FAMILY ZONE CYBER SAFETY LIMITED

ACN 167 509 177

ANNUAL REPORT

for the year ended 30 June 2020

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CORPORATE INFORMATION

Directors

Tim Levy	Managing Director
Peter Pawlowitsch	Non-Executive Chairman (appointed 24 September 2019)
Crispin Swan	Executive Director - Sales
Phil Warren	Non-Executive Director
Matthew Stepka	Non-Executive Director (appointed 1 May 2020)

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 Citibank House
37 St George Terrace
PERTH WA 6000
Telephone: 1300 398 326

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)

CHAIRMAN'S MESSAGE

Dear Fellow Shareholders,

I have really enjoyed my first year as Chairman of Family Zone Cyber Safety Limited ("Family Zone" or the "Company", ASX: FZO) and its controlled entities (the "Group") and helping the team deliver on our mission of supporting and protecting every child's digital journey and in the past 12 months we have taken significant steps forward in this aim.

The Family Zone platform offers a world first, singular approach to enable schools, parents and cyber safety experts to collaborate to keep children safe anywhere, at any time, on any device and any network. We are building a business that incorporates school administration, teachers, all kinds of devices and the community surrounding children, empowering parents with tools and content that support learning.

While the COVID-19 pandemic has affected businesses everywhere during this period, it has highlighted the value of our products and the need of our tools to assist children with their digital experiences, which have only increased with homeschooling becoming a tool being used to combat the spread of COVID-19.

We entered the year with 927 schools and 482,000 students on the platform. At year end, the Company's educational base had grown to 2,456 schools (+165 percent) and 1.31 million students (+172 percent). Building on this, the strong sales trend has continued into FY21, with the Company achieving a 33 percent increase in the number of contracted students within just the first eight weeks of FY21.

Our growth has been bolstered by our aggressive push into the US market during the past 12 months. The US market offers a large-scale growth opportunity with 135,000 schools and 57 million students. At the start of FY20, the US made up about 48 percent of our school clients, and at year end, it made up more than 75 percent of our numbers. However, this is only the tip of the iceberg as we have penetrated only about 2 percent of the US school districts, demonstrating how much further we can grow our business by focusing on this market.

Family Zone's prioritisation of its education channel in FY20 was the bedrock of the Company's success. The annual value of contracts signed grew swiftly through the year and the Company achieved 500 percent YoY growth on this metric in the June quarter alone. The Company expects to supplement this growth by launching consumer offerings into the US within the next six months.

I would like to thank our Shareholders, both new and existing, for their support of our capital raisings during the year and for continuing to support Family Zone as it pursues its strategy for growth. I also thank our Board, who have supported me since coming into the role of Chairman in September 2019, and our Management team, including Managing Director Tim Levy, for their stellar efforts. Our staff have operated through a challenging period recently and I commend them for their dedication.

Family Zone has a clear goal of what it wants to achieve, and I believe we are on the right track to that success. I look forward to keeping you all updated of our progress in the year ahead.

Peter Pawlowitsch
Chairman

REVIEW OF OPERATIONS

Operational results

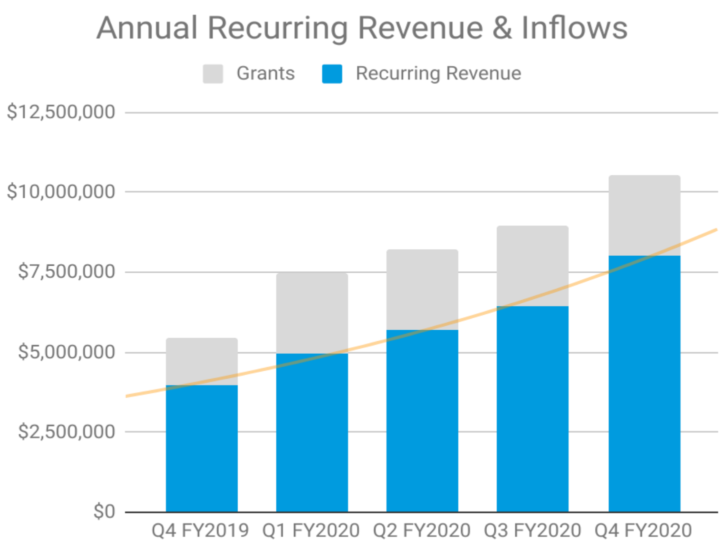
Key operational highlights and achievements in the 12-month period ending 30 June 2020 included:

- Successful expansion in USA education drove a 165% YoY growth in schools and 173% growth in Students using Family Zone's service.
- Established the Company as a significant player in US education, deploying into approximately 2% of USA school districts and over 30 states in America.
- Significantly expanded our product offerings including launching market leading Classwize, SafeInspect, SafeGuard and SafeDNet.
- Continued to innovate in consumer offerings, including a successful launch of freemium, Family Zone Insights.
- Raised a total of $11.17 million (net of issue costs) in two placements to support continued investment in the platform and business growth into FY21.

<u>Recurring revenue growth</u>

Growth in the annual recurring revenue is a key strategic focus of the Group. Given the Group's operating costs are relatively fixed, strong revenue growth will have a significant impact on the Company's operating result. The majority of the Group's revenues are generated from its education business with schools contracted generally for between 1 and 3 years. Contracted revenues are also generated from the Group's consumer and wholesale customers.

The Group ended the financial year with annual recurring revenues (Non-IFRS measure) of circa $8.04 million representing a 105% increase from the prior year. Annual recurring revenue represents the estimated next 12 month gross revenue of the Group based on the number of contracted customers year end and the average revenue generated per customer.



<u>US growth</u>

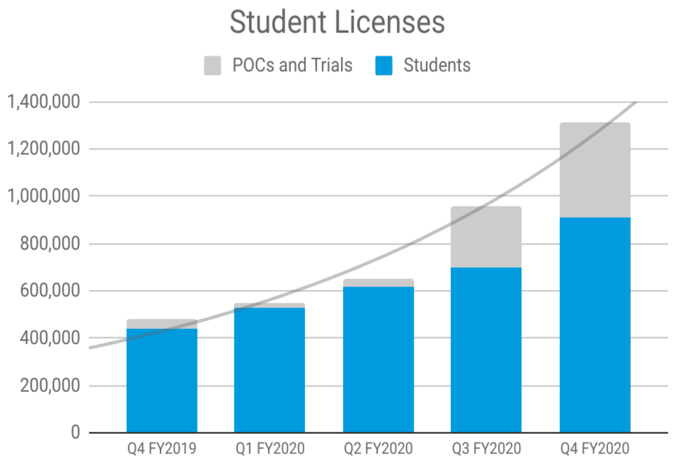
The 2019/2020 financial year represented the second year of the Company's entry into US education. The Company's previous investments in product and business development saw strong traction with more than 830,000 US students added to the Family Zone platform. This represented a near trippling of the Company's student user-base.

By the June 2020 quarter, which cyclically represents the largest US sales period, the US was the biggest contributor to the Company's top line growth. Family Zone ended FY20 with 2,010 US schools on the platform representing more than 75% of customers in its Education division. Family Zone has achieved market penetration of more than 2% of all US school districts in an incredibly short period of time, which demonstrates the opportunity for future growth.

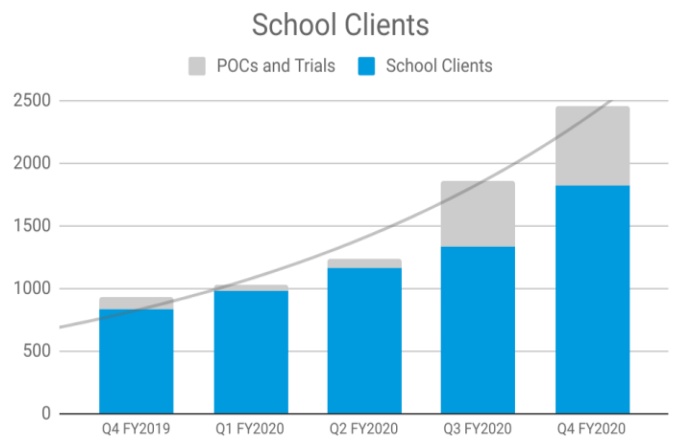
REVIEW OF OPERATIONS

Record growth in schools and student licences

Family Zone continued to add student licences at a record pace throughout the year, with each quarter surpassing the previous one and Family Zone finishing the year with a new record of 214,000 new student licences in the June quarter, 1.3 million students on the platform and more than 900,000 licenced students. It ended the year with 2,456 schools on the platform and 1,815 contracted schools.



The June quarter record was broken in the first month of FY21, with July 2020 seeing Family Zone add 219,000 contracted student licenses to the platform as budgets were set in the US school system, which boosted sales activity. This is expected to provide the company with strong momentum to build upon in FY21.



Continued innovation in consumer

Whilst focused on expansion in education during the year, the Company continued to grow it's direct consumer business and innovate. Most importantly, the Company launched its freemium consumer offering, Family Zone Insights. Its launch was a significant milestone, providing Family Zone with direct access to large audiences and the ability to obtain insights into children's online activities for the purpose of promoting cyber safety and Family Zone's premium parental control offering.

Insights is a 'freemium' 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
- Seamless upgrade opportunities to seamlessly subscribe to premium parental controls allowing parents to block inappropriate content, manage screen-time, limit social media, Apps and more.

The purpose of Insights is to drive scale and by design enforces no restrictions onto the child. Insights was 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.

REVIEW OF OPERATIONS

Insights was soft launched in Australia and in November 2019, the Company launched Telkomsel Safe, a re-branded Family Zone Insights offering.

By the end of 1H20, 7,200 accounts had been activated across Family Zone's channels with the bulk via Telkomsel. Initial engagement indicators were exceptional, with greater than 60% activation of downloaded Apps and negligible churn.

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

Wholesale channels

During the March quarter, as COVID-19 started to impact the business, the Company initiated a strategic review of its Asian telco channel, in light of:

- The economic impact of COVID-19 on these jurisdictions;
- The costs to service this channel;
- Existing wholesale revenue; and
- Other opportunities to deploy capital.

As a result, the Company decided to suspend wholesale sales for 2020 and reconsider the wholesale channel in CY21 while it capitalises on opportunities in the Education sector, particularly in the US, as it believed the Education and School Communities segments to be a more productive and appropriate focus for short-term investment.

Financial results

The Group achieved revenue of $5.09 million for the year ended 30 June 2020, a 21.6% increase on the previous corresponding period. Revenue from sales in the US increased by about 70% to $1.35 million over the previous year.

The Group reported a net loss of $17.6 million, which was a 22.3% increase on the FY19 result. During the year, the Group continued to invest in the development of new products as well as undertaking several major product enhancements. This included the launch of its teacher tool Classwize in February 2020, which proved to be a valuable tool for schools particularly following the move to remote learning in the wake of the COVID-19 pandemic.

The Company also invested in expanding the scale of its platform to support the increasing number of users and scale of opportunities presented in the US education market.

Family Zone's continued investment in R&D activities resulted in the Group receiving government R&D grant income of approximately $2.39 million, resulting in operating revenue and other income for the year of approximately $8.47 million.

Employee benefits and director remuneration was a key expenditure item for the financial year, being approximately $10.05 million. During the year, the Group invested in the establishment of an experienced sales and delivery team to drive growth in the US education market. It now has 20 employees in its US team.

Non-cash share-based payments to employees and consultants during the period were approximately $2.91 million.

Other significant non-cash expenditure was the depreciation and amortisation charge for the financial year of approximately $4.16 million.

REVIEW OF OPERATIONS

Corporate

Capital Raising

In October 2019, the Company completed a placement of 33.9 million new shares at $0.14 per share to raise $4.75 million (before costs). The Company was supported in the placement by several existing institutional investors and welcomed a range of new institutional and sophisticated investors from Australia and Asia.

Blue Ocean Equities Pty Ltd acted as Lead Manager to the Placement.

As announced in April 2020 and completed in May 2020, the Company completed a second capital raising for $10 million (before costs) through a Placement of 84,333,335 new shares to a range of institutional and private investors based in Australia and the US.

The Placement price was set at $0.12, representing a 7.7% discount to the closing price on 23 April 2020 of $0.13 and a 16.6% discount to the 15-day VWAP of $0.14 prior to the Placement. The Placement shares were issued in two tranches, with the second tranche being subject to shareholder approval which was granted on 30 June 2020 and shares issued in July 2020.

Bell Potter Securities Limited acted as Lead Manager to the Placement.

Net proceeds from the capital raisings have and are being used primarily to accelerate growth and build on the rapid progress being made in USA education.

Board Changes

In September, experienced ASX executive Peter Pawlowitsch became Family Zone's Non-Executive Chairman.

He is non-executive chairman of Novatti Group Ltd (ASX: NOV) and a non-executive director of Dubber Corporation Ltd (ASX: DUB), VRX Silica Ltd (ASX: VRX) and Knosys Ltd (ASX: KNO).

John Sims, who previously held the Chairman role, and non-executive Director Sir Peter Westmacott resigned during the period.

In the June quarter, the Company appointed former Google executive Matthew Stepka as a Non-Executive Director. Mr Stepka is Managing Partner of Machina Ventures, an investment firm focused on early stage, artificial intelligence and data science enabled companies. He is also a Lecturer at UC Berkeley, Haas School of Business and is an inaugural Disruptor Foundation Fellow and is a member of the California State Bar.

Cash balance

The Company's cash balance as at 30 June 2020 was $5.8 million, with an additional $3.7 million received on 7 July 2020 following the completion of the second tranche of its Placement.

With these funds and growing recurring revenues the Company is well funded and positioned to invest in growth.

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of Family Zone Cyber Safety Limited ('Company') and its wholly owned subsidiaries (the 'Group' or 'Family Zone') for the financial year ended 30 June 2020. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report as follows:

DIRECTORS

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

Mr Tim Levy	Managing Director	
Mr Peter Pawlowitsch	Non-Executive Independent Chairman	Appointed 24 September 2019
Mr John Sims	Non-Executive Independent Chairman	Resigned 24 September 2019
Mr Crispin Swan	Executive Director – Sales	
Mr Phil Warren	Non-Executive Independent Director	
Mr Matthew Stepka	Non-Executive Independent Director	Appointed 1 May 2020
Sir Peter Westmacott	Non-Executive Independent Director	Resigned 24 September 2019

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

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:
Emma Wates

Emma is a Corporate Advisor and acted as Company Secretary for a number of ASX listed companies. Emma is a Chartered Accountant and a Senior Associate of FINSIA.

PRINCIPAL ACTIVITIES

Family Zone is a technology group focussed 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 can 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 continued sales and distribution, marketing and customer support of its suite of cyber safety products and services.

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

RESULTS

The Group reported total revenue, other income and revaluation gains for the year ended 30 June 2020 of $8,465,865 (2019: $9,199,917) with revenue from operations being $5,090,173 (2019: $4,184,323).

The net loss attributable to members of the Group for the year ended 30 June 2020 amounted to $17,617,120 (2019: loss $14,401,137).

DIRECTORS' REPORT

REVIEW OF OPERATIONS

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

A review of the Group's operations over the past financial year is outlined on pages 5 to 8 of the Annual Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

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.

DIVIDENDS

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

EVENTS AFTER BALANCE DATE

On 1 July 2020, the Company acquired 100% of the issued fully paid capital of a privately owned technology company operating within the cyber security sphere, for cash consideration of $100. At the date of this report, the initial business combination accounting is incomplete and as such no disclosures have been made in relation to the acquisition accounting for this transaction. Further disclosure will be provided in due course as management continue to work through this process.

On 1 July 2020, a new lease agreement was entered into by the Company for premises in Australia. The lease is for a term of 2 years, commencing from 1 July 2020.

