	<b>(7,558,963)</b>
Income tax benefit/(expense)		-	-
<b>Loss after tax for the period attributable to the members of Family Zone Cyber Safety</b>		<b>(8,303,050)</b>	<b>(7,558,963)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations, net of tax		(5,002)	(5,750)
<b>Total comprehensive loss for the period attributable to the members of Family Zone Cyber Safety</b>		<b>(8,308,052)</b>	<b>(7,564,713)</b>
Basic and diluted loss per share (cents per share) for the period attributed to the members of Family Zone Cyber Safety		(7.38)	(5.29)

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



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Family Zone Cyber Safety Limited  
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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		4,522,682	5,116,523
Trade and other receivables	5	2,082,785	3,228,710
Inventory		52,097	157,152
Prepayments		865,173	805,604
<b>Total Current Assets</b>		<b>7,522,738</b>	<b>9,307,989</b>
<b>Non-Current Assets</b>			
Intangibles	6	2,736,374	4,826,403
Trade and other receivables	5	80,248	80,112
Plant and equipment		833,479	682,757
Lease assets	7	477,048	-
<b>Total Non-current Assets</b>		<b>4,127,149</b>	<b>5,589,272</b>
<b>TOTAL ASSETS</b>		<b>11,649,886</b>	<b>14,897,261</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	3,553,638	4,123,740
Provisions		519,953	491,728
Contingent consideration		-	629,440
Borrowings		853,502	1,469,535
Lease Liability	7	103,044	-
<b>Total Current Liabilities</b>		<b>5,030,137</b>	<b>6,714,443</b>
<b>Non- Current Liabilities</b>			
Trade and other payables	8	573,636	200,754
Contingent consideration		47,341	47,595
Provisions		78,771	-
Lease Liability	7	382,226	-
<b>Total Non-Current Liabilities</b>		<b>1,081,974</b>	<b>248,349</b>
<b>TOTAL LIABILITIES</b>		<b>6,112,111</b>	<b>6,962,792</b>
<b>NET ASSETS</b>		<b>5,537,775</b>	<b>7,934,469</b>
<b>EQUITY</b>			
Issued capital	9	50,551,087	45,567,979
Reserves	10	8,374,836	7,451,587
Accumulated losses	11	(53,388,148)	(45,085,097)
<b>TOTAL EQUITY</b>		<b>5,537,775</b>	<b>7,934,469</b>

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



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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2019

	Issued Capital	Reserves	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>30,873,178</b>	<b>6,842,123</b>	<b>(30,683,960)</b>	<b>11,663</b>	<b>7,043,004</b>
Loss for the period	-	-	(7,558,963)	-	(7,558,963)
Total other comprehensive income	-	-	-	(5,750)	(5,750)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(7,558,963)</b>	<b>(5,750)</b>	<b>(7,564,713)</b>
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of ordinary shares, net of transaction costs	6,205,434	-	-	-	6,205,434
Issue of Options	-	701,296	-	-	701,296
Issue of Performance Rights	-	628,670	-	-	628,670
Issue of Performance Shares	-	74,756	-	-	74,756
Total transactions with owners	6,205,434	1,404,722	-	-	7,610,156
<b>Balance at 31 December 2018</b>	<b>37,078,612</b>	<b>8,246,845</b>	<b>(38,242,923)</b>	<b>5,913</b>	<b>7,088,447</b>

	Issued Capital	Reserves	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<b>45,567,979</b>	<b>7,454,897</b>	<b>(45,085,097)</b>	<b>(3,310)</b>	<b>7,934,469</b>
Loss for the period	-	-	(8,303,050)	-	(8,303,050)
Total other comprehensive income	-	-	-	(5,002)	(5,002)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(8,303,050)</b>	<b>(5,002)</b>	<b>(8,308,052)</b>
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of ordinary shares	5,508,308	-	-	-	5,508,308
Transaction costs	(525,200)	-	-	-	(525,200)
Issue of Options, Performance Rights and Performance Shares	-	976,576	-	-	976,576
Reversal of Performance Rights	-	(20,833)	-	-	(20,833)
Reversal of Employee Options	-	(27,492)	-	-	(27,492)
Total transactions with owners	4,983,108	928,251	-	-	5,911,359
<b>Balance at 31 December 2019</b>	<b>50,551,087</b>	<b>8,383,148</b>	<b>(53,388,148)</b>	<b>(8,312)</b>	<b>5,537,775</b>

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



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## CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2019

	31 December 2019 \$	31 December 2018 \$
<b>Cash flows from operating activities</b>		
Receipt from customers	2,669,148	1,396,229
Government grants received	1,943,696	1,882,977
Payments to suppliers and employees	(8,656,086)	(9,109,729)
Interest received/(paid)	(30,582)	3,015
<b>Net cash flows used in operating activities</b>	<b>(4,073,824)</b>	<b>(5,827,508)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant & equipment	(396,479)	(388,027)
Payments for intangible assets	-	(52,094)
<b>Net cash flows used in investing activities</b>	<b>(396,479)</b>	<b>(440,122)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares, net of share issue costs	4,489,277	5,516,173
Proceeds received for shares not yet issued	-	1,950,250
Repayments of borrowings	(616,034)	-
<b>Net cash flows from financing activities</b>	<b>3,873,243</b>	<b>7,466,423</b>
Net (decrease)/increase in cash and cash equivalents	(597,060)	1,198,793
Net foreign currency exchange differences	3,220	(6,023)
Cash and cash equivalents at beginning period	5,116,523	2,461,222
<b>Cash and cash equivalents at end period</b>	<b>4,522,682</b>	<b>3,653,992</b>

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



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## **NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 December 2019

### **NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

Family Zone Cyber Safety Limited (**Company**) is a listed public company incorporated and domiciled in Australia and is the head of the Group. The half-year financial statements of the Group are as at and for the period ended 31 December 2019.

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

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

#### **a) Basis of Preparation**

The half-year financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, including AASB 134 *Interim Financial Reporting*.

The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year condensed financial statements, the half-year has been treated as a discrete reporting period.

It is recommended that this half-year report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Family Zone Cyber Safety Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Family Zone Cyber Safety Limited is a company limited by shares. The half-year report is presented in Australian currency and all amounts noted are in Australian dollars unless otherwise noted. Family Zone Cyber Safety Limited is a for-profit entity.

Except as disclosed in note 1(c), the accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

#### **b) Rounding of amounts**

The Group has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest dollar.

#### **c) Adoption of new and revised accounting standards**

This half-year report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2019, except for the impact of the new and amended standards and interpretations issued by the Australian Accounting Standards Board ('AASB'). The adoption of the new and amended standards and interpretations, other than AASB 16 as outlined below, did not result in any significant changes to the Group's accounting policies.

#### **AASB 16 Leases**

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 January 2019, including AASB 16 Leases. AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition, right-of-use assets are accounted for on a similar basis to non-financial

assets, whereby the right-of-use asset is accounted for on a cost basis.

Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

In accordance with the transition requirements of AASB 16, the Group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e. at 1 July 2019). Accordingly, comparative information has not been restated.

The Group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of \$548,957 (referred to in these financial statements as “leased assets”) and corresponding lease liabilities with an aggregate carrying amount of \$531,050. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 7.92%.

#### **d) Changes to critical accounting estimates and judgements**

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liabilities affected in future periods.

Please refer to the Group’s 30 June 2019 financial statements for information on the Group’s judgements, estimates and assumptions.

#### **e) Going concern**

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

The Statement of Comprehensive Income shows that the Group incurred a net loss of \$8,303,050 during the half-year ended 31 December 2019 (half-year ended 31 December 2018: loss of \$7,558,963), and net cash outflows from operating activities of \$4,073,824 (half-year ended 31 December 2018: \$5,827,508). The Statement of Financial Position shows that the Group had cash and cash equivalents of \$4,522,682 as at 31 December 2019 (30 June 2019: \$5,116,523). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on the following:

- The Group being able to successfully raise further debt or capital funding within the next six months;
- The Group achieving the growth targets approved by the Board across, Australia, New Zealand and the



- US markets; and
- The receipt of funds from the ATO in respect of Research & Development expenditure arising from the 2020 financial year.

Management believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report.

In the event that the matters above do not eventuate, then the Group may be unable to continue as a going concern, and may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or liabilities that might be necessary should the Group not continue as a going concern.

## 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, information technology (and more specifically the provision of cyber safety services) in Australia, New Zealand and United States of America. The Group also operates in Asia, however this is in the early stages of development, and has been allocated to other. Other also includes head office & corporate expenditure. This is consistent with the internal reporting provided to the chief operating decision maker.

31 December 2019	Australia \$	New Zealand \$	USA \$	Corporate \$	Total \$
<b>Segment Income</b>					
Sales revenue	1,382,917	445,165	511,774	32,701	2,372,556
Other income	1,058,358	-	9	12	1,058,379
<b>Total Income</b>	<b>2,441,275</b>	<b>445,165</b>	<b>511,783</b>	<b>32,713</b>	<b>3,430,935</b>
<b>Segment Expenses</b>					
Cost of sales	(541,192)	(143,331)	(178,271)	(11,719)	(874,513)
Operating expenses	(4,646,166)	(653,529)	(1,114,275)	(7,229)	(6,421,199)
Research and Development	(1,306,143)	(52,817)	(63,947)	-	(1,422,907)
Share-based payments	-	-	-	(679,582)	(679,582)
<b>Loss before depreciation and amortisation</b>	<b>(4,052,226)</b>	<b>(404,513)</b>	<b>(844,710)</b>	<b>(665,818)</b>	<b>(5,967,266)</b>
Depreciation and amortisation	(735,232)	(52,267)	(79,924)	(1,468,362)	(2,335,785)
<b>Loss before Income Tax</b>	<b>(4,787,458)</b>	<b>(456,780)</b>	<b>(924,635)</b>	<b>(2,134,180)</b>	<b>(8,303,050)</b>