On 7 July 2020, the Company completed the issue of the second tranche of 30,833,333 Placement Shares at $0.12 per Share raising $3.7 million (before costs) including an investment of $500,000 by the Company's Chairman, Peter Pawlowitsch. The Company also issued 2,000,000 Broker Options ($0.18, 7 July 2023), 5,500,000 Performance Rights to Matthew Stepka and 1,000,000 Director Options ($0.21, 7 July 2023) to Phil Warren. These options were approved at the Shareholder meeting on 30 June 2020, and therefore accounted for at 30 June 2020.

On 13 July 2020 the Company announced the issue of the 4,000,000 Advisor Options, comprising 2,000,000 Tranche 1 Advisor Options ($0.18, 13 July 2023) and 2,000,000 Tranche 2 Advisor Options ($0.24, 13 July 2023) and 4,500,000 Performance Rights under the Company's Performance Rights Plan. These options were approved at the Shareholder meeting on 30 June 2020, and therefore accounted for at 30 June 2020.

On 15 July 2020 the Company announced it had passed through a significant operational milestone with over 1 million contracted student licenses with a total of approximately 1.4 million students and 2,600 schools on the Family Zone Platform.

On 26 August 2020, the Company announced that in the 8 weeks following the end of the financial year the Company had signed contracts in US education covering greater than 300,000 student licenses with 312,500

DIRECTORS' REPORT

student licences added across the business in this period representing a 33% increase in the size of Family Zone's contracted education base.

On 28 August 2020, the Company announced the issue of 500,000 Broker Options ($0.18, 13 July 2023).

Since the end of the financial year a total of 4,798,789 Shares have been issued following the exercise of 4,798,789 Options with a total of $998,923 funds received from the exercise of these Options. In addition 459,842 Performance Rights have been exercises for nil consideration.

Apart from the events discussed above, no other 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.

INFORMATION ON DIRECTORS

DIRECTORS

Mr Tim Levy
B. Com, CA

Experience and expertise

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

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

Other current directorships of ASX listed companies

Nil

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

Nil

Mr Peter Pawlowitsch
B. Comm, CPA MBA, FGIA
(Appointed 24 September 2019)

Experience and expertise

Mr Pawlowitsch is an experienced ASX company director. Mr Pawlowitsch specialises in technology businesses and the transition from startup to sustainability.

Mr Pawlowitsch is also a Fellow of the Governance Institute of Australia and holds a Master of Business Administration from Curtin University. These qualifications have underpinned more than 15 years' experience in the accounting profession and more recently in business management and the evaluation of businesses and projects.

Other current directorships of ASX listed companies

- Dubber Corporation Limited (September 2011 – present)
- VRX Silica Limited (February 2010 – present)
- Knosys Limited (March 2015 – present)
- Novatti Group Limited (June 2015 – present)

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

- Rewardle Holdings Limited (May 2017 – January 2019)

Mr John Sims
B. Acc (Glasgow)
(Resigned 24 September 2019)

Experience and expertise

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

- President, Global Sales, BlackBerry Limited
- Global Head of Telecom & President, SAP Mobile Services, SAP AG

- Board Member, Mobixell Networks
- CEO, 724 Solutions Inc
- Founder and CEO, TANTAU Software Inc
- COO, SCC Communications (now Intrado, part of West Corp) and
- Vice President, Telecommunications, Tandem Computers

Other current directorships of ASX listed companies

Nil

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

Nil

Mr Crispin Swan

B. Arts (Hons) (UK/Germany)

European Business Programme

Experience and expertise

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

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

Other current directorships of ASX listed companies

Nil

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

Nil

Mr Phil Warren

B. Com, CA

Experience and expertise

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

Mr Warren has established a number of ASX listed companies and continues to act as corporate advisor to some of these companies. Mr. Warren is a non-executive director of Cassini Resources Limited and Rent.com.au Limited and also sits on a number of unlisted company boards in his capacity as finance and governance director.

Other current directorships of ASX listed companies

- Cassini Resources Limited (March 2011- present)
- Rent.com.au Limited (September 2014 – present)
- Jupiter Energy Limited (April 2018 – present)

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

Sir Peter Westmacott

(Resigned 24 September 2019)

Experience and expertise

Sir Peter is a distinguished senior British diplomat, who has been British Ambassador to Turkey, France and the United States of America. Sir Peter has been honoured with numerous awards and appointments in the UK and France. He was appointed Companion of the Order of St Michael and St George in 2000, promoted to Knight

DIRECTORS' REPORT

Commander (KCMG) in 2003 and Knight Grand Cross (GCMG) in 2016. He was also made a Lieutenant of the Victorian Order by HM The Queen in 1993.

Other current directorships of ASX listed companies

None

Other directorships held in ASX listed company in the last three years

None

Mr Matthew Stepka
(Appointed 1 May 2020)

Experience and expertise

Mr Stepka is Managing Partner of Machina Ventures, an investment firm focused on early stage, artificial intelligence and data science enabled companies. He is also a Lecturer at UC Berkeley, Haas School of Business. Previously, Mr. Stepka was Vice President, Business Operations and Strategy at Google, where he led and incubated strategic initiatives including expanding internet access, deploying renewable energy, strengthening freedom of expression and democracy, innovating in robotics, establishing novel pricing strategies and extending Google's footprint in emerging markets, especially Africa.

Prior to joining Google, Mr. Stepka held positions including Vice President at drugstore.com, Chief Operating Officer at WorldRes (a leading online hotel reservation network) and Management Consultant with McKinsey & Company.

Mr. Stepka holds a Juris Doctorate from UCLA School of Law, and is a member of the California State Bar. In addition, he holds Bachelor of Science degrees in Computer Engineering and Management from Case Western Reserve University.

Other current directorships of ASX listed companies

None

Other directorships held in ASX listed company in the last three years

None

MEETINGS OF DIRECTORS

The number of Directors' meetings held, and the number of meetings attended by each of the Directors, for the year ended 30 June 2020:

Director	Number of Board meetings eligible to attend	Number of Board meetings attended
Mr Tim Levy	4	4
Mr Peter Pawlowitsch	3	3
Mr John Sims	1	1
Mr Crispin Swan	4	4
Mr Phil Warren	4	4
Mr Matthew Stepka	1	1
Sir Peter Westmacott	1	1

DIRECTORS' REPORT

The number of audit committee meetings held, and the number of meetings attended by each of the Directors, for the year ended 30 June 2020.

Director	Number of audit committee meetings eligible to attend	Number of audit committee meetings attended
John Sims	1	1
Phil Warren (Chairman)	2	2
Mr Peter Pawlowitsch (Chairman)	1	1

During the year ended 30 June 2020 the Remuneration Committee worked with management to develop the Group's remuneration strategy which formed the basis of the Staff Incentive Plan introduced during the year in which the Executive Directors participated. The Remuneration Committee reviewed and approved the revised remuneration packages of the Executive Directors by circular resolution during the year.

The Board as a whole considered the appointment of new Directors during the financial year having regard to the Company's stage of operations and the desired skills and experience required by the Company as well as the proposed candidates' diversity of background.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

Director	Shares	Unlisted Options	Performance Rights[1]
Tim Levy	10,939,730	181,351	4,599,207
John Sims	322,222	-	-
Crispin Swan	4,196,575	197,838	2,910,959
Phil Warren	293,088	1,000,000	-
Sir Peter Westmacott	283,052	75,000	-
Peter Pawlowitsch	8,298,085	3,000,000	
Matthew Stepka	-	-	5,500,000
1. Refer to the table below for breakdown of various Performance Rights held by Directors			

DIRECTORS' REPORT

As at the date of this report, the interests of the Directors the various classes of performance rights of the Group were:

	Performance Rights ("PR")						
Director	**Class D PRs**	**Class G PRs**	**Remuneration PRs**	**Employee PRs**	**Executive PRs**	**SP PRs**	**Total**
Tim Levy	-	977,778	1,071,429	300,000	1,250,000	1,000,000	**4,599,207**
John Sims	-	-	-	-	-	-	**-**
Crispin Swan	333,340	213,333	814,286	300,000	1,250,000	-	**2,910,959**
Phil Warren	-	-	-	-	-	-	**-**
Sir Peter Westmacott	-	-	-	-	-	-	**-**
Peter Pawlowitsch	-	-	-	-	-	-	**-**
Matthew Stepka	-	-	500,000	-	-	5,000,000	**5,500,0000**

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies the directors and officers of the Company for costs incurred, in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a market rate premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. For confidentiality purposes the insurer has recommended not to disclose of the nature of the liability and the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2020 is provided in this report.

NON-AUDIT SERVICES

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

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

DIRECTORS' REPORT

	30 June 2020 $	30 June 2019 $
Amounts paid/ payable to Pitcher Partners BA&A Pty Ltd or related entities for non-audit services		
Pitcher Partner BA&A Pty Ltd – Other assurance engagements	-	3,000
Pitcher Partners (WA) Pty Ltd - Taxation	11,700	10,600
Total auditor's remuneration for non-audit services	**11,700**	**13,600**

UNISSUED SHARES UNDER OPTION

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

Options	Granted	Exercise Price	Expiry Date	Number
Broker Options	04/12/2017	$0.50	04/12/2020	850,000
Broker Options	04/12/2017	$0.60	04/12/2020	850,000
Broker Options	09/04/2018	$0.75	09/04/2021	516,765
Broker Options	09/04/2018	$0.90	09/04/2021	516,765
Advisor Options	11/03/2019	$0.25	11/03/2022	250,000
Employee Options	18/03/2019	$0.18	18/03/2022	1,629,892
Selling/Advisor Options	08/11/2019	$0.21	08/11/2022	2,595,000
Director Options	08/11/2019	$0.21	08/11/2022	3,000,000
Employee Options	29/05/2020	$0.21	29/05/2023	500,000
Director Options	30/06/2020	$0.21	07/07/2023	1,000,000
Broker Options	30/06/2020	$0.18	07/07/2023	2,000,000
Advisor Options	30/06/2020	$0.18	13/07/2023	500,000
Advisor Options	30/06/2020	$0.24	13/07/2023	1,200,000
Advisor Options	28/08/2020	$0.18	13/07/2023	500,000
Performance Shares	29/11/2017	Nil	29/11/2022	3,000,000
Performance Rights	25/02/2019 to 13/07/2020	Nil	25/02/2022 to 13/07/2023	26,068,235
Total				**44,976,657**

DIRECTORS' REPORT

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

During the year, and as at the date of this report, details of ordinary shares issued by the Company are as a result of the exercise of Options and Performance Rights are:

Options	Date Option Granted	Exercise Price	Number of Shares issued	Amount paid for Shares
Broker Options	21/05/2019	$0.235	898,692	$211,193
Employee Options	09/04/2018	$0.18	342,997	$61,739
Selling/Advisor	08/11/2019	$0.21	1,257,100	$263,991
Advisor Options	30/06/2020	$0.24	800,000	$192,000
Advisor Options	30/06/2020	$0.18	1,500,000	$270,000
Performance Rights	25/02/2019 and 02/03/2020	Nil	459,842	-
Total			**5,258,631**	**$998,923**

ROUNDING OF AMOUNTS

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

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for the year ended 30 June 2020. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*. The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the Financial Report.

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

A. Details of Key Management Personnel

Name	Position	Period of Responsibility
Mr Tim Levy	Managing Director	Appointed 1 April 2014
Mr John Sims	Non-Executive Chairman	Appointed 13 May 2016 – Resigned 24 September 2019
Mr Peter Pawlowitsch	Non-Executive Chairman	Appointed 24 September 2019
Mr Crispin Swan	Executive Director - Sales	Appointed 3 September 2015
Mr Phil Warren	Non-Executive Director	Appointed 13 May 2016
Sir Peter Westmacott	Non-Executive Director	Appointed 8 October 2018 – Resigned 24 September 2019
Mr Matthew Stepka	Non-Executive Director	Appointed 1 May 2020

B. Remuneration Policies

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

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

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

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

Fixed remuneration consists of base remuneration, employer contributions to superannuation funds as well as securities issued under the Staff Incentive Plan as part of the Group's cashflow conservation strategy. These securities are considered fixed remuneration when they are not at risk as a result of performance.

Remuneration levels will be, if necessary, reviewed annually by the Board through a process that considers the

overall performance of the Group. If required, external consultants provide analysis and advice to ensure the Directors' and senior executives' remuneration is competitive in the market place.
No external remuneration consultants were engaged during the year.

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

During the year, the Group implemented a Staff Incentive Plan with the following core objectives:

- Conserving cash by converting cash based remuneration to security based remuneration;
- Attract and retain staff;
- Align executives incentives to the Company's annual recurring revenue targets; and
- Align remuneration with shareholders through employees having an equity interest in the Company.

The Staff Incentive Plan introduced comprised:

Remuneration in Securities

The Executive Directors and a number of senior staff agreed to convert part of their cash based remuneration into security based remuneration. Shares and Remuneration Performance Rights were issued in lieu of salaries with the objective of conserving cash and aligning the employee remuneration with shareholders through employees having an equity interest in the Company.

Employee Incentive Scheme

The Company also introduced an Employee Incentive Scheme across all staff, including Executive Directors, with the objective of attracting and retaining staff within the business through the issue of Employee Performance Rights. The Employee Performance Rights were issued under the Company's Performance Rights Plan in three equal tranches which vest subject to continued employment over a 3 year period.

Executive Incentive Scheme

The Company also introduced an Executive Incentive Scheme for senior executives, including Executive Directors, focusing on growing annual recurring revenue (**ARR**). The continued growth of the Company's ARR has been identified as a key strategic objective of the Company and it is targeting to achieve $16 million ARR by 30 June 2021.

The Executive Performance Rights issued under the Company's Performance Rights Plan include vesting conditions which focus on the achievement of $16 million of ARR by 30 June 2021 (**Target ARR**). No Executive Performance Rights will vest if the Company does not achieve at least 90% of this target and all the Executive Performance Rights will vest if the Company's ARR is $20 million by 30 June 2020 exceeding its Target ARR by 25%.

Executive Service Agreements

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

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

Mr Tim Levy – Managing Director

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

a) a base salary of $300,000 per annum (2019: $220,000) plus statutory superannuation, effective 15 January 2020.
b) the agreement may be terminated;
   (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
   (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Levy is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 12 month period;
   (iii) by either party with 12 months written notice if the role of Managing Director becomes redundant. If the Company terminates the employment of Mr Levy within 12 months of a Change of Control, it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy it shall be obliged to pay Mr Levy for any notice period worked. In addition, it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary (less tax) and any accumulated entitlements;
   (iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law; and
   (v) by Mr Levy immediately, by giving notice, if the Company is in breach of a material term of this agreement.

During the year, Mr Levy agreed to forgo 50% of his cash salary for 12 months and opted to receive 1,071,429 Remuneration Performance Rights for the service provided. He was also issued 300,000 Employee Performance Rights, 1,250,000 Executive Performance Rights and 1,000,000 SP Performance as part of the Company's Staff Incentive Plan. Refer to Section E for details on these performance rights including the vesting conditions.

Mr Crispin Swan– Executive Director – Sales

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

a) a base salary of $300,000 per annum (2019: $240,000) plus statutory superannuation, effective 15 January 2020.
b) the agreement may be terminated;
   (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
   (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Swan is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 12 month period;
   (iii) by either party with 12 months written notice if Mr Swan's role becomes redundant. If the Company terminates the employment of Mr Swan within 12 months of a Change of Control, it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy it

shall be obliged to pay Mr Swan for any notice period worked. In addition, it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary and any accumulated entitlements;

(iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law; and

(v) by Mr Swan immediately, by giving notice, if the Company is in breach of a material term of this agreement.

During the year, Mr Swan agreed to forgo 38% of his base salary for 12 months and opted to instead receive 814,286 remuneration Performance Rights for the service provided. He was also issued 300,000 Employee Performance Rights and 1,250,000 Executive Performance Rights as part of the Company's Staff Incentive Plan. Refer to Section E for details on these performance rights including the vesting conditions;

Non-Executive Directors and Chairman Fees

Non-executive Director fees are set based on fees paid to other Non-Executive Directors of comparable companies. The aggregate remuneration for Non-Executive Directors has been set by the Board at an amount not to exceed $500,000 per annum.

Non-Executive Chairman, Mr Peter Palowitsch receives a base cash fee of $80,000 per annum (plus statutory superannuation) payable from his appointment date. If the market capitalisation of the Company reaches $150 million for 20 consecutive days Mr Pawlowitsch's remuneration will increase to $100,000 per annum (plus statutory superannuation). Non-Executive Directors Mr Phil Warren and Mr Matthew Stepka are entitled to base cash fee of $40,000 pa and $60,000 pa respectively.

During the financial year Mr Pawlowtisch and Mr Stepka agreed to receive equity based remuneration in lieu of their base cash fees for a 12 month period.

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

C. Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the key management personnel (**KMP**) (as defined in AASB 124 *Related Party Disclosures)* of the Group for the year ended 30 June 2020 are set out in the following table.

Directors and KMP	Short -term			Post employment			Long term		Share-based payments	TOTAL	Performance based % of remuneration	
30 June 2020	**Salary fees $**	**Cash bonus $**	**Other $**	**Super-annuation $**	**Retire-ment benefits $**	**Termination benefits $**	**Incentive Plans $**	**Long Service Leave $**	**Shares/ Options/ Performance Rights (PR) $**	**$**	**Fixed based %**	**Performance based %**
Mr Tim Levy[1]	62,500	-	-	18,129	-	-	-	-	195,101	**275,730**	86%	14%
Mr Crispin Swan[2]	189,500	-	-	20,662	-	-	-	-	85,671	**295,833**	91%	9%
Mr John Sims[3]	4,166	-	-	-	-	-	-	-	-	**4,166**	100%	0%
Mr Peter Pawlowitsch[3]	21,449	-	-	2,037	-	-	-	-	208,523	**232,009**	45%	55%
Mr Phil Warren	16,666	-	-	3,800	-	-	-	-	57,705	**78,171**	26%	74%
Sir Peter Westmacott[4]	-	-	-	-	-	-	-	-	-	**-**	0%	0%
Matthew Stepka[5]	-	-	-	-	-	-	-	-	361,863	**361,863**	3%	97%
Total Directors	**294,281**	**-**	**-**	**44,628**	**-**	**-**	**-**	**-**	**908,863**	**1,247,772**	**52%**	**48%**

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

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the Group for the year ended 30 June 2019 are set out in the following table.

Directors and KMP	Short -term			Post employment			Long term		Share-based payments	TOTAL	Performance based % of remuneration	
30 June 2019	**Salary fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Retire-ment benefits $**	**Termination benefits $**	**Incentive Plans $**	**Long Service Leave $**	**Shares/ Options/ Performance Rights $**	**$**	**Fixed based %**	**Performance based %**
Mr Tim Levy	128,333	-	-	20,900	-	-	-	-	151,243	**300,476**	86%	14%
Mr Crispin Swan	220,000	-	5,600	22,800	-	-	-	-	200,283	**448,683**	90%	10%
Mr John Sims	25,000	-	-	-	-	-	-	-	50,000	**75,000**	100%	0%
Mr Phil Warren	23,333	-	-	3,800	-	-	-	-	40,000	**67,133**	100%	0%
Sir Peter Westmacott	6,667	-	-	-	-	-	-	-	40,000	**46,667**	100%	0%
Total Directors	**403,333**	**-**	**5,600**	**47,500**	**-**	**-**	**-**	**-**	**481,526**	**937,959**	**91%**	**9%**

[1.] Mr Levy's base cash salary increased from $220,000 to $300,000 pa on 15 January 2020. In the CY2019 Mr Levy received 100% of his base cash salary as equity based remuneration. In the CY2020 Mr Levy has agreed to receive 50% of his base cash salary as equity based remuneration. In addition Mr Levy's performance incentives were issued as equity based incentives in May 2020. Assuming all the vesting conditions attaching to Mr Levy's equity based incentives are achieved a higher remuneration expense will be recognised in the 2021 financial year due to a higher equity based remuneration expense being recognised during the period.

[2.] Mr Swan's base cash salary increased from $240,000 to $300,000 pa on 15 January 2020. In the CY2019 Mr Swan received 20% of his base cash salary as equity based remuneration. In the CY2020 Mr Swan has agreed to receive 38% of his base cash salary as equity based remuneration. In addition Mr Swan's performance incentives were issued as equity based incentives in May 2020. Assuming all the vesting conditions attaching to Mr Swan's equity based incentives are achieved a higher remuneration expense recognised in the 2021 financial year due to a higher equity based remuneration expense being recognised during the period.

[3.] Mr John Sims resigned from his position as Non-Executive Chairman 24 September 2019 and Mr Peter Pawlowitsch was appointed Non-Executive Chairman on the same date.

[4] Sir Peter Westmacott resigned from his position as Non-Executive Director 24 September 2019.

[5] Mr Stepka was appointed as Non-Executive Director 1 May 2020.

D. Relationship between remuneration and company performance

The Directors assess performance of the Group with regard to the achievement of both operational and financial targets with a current focus on subscriber numbers, recurring (contracted) sales revenues and share price. Directors and employees are issued options and/or performance rights, to encourage the alignment of personal and shareholder interests.

Options issued to Directors and employees may be subject to market-based price hurdles and other vesting conditions that encourage the achievement of strategic targets and/or ongoing commitment to the Company. The exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Board believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee share and option arrangements.

Performance rights vest on the achievement of market based price hurdlers and/or operational milestones, providing those Directors and executives holding performance rights an incentive to meet the operational and financial milestones prior to the expiry date of the performance rights.

On the resignation of Directors and employees any vested options and performance rights issued as remuneration are generally retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options and performance rights. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value, to also encourage employee commitment to the Company and to align staff and shareholders interests.

The following table shows Group's operating revenue, profits/(losses) and dividends for the last five financial years, as well as the Company's share prices at the end of the respective financial years. The Group has continued to grow its operating revenue over the last financial year. As outlined in the operating and financial review growth in revenue in particular contracted recurring revenues from the Company's education business is a key focus of the Group. The Board has been issued equity based incentives during the financial year as a reward for the operational performance of the Group but also as an incentive with performance based vesting conditions linked to the Group's key strategic objectives being recurring revenue growth and share price appreciation, therefore aligning the interests of Directors with shareholders.

	2020 $	**2019 $**	**2018 $**	**2017 $**	**2016 $**
Operating revenue	5,090,173	4,184,323	2,329,780	1,589,202	5,532
Net profit/(loss)	(17,617,120)	(14,401,137)	(18,206,211)	(8,834,735)	(2,815,607)
Share price at year-end	0.195	0.150	0.475	0.33	0.20
Dividends paid	0.00	0.00	0.00	0.00	0.00

E. Key management personnel's equity holding

a) Number of Options held by Key Management Personnel

The number of the options of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2020 are as follows:

Directors and Executives	Held at 1 July 2019	Options exercised	Options expired	Other changes	Held at 30 June 2020	Vested and exercisable at 30 June 2020
Mr Tim Levy	181,351	-	-	-	181,351	120,900
Mr Crispin Swan	197,838	-	-	-	197,838	131,892
Mr John Sims	-	-	-	-	-	-
Mr Peter Pawlowitsch[1]	-	-	-	3,000,000	3,000,000	1,000,000
Mr Phil Warren[2]	1,500,000	-	-	(1,500,000)	-	-
Sir Peter Westmacott	75,000	-	-	-	75,000	75,000
Mr Matthew Stepka	-	-	-	-	-	-
Total	**1,954,189**	**-**	**-**	**1,500,000**	**3,454,189**	**1,327,792**

1. *3,000,000 options ($0.21, 8 Nov 2022) were issued to Peter Pawlowitsch on 8 Nov 2019 of which 1,000,000 were vested as at 30 June 2020.*
2. *1,500,000 options ($0.25, 29 Aug 2019) held by Phil Warren expired unexercised on 29 August 2019. Subsequent to year end on 7 July 2020 Phil Warren was issued 1,000,000 options ($0.21, 7 July 2023). These were approved at shareholder meeting on 30 June 2020.*

During the period 3,000,000 options ($0.21, 3 years) were granted to Non-Executive Chairman, Peter Pawlowitsch pursuant to the terms of his appointment for services to be provided. Shareholder approval was obtained 4 November 2019 and the options were issued 8 November 2019. These options are subject to various vesting conditions as outlined below:

Tranche	Vesting Condition	Number	Value Per Option ($)	Total Value ($)	Total Share-Based Payment Expense for the year ($)
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	9,832
3	The 30 day VWAP of the Company's Shares being greater than $0.35	500,000	0.0882	44,090	9,454
4	The 30 day VWAP of the Company's Shares being greater than $0.45	500,000	0.0830	41,480	8,894
5	The 30 day VWAP of the Company's Shares being greater than $0.60	500,000	0.0754	37,700	8,083
Total		**3,000,000**		**261,385**	**128,523**

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

The fair value of these options have been determined using a Monte Carlo simulation model and the inputs are outlined below:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Underlying share price	$0.18	$0.18	$0.18	$0.18	$0.18
Exercise price	$0.21	$0.21	$0.21	$0.21	$0.21
Target price	N/A	$0.25	$0.25	$0.25	$0.25
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

During the year 1,000,000 options ($0.21, 3 years) were granted to non-executive Director Phil Warren. Shareholder approval was obtained 30 June 2020, options were issued 7 July 2020. These 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 year ($)
1	None	500,000	0.1154	57,705	57,705
2	The 30 day VWAP of the Company's Shares being greater than $0.25	500,000	0.1090	54,500	-
Total		**1,000,000**		**112,205**	**57,705**

Tranche 1 Options have been valued using a Monte Carlo simulation and Tranche 2 Options have been valued using the Black Scholes option pricing model valuation methodology. The key inputs have been outlined below.

	Tranche 1	Tranche 2
Grant date	30/06/2020	30/06/2020
Underlying share price	$0.195	$0.195
Exercise price	$0.210	$0.210
Expiry date (years)	3	3
Expected Volatility	98%	93%
Risk free rate	0.26%	0.26%
Value per option	$0.1154	$0.1090

b) Number of Shares held by Key Management Personnel

The number of ordinary shares of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2020 is as follows:

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

Directors and Executives	Held at 1 July 2019	Received as remuneration	Shares issued for cash subscription	Other changes	Held at 30 June 2020
Mr Tim Levy[1]	10,939,729	-		1	10,939,730
Mr Crispin Swan[1]	4,196,574	-		1	4,196,575
Mr John Sims	322,222	-	-	-	322,222
Mr Peter Pawlowitsch[2]	-	559,991	3,571,428	-	4,131,419
Mr Phil Warren	293,088	-	-	-	293,088
Sir Peter Westmacott	283,052	-	-	-	283,052
Mr Matthew Stepka	-	-	-	-	-
Total	**16,034,665**	**559,991**	**3,571,428**	**2**	**20,166,086**

1. *Class C Performance Shares that lapsed during the year converted into 1 fully paid ordinary share for each holder.*
2. *559,991 shares were issued to Peter Pawlowitsch in lieu of cash remuneration, of $80,000. Peter Pawlowitsch participated in the Oct/Nov 2019 shares placement being issued 3,571,428 shares at $0.14 each ($500,000 investment). He also participated in the May/June 2020 placement with 4,166,666 shares being issued at $0.12 each ($500,000 investment) on 7 July 2020.*

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

During the year, 3,000,000 options were issued to Mr Peter Pawlowitsch under ESOP with exercise price of $0.21 and expiry date of 8 November 2022. Refer to Section E, part a, above for details on valuation and inputs.

d) Performance Share Holdings of Key Management Personnel

The number of Performance Shares of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2020 are as follows:

	Held at 1 July 2019		Held at 30 June 2020	
Directors and Executives	**Class B Performance Shares**	**Class C Performance Shares**	**Class B Performance Shares[1]**	**Class C Performance Shares[2]**
Mr Tim Levy	3,878,610	3,878,610	-	-
Mr Crispin Swan	2,205,383	2,205,383	-	-
Mr John Sims	-	-	-	-
Mr Phil Warren	-	-	-	-
Sir Peter Westmacott	-	-	-	-
Total	**6,083,993**	**6,083,993**	**-**	**-**

1. Class B Performance Shares lapsed during the year following vesting conditions not being achieved.
2. Class C Performance Shares were cancelled on 2 June 2020.

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

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

The Class B Performance Shares lapsed during the year following vesting conditions not being achieved and the Class C Performance Shares were cancelled on 2 June 2020.

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

e) Performance Rights Holdings of Key Management Personnel

The number of Performance Rights of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2020 are as follows:

Directors and Executives	Performance Rights held at 1 July 2019	Received as remuneration	Other changes	Performance Rights held at 30 June 2020
Mr Tim Levy[1]	977,778	3,621,429	-	4,599,207
Mr Crispin Swan[2]	1,213,333	2,364,286	(333,330)	3,244,289
Mr John Sims	-	-	-	-
Mr Peter Pawlowitsch	-	-	-	-
Mr Phil Warren	-	-	-	-
Sir Peter Westmacott	-	-	-	-
Mr Matthew Stepka[3]	-	-	-	-
Total	**2,191,111**	**5,985,715**	**(333,330)**	**7,843,496**

1. *Tim Levy was issued 1,071,429 Remuneration Performance Rights, 300,000 Employee Performance Rights, 1,250,000 Executive Performance Rights and 1,000,000 SP Performance Rights (comprising 100,000 Class A TL SP Performance Rights, 200,000 Class B TL SP Performance Rights, 300,000 Class C TL SP Performance Rights and 400,000 Class D TL SP Performance Rights) on 5 May 2020.*
2. *Crispin Swan was issued 814,286 Remuneration Performance Rights, 300,000 Employee Performance Rights and 1,250,000 Executive Performance Rights on 5 May 2020. 333,330 Class Performance Rights issued previously to Crispin lapsed during the year following vesting conditions not being achieved.*
3. *500,000 Remuneration Performance Rights and 5,000,000 MS SP Performance Rights (comprising 1,000,000 Class A MS SP Performance Rights, 1,000,000 Class B MS SP Performance Rights, 1,000,000 Class C MS SP Performance Rights, 1,000,000 Class D MS SP Performance Rights and 1,000,000 Class E MS SP Performance Rights) were issued to Matthew Stepka on 7 July 2020. The issue of these securities was approved at the shareholder meeting on 30 June 2020.*

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

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

Performance Rights	Vesting Condition	Milestone Date	Number of Performance Rights Vesting
Remuneration Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	6 months from issue date	100% Remuneration Performance Rights held
Executive Performance Rights	The achievement of ARR[1] of $14.4m by the Milestone Date	30 June 2021	If the ARR is $20m or more, 100% of the Executive Performance Rights held; OR If the ARR is less than $20m, the number of Executive Performance Rights vesting is determined based on this formula: *[ARR at the Milestone Date[1]/ $16m] x [(Number Executive Performance Rights held) x (100/125)]*
Class A Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	1 year from issue date.	100% of the Class A Employee Performance Rights held
Class B Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	2 year from issue date.	100% of the Class B Employee Performance Rights held
Class C Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	3 year from issue date.	100% of the Class C Employee Performance held
Class A TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.25 prior to the Milestone Date	3 years from issue date	100% of the Class A TL SP Performance Rights held
Class B TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.35 prior to the Milestone Date	3 years from issue date	100% of the Class B TL SP Performance Rights held
Class C TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.45 prior to the Milestone Date	3 years from issue date	100% of the Class C TL SP Performance Rights held
Class D TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.60 prior to the Milestone Date	3 years from issue date	100% Class D Performance TL SP Rights held
Class A MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater $0.12 prior to the Milestone Date	1 year from issue date.	100% Class A Performance MS SP Rights held
Class B MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.18 prior to the Milestone Date	1 year from issue date.	100% Class B Performance MS SP Rights held

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

Performance Rights	Vesting Condition	Milestone Date	Number of Performance Rights Vesting
Class C MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.24 prior to the Milestone Date	1 year from issue date.	100% Class C Performance MS SP Rights held
Class D MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.36 prior to the Milestone Date	2 year from issue date.	100% Class D Performance MS SP Rights held
Class E MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater $0.60 prior to the Milestone Date	2 year from issue date.	100% Class E Performance MS SP Rights held
1: ARR means the annual recurring revenue of the Company at a particular date which equals 12 X the consolidated revenue reported by the Company in the next calendar month, on an accruals basis, inclusive of contracted and uncontracted service revenue and exclusive of one off revenue such as installation fees, hardware and any R&D or other grant income.			