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31 December 2018	Australia \$	New Zealand \$	Corporate \$	Total \$
<b>Segment Income</b>				
Sales revenue	1,755,311	360,097	22,841	2,138,249
Other income	3,648,095	5,688	28	3,653,811
<b>Total Income</b>	<b>5,403,406</b>	<b>365,786</b>	<b>22,868</b>	<b>5,792,060</b>
<b>Segment Expenses</b>				
Cost of sales	(1,030,732)	(68,503)	(10,702)	(1,109,937)
Operating expenses	(5,480,642)	(1,186,860)	(571,163)	(7,238,665)
Research and Development	(660,757)	(2,117)	(20,480)	(683,354)
Share based payments	-	-	(2,093,983)	(2,093,983)
<b>Loss before depreciation and amortisation</b>	<b>(1,768,725)</b>	<b>(891,694)</b>	<b>(2,673,460)</b>	<b>(5,333,879)</b>
Depreciation and amortisation	(720,078)	(1,493,183)	(11,823)	(2,225,084)
<b>Loss before Income Tax</b>	<b>(2,488,803)</b>	<b>(2,384,877)</b>	<b>(2,685,283)</b>	<b>(7,558,963)</b>

31 December 2019	Australia \$	New Zealand \$	USA \$	Corporate \$	Total \$
<b>Segment Assets and Liabilities</b>					
Cash	4,087,241	149,138	225,923	60,380	4,522,682
Trade and other receivables	2,349,954	136,636	518,886	22,730	3,028,206
Inventory	12,881	28,265	10,951	-	52,097
Plant and equipment	279,046	103,248	451,185	-	833,479
Right to use asset	196,887	117,500	162,661	-	477,048
Intangible assets	46,980	2,689,395	-	-	2,736,374
Trade and other payables	(2,598,662)	(371,594)	(1,155,111)	(1,907)	(4,127,274)
Provisions	(559,021)	(39,703)	-	-	(598,724)
Borrowings	(853,502)	-	-	-	(853,502)
Contingent consideration	(47,341)	-	-	-	(47,341)
Lease Liability	(198,638)	(119,740)	(166,893)	-	(485,270)
<b>Net Assets</b>	<b>2,715,826</b>	<b>2,693,145</b>	<b>47,602</b>	<b>81,203</b>	<b>5,537,775</b>



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30 June 2019	Australia \$	New Zealand \$	USA \$	Corporate \$	Total \$
<b>Segment Assets and Liabilities</b>					
Cash	4,990,392	44,555	35,160	46,416	5,116,523
Trade and other receivables	2,570,177	153,916	579,916	4,813	3,308,822
Prepayments	763,212	16,581	25,811	-	805,604
Inventory	146,205	28,152	10,924	(28,130)	157,151
Plant and equipment	274,563	106,013	302,181	-	682,757
Intangible assets	668,647	4,157,756	-	-	4,826,403
Trade and other payables	(3,068,531)	(514,838)	(556,624)	(184,500)	(4,324,493)
Provisions	(418,319)	(73,409)	-	-	(491,728)
Borrowings	(1,469,535)	-	-	-	(1,469,535)
Contingent consideration	(677,035)	-	-	-	(677,035)
<b>Net Assets</b>	<b>3,779,776</b>	<b>(3,918,726)</b>	<b>397,368</b>	<b>(161,401)</b>	<b>7,934,469</b>

### NOTE 3: REVENUE AND OTHER INCOME

	31 December 2019 \$	31 December 2018 \$
<b>Operating Revenue</b>		
Service revenue	2,172,590	1,753,728
Hardware revenue	199,966	384,521
	<b>2,372,556</b>	<b>2,138,249</b>
<b>Interest and other income</b>		
Interest revenue	2,711	3,015
Other	-	5,706
Research and Development Grant	1,055,668	2,782,977
	<b>1,058,379</b>	<b>2,791,698</b>

(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.

### NOTE 4: SHARE BASED PAYMENTS

Share based payments made during the period ended 31 December 2019 are summarised below.

<b>(a) Recognised Share Based Payment Expense</b>	31 December 2019 \$	31 December 2018 \$
Options issued to employees as incentive based remuneration <sup>(b)</sup>	92,133	619,437
Performance Rights issued to employees as incentive and for services <sup>(c)</sup>	395,545	628,670
Performance Share issued to employees as incentive and for services <sup>(d)</sup>	31,537	74,756
Options issued to the Chairman as incentive based remuneration <sup>(e)</sup>	100,438	-
Advisor options issued for services provided <sup>(f)</sup>	92,447	-
Shares issued to an advisor in settlement of outstanding invoices	15,807	771,120
Reversal of SBP expenses as vesting conditions were not met <sup>(b), (c)</sup>	(48,325)	-
	<b>679,582</b>	<b>2,093,983</b>

The movement in the share based payment reserve of \$928,251 is due to non-cash share based payments of \$248,669 which have been recognised against issued capital as a cost of shares issued.

#### (b) Options granted to employees for services

The Group's ESOP is designed to provide medium and long term incentives for all employees (including Directors) and to attract and retain experienced employees, board members and executive officers and provide motivation to make the Group more successful.

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

Any option may only be exercised after the option has vested and other conditions imposed by the Board have been satisfied. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, shares allotted pursuant to the exercise of options will be allotted following receipt of relevant documentation and payments will rank equally with all other shares. The following amounts were expensed in relation to Employee Options during the reporting period. No new Employee Options were granted during the reporting period.

Tranche	Valuation Date	Expiry Date	Exercise Price	Granted during the period	Vested during the period	Total Share-Based Payment Expense for the period (\$)
1	19/09/2016	19/09/2019	\$0.33	-	-	-
2	2/12/2016	19/09/2019	\$0.33	-	-	-
3	20/02/2017	19/09/2019	\$0.33	-	-	-
4	31/08/2017	19/09/2019	\$0.33	-	-	-
5	16/12/2016	15/12/2019	\$0.30	-	-	-
6	18/03/2019	18/03/2022	\$0.18	-	-	92,133
<b>Total</b>				-	-	<b>92,133</b>

As disclosed in the 30 June 2019 Annual Report, the Group has determined the most appropriate values for these employee options using the Black Scholes Model applying the following inputs.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6
Grant date share price	\$0.30	\$0.195	\$0.18	\$0.51	\$0.20	\$0.525
Exercise price	\$0.33	\$0.33	\$0.33	\$0.33	\$0.30	\$0.64
Expected volatility	100%	100%	100%	100%	100%	106%
Expiry date (years)	3.00	3.00	3.00	2.05	3.00	3.00
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	2.28%	2.28%	2.28%	2.28%	2.28%	1.93%
Value per option	\$0.182	\$0.102	\$0.082	\$0.325	\$0.106	\$0.323

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

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

The Third Vesting Condition attaching to the Tranche 1-4 Employee Options was not met as at 30 June 2019. The share-based payment expensed to date in respect to these options had been reversed in the prior period.

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

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

The Tranche 5 Employee Options lapsed unexercised during the current period.

The vesting conditions attaching to the Tranche 6 Employee Options are as follows

Vesting Date	Vesting condition
18/03/2019	33.3% vested on issue
18/03/2020	33.3% vest one year following the Issue Date
18/03/2021	33.3% vest on two years following the Issue Date

### **(c) Performance Rights**

During the period 250,000 Class H Performance Rights were granted to a senior executive under the Company's Performance Rights Plan. The Performance Rights granted convert into ordinary shares on a one for one basis subject to the achievement of the vesting conditions. The existing Performance Rights on issue have continued to be expensed and recognised for the half-year ended 31 December 2019.

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

The total share based payment expense for the period in respect to the Performance Rights granted was \$395,545.

### **(d) Performance Shares**

The Performance Shares issued convert into ordinary shares on a one for one basis subject to the achievement

of a series of vesting conditions.

The Performance Shares issued to employees for services provided were considered to represent the value of the services received over the vesting period. These Performance Shares have been valued based on the share price of the Company at the date of approval of the issue of the Performance Shares.

The total share based payment expense for the period in respect to 1,166,665 Performance Shares that had been issued to employees in lieu of services was \$31,537 (31/12/18: \$74,756).

**(e) Director Options**

During the period 3,000,000 Director Options (\$0.21, 8 Nov 2022) were granted to non-executive Chairman Peter Pawlowitsch for services to be provided. Shareholder approval for the issued of the Director Options was obtained 4 November 2019 and the Director Options were issued 8 November 2019. The Director Options are subject to various vesting conditions, the details of which have been outlined below:

Tranche	Vesting Condition	Number	Value Per Option	Total Value	Total Share-Based Payment Expense for the period (\$)
1	None	1,000,000	0.0923	92,260	92,260
2	The 30 day VWAP of the Company's Shares being greater than \$0.25	500,000	0.0917	45,855	2,217
3	The 30 day VWAP of the Company's Shares being greater than \$0.35	500,000	0.0882	44,090	2,132
4	The 30 day VWAP of the Company's Shares being greater than \$0.45	500,000	0.0830	41,480	2,006
5	The 30 day VWAP of the Company's Shares being greater than \$0.60	500,000	0.0754	37,700	1,823
<b>Total</b>		<b>3,000,000</b>		<b>261,385</b>	<b>100,438</b>