During the year, the Company issued a number of Performance Rights to executives and Directors as an incentive and as remuneration for services.

Performance Rights	Number	Expense for Period
TL SP Performance Rights (i)	1,000,000	$ 12,082
MS SP Performance Rights (i)	5,000,000	$ 352,000
Remuneration Performance Rights - Tim Levy, Crispin Swan (ii)	1,885,715	$ 83,217
Remuneration Performance Rights - Matthew Stepka (ii)	500,000	$ 9,863
Employee Performance Rights – Directors (iii)	600,000	$ 7,574
Executive Performance Rights – Directors (iv)	2,500,000	$ 43,898
		$ 508,634

(i) During the year the Company had agreed to issue 1,000,000 TL SP Performance Rights to Tim Levy and 5,000,000 MS SP Performance Rights to Matthew Stepka. The issue of the SP Performance Rights was subject to shareholder approval which was obtained 1 May 2020 and 30 June 2020 for Messers Levy and Stepka respectively.

The TL SP Performance Rights have been valued using a Monte Carlo simulation methodology to account for the market based vesting conditions. The total value of the TL SP Performance Rights issued to Mr Levy when granted was $89,000 with this share based payment expense recognized over the expected vesting period of the TL SP Performance Rights.

The MS SP Performance Rights have been valued using a Monte Carlo simulation methodology to account for the market based vesting conditions. The total value of the MS SP Performance Rights issued to Mr Stepka when granted $545,000 with this share based payment expense recognized over the expected vesting period of the MS SP Performance Rights.

The inputs utilised and fair value determined for TL SP Performance Rights and MS SP Performance Rights within the Monte Carlo simulation performed are as outlined below:

TL SP Performance Rights	**Class A**	**Class B**	**Class C**	**Class D**	**Total**
	Unvested	*Unvested*	*Unvested*	*Unvested*	
Vesting Date	1-May-23	1-May-23	1-May-23	1-May-23	
Number of PR issued	100,000	200,000	300,000	400,000	**1,000,000**
VWAP Hurdle	$0.25	$0.35	$0.45	$0.60	
Volatility	99.35%	99.35%	99.35%	99.35%	
Risk Free Rate	0.32%	0.32%	0.32%	0.32%	
Total Value of PR	**$11,000**	**$20,000**	**$27,300**	**$31,600**	**$89,900**
Total Expense for Period	**$2,602**	**$4,730**	**$2,036**	**$2,714**	**$12,082**

MS SP Performance Rights	**Class A**	**Class B**	**Class C**	**Class D**	**Class E**	**Total**
	Unvested	*Unvested*	*Unvested*	*Unvested*	*Unvested*	
Vesting Date	30/06/2021	30/06/2021	30/06/2021	30/06/2022	30/06/2022	
Number of PR issued	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	**5,000,000**
VWAP Hurdle	$0.12	$0.18	$0.24	$0.36	$0.60	
Volatility	92.66%	92.66%	92.66%	92.66%	92.66%	
Risk Free Rate	0.26%	0.26%	0.26%	0.26%	0.26%	
Total Value of PR	**$194,000**	**$158,000**	**$101,000**	**$64,000**	**$28,000**	**$545,000**
Total Expense for Period	**$194,000**	**$158,000**	**-**	**-**	**-**	**$352,000**

Management have assessed the probability of achieving the vesting condition, as at reporting date. If it was assessed that the hurdle was likely to be met prior to the expiry date the share based payment expense has been adjusted to reflect a shorter vesting period.

Management's assessment was based on the fact that the Company's share price was $0.195, as at 30 June 2020 and therefore any Tranches with a VWAP hurdle of less than $0.195 have been met and fully expensed. For those tranches that management have assessed, as at reporting date, as more likely to be met earlier than the stated vesting date, they have been expensed over a shortened vesting period.

(ii) The Remuneration Performance Rights granted to Messrs Levy, Swan and Stepka have been valued based on the fair value of the services provided (remuneration foregone) being $324,000, with this share based payment expense recognised over the vesting period of the Remuneration Performance Rights. An expense of $83,217 for Messrs Levy and Swan and $9,863 for Mr Stepka, respectively, has been recognised in the current period.

(iii) The Employee Performance Rights have been valued at $0.13 based on the share price as at the grant date. The Employee Performance Rights convert into ordinary shares on a one for one basis subject to achievement of the vesting conditions. The total value of the Employee Performance Rights issued to Messers Levy and Swan when granted was $78,000 with this share based payment expense recognized over the vesting period of the Employee Performance Rights. An expense of $7,574 has been recognised in the current period.

(iv) The Executive Performance Rights have been valued at $0.13 based on the share price as at the grant date. The Executive Performance Rights convert into ordinary shares on a one for one basis subject to achievement of the vesting conditions. The total value of the Executive Performance Rights issued to Messers Levy and Swan when granted was $325,000 with this share based payment expense recognized over the vesting period of the Executive Performance Rights. When assessing the value of the Executive Performance Rights it has been assumed that the vesting condition will be achieved. In the event the vesting condition is not achieved this share based payment expense will be reversed. An expense of $43,898 has been recognised in the current period.

c) **Key Management Personnel Loans**

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

d) **Other Transactions with Key Management Personnel**

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

Grange Consulting

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

Grange Consulting is engaged to provide financial management and company secretarial services to the Group. Pursuant to this engagement during the year ended 30 June 2020 Grange Consulting was entitled to receive $7,500 (plus GST) per month for these services. This fee was increased to $10,000 per month (plus GST) from 1 July 2020. An administration fee of 5% is also payable on each invoice. This engagement can be terminated by either party giving 60 days' notice in writing.

A summary of the fees paid to Grange Consulting for the year ended 30 June 2020 and 30 June 2019 is as follows:

	30 June 2020	30 June 2019
Company secretarial and financial management services	$94,839	$94,500
Total	**$94,839**	**$94,500**

No amounts were payable to Grange Consulting or Grange Capital Partners as at 30 June 2020 (2019: $25,987 incl. GST).

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

Signed in accordance with a resolution of the Directors.

Mr Tim Levy
Managing Director
30 September 2020

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

In relation to the independent audit for the year ended 30 June 2020, 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 year

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, 30 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue	4	5,090,173	4,184,323
Cost of sales		(2,248,493)	(2,033,080)
Gross profit		2,841,680	2,151,243
Other income	4	3,375,692	3,847,124
Advertising costs	5(a)	(671,184)	(1,005,088)
Administration costs		(1,083,398)	(1,866,391)
IT costs		(3,659,943)	(1,112,338)
Share based payments	20	(2,915,880)	(1,933,070)
Employee and director costs	5(c)	(10,048,900)	(9,927,363)
Depreciation and amortisation	11, 12, 13	(4,164,248)	(4,498,680)
Contingent consideration revaluation gain/(loss)		(87,582)	1,168,470
Other costs		(988,953)	(1,124,773)
Operating loss		**(17,402,716)**	**(14,300,866)**
Finance costs		(214,404)	(100,271)
Loss before income tax		**(17,617,120)**	**(14,401,137)**
Income tax benefit/(expense)		-	-
Loss after tax for the period attributable to the members of Family Zone Cyber Safety Limited		**(17,617,120)**	**(14,401,137)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(9,595)	(14,973)
Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety Limited		**(17,626,715)**	**(14,416,110)**
Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety Limited	7	(7.48)	(9.07)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 $	2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	5,807,193	5,116,523
Trade and other receivables	9	4,739,118	3,228,710
Prepayments		188,611	805,604
Inventory	10	249,993	157,152
Total Current Assets		**10,984,915**	**9,307,989**
Non-Current Assets			
Intangibles	11	1,251,177	4,826,403
Trade and other receivables	9	53,156	80,112
Plant and equipment	12	1,540,565	682,757
Right to use assets	13	365,740	-
Total Non-current Assets		**3,210,638**	**5,589,272**
TOTAL ASSETS		**14,195,553**	**14,897,261**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	3,121,307	2,220,559
Contract liabilities	4	2,314,320	1,903,181
Provisions	15	655,028	491,728
Contingent consideration		-	629,440
Borrowings	16	1,272,510	1,469,535
Lease liability	13	225,642	-
Total Current Liabilities		**7,588,807**	**6,714,443**
Non-current Liabilities			
Trade and other payables	14	-	12,675
Contract liabilities	4	1,917,795	188,079
Contingent consideration		22,117	47,595
Provisions	15	103,563	-
Lease Liability	13	156,625	-
Total Non-current Liabilities		**2,200,100**	**248,349**
TOTAL LIABILITIES		**9,788,907**	**6,962,792**
NET ASSETS		**4,406,646**	**7,934,469**
EQUITY			
Issued capital	17	56,673,575	45,567,979
Reserves	18	10,435,288	7,451,587
Accumulated losses	19	(62,702,217)	(45,085,097)
TOTAL EQUITY		**4,406,646**	**7,934,469**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Issued Capital $	Share-based Payment Reserve $	Accumulated Losses $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2018	30,873,178	6,842,123	(30,683,960)	11,663	7,043,004
Loss for the year	-	-	(14,401,137)	-	(14,401,137)
Total other comprehensive income	-	-	-	(14,973)	(14,973)
Total comprehensive loss for the year	**-**	**-**	**(14,401,137)**	**(14,973)**	**(14,416,110)**
Transaction with owners, directly recorded in equity:					
Issue of Ordinary Shares, net of transaction costs	14,694,801	-	-	-	14,694,801
Issue of Options, Performance Rights & Performance Shares	-	612,774	-	-	612,774
Total transactions with owners	**14,694,801**	**612,774**	**-**	**-**	**15,307,575**
Balance at 30 June 2019	**45,567,979**	**7,454,897**	**(45,085,097)**	**(3,310)**	**7,934,469**

	Issued Capital $	Share-based Payment Reserve $	Accumulated Losses $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2019	45,567,979	7,454,897	(45,085,097)	(3,310)	7,934,469
Loss for the year	-	-	(17,617,120)	-	(17,617,120)
Total other comprehensive income	-	-	-	(9,595)	(9,595)
Total comprehensive loss for the year	**-**	**-**	**(17,617,120)**	**(9,595)**	**(17,626,715)**
Transaction with owners, directly recorded in equity:					
Issue of Ordinary Shares, net of transaction costs	11,105,596	-	-	-	11,105,596
Issue of Options, Performance Rights & Performance Shares	-	3,054,036	-	-	3,054,036
Reversal of performance rights	-	(20,833)	-	-	(20,833)
Reversal of employee options	-	(39,907)	-	-	(39,907)
Total transactions with owners	**11,105,596**	**2,993,296**	**-**	**-**	**14,098,892**
Balance at 30 June 2020	**56,673,575**	**10,448,193**	**(62,702,217)**	**(12,905)**	**4,406,646**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		5,888,149	4,181,121
Government grants received		1,943,696	1,882,977
Payments to suppliers and employees		(16,090,303)	(16,257,044)
Interest received		3,742	16,164
Interest paid		(22,258)	(32,673)
Net cash flows (used in) operating activities	21	**(8,276,974)**	**(10,209,455)**
Cash flows from investing activities			
Purchase of plant & equipment		(1,261,159)	(614,487)
Payments for intangible assets		-	(52,094)
Net cash flows (used in) investing activities		**(1,261,159)**	**(666,581)**
Cash flows from financing activities			
Proceeds from issue of shares		11,170,072	12,624,677
Share issue transaction costs		(729,560)	(489,004)
Payment of principle portion of lease liabilities		(185,671)	-
Proceeds from borrowings		1,522,017	1,401,937
Repayments of borrowings		(1,523,106)	-
Net cash flows from financing activities		**10,253,752**	**13,537,610**
Net increase in cash and cash equivalents		715,619	2,661,574
Cash and cash equivalents at beginning year		5,116,523	2,461,222
Effects of foreign exchange rates		(24,949)	(6,273)
Cash and cash equivalents at end year	8	**5,807,193**	**5,116,523**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

NOTE 1: REPORTING ENTITY

Family Zone Cyber Safety Limited is the listed public company incorporated and domiciled in Australia and head of the Group. The financial statements of the Group are as at, and for the year ended, 30 June 2020.

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

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

NOTE 2: BASIS OF PREPARATION

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

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

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

(a) Adoption of new and revised accounting standards

The Group have adopted the new accounting standards during the year ended 30 June 2020 as outlined below.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

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 a carrying amount of $365,740 (referred to in these financial statements as "leased assets") and corresponding lease liabilities with an aggregate carrying amount of $382,267 at 30 June 2020. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 7.92%. The total cash outflows for the year were $185,671, and the interest expense recognised during the year was $31,881.

The lease liabilities as at 1 July 2019 reconcile to the operating lease commitments as of 30 June 2019, as follows

	$
Operating lease commitments at 30 June 2019	**319,222**
Less relating to short term leases	(2,902)
Operating lease commitments subject to discounting at 1 July 2019	316,320
Discounting at weighted average incremental borrowing rate	(37,119)
Balance of lease liabilities at 1 July 2019	**279,201**

(b) Standards Issued but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the group but applicable in future reporting periods is set out below:

AASB 2018-6: Amendments to Australian Accounting Standards – Definition of a Business (applicable for annual reporting periods beginning on or after 1 January 2020).

AASB 2018-6 amends AASB 3: Business Combinations to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

(a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

(b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;

(c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;

(d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This Standard is not expected to significantly impact the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material (applicable for annual reporting periods beginning on or after 1 January 2020).

AASB 2018-7 principally amends AASB 101: Presentation of Financial Statements and AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (applicable for annual reporting periods beginning on or after 1 January 2022).

AASB 2020-1 amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (applicable for annual reporting periods beginning on or after 1 January 2022).

AASB 2020-3 amends AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 3 *Business Combinations*, AASB 9 *Financial Instruments*, AASB 116 *Property, Plant and Equipment*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 141 *Agriculture* as a consequence of the recent issuance by IASB of the following IFRS: *Annual Improvements to IFRS Standards 2018-2020*, *Reference to the Conceptual Framework*, *Property, Plant and Equipment: Proceeds before Intended Use* and *Onerous Contracts – Cost of Fulfilling a Contract*.

This Standard is not expected to significantly impact the Group's financial statements.

(c) Use of Estimates and Judgements

<u>Significant Judgements and Key Assumptions</u>

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

(i) Share-Based Payments

The Company measures the cost of equity-settled transactions with suppliers and employees by reference to the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted. The fair value of the equity instruments granted is determined using an appropriate option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Please refer to Note 20 for further details.

(ii) Research and Development Assets

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

(iii) Impairment of assets

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

(iv) Contingent Consideration

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

(d) Going Concern

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

The Consolidated Statement of Profit or Loss and Other Comprehensive Income shows that the Group incurred a net loss of $17,617,120 during the year ended 30 June 2020 (2019: $14,401,137), and net cash outflows from operating activities of $8,276,973 (2019: $10,209,455). The net loss includes significant non-cash items, such as depreciation and amortisation, share-based payment expenses and contingent consideration revaluation amounting to $7,167,710 (2019: 5,263,280).

The Directors believe that there are reasonable grounds that the Group will continue as a going concern, after consideration of the following factors:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

- Subsequent to 30 June 2020, the Company received $3.7 million from the second tranche of its $10 million placement to sophisticated investors and approximately $1.0 million from the exercise of options.
- Subsequent to 30 June 2020, the Group has recorded sales of $1.8 million for the two months ended 31 August 2020 which represented an increase of 71% from the prior comparative period. As at 31 August 2020 had debtors of $2.2 million, which are expected to be collected.
- As at 25 September 2020, the Group had $8.1 million Cash and cash equivalents on hand.
- The Group Budget includes significant forecast cash inflows coming from education sales with the key growth in education sales forecast from the US education market. R&D receipts also represent a key cash inflow in the Group Budget with more than $3.0 million budgeted to be received over the 12 month period to 30 September 2021. This includes a balance of approximately $0.9 million to be received in respect to the Company's $2.1 million 30 June 2020 R&D claim and advance funding to be received in respect to the Company's budgeted 30 June 2021 R&D claim.
- As at 29 September 2020 Education sales had exceeded budgeted expectations with approximately $3.8 million to be billed for the September 2020 quarter, 53% ahead of budget and the number of students added to the platform in the September quarter to date is approximately 370,000 compared to the forecast 180,000.
- The Group continues to see a strong sales pipeline with the value of the sales pipeline as a 24 September being approximately $3.5 million, with 75% of these being US education deals.
- The Group also has deals in Proof of Concept (POC) trials representing $0.9 million in revenues. POC trials have a historical conversion into contracted deals averaging approximately 85%.
- There is a potential upside in budgeted consumer revenues from the US business with only a relatively conservative uptake assumption included in the budget when compared with the consumer uptake in Australia and New Zealand.
- The Group has been investing in the migration its data and hosting services to a new provider with the key objectives being cost reductions, simplified reporting services and new accretive product offerings. Once this migration has been completed in December 2020 the Company expects a reduction in data and serving costs given the systems are no longer running in parallel and the relatively lower cost of the new service provider.
- The Group continues to closely monitor and manage its overhead expenditure and has the ability to curtail expenditure which is discretionary in nature in the event that actual sales are not meeting budget expectations.

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 3: SIGNIFICANT ACCOUNTING POLICIES

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

(a) Government Grants

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

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When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(b) Income Tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

(c) Financial Assets and Financial Liabilities

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

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit and loss.

The classification of financial instruments at initial recognition depends on the financial asset's contractual cashflow characteristics and the Group's business model for managing them. With the exception of the Group's trade receivables that do not contain a significant financing component, the Group initially measures the financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the Group's accounting policy for revenue recognition. A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the Group. Financial assets not measured at fair value comprise loans and receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, contingent consideration and lease liabilities. All financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability. A financial liability is removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

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(d) Trade and Other Receivables

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

The Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. In determining the provision required, the Group utilises its historical credit loss experience, adjusted only where appropriate for forward-looking factors specific to the debtors and economic environment.

(e) Inventories

Finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Intangible Assets

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

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

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

All intangible assets are amortised on a straight-line basis over 3 years.

(g) Plant and Equipment

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

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

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10% - 40%

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For the year ended 30 June 2020

(h) Research & Development Expense

The Group expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Group has received formal notification that a patent has been granted. The Group believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Group will only record a development asset in accordance with the policy set out in Note 2(c).

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

(i) Impairment of Non-Financial Assets

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

(j) Trade and Other Payables

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

(k) Cash and Cash Equivalents

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

(l) Employee Benefits

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(m) Share-Based Payment Arrangements

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

For equity-settled share-based transactions, including performance shares, performance rights and options, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using an appropriate option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

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

(n) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Revenue

The principal activities of the Group are the sale and distribution, marketing and customer support of its suite of cyber safety products and services.

<u>Sales of Hardware</u>
Revenue from the sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

<u>Subscription revenues</u>
Subscription/service revenue is recognised over time over the life of the service contract as the Groups service obligations under the contract are satisfied.

<u>Contract balances</u>

Contract Assets:
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under *Financial Assets and Financial Liabilities* above.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Capitalised Contract Cost
Incremental costs of obtaining a contract and certain costs to fulfil a contract are recognised as an asset if the following criteria are met:

- the costs relate directly to a customer contract;
- the costs generate or enhance resources of the entity that will be used in satisfying performance obligations attaching to the customer contracts; and
- the costs are recoverable from the customer.

Any capitalised contract costs assets are amortised on a systematic basis that is consistent with the Group's transfer of the related goods or services to the customer.

(p) Earnings per Share

(i) *Basic earnings per share*

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

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Segment Reporting

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

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

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

The Group has three operating segments being information technology (and more specifically the provision of cyber safety services) in Australia, United States of America and New Zealand which is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

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(r) Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(s) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(t) Foreign Currency Translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and Balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.
Exchange differences arising on the transition of monetary items are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise, except where deferred in equity as a qualifying cash flow.

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(iii) *Group Companies*

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

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

Exchange differences on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which the operation is disposed. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(u) Business Combinations

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

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

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

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

(v) Basis of Consolidation

The Financial Statements are those of the Group, comprising the financial statements of the Company, and of all entities which the Company controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are eliminated from the date on which control is established and are de-recognised from the date that control ceases.

(w) Rounding

The Company has applied the relief available to it in ASIC Legislative Instrument 2016/191 and accordingly, certain

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

amounts included in the Directors' report and in the financial report have been rounded off to the nearest $1 (where rounding is applicable), under the option available to the Company under ASIC Corporations.

NOTE 4: REVENUE AND OTHER INCOME

	2020 $	2019 $
Operating Revenue		
Service revenue(1)	4,775,644	3,584,539
Hardware revenue(2)	314,529	599,784
	5,090,173	**4,184,323**
Other Income		
Interest revenue	3,742	9,132
Other government grants/subsidies received	981,806	7,032
Research and development grant	2,390,144	3,830,960
	3,375,692	**3,847,124**

(1) Service revenue is subscription revenue and 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.

Contract liabilities

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

a) Reconciliation of movements in contract liabilities

Contract Liabilities	**$**
Balance at 1 July 2018	**1,889,383**
Additions	1,860,052
Recognised within service revenue	(1,645,500)
Balance at 30 June 2019	**2,103,935**
Additions	4,031,361
Recognised within service revenue	(1,903,181)
Balance at 30 June 2020	**4,232,115**

As at 30 June 2020 $2,314,320 (2019: $1,903,181) has been recognised as current contract liabilities representing services to be provided within the next 12 months. A further $1,917,795 (2019: $188,079) represents contracts signed for services to be delivered in the next 2-3 years.

NOTE 5: EXPENSE ITEMS

5(a) Advertising expense

	2020 $	2019 $
Sales and marketing		
Advertising	377,831	515,953
Call centre charges	-	36,037
Domain Licenses	3,111	1,083
Marketing and marketing staff costs	290,242	452,015
Total advertising expense	**671,184**	**1,005,088**

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5(b) Research and Development expense

A breakdown of research and development costs incurred during the year by nature is set out below. These costs are classified across various expense accounts by function within the Consolidated Statement of Comprehensive Loss for the year ended 30 June 2020.

Administration expense	1,822,029	678,342
Contractor costs	111,753	253,922
Employee benefits expense	3,477,242	3,545,859
Total research and development expense	**5,411,024**	**4,478,123**

5(c) Employee and director benefits costs

Directors' fees	467,362	346,589
Employee wages and superannuation	9,581,538	9,580,774
Total employee and director benefits costs	**10,048,900**	**9,927,363**

NOTE 6: INCOME TAX

		2020 $	2019 $
(a)	**The major components of income tax expense / (benefit) comprise of:**		
	Current tax benefit	-	-
	Deferred tax benefit	-	-
		-	**-**
(b)	**Reconciliation of prima facie tax on continuing operations to income tax expense / (benefit):**		
	Profit / (loss) before tax for the year	(17,617,120)	(14,401,137)
	Prima facie income tax payable on profit before income tax at:		
	- 27.50% (Australia)	(3,527,884)	(2,210,745)
	- 28.00% (New Zealand)	(314,807)	(476,975)
	- 21.00% (US)	(688,506)	(328,425)
	- 17.00% (Singapore)	1,116	(20,731)
	- 30.00% (India)	402	-
	Adjustments for:		
	Entertainment	5,175	4,700
	Cash Flow Boost Income	(13,750)	-
	Share-based payments	688,921	431,115
	R&D tax incentive classified as income	(657,289)	(1,375,932)
	Non-deductible expenditure	2,348,289	1,235,089
	Offset against DTL/DTA not recognised	2,158,332	2,741,904
	Income tax expense attributable to profit	**-**	**-**

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		2020 $	2019 $
(c)	**Deferred taxes**		
	Deferred tax asset balance comprises:		
	Tax losses	8,307,495	3,995,130
	Plant & Equipment	117,481	-
	Provisions & Accruals	291,332	192,295
	Capital & Business related costs	397,606	318,206
	Offset against deferred tax liability / not recognised	(9,113,915)	(4,505,631)
	Deferred tax liability balances comprises:		
	PPE and Intangible assets	(37,893)	(63,340)
	Prepayments	(1,002)	-
	Offset against deferred tax assets / not recognised	38,895	63,340
	Net deferred tax asset / (liability)	-	-

		2020 $	2019 $
(d)	**Deferred tax assets / liabilities included in income tax expense**		
	Decrease / (increase) in deferred tax assets	(1,337,335)	(1,723,820)
	(Decrease) / increase in deferred tax liabilities	(24,445)	(318,086)
	Adjust for recognition/offset of DTA/DTL	1,361,780	2,041,906
		-	-
(e)	**Deferred income tax related to items charged or credited directly to equity**		
	Decrease / (increase) in deferred tax assets	200,629	-
	Adjust for derecognition / offset of DTA/DTL	(200,629)	-
		-	-

		2020 $	2019 $
(f)	**Deferred tax assets / liabilities not brought to account**		
	Temporary differences	767,526	447,161
	Operating tax losses – Australia	6,252,726	5,218,515
	Operating tax losses – Other jurisdictions	2,054,769	4,222,526
		9,075,021	**9,888,202**

Total tax losses of $27,140,094 (2019: $22,994,068) have not been brought to account for the year ended 30 June 2020.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7: LOSS PER SHARE

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

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

	2020 $	2019 $
Loss used in the calculation of basic and diluted loss per share	(17,617,120)	(14,401,137)
Basic and diluted (loss) per share attributable to equity holders (cents Per Share)	(7.48)	(9.07)

	Number	Number
Weighted average number of ordinary shares outstanding	235,571,555	158,819,942
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	235,571,555	158,819,942

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

NOTE 8: CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank	5,807,193	5,116,523
Total Cash and Cash Equivalents	**5,807,193**	**5,116,523**

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 22 on financial instruments for details on the Company’s exposure to risk in respect of its cash balance.

NOTE 9: TRADE AND OTHER RECEIVABLES

		2020 $	2019 $
Current:			
Trade receivable		2,336,421	988,646
Less provision for expected credit losses[1]		(95,663)	(64,042)
		2,240,758	924,604
Other current receivables:			
GST receivable		11,378	42,868
Capitalised contract costs		23,702	313,254
R&D Grant receivable (secured)	16	2,403,579	1,947,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Other receivables	59,701	-
Total Current Trade and Other Receivables	**4,739,118**	**3,228,710**
Non-Current:		
Capitalised contract costs	-	23,702
Bonds and deposits	53,156	56,410
Total Non-Current Trade and Other Receivables	**53,156**	**80,112**
Total Trade and Other Receivables	**4,792,274**	**3,308,822**

[1] The provision for expected credit loss is based on an assessment of the historical credit losses and the amount recognised is a result of additional debtors during the year.

NOTE 10: INVENTORY

Current:	**2020 $**	**2019 $**
At cost:		
Finished goods	249,993	157,152
Total Inventory	**249,993**	**157,152**

a) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2020 amounted to $351,410 (2019: $615,974). These were included in cost of sales.

NOTE 11: INTANGIBLES

	2020 $	**2019 $**
Intellectual Property at cost	13,759,986	13,759,986
Less: Accumulated amortisation and impairment	(12,555,816)	(9,093,652)
Customer lists at cost	339,181	339,181
Less: Accumulated amortisation and impairment	(292,172)	(179,112)
	1,251,177	**4,826,403**

a) Reconciliation of movements in intangible assets

Intangible Assets	**$**
Balance at 1 July 2018	**9,025,186**
Additions	52,094
Impairment expense	-
Amortisation expense	(4,250,877)
Balance at 30 June 2019	**4,826,403**
Additions	-
Impairment expense	-
Amortisation expense	(3,575,226)
Balance at 30 June 2020	**1,251,177**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

NOTE 12: PLANT & EQUIPMENT

	2020 $	2019 $
Plant & equipment – at cost	2,327,301	1,072,904
Less: Accumulated depreciation	(786,736)	(390,147)
	1,540,565	**682,757**

a) Reconciliation of movements in fixed assets

Plant and Equipment

	$
Balance at 1 July 2018	**257,681**
Additions	616,096
Reclassification of inventory	58,392
Depreciation expense	(249,412)
Balance at 30 June 2019	**682,757**
Additions	1,261,159
Depreciation expense	(403,351)
Balance at 30 June 2020	**1,540,565**

NOTE 13: RIGHT TO USE ASSET AND LEASE LIABILITIES

Lease Assets

	2020 $	2019 $
Land and Building – right of use assets	551,411	-
Less: Accumulated Amortisation	(185,671)	-
	365,740	-

Lease Liabilities

Current	2020 $	2019 $
Lease Liability	225,642	-
Total Current Lease Liability	225,642	-
Non-Current		
Lease Liability	156,625	-
Total Non-Current Lease Liability	156,625	-
Total Lease Liabilities	**382,267**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14: TRADE AND OTHER PAYABLES

	2020 $	2019 $
Current:		
Trade payables[1]	1,243,818	1,143,101
Accruals & other payables	1,377,489	1,077,458
Share monies received in advance[2]	500,000	-
Total Current Trade and Other Payables	**3,121,307**	**2,220,559**
Non-Current:		
Other payables	-	12,675
Total Non-Current Trade and Other Payable	**-**	**12,675**
Total Trade and Other Payables	**3,121,307**	**2,233,234**

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

(2) FY20 balance relates to share monies which were received in the 30 June 2020 financial year for shares issued during financial year 30 June 2021.

NOTE 15: PROVISIONS

	2020 $	2019 $
Current:		
Provision for annual leave	596,587	491,728
Provision for long service leave	58,441	-
Total current provisions	655,028	491,728
Non-Current:		
Provision for long service leave	103,563	-
Total non-current provisions	103,563	-
Total Provisions	**758,591**	**491,728**

NOTE 16: BORROWINGS

	2020 $	2019 $
Current:		
R&D Loan Facility	1,141,322	1,404,244
Interest Payable	131,188	65,291
Total Current Borrowings	**1,272,510**	**1,469,535**

During the year, the Company received advance funding on its expected FY2020 R&D rebate from Radium Capital. Refer to below for key terms of this funding.