The fair value of the service could not be reliably measured and therefore, a Monte-carlo model was used to determine the value of the Director Options. The inputs have been detailed below:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Underlying share price	\$0.175	\$0.175	\$0.175	\$0.175	\$0.175
Exercise price	\$0.210	\$0.210	\$0.210	\$0.210	\$0.210
Target price	N/A	\$0.250	\$0.250	\$0.250	\$0.250
Exercise Multiple	2.5	2.5	2.5	2.5	2.5
Expiry date (years)	3	3	3	3	3
Expected Volatility	90%	90%	90%	90%	90%
Risk free rate	0.83%	0.83%	0.83%	0.83%	0.83%
Value per option	\$0.0923	\$0.0917	\$0.0882	\$0.0830	\$0.0754



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#### (f) Advisor Options

During the period 1,000,000 Advisor Options were granted to corporate advisors in relation to services provided. The fair value of the service could not be reliably measured and therefore, a Black Scholes model was used to determine the value of the options. The inputs have been detailed below:

	Input
Underlying share price	\$0.175
Exercise price	\$0.210
Expected volatility	90%
Expiry date (years)	2.98
Expected dividends	Nil
Risk free rate	0.83%
Value per option	\$0.092
<b>Total fair value of the options</b>	<b>\$92,447</b>

#### NOTE 5: TRADE AND OTHER RECEIVABLES

	31 December 2019 \$	30 June 2019 \$
<b>Current:</b>		
Trade receivable	790,990	924,605
GST receivable	-	42,868
Contract receivable	103,653	313,254
R&D Grant Receivable	1,188,142	1,947,983
<b>Total Current Trade and Other Receivables</b>	<b>2,082,785</b>	<b>3,228,710</b>
<b>Non-Current:</b>		
Contract assets	23,703	23,703
Bonds and deposits	56,545	56,410
<b>Total Non-Current Trade and Other Receivables</b>	<b>80,248</b>	<b>80,112</b>
<b>Total Trade and Other Receivables</b>	<b>2,163,033</b>	<b>3,308,822</b>

#### NOTE 6: INTANGIBLES

	31 December 2019 \$	30 June 2019 \$
Intellectual Property at cost	13,759,986	13,759,986
Less: Accumulated amortisation and impairment	(11,127,151)	(9,093,652)
Customer Contracts at cost	339,181	339,181
Less: Accumulated amortisation and impairment	(235,642)	(179,112)
	<b>2,736,374</b>	<b>4,826,403</b>

#### Reconciliation of movements in intangible assets

	\$
<b>Balance at 1 July 2019</b>	<b>4,826,403</b>
Additions	-
Amortisation expense	(2,090,029)
<b>Balance at 31 December 2019</b>	<b>2,736,374</b>



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<b>Balance at 1 July 2018</b>	<b>9,025,186</b>
Additions – Linewize customer contracts and IP	52,094
Amortisation expense	(2,132,897)
<b>Balance as at 31 December 2018</b>	<b>6,944,383</b>

## NOTE 7: LEASE ASSETS AND LEASE LIABILITIES

The right of use assets and lease liabilities relate to the adoption of AASB 16 Leases on 1 July 2019. On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using an arm's length borrowing rate. The incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.92%.

At the commencement date of a lease (other than leases of 12 months or less and lease of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group leases office premise for periods not exceeding 5 years. The arrangements do not include variable lease payments or residual guarantees. Where the lease includes the option to renew, this has been factored into the lease calculation. The Group is required to return the underlying assets in a specified condition at the end of the lease term.

### LEASE ASSETS

	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Land and Building – right of use assets	548,957	-
Less: Accumulated Amortisation	(71,909)	-
	<b>477,048</b>	<b>-</b>

### LEASE LIABILITIES

<b>Current</b>	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Lease Liability	103,044	-
Total Current Lease Liability	<b>103,044</b>	<b>-</b>
<b>Non- Current</b>	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Lease Liability	382,226	-
Total Non-Current Lease Liability	<b>382,226</b>	<b>-</b>
<b>Total Lease Liabilities</b>	<b>485,270</b>	<b>-</b>

## NOTE 8: TRADE AND OTHER PAYABLES

<b>Current:</b>	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,201,208	1,143,101
Customer Contract liabilities	1,511,379	1,903,181
Accruals & other payables	841,051	1,077,458
<b>Total Current Trade and Other Payables</b>	<b>3,553,638</b>	<b>4,123,740</b>





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**Non Current:**

Customer Contract liabilities	573,636	200,754
<b>Total Non Current Trade and Other Payable</b>	<b>573,636</b>	<b>200,754</b>
<b>Total Trade and Other Payables</b>	<b>4,127,274</b>	<b>4,324,494</b>