Key Facility Terms:

- Counterparty: Innovation Structured Finance Co LLC facilitated by Radium Capital
- Amount: 80% of the expected R&D tax offset resulting from each period's eligible R&D expenditures, with principal and interest repaid from the actual tax offsets at the end of the financial year
- Final Maturity Date: 31 October 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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  - Family Zone has the option to repay earlier without penalties
- Interest Rate: 14% per annum
- Security: Secured against the R&D refund receivable from the ATO
- Conditions: R&D expenditure has to be reviewed by R&D Tax Consultants
- Purpose of Loan as per agreement: Wholly or predominantly for working capital or research and development expenditure.

a) Reconciliation of movements in R&D Loan Facility, at amortised cost

R&D Loan Facility	**$**
Balance at 1 July 2018	-
Drawdowns	1,404,244
Interest and other finance costs	65,291
Repayments	-
Balance at 30 June 2019	**1,469,535**
Drawdowns	1,194,893
Interest and other finance costs	77,617
Repayments	(1,469,535)
Balance at 30 June 2020	**1,272,510**

NOTE 17: ISSUED CAPITAL

	2020 Number of Shares	**2019 Number of Shares**
Issued Ordinary Shares - no par value (fully paid)	295,543,169	200,627,835
Total	**295,543,169**	**200,627,835**

	Number of Shares	**Value $**
Opening balance – 1 July 2018	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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)
Closing balance – 30 June 2019	**200,627,835**	**45,567,979**
Shares issued to the Linewize vendors on conversion of performance shares on 4 September 2019[1]	4,500,000	742,500
Placement to sophisticated investors - Tranche 1 on 3 October 2019	4,903,426	686,480
Placement to sophisticated investors - Tranche 2 on 8 November 2019	29,025,146	4,063,520
Shares issued on conversion of Class B Performance Shares 15 Nov 2019	7	-
Shares issued to advisor on 15 November 2019	70,255	15,807
Shares issued to employees in lieu of cash salary on 2 March 2020	1,856,507	233,920
Shares issued to Director in lieu of cash salary on 4 May 2020	559,991	80,000
Placement to sophisticated investors - Tranche 1 on 6 May 2020	53,500,002	6,420,072
Shares issued to consultants for services provided on 27 May 2020	500,000	100,000
Less: share issue costs	-	(1,236,704)
Closing balance – 30 June 2020	**295,543,169**	**56,673,575**

[1] Upon achievement of the relevant milestones, 4,500,000 shares were issued to the vendors of Linewize at an issue price of $0.16 per share based on the fair value, being the share price on grant date. Refer to Note 2(c) (iv) for further information.

Subsequent to year end, upon receiving shareholder approval, a further 30,833,333 fully paid ordinary shares were issued for gross proceeds of $3.7m before issue costs as part of Tranche 2 of the placement to sophisticated investors. Refer to Note 28 of this report for further information.

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

The Board is constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may issue new shares, return capital to shareholders or sell assets to reduce debt. The Group was not subject to any externally imposed capital requirements during the year.

NOTE 18: RESERVES

Nature and Purpose of Share-Based Payment Reserve

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

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For the year ended 30 June 2020

	2020 $	2019 $
Performance Shares	1,660,671	1,587,603
Performance Rights	3,640,704	2,120,938
Options	5,146,818	3,746,356
Total Share-Based Payment Reserve	**10,448,193**	**7,454,897**

Nature and Purpose of Foreign Currency Translation Reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiaries.

	2020 $	2019 $
Foreign Currency Translation Reserve	(12,905)	(3,310)
Total Foreign Currency Translation Reserve	**(12,905)**	**(3,310)**

Options outstanding at 30 June 2020

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

Grant Date	Expiry Date	Exercise Price	Balance at start of Year (number)	Granted During the Year (number)	Exercised during the year (number)	Forfeited during the year (number)	Balance at year end (number)	Vested and exercisable at year end (number)
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)	-	-
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	-	-	(174,758)	1,972,889	1,316,976
21/05/2019	21/05/2022	$0.24	898,692	-	-	-	898,692	898,692
8/11/2019	8/11/2022	$0.21	-	2,852,100	-	-	2,852,100	2,852,100
15/11/2019	15/11/2022	$0.21	-	1,000,000	-	-	1,000,000	1,000,000
8/11/2019	8/11/2022	$0.21	-	3,000,000	-	-	3,000,000	1,000,000
29/05/2020	29/05/2023	$0.21	-	500,000	-	-	500,000	500,000
30/06/2020	7/07/2023	$0.21	-	1,000,000	-	-	1,000,000	500,000
30/06/2020	7/07/2023	$0.18	-	2,000,000	-	-	2,000,000	2,000,000
30/06/2020	13/07/2023	$0.18	-	2,000,000	-	-	2,000,000	2,000,000
30/06/2020	13/07/2023	$0.24	-	2,000,000	-	-	2,000,000	2,000,000
Total			**23,824,647**	**14,352,100**	**-**	**(17,469,536)**	**20,707,211**	**17,551,298**

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Reconciliation of movement in option reserve:

	Number of Options	Value $
Opening Balance - 1 July 2018	25,011,834	3,354,540
Options issued for corporate advisory and capital raising services	1,648,692	158,715
Share based payment expense in respect to employee options on issue as at 1 July 2018 and granted during the period	2,209,859	233,101
Exercised during the period	(372,297)	-
Forfeited during the period	(4,673,441)	-
Closing Balance – 30 June 2019	**23,824,647**	**3,746,356**
Options issued for capital raising services and strategic advisory services	9,852,100	1,062,579
Share based payment expense in respect to employee options on issue as at 1 July 2019	-	104,123
Share based payment expense in respect to Director options granted during the year	4,000,000	186,227
Share based payment expense in respect to Company Secretary options granted during the year	500,000	47,532
Exercised during the year	-	-
Forfeited during the year	(17,469,536)	-
Closing Balance – 30 June 2020	**20,707,211**	**5,146,817**

On 8 November 2019, 2,852,100 options ($0.21, 8 Nov 2022) were issued for capital raising services provided to the Company. These options vested immediately (**Selling Options**).

On 15 November 2019, 1,000,000 options ($0.21, 8 Nov 2022) were issued to a corporate advisor in relation to services provided. These options vested immediately (**Advisor Options**).

On 8 November 2019, 3,000,000 Director Options ($0.21, 8 Nov 2022) 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 20: Share based payments for further details as to the basis of valuation of Director Options and their assessed fair value.

On 29 May 2020, 500,000 options ($0.21, 29 May 2023) were issued to the company secretary. These options vested immediately (**CoSec Options**).

On 30 June 2020, 1,000,000 Director Options ($0.21, 8 Nov 2022) were approved for issue to non-executive director Phil Warren in two Tranches. Please refer to Note 20: Share based payments for further details as to the basis of valuation of options and their assessed fair value.

On 30 June 2020, 2,000,000 options were approved for issue at the Shareholder meeting for capital raising services provided to the Company. These options have a 3 year term and exercise price of $0.18 per option vesting immediately (**Broker Options**).

On 30 June 2020, 4,000,000 options were approved for issue at the Shareholder meeting for services provided to the Company. These options were issued in two Tranches of 2,000,000 options in each Tranche. Tranche 1 has a 3 year term and exercise price of $0.18 per option vesting immediately and Tranche 2 has a 3 year term and exercise price of $0.24 per option vesting immediately (**Advisor II Options**).

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

Date	08/11/2019	15/11/2019	29/05/2020	30/06/2020[1]	30/06/2020[1]	30/06/2020[1]
	Selling Options	Advisor Options	CoSec Options	Broker Options	Advisor II Options (Tranche 1)	Advisor II Options (Tranche 2)
Number of Options	2,852,100	1,000,000	500,000	2,000,000	2,000,000	2,000,000
Underlying share price	$0.175	$0.175	$0.165	$0.195	$0.195	$0.195
Exercise price	$0.210	$0.210	$0.210	$0.18	$0.18	$0.24
Expected volatility	90%	90%	102%	98%	98%	98%
Expiry date (years)	3.00	2.98	3.00	3.00	3.00	3.00
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	0.830%	0.830%	0.26%	0.26%	0.26%	0.26%
Value per option	$0.093	$0.093	$0.095	$0.121	$0.121	$0.110

1. These options have been valued under accounting standards based on the grant date being the date that shareholder approval was obtained, 30 June 2020. The Broker options and Advisor options were issued subsequent to year end on 7 July 2020 and 13 July 2020, respectively.

Performances shares outstanding at 30 June 2020

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

Class	Grant Date	Expiry Date	Balance at start of Year (number)	Granted During the Year (number)	Converted during the year (number)	Forfeited during the year (number)	Balance at year end (number)
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
			28,499,997	**-**	**(4,500,000)**	**(20,999,997)**	**3,000,000**

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

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

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month rolling period of which 30% is subscription income (as confirmed by the Group's auditor) by 29 August 2020.

- 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.

The Class B Performance Shares lapsed during the year following vesting conditions not being achieved and the Class C Performance Shares were cancelled on 2 June 2020.

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

Reconciliation of movement in performance share reserve:

	Number of Performance Shares	Value $
Opening Balance - 1 July 2018	30,499,997	1,657,455
Share based payment expense for the year in respect to Performance Shares on issue as at 1 July 2018	-	148,287
Reversal of share based payment expense as vesting conditions were not met	-	(218,139)
Performance Shares converted into ordinary shares on achievement of performance milestone	(2,000,000)	-
Closing Balance – 30 June 2019	**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	-	73,069
Performance Shares converted into ordinary shares on achievement of performance milestone(2)	(4,500,000)	-
Performance Shares lapsed during the period(1)	(20,999,997)	-
Closing Balance – 30 June 2020	**3,000,000**	**1,660,672**

(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 17.

(2) Class F and Class G Performance Shares were issued as part of the acquisition of Linewize Services Limited in the 30 June 2017. Class F and Class G Performance Shares converted to fully paid ordinary shares during the reporting period upon achievement of their relevant performance target, consistent with the Linewize disclosures in the 30 June 2019 Annual Report.

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Performance Rights at 30 June 2020

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

Grant Date	Expiry Date	Exercise Price	Balance at start of Year (number)[1]	Granted During the Year (number)[2]	Exercised during the Year (number)	Forfeited during the Year (number)[3]	Balance at Year end (number)	Vested and exercisable at Year 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	-	1,250,000[a]	-	(550,000)	700,000	700,000
2/03/2020	2/03/2024	Nil	-	3,125,000[b]	-	-	3,125,000	-
2/03/2020	2/09/2020	Nil	-	2,049,428[c]	-	-	2,049,428	-
2/03/2020	2/03/2023	Nil	-	4,046,541[d]	-	(110,000)	3,936,541	-
1/05/2020	2/03/2024	Nil	-	2,500,000[e]	-	-	2,500,000	-
1/05/2020	1/05/2024	Nil	-	1,000,000[f]	-	-	1,000,000	-
1/05/2020	4/05/2023	Nil	-	600,000[g]	-	-	600,000	-
1/05/2020	7/07/2023	Nil	-	500,000[h]	-	-	500,000	-
4/05/2020	4/11/2020	Nil	-	1,885,715[i]	-	-	1,885,715	-
30/06/2020	7/07/2023	Nil	-	5,000,000[j]	-	-	5,000,000	2,000,000
Total			**5,355,197**	**21,956,684**	**-**	**(2,434,994)**	**24,876,887**	**4,838,536**

(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 E Performance Right, 333,330 Class F Performance Rights and 1,805,196 Class G Performance Rights.

(2) The following Performance Rights were granted during the year under the Company's Performance Rights Plan:

a. 1,250,000 Class H Performance Rights were granted to senior executives as security based remuneration.
b. 3,125,000 Executive Performance Rights were issued to senior executives as security based remuneration.
c. 2,049,428 Remuneration Performance Rights were issued to executives in lieu of their cash salary.
d. 4,046,541 Employee Performance Rights were issued to employees as security based remuneration.
e. 2,500,000 Executive Performance Rights were issued to Tim Levy (1,250,000) and Crispin Swan (1,250,000) as security based remuneration.
f. 1,000,000 TL SP Performance Rights were issued to Tim Levy as security based remuneration.
g. 600,000 Employee Performance Rights were issued to Tim Levy (300,000) and Crispin Swan (300,000) as security based remuneration.
h. 500,000 Remuneration Performance Rights were issued to Director Matthew Stepka in lieu of his cash salary.
i. 1,885,715 Remuneration Performance Rights were issued to Directors Tim Levy (1,071,429) and Crispin Swan (814,286) in lieu of cash salary.
j. 5,000,000 MS SP Performance Rights were issued to Matthew Stepka as security based remuneration.

(3) Comprising 1,274,998 Class B Performance Rights, 166,666 Class C Performance Rights, 333,330 Class E Performance Rights, 550,000 Class H Performance Rights and 110,000 Employee Performance Rights.

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Reconciliation on movement in performance right reserve:

	Number of Performance Rights	Value $
Opening Balance - 1 July 2018	4,316,667	1,830,128
Performance Rights issued on 18 March 2019 and on 17 April 2019	2,055,196	1,434,154
Reversal of share based payment expense as vesting conditions were not met	-	(1,143,343)
Performance Rights exercised during the period following achievement of performance milestone	(350,000)	-
Performance Rights lapsed and cancelled during the period	(666,666)	-
Closing Balance - 30 June 2019	**5,355,197**	**2,120,938**
Performance Rights granted during the year	21,956,684	994,592
Performance Rights expense recognised for the current period	-	546,007
Reversal of share based payment expense as vesting conditions are not met	-	(20,833)
Performance Rights exercised during the period following achievement of performance milestone	-	-
Performance Rights lapsed and cancelled during the period	(2,434,994)	-
Closing Balance - 30 June 2020	**24,876,887**	**3,640,704**

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 (Expected)	Fair Value at Grant Date	Balance as at 30 June 2020 (Number)
Class C Performance Rights	4/12/2017	29/08/2020	$0.68	1,108,337
Class D Performance Rights	4/12/2017	29/08/2018	$0.68	333,340
Class F Performance Rights	4/12/2017	29/08/2020	$0.68	333,330
Class G Performance Rights	17/04/2019	17/04/2020	$0.23	1,805,196
Class H1 Performance Rights	19/09/2019	30/06/2020	$0.20	250,000
Class H1 Performance Rights	19/09/2019	30/06/2020	$0.20	450,000
Executive Performance Rights	02/03/2020	30/06/2021	$0.11	3,125,000
Executive Performance Rights - Directors	01/05/2020	30/06/2021	$0.13	2,500,000
TL SP Performance Rights				
Class A TL SP Performance Rights	1/05/2020	1/05/2023	$0.11	100,000
Class B TL SP Performance Rights	1/05/2020	1/05/2023	$0.10	200,000
Class C TL SP Performance Rights	1/05/2020	1/05/2023	$0.09	300,000
Class D TL SP Performance Rights	1/05/2020	1/05/2023	$0.08	400,000
MS SP Performance Rights				
Class A MS SP Performance Rights	30/06/2020	30/06/2020	$0.19	1,000,000

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Performance Rights	Valuation Date	Vesting Date (Expected)	Fair Value at Grant Date	Balance as at 30 June 2020 (Number)
Class B MS SP Performance Rights	30/06/2020	30/06/2020	$0.16	1,000,000
Class C MS SP Performance Rights	30/06/2020	31/12/2020	$0.10	1,000,000
Class D MS SP Performance Rights	30/06/2020	31/12/2020	$0.06	1,000,000
Class E MS SP Performance Rights	30/06/2020	30/06/2022	$0.03	1,000,000
Employee Performance Rights	2/03/2020	Note 1	$0.11	3,936,541
Employee Performance Rights - Directors	1/05/2020	Note 1	$0.13	600,000
Remuneration Performance Rights	2/03/2020	2/09/2020	$0.11	2,049,428
Remuneration Performance Rights – TL and CS	4/05/2020	4/11/2020	$0.13	1,885,715
Remuneration Performance Rights – MS	30/06/2020	30/06/2021	$0.12	500,000
Total				**24,876,887**

(1) One third of the Employee Performance Rights vest one year from issue date (Class A), one third of the Employee Performance Rights vest two years from issue date (Class B) and one third of the Employee Performance Rights vest three years from issue date (Class C).

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

Performance Rights	Vesting Condition	Milestone Date	Number of Performance Rights Vesting
Class C Performance Rights	Achievement of $20,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income	29 August 2020	100% Class C Performance Rights held
Class D Performance Rights	Achievement of 15,000 paying subscribers of the Company generating at least $100,000 revenue per month over 3 consecutive months	29 August 2018	33,334 Class D Performance Rights vest for each Tier 1 partnering deal that goes live before 4 December 2020
Class F Performance Rights	Achievement of $20,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income	29 August 2020	33,334 Class F Performance Rights vest for each Tier 1 partnering deal that goes live before 4 December 2020
Class G Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	1 Jan 2020	100% Class G Performance Rights held
Class H1 Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	30 June 2020	100% Class H1 Performance Rights held
Class H2 Performance Rights	Achievement by Family Zone Inc of signed contracts in the year ending 30 June 2020 (FY2020) with a total Annual Contract Value of at least US$1.7M	30 June 2020	100% Class H2 Performance Rights held

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Performance Rights	Vesting Condition	Milestone Date	Number of Performance Rights Vesting
	million.		
Remuneration Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	6 months from issue date	100% Remuneration Performance Rights held
Executive Performance Rights	The achievement of ARR[1] of $14.4m by the Milestone Date	30 June 2021	If the ARR is $20m or more, 100% of the Executive Performance Rights held; OR If the ARR is less than $20m, the number of Executive Performance Rights vesting is determined based on this formula: *[ARR at the Milestone Date/ $16m] x [(Number Executive Performance Rights held) x (100/125)]*
Class A Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	1 year from issue date.	100% of the Class A Employee Performance Rights held
Class B Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	2 year from issue date.	100% of the Class B Employee Performance Rights held
Class C Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	3 year from issue date.	100% of the Class C Employee Performance held
Class A TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.25 prior to the Milestone Date	3 years from issue date	100% of the Class A TL SP Performance Rights held
Class B TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.35 prior to the Milestone Date	3 years from issue date	100% of the Class B TL SP Performance Rights held
Class C TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.45 prior to the Milestone Date	3 years from issue date	100% of the Class C TL SP Performance Rights held
Class D TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.60 prior to the Milestone Date	3 years from issue date	100% Class D Performance TL SP Rights held
Class A MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater $0.12 prior to the Milestone Date	1 year from issue date.	100% Class A Performance MS SP Rights held
Class B MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.18 prior to the Milestone Date	1 year from issue date.	100% Class B Performance MS SP Rights held

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Performance Rights	Vesting Condition	Milestone Date	Number of Performance Rights Vesting
Class C MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.24 prior to the Milestone Date	1 year from issue date.	100% Class C Performance MS SP Rights held
Class D MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than $0.36 prior to the Milestone Date	2 year from issue date.	100% Class D Performance MS SP Rights held
Class E MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater $0.60 prior to the Milestone Date	2 year from issue date.	100% Class E Performance MS SP Rights held

NOTE 19: ACCUMULATED LOSSES

	2020 $	2019 $
Accumulated Losses	**(62,702,217)**	**(45,567,979)**
Opening balance	(45,085,097)	(30,683,960)
Net loss for the financial year	(17,617,120)	(14,401,137)
Total Accumulated Losses	**(62,702,217)**	**(45,085,097)**

NOTE 20: SHARE-BASED PAYMENTS

Share-based payments made during the year ended 30 June 2020 are summarised below:

(a) Recognised Share-Based Payment Expense

	2020 $	2019 $
Broker and advisor options issued in lieu of services provided[1]	1,062,579	170,224
Shares issued to consultants in lieu of services provided[2]	115,807	1,347,076
Shares issued to employees as incentive[2]	233,920	130,000
Shares issued to directors in lieu of salary[2]	80,000	-
Options issued to employees as incentive[3]	144,030	221,592
Options issued to directors and co secretary as incentive in prior period[4]	233,759	-
Performance Rights issued to employees for services[5]	765,806	272,097
Performance Rights issued to directors and executives for services[6]	774,793	-
Performance Shares issued to employees as incentive and for services[7]	73,069	(69,852)
Reversal of SBP expenses as vesting conditions were not met	(60,740)	-
Less amounts recognised within equity as a cost of capital raised[1]	(507,143)	(138,067)
	2,915,880	**1,933,070**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

1. Broker & Advisor options

During the year 5,000,000 options were granted to corporate advisors in relation to services provided and expensed in the Statement of Profit or Loss. 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 for each issue:

Input	Selling Options	Advisor Options - Tranche 1	Advisor Options - Tranche 2	Total
Number of Options	1,000,000	2,000,000	2,000,000	5,000,000
Underlying share price	$0.175	$0.195	$0.195	
Exercise price	$0.210	$0.180	$0.240	
Expected volatility	90%	98%	98%	
Expiry date (years)	2.98	3.00	3.00	
Expected dividends	Nil	Nil	Nil	
Risk free rate	0.83%	0.26%	0.26%	
Value per option	$0.092	$0.121	$0.110	
Total fair value of the options	$92,447	$242,667	$220,322	**$555,436**

A further 4,852,000 options were issued to corporate advisors in relation to capital raisings and have been recognised within equity to the value of $507,143. Refer to Note 18 for details of these share based payments.

2. Shares issued to employees, directors and consultants in lieu of services provided

During the year the Group issued

i. 570,255 shares to Consultants as consideration for services provided, to the value of $115,807.

ii. 1,856,507 shares to employees as remuneration for services, to the value of $233,920.

iii. 559,991 shares to Director Peter Pawlowitsch in lieu of his cash salary of $80,000.

3. Options issued to Employees

Tranche	Valuation Date	Expiry Date	Exercise Price	Issued during the period	Vested during the period	Total Share-Based Payment Expense for the period ($)
6	18/03/2019	18/03/2022	$0.18	-	-	144,030
Total				**-**	**-**	**144,030**

The valuation for the Employee Options disclosed above have been previously disclosed in prior period financial reports.

4. Options issued to Directors and Company Secretary as Incentive

(a) During the period 3,000,000 options ($0.21, 3 years) were granted to Non-Executive Chairman, Peter Pawlowitsch pursuant to the terms of his appointment for services to be provided. Shareholder approval was obtained 4 November 2019 and the options were issued 8 November 2019. These options are subject to various vesting conditions as outlined below

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Tranche	Vesting Condition	Number	Value Per Option ($)	Total Value ($)	Total Share-Based Payment Expense for the year ($)
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	9,832
3	The 30 day VWAP of the Company's Shares being greater than $0.35	500,000	0.0882	44,090	9,454
4	The 30 day VWAP of the Company's Shares being greater than $0.45	500,000	0.0830	41,480	8,894
5	The 30 day VWAP of the Company's Shares being greater than $0.60	500,000	0.0754	37,700	8,083
Total		**3,000,000**		**261,385**	**128,523**

The fair value of these options have been determined using a Monte Carlo simulation model and the inputs are outlined below:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Underlying share price	$0.18	$0.18	$0.18	$0.18	$0.18
Exercise price	$0.21	$0.21	$0.21	$0.21	$0.21
Target price	N/A	$0.25	$0.25	$0.25	$0.25
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

(b) During the year 1,000,000 options ($0.21, 3 years) were granted to non-executive Director Phil Warren. Shareholder approval was obtained 30 June 2020, options were issued 7 July 2020. These 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 year ($)
1	None	500,000	0.1154	57,705	57,705
2	The 30 day VWAP of the Company's Shares being greater than $0.25	500,000	0.1090	54,500	-
Total		**1,000,000**		**112,205**	**57,705**

Tranche 1 have been valued using a Monte Carlo simulation and Tranche 2 have been valued using the Black Scholes option pricing model valuation methodology. The key inputs have been outlined below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

	Tranche 1	Tranche 2
Grant date	30/06/2020	30/06/2020
Underlying share price	$0.195	$0.195
Exercise price	$0.210	$0.210
Expiry date (years)	3	3
Expected Volatility	98%	93%
Risk free rate	0.26%	0.26%
Value per option	$0.1154	$0.1090

(c) During the year 500,000 options ($0.21, 3 years) were granted to the Company Secretary. The fair value of these options have been determined using a Black-Scholes model and the inputs are outlined below:

	Input
Grant date	29/05/2020
Underlying share price	$0.165
Exercise price	$0.210
Expiry date (years)	3
Expected Volatility	102%
Risk free rate	0.26%
Value per option	$0.095
Total fair value	**47,531**

5. Performance Rights issued to employees

During the year 1,250,000 Class H Performance Rights have been issued to senior executives under the Company's Performance Rights Plan of which 700,000 vested and 550,000 lapsed following failure to meet vesting conditions. The Performance Rights issued convert into ordinary shares on a one for one basis subject to the achievement of a series of vesting conditions.

The existing performance rights on issue have continued to be expensed and recognised for the year ended 30 June 2020.

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

The total share based payment expense for the year in respect to the Performance Rights on issue was $765,806.

6. Performance Rights issued to Directors and Executives

During the year, the Company issued a number of Performance Rights to executives and Directors as an incentive and as remuneration for services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Performance Rights	Number	Expense for Period
TL SP Performance Rights	1,000,000	$ 12,082
MS SP Performance Rights	5,000,000	$ 352,000
Executive Performance Rights - Executives	3,125,000	$ 85,052
Executive Performance Rights - Directors	2,500,000	$ 43,898
Remuneration Performance Rights - Executives	2,049,428	$ 188,681
Remuneration Performance Rights - Tim Levy, Crispin Swan	1,885,715	$ 83,217
Remuneration Performance Rights - Matthew Stepka	500,000	$ 9,863
		$ 774,793

During the year the Company had agreed to issue 1,000,000 TL SP Performance Rights to Tim Levy and 5,000,000 MS SP Performance Rights to Matthew Stepka. The issue of the SP Performance Rights was subject to shareholder approval which was obtained 1 May 2020 and 30 June 2020 for Messers Levy and Stepka respectively.

The SP Performance Rights have been issued in a number of tranches with market based performance hurdles associated with each tranche. A Monte-Carlo model was used to value the SP Performance Rights and the details of each issue has been outlined below:

TL SP Performance Rights	Class A	Class B	Class C	Class D	Total
	Unvested	*Unvested*	*Unvested*	*Unvested*	
Vesting Date	1-May-23	1-May-23	1-May-23	1-May-23	
Number of PR issued	100,000	200,000	300,000	400,000	**1,000,000**
VWAP Hurdle	$0.25	$0.35	$0.45	$0.60	
Volatility	99.35%	99.35%	99.35%	99.35%	
Risk Free Rate	0.32%	0.32%	0.32%	0.32%	
Total Value of PR	**$11,000**	**$20,000**	**$27,300**	**$31,600**	**$89,900**
Total Expense for Period	**$2,602**	**$4,730**	**$2,036**	**$2,714**	**$12,082**

MS SP Performance Rights	Class A	Class B	Class C	Class D	Class E	Total
	Unvested	*Unvested*	*Unvested*	*Unvested*	*Unvested*	
Vesting Date	30/06/2021	30/06/2021	30/06/2021	30/06/2022	30/06/2022	
Number of PR issued	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	**5,000,000**
VWAP Hurdle	$0.12	$0.18	$0.24	$0.36	$0.60	
Volatility	92.66%	92.66%	92.66%	92.66%	92.66%	
Risk Free Rate	0.26%	0.26%	0.26%	0.26%	0.26%	
Total Value of PR	**$194,000**	**$158,000**	**$101,000**	**$64,000**	**$28,000**	**$545,000**
Total Expense for Period	**$194,000**	**$158,000**	**-**	**-**	**-**	**$352,000**

Management have assessed the probability of achieving the vesting condition, as at reporting date. If it was assessed that the hurdle was likely to be met prior to the expiry date the share based payment expense has been adjusted to reflect a shorter vesting period.

Management's assessment was based on the fact that the Company's share price was $0.195, as at 30 June 2020 and therefore any Tranches with a VWAP hurdle of less than $0.195 have been met and fully expensed. For those tranches that management have assessed, as at reporting date, as more likely to be met earlier than the stated vesting date, they have been expensed over a shortened vesting period.

The 3,125,000 Executive Performance Rights - Executives have been valued at $0.11, based on the share price as at the issue date. These Performance Rights convert into ordinary shares on a one for one basis subject to achievement of the vesting conditions. The total value of these Performance Rights when granted was $343,750 with this share based payment expense recognized over the vesting period. When assessing the value of the Executive Performance Rights it has been assumed that the vesting condition will be achieved. In the event the vesting condition is not achieved this share based payment expense will be reversed. An expense of $85,052 has been recognised in the current period.

The 2,500,000 Executive Performance Rights - Directors have been valued at $0.13 based on the share price as at the grant date. These Performance Rights convert into ordinary shares on a one for one basis subject to achievement of the vesting conditions. The total value of the Executive Performance Rights issued to Messers Levy and Swan when granted was $325,000 with this share based payment expense recognised over the vesting period. When assessing the value of the Executive Performance Rights it has been assumed that the vesting condition will be achieved. In the event the vesting condition is not achieved this share based payment expense will be reversed. An expense of $43,898 has been recognised in the current period.

The 2,049,428 Remuneration Performance Rights – Executives have been valued based on the fair value of the services provided (remuneration foregone) being $286,920, with this share based payment expense recognized over the vesting period of the Remuneration Performance Rights. An expense of $188,681 has been recognised in the current period.

The Remuneration Performance Rights granted to Messrs Levy and Swan (1,885,715) and Stepka (500,000) have been valued based on the fair value of the services provided (remuneration foregone) being $324,000, with this share based payment expense recognized over the vesting period of the Remuneration Performance Rights. An expense of $83,217 for Messrs Levy and Swan and $9,863 for Mr Stepka, respectively, has been recognised in the current period.

7. Performance Shares issued to employees

The total share based payment expense for the year in respect to the 1,166,665 Performance Shares that had been issued to employees in lieu of services was $73,069. The shares were cancelled prior to year end and as such the total amount included an expense of $41,532 relating to the cancellation of these performance shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

NOTE 21: OPERATING CASH FLOW INFORMATION

	2020 $	2019 $
Reconciliation of cash flow from operations with loss after income tax		
Loss for the year	(17,617,120)	(14,401,137)
Non-cash items		
Share-based payments	2,915,880	2,021,783
Advertising and other expenses settled in equity	-	73,511
Depreciation and amortisation	4,164,248	4,498,680
Revaluation of contingent consideration	87,582	(1,168,470)
Interest expense	31,881	-
Loan forgiveness[1]	(327,124)	-
Changes in Assets and Liabilities		
Increase / (Decrease) in Trade and Other Payables	938,605	762,424
Increase / (Decrease) in Deferred Revenue	2,270,051	-
(Increase)/ Decrease in Inventory	(92,841)	(65,614)
(Increase)/ Decrease in Trade and Other Receivables	(855,080)	(1,914,204)
Increase)/ (Decrease) in Provisions	206,944	(16,429)
Cash flows used in operations	**(8,276,974)**	**(10,209,455)**

[1] During the year the Group received funding from the US Small Business Administration agency to provide assistance through COVID-19. This loan had conditions attached, which if met, the loan would be forgiven. At 30 June 2020, all attaching conditions had been met and therefore the loan was forgiven and recognised as other income in the Statement of Profit or Loss and Other Comprehensive Income.