**NOTE 9: ISSUED CAPITAL**

	<b>Number of Shares</b>	<b>Value \$</b>
<b>Opening balance – 1 July 2018</b>	134,610,852	30,873,178
Shares issued on exercise of Performance Rights on 4 Jul 2018	266,667	-
Shares issued on exercise of options during the period on 20 Jul 2018	72,297	10,658
Shares issued to sophisticated investor on 29 Aug 2018	9,650,000	4,825,000
Shares issued to Tellus Matrix LLP for advisory services on 29 Aug 2018	101,825	45,981
Shares issued to Netsweeper for services on 19 Oct 2018	2,087,436	1,000,000
Shares issued to Fidelio on 28 Nov 2018	2,788,997	725,139
Shares issued to Tim Levy on 28 Nov 2018 (following shareholder approval)	350,000	175,000
Shares issued to sophisticated investor on 11 Jan 2019	11,095,556	2,496,500
Shares issued to sophisticated investor on 18 Jan 2019	133,333	30,000
Shares issued to consultant on 26 Feb 2019	216,000	48,600
Shares issued to the Linewize Vendors on conversion of performance shares on 18 Mar 2019	2,000,000	400,000
Shares issued to executives on the exercise of Class A performance rights on 18 Mar 2019	83,333	-
Shares issued in respect to Brand Ambassadorial Agreement on 8 Apr 2019	500,000	100,000
Shares issued to Fidelio on 18 Apr 2019	309,889	61,979
Shares issued to Non-executive Directors in lieu of cash salaries for the 2019 calendar year on 18 Apr 2019	577,778	130,000
Shares issued to sophisticated investors on 29 Apr 2019	35,483,872	5,500,000
Shares issued to Tim Levy on exercise of options on 15 May 2019	300,000	75,000
Less: share issue costs	-	(929,056)
<b>Closing balance – 30 June 2019</b>	<b>200,627,835</b>	<b>45,567,979</b>
Shares issued to the Linewize vendors on conversion of performance shares on 4 September 2019	4,500,000	742,500
Placement to sophisticated investors - Tranche 1 on 3 Oct 2019	4,903,426	686,480
Placement to sophisticated investors - Tranche 2 on 8 Nov 2019	29,025,146	4,063,521
Shares issued on conversion of Class B performance shares on 8 Nov 2019	7	-
Issue of securities in lieu of services provided on 15 Nov 2019	70,255	15,807
Costs of shares issued	-	(525,200)
<b>Closing Balance – 31 December 2019</b>	<b>239,126,669</b>	<b>50,551,087</b>

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.



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## **NOTE 10: 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 period reflects the value of options, performance rights and performance shares issued by the Group.

	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Share Based Payment Reserve		
Options	4,268,358	3,746,356
Performance Shares	1,619,140	1,587,603
Performance Rights	2,495,650	2,120,938
<b>Total Share Based Payment Reserve</b>	<b>8,383,148</b>	<b>7,454,897</b>
Foreign Currency Translation Reserve	(8,312)	(3,310)
<b>Total Reserves</b>	<b>8,374,836</b>	<b>7,451,587</b>

### **Options outstanding at 31 December 2019**

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

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Balance at start of Period (number)</b>	<b>Granted During the Period (number)</b>	<b>Exercised during the Period (number)</b>	<b>Forfeited during the Period (number)</b>	<b>Balance at Period end (number)</b>	<b>Vested and exercisable at Period end (number)</b>
29/08/2016	29/08/2019	\$0.25	5,888,438	-	-	(5,888,438)	-	-
19/09/2016 - 31/08/2017	19/09/2019	\$0.33	4,321,340	-	-	(4,321,340)	-	-
16/12/2016	15/12/2019	\$0.30	5,335,000	-	-	(5,335,000)	-	-
5/05/2017	5/05/2020	\$0.30	1,750,000	-	-	-	1,750,000	1,750,000
4/12/2017	4/12/2020	\$0.50	850,000	-	-	-	850,000	850,000
4/12/2017	4/12/2020	\$0.60	850,000	-	-	-	850,000	850,000
9/04/2018	9/04/2021	\$0.75	516,765	-	-	-	516,765	516,765
9/04/2018	9/04/2021	\$0.90	516,765	-	-	-	516,765	516,765
29/08/2018	29/08/2020	\$0.60	500,000	-	-	-	500,000	500,000
11/03/2019	11/03/2022	\$0.25	250,000	-	-	-	250,000	250,000
18/03/2019	18/03/2022	\$0.18	2,147,647	-	-	(80,474)	2,067,173	703,256
21/05/2019	21/05/2022	\$0.24	898,692	-	-	-	898,692	898,692
8/11/2019	8/11/2022	\$0.21	-	3,852,100	-	-	3,852,100	3,852,100
8/11/2019	8/11/2022	\$0.21	-	3,000,000	-	-	3,000,000	1,000,000
<b>Total</b>			<b>23,824,647</b>	<b>6,852,100</b>	<b>0</b>	<b>(15,625,252)</b>	<b>15,051,495</b>	<b>11,687,578</b>

Reconciliation of movement in option reserve:

	Number of Options	Value \$
<b>Opening Balance - 1 July 2019</b>	23,824,647	3,746,356
Options issued for capital raising services and strategic advisory services <sup>(a)</sup>	3,852,100	356,923
Share based payment expense for employee options on issue as at 1 July 2019	-	64,641
Share based payment expense for Director Options granted during the period <sup>(b)</sup>	3,000,000	100,438
Lapsed during the period	(15,625,252)	-
<b>Closing Balance – 31 December 2019</b>	<b>15,051,495</b>	<b>4,268,358</b>

(a) On 8 November 2019, 2,852,100 options were issued for capital raising services provided to the Company. These options had a 3 year term and exercise price of \$0.21 per option vesting immediately (**Selling Options**).

On 15 November 2019, 1,000,000 options were issued to a corporate advisor in relation to services provided. These options had a 3 year term and exercise price of \$0.21 per option vesting immediately (**Advisor Options**).

These options were valued using the Black-Scholes option pricing model applying the following inputs:

	<b>Selling options</b>	<b>Advisor options</b>
Grant Date	<b>8 November 2019</b>	<b>15 November 2019</b>
No of Options at 31 December 2019	2,852,100	1,000,000
Underlying share price	\$0.175	\$0.175
Exercise price	\$0.210	\$0.210
Expected volatility	90%	90%
Expiry date (years)	3.00	2.98
Expected dividends	Nil	Nil
Risk free rate	0.830%	0.830%
Value per option (rounded)	\$0.093	\$0.093

(b) On 8 November 2019, 3,000,000 Director Options were issued to non-executive Chairman Peter Pawlowitsch for services to be provided. There are various vesting conditions associated with the Director Options. Please refer to Note 4: Share based payments for further details as to the basis of valuation of options and their assessed fair value.



### Performances shares outstanding at 31 December 2019

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

Class	Grant Date	Expiry Date	Balance at start of Period (number)	Granted During the Period (number)	Converted during the Period (number)	Forfeited during the Period (number)	Balance at Period end (number)
B	16/6/16 - 16/12/16	29/08/2019	10,499,999	-	-	(10,499,999)	-
C	16/6/16 - 16/12/16	29/08/2020	10,499,998	-	-	-	10,499,998
D	29/11/2017	29/11/2022	-	-	-	-	-
E	29/11/2017	29/11/2022	-	-	-	-	-
F	29/11/2017	29/11/2022	2,000,000	-	(2,000,000)	-	-
G	29/11/2017	29/11/2022	2,500,000	-	(2,500,000)	-	-
H	29/11/2017	29/11/2022	3,000,000	-	-	-	3,000,000
			<b>28,499,997</b>	<b>-</b>	<b>(4,500,000)</b>	<b>(10,499,999)</b>	<b>13,499,998</b>

Class D-H Performance Shares were issued in part consideration for the Linewize acquisition. The Performance Shares convert into Shares subject to the achievement of various performance targets and have been reported as contingent consideration for the acquisition, consistent with the disclosure in the 30 June 2019 Annual Report.

Reconciliation of movement in performance share reserve:

	Number of Performance Shares	Value \$
<b>Opening Balance - 1 July 2019</b>	28,499,997	1,587,603
Share based payment expense for the year in respect to Performance Shares on issue as at 1 July 2019	-	31,537
Performance shares lapsed during the period <sup>1</sup>	(10,499,999)	-
Performance Shares converted into ordinary shares on achievement of performance milestone <sup>2</sup>	(4,500,000)	-
<b>Closing Balance – 31 December 2019</b>	<b>13,499,998</b>	<b>1,619,140</b>

- (1) The Class B Performance Shares converted into ordinary shares on a one for one basis on the achievement of a vesting condition. The vesting condition for the conversion of the Class B Performance Shares on a one for one basis was assessed as unlikely to be met as at 30 June 2019. The share-based payment expensed to date in respect to these Class B Performance Shares was therefore reversed in the prior period. Following, consolidation, conversion and cancellation of the 10,499,999 Class B Performance shares, 7 ordinary shares were issued on 8 November 2019, as disclosed in Note 9.
- (2) Class F and Class G Performance Shares were converted to fully paid ordinary shares during the reporting period upon achievement of their relevant performance target, consistent with the disclosures in the 30 June 2019 Annual Report.



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### Performance Rights at 31 December 2019

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

Grant Date	Expiry Date	Exercise Price	Balance at start of Period (number) <sup>1</sup>	Granted During the Period (number) <sup>2</sup>	Exercised during the Period (number)	Forfeited during the Period (number) <sup>3</sup>	Balance at Period end (number)	Vested and exercisable at Period end (number)
4/12/2017	4/12/2020	Nil	3,550,001	-	-	(1,774,994)	1,775,007	333,340
17/04/2019	17/04/2022	Nil	1,805,196	-	-	-	1,805,196	1,805,196
9/09/2019	30/06/2020	Nil	-	250,000	-	-	250,000	-
<b>Total</b>			<b>5,355,197</b>	<b>250,000</b>	<b>-</b>	<b>(1,774,994)</b>	<b>3,830,203</b>	<b>2,138,536</b>

(1) Comprising 1,274,998 Class B Performance Rights, 1,275,003 Class C Performance Rights, 333,340 Class D Performance Rights, 333,330 Class F Performance Rights and 1,805,196 Class G Performance Rights.

(2) 250,000 Class H Performance Rights were granted a senior executive under the Company's Performance Rights Plan during the period, however the Class H Performance Rights are yet to be issued.

(3) Comprising 1,274,998 Class B Performance Rights, 166,666 Class C Performance Rights, 333,333 Class E Performance Rights.

Reconciliation of movement in performance right reserve:

	Number of Performance Rights	Value \$
<b>Opening Balance - 1 July 2019</b>	5,355,197	2,120,938
Performance Rights granted on 9 September 2019	250,000	18,674
Performance Rights expense recognised for the current period		376,871
Reversal of share based payment expense as vesting conditions are not met		(20,833)
Performance Rights lapsed and cancelled during the period	(1,774,994)	-
<b>Closing Balance – 31 December 2019</b>	<b>3,830,203</b>	<b>2,495,650</b>

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

Performance Rights	Valuation Date	Vesting Date	Fair Value at Grant Date <sup>1</sup>	Number	Total Expense for the period
Class C	04/12/2017	29/08/2020	\$0.675	1,108,337	\$108,956
Class D	04/12/2017	29/08/2018	\$0.675	333,340	-
Class F	04/12/2017	29/08/2020	\$0.675	333,330	\$41,216
Class G	01/01/2019	01/01/2020	\$0.225	1,805,196	\$205,867
Class H	09/09/2019	30/06/2020	\$0.195	250,000	\$18,674
<b>Total</b>				<b>3,830,203</b>	<b>\$374,712</b>

(1) The 250,000 Class H Performance Rights issued during the reporting period have been valued as at the Groups' share price on the date they were granted, given their conversion to ordinary shares on a 1:1 basis.



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#### NOTE 11: ACCUMULATED LOSSES

	31 December 2019	30 June 2019
	\$	\$
Accumulated Losses	<b>(53,388,147)</b>	<b>(45,567,979)</b>
Opening balance	(45,085,097)	(30,683,960)
Net loss for the financial year	(8,303,050)	(14,401,137)
<b>Total Accumulated Losses</b>	<b>(53,388,147)</b>	<b>(45,085,097)</b>

#### NOTE 12: RELATED PARTY TRANSACTIONS

Other than as presented below, there were no material changes to the Group's related party transactions to those disclosed in the 30 June 2019 Annual Report.

##### Other Transactions with Key Management Personnel

##### Grange Consulting

Mr Phil Warren, a Director of the Company is also the Managing Director of Grange Consulting Group Pty Ltd (**Grange**).

\$52,338 was paid to Grange for financial management and company secretarial services for the period ended 31 December 2019. \$8,625 was outstanding and payable to Grange as at 31 December 2019.

#### NOTE 13: CONTINGENT LIABILITIES & ASSETS

The Directors are not aware of any contingent liabilities and contingent assets, that may arise from the Group's operations as at 31 December 2019.

#### NOTE 14: EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the period which 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 subsequent financial years.

## DIRECTORS' DECLARATION

The directors of the Group declare that:

- (a) the condensed half-year financial report comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - i. comply with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
  - ii. give a true and fair view of the Group's financial position as at 31 December 2019
  - iii. and of its performance of the half year ended on that date
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Tim Levy  
28 February 2020

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

We have reviewed the accompanying half-year financial report of Family Zone Cyber Safety Limited (the 'Company') and its controlled entities (the 'Group'), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Group 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 gives a true and fair view and 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 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 Family Zone Cyber Safety 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*.

### *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 Family Zone Cyber Safety Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



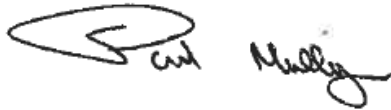
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*Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial report, which indicates that the Family Zone Cyber Safety Limited incurred a net loss of \$8,303,050 during the half-year ended 31 December 2019 and, as of that date, a net cash outflow from operating and investing activities of \$4,073,824. These conditions, along with other matters as set forth in Note 1e, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN  
Executive Director  
Perth, 28 February 2020