Non-cash financing and investing activities

During the year the Group issued equity securities as payment for services to the value of $507,143 (2019: $138,067). These issue costs are not reflected in the Statement of Cashflows.

NOTE 22: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

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

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

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

(b) Significant Accounting Policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

(c) Categorisation of Financial Instruments

Details of each category in accordance with Australian Accounting Standard AASB 9 *Financial Instruments*, are disclosed either on the face of the Consolidated Statement of Financial Position or in the notes.

(d) Credit Risk

(i) Exposure to Credit Risk

Credit risk is managed on a group basis. Credit risk arises predominantly from credit exposures to customers, including outstanding receivables and committed transactions. The key elements to manage credit risk are; for banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted and for customers to review aged trade debtors on a regular basis. There are no significant concentrations of credit risk through exposure to individual customers.

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

	2020 $	2019 $
Financial Assets - Current		
Cash and cash equivalents	5,807,193	5,116,523
Trade receivables	4,739,118	3,228,710
Total Financial Assets	**10,546,311**	**8,345,233**

Financial assets as at 30 June 2020 are neither past due nor impaired. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Refer to Note 3(c), (d) for the Group's accounting policy.

(ii) Interest Rate Risk

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

			Interest Rate Exposure			
2020	**Range of Effective Interest Rate (%)**	**Carrying Amount $**	**Variable Interest Rate $**	**Non Interest Bearing $**	**Fixed Interest Rate $**	**Total $**
Financial Assets - Current						
Cash and cash equivalents	0 – 1	5,807,193	5,807,193	-	-	**5,807,193**
Financial Liabilities - Current						
Borrowings	14	1,272,510	-	-	1,272,510	**1,272,510**
2019						
Financial Assets - Current						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Cash and cash equivalents	0-4	5,116,523	4,923,111	193,412	-	**5,116,523**
Financial Liabilities - Current						
Borrowings	14	1,469,535	-	-	1,469,535	**1,469,535**

(e) Fair value of Financial Instruments

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

Contingent consideration is fair valued using valuation techniques including a discounted cash flow (**DCF**) model, a level 3 input for fair value measurement under AASB 13 Fair Value Measurement. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.
The key assumptions take into consideration the probability of meeting each performance target and the discount factor. The fair value of contingent consideration is also determined with reference to the Group's share price at each reporting period end, a Level 1 input. Contingent consideration as therefore valued at the fair value of the number of shares expected to be issued as a result of the achievement of contingent consideration performance milestones. Unobservable inputs used in the DCF model include:

- Forecasted recurring revenue, number of schools deployed and number of active user accounts within New Zealand; and
- The likelihood of any (one) of the above inputs for the payment of contingent consideration being achieved

During the year, a revaluation loss of $87,582 (2019: gain $1,168,470) was recognised in the Consolidated Statement of Profit or Loss as a result of re-measurement of contingent consideration payable. 4,500,000 fully paid ordinary shares, valued at $742,500 (2019: 2,000,000 shares valued at $400,000) were issued as a result of contingent consideration milestones being achieved. Refer to Note 17 for further information.

(f) Liquidity Risk

(i) Exposure to Liquidity Risk

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

	2020 $	2019 $
Financial Liabilities - Current		
Trade and other payables	1,973,621	1,143,101
Borrowings	1,272,510	1,469,535
Lease liabilities	225,642	-
Total financial liabilities	**3,471,773**	**2,612,636**

(ii) Contractual Maturity Risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

2020 Financial Instrument	0-6 months $	6-12 months $	Over 1 to 5 years $	More than 5 years $	Total $
Financial Assets					
Cash	5,807,193	-	-	-	5,807,193
Trade and other receivables	4,739,118	-	53,156	-	4,792,274
Total financial assets	**10,546,311**	**-**	**53,156**	**-**	**10,599,467**
Financial Liabilities					
Trade and other payables	1,973,621	-	-	-	1,973,621
Borrowings	1,272,510	-	-	-	1,272,510
Lease liabilities	112,821	112,821	156,625	-	382,267
Total financial liabilities	**3,358,952**	**112,821**	**156,625**	**-**	**3,628,398**

2019 Financial Instrument	0-6 months $	6-12 months $	Over 1 to 5 years $	More than 5 years $	Total $
Financial Assets					
Cash	5,116,523	-	-	-	5,116,523
Trade and other receivables	3,228,710	-	-	-	3,228,710
Total financial assets	**8,345,233**	**-**	**-**	**-**	**8,345,233**
Financial Liabilities					
Trade and other payables	2,220,559	-	-	-	1,143,101
Borrowings	1,469,535	-	-	-	1,469,535
Total financial liabilities	**2,612,636**	**-**	**-**	**-**	**2,612,636**

(g) Market Risk

(i) Foreign exchange risk

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follow:

	Value of NZD exposure expressed in AUD		Value of USD exposure expressed in AUD	
	2020	**2019**	**2020**	**2019**
Net assets (liabilities)	(151,492)	(239,029)	(467,570)	221,165
Net profit (Loss)	(672,896)	(1,703,487)	(2,237,084)	(1,563,928)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Foreign Currency sensitivity:

Based on the net liability position of the foreign subsidiaries at 30 June 2020, had the Australian dollar weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, the Group's post-tax loss for the year would have been $67,290 higher/$67,290 lower (2019: $170,349 higher/$$170,349 lower), and the effect on equity would have been $15,149 higher/$15,149 lower (2019: $23,902 higher/$23,902 lower).

In addition, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been $223,708 higher/$223,708 lower (2019: $156,393 higher/$156,393 lower), and the effect on equity would have been $46,757 higher/$46,757 lower (2019: $22,117 higher/$22,117 lower).

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

(ii) Interest Rate Risk

The Group's only exposure to interest rate risk is on balances held as cash and R&D Loan Facility as set out in Note 22(d)(ii).

(iii) Other Price Risk

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

(iv) Sensitivity Disclosure Analysis

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

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

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

		Interest Rate Risk			
	Carrying	+1%		-1%	
	Amount	Profit	Equity	Profit	Equity
2020	**$**	**$**	**$**	**$**	**$**
Financial Assets - Current					
Cash and cash equivalents	5,807,193	58,072	58,072	(58,072)	(58,072)
Trade Receivables	4,739,118	-	-	-	-
Financial Liabilities - Current					
Trade and other payable	1,973,621	-	-	-	-
Borrowings	1,272,510	(12,725)	(12,725)	12,725	12,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

2019					
Financial Assets - Current					
Cash and cash equivalents	4,923,111	49,231	49,231	(49,231)	(49,231)
Trade Receivables	3,228,710	-	-	-	-
Financial Liabilities - Current					
Trade and other payable	1,143,101	-	-	-	-
Borrowings	1,469,535	(14,695)	(14,695)	14,695	14,695

NOTE 23: SEGMENT INFORMATION

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

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.

30 June 2020	**Australia**	**USA**	**New Zealand**	**Other**	**Total**
Segment Income					
Sales revenue	4,163,988	1,347,139	984,428	70,871	6,566,426
Other income	3,173,133	309,064	4,916	28,157	3,515,270
Less: Intercompany revenue	(1,633,914)	18,083	-	-	(1,615,831)
Segment Income	**5,703,207**	**1,674,286**	**989,344**	**99,028**	**8,465,865**
Segment Expenses					
Cost of sales	(1,023,742)	(874,424)	(330,922)	(19,405)	(2,248,493)
Operating expenses	(9,287,421)	(2,723,486)	(1,170,044)	86,529	(13,094,422)
Research and development	(3,482,679)	(125,954)	(51,309)	-	(3,659,942)
Share based payments	-	-	-	(2,915,880)	(2,915,880)
Loss before depreciation and amortisation	**(8,090,635)**	**(2,049,578)**	**(562,931)**	**(2,749,728)**	**(13,452,872)**
Depreciation and amortisation	(930,055)	(187,505)	(3,046,688)	-	(4,164,248)
Loss before income tax	**(9,020,690)**	**(2,237,084)**	**(3,609,619)**	**(2,749,728)**	**(17,617,120)**

30 June 2020	**Australia**	**USA**	**New Zealand**	**Other**	**Total**
Segment Assets	8,839,090	3,598,089	1,618,708	139,664	**14,195,553**
Segment Liabilities	(5,215,037)	(4,005,739)	(549,167)	(18,964)	**(9,788,907)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

30 June 2019	Australia	USA	New Zealand	Other	Total
Segment Income					
Sales Revenue	3,209,353	790,384	193,846	(9,262)	4,184,323
Other Income	3,840,053	7,015	49	8	3,847,124
Less: Intercompany revenue	-	-	-	-	-
Segment Income	**7,049,406**	**797,399**	**193,895**	**(9,254)**	**8,031,447**
Segment Expenses					
Cost of sales	(1,675,055)	(163,721)	(131,582)	(62,722)	(2,033,080)
Operating Expenses	(8,958,882)	(2,281,655)	(1,527,960)	(86,921)	(12,855,417)
Research and Development	(1,061,434)	(871)	(50,033)	-	(1,112,338)
Share based payments	-	-	-	(1,933,070)	(1,933,070)
Loss before depreciation and amortisation	**(4,645,964)**	**(1,648,847)**	**(1,515,680)**	**(2,091,966)**	**(9,902,458)**
Depreciation and amortisation	(1,459,069)	(2,991,362)	(48,249)	-	(4,498,680)
Loss before Income Tax	**(6,105,034)**	**(4,640,209)**	**(1,563,928)**	**(2,091,966)**	**(14,401,138)**

30 June 2019	Australia	USA	New Zealand	Other	Total
Segment Assets	9,435,125	4,485,045	953,993	23,099	**14,897,262**
Segment Liabilities	(5,655,350)	(566,319)	(556,624)	(184,500)	**(6,962,793)**

NOTE 24: RELATED PARTY TRANSACTIONS

(a) Parent and Subsidiaries

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

		Extent of control	
	Incorporation	**2020**	**2019**
Parent			
Family Zone Cyber Safety Limited	Australia	-	-
Controlled entities			
Family Zone Inc.	USA	100%	100%
Family Zone Cyber Safety Pte. Ltd.	Singapore	100%	100%
Family Zone NZ Cyber Safety Ltd (formerly Linewize Service Ltd)	New Zealand	100%	100%

(b) Key Management Personnel Compensation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 $	2019 $
Short-term employee benefits	294,281	408,933
Post-employment benefits	44,628	47,500
Share-based payment	908,863	481,526
Total	**1,247,772**	**937,959**

(c) Other Transactions with Key Management Personnel

a) Grange Consulting

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

A summary of the total fees paid to Grange Consulting and Grange Capital Partners for the year ended 30 June 2020 and 30 June 2019 is as follows:

	2020 $	2019 $
Company secretarial and financial management services	94,839	94,500
Total	**94,839**	**94,500**

No amounts were payable to Grange Consulting or Grange Capital Partners as at 30 June 2020 (2019: $25,987 incl. GST).

NOTE 25: AUDITOR'S REMUNERATION

	2020 $	2019 $
The auditor of Family Zone Cyber Safety Limited		
Amounts received or due and receivable by Pitcher Partners for:		
Pitcher Partners BA&A Pty Ltd		
- Audit and review services	56,096	47,000
- Non-audit services – Other assurance engagements	-	3,000
Pitcher Partners (WA) Pty Ltd – Taxation	11,700	10,600
Total remuneration of Pitcher Partners BA&A Pty Ltd and related firms	**67,796**	**60,600**

NOTE 26: COMMITMENTS AND CONTINGENT LIABILITIES

Operating Lease Commitments – Group as Lessee:

The Group has no operating lease commitments, other than right of use leases which have now been accounted for in accordance with AASB 16. Refer to Note 13: Right of Use Assets and Lease Liabilities and Note 2(a) for further information of the impact of the implementation of AASB 16.

The Directors are not aware of any other commitments or any contingent liabilities that may arise from the Group's operations as at 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

NOTE 27: PARENT ENTITY DISCLOSURE

	2020 $	2019 $
Assets		
Current assets	8,430,092	8,454,204
Non-current assets	1,228,902	5,135,615
Total Assets	**9,658,994**	**13,589,819**
Liabilities		
Current liabilities	4,599,801	5,583,205
Non-current liabilities	652,547	72,145
Total Liabilities	**5,252,348**	**5,655,350**
Net Assets/(Deficiency)	**4,406,646**	**7,934,469**
Equity		
Issued Capital	56,673,575	45,567,979
Reserves	10,448,193	7,454,897
Accumulated losses	(62,715,122)	(45,088,407)
Total Equity	**4,406,646**	**7,934,469**
Profit/(Loss) for the year	**(10,302,656)**	**(8,039,075)**
Total comprehensive income	**(10,312,251)**	**(8,054,048)**

The parent did not have any guarantees, contingent liabilities or commitments as at 30 June 2020 (2019: nil).

NOTE 28: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 1 July 2020, the Company acquired 100% of the issued fully paid capital of another privately owned technology company that operated within the cyber security sphere for cash consideration of $100. At the date of this report, the initial business combination accounting is incomplete and as such no disclosures have been made in relation to the acquisition accounting for this transaction. Further disclosure will be provided in due course as management continue to work through this process.

On 1 July 2020, a new lease agreement was entered into by the Company for premises in Australia. The lease is for a term of 2 years, commencing from 1 July 2020.

On 7 July 2020, the Company completed the issue of the second tranche of 30,833,333 Placement Shares at $0.12 per Share raising $3.7 million (before costs) including an investment of $500,000 by the Company's Chairman, Peter Pawlowitsch. The Company also issued 2,000,000 Broker Options ($0.18, 7 July 2023), 5,500,000 Performance Rights to Matthew Stepka and 1,000,000 Director Options ($0.21, 7 July 2023) to Phil Warren. These options were approved at the Shareholder meeting on 30 June 2020, and therefore accounted for at 30 June 2020.

On 13 July 2020 the Company announced the issue of the 4,000,000 Advisor Options, comprising 2,000,000 Tranche 1 Advisor Options ($0.18, 13 July 2023) and 2,000,000 Tranche 2 Advisor Options ($0.24, 13 July 2023) and 4,500,000 Performance Rights under the Company's Performance Rights Plan. These options were approved at the Shareholder meeting on 30 June 2020, and therefore accounted for at 30 June 2020.

On 15 July 2020 the Company announced it had passed through significant operational milestone with over 1 million contracted student licenses with a total of approximately 1.4 million students and 2,600 schools on the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Family Zone Platform.

On 26 August 2020, the Company announced that in the 8 weeks following the end of the financial year the Company had signed contracts in US education covering greater than 300,000 student licenses with 312,500 student licences added across the business in this period representing a 33% increase in the size of Family Zone's contracted education base.

On 28 August 2020, the Company announced the issue of 500,000 Broker Options ($0.18, 13 July 2020).
Since the end of the financial year a total of 4,798,789 Shares have been issued following the exercise of 4,798,789 Options with a total of $998,923 funds received from the exercise of these Options. In addition 459,842 Performance Rights have been exercises for nil consideration.

Apart from the events discussed above, no other 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

In the Directors' opinion:

(a) the accompanying financial statements set out on pages 34 to 82 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001,* including:

  i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and

  ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2020.

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

On behalf of the Directors

Tim Levy
Managing Director

30 September 2020

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Family Zone Cyber Safety Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

PITCHER PARTNERS

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

Key Audit Matter	**How our audit addressed the key audit matter**
Going Concern *Refer to Note 2(d) of the financial report*	
The Group currently had cash and cash equivalents of $5,807,193 as at 30 June 2020. Subsequent to year end the Group completed the issue of the second tranche of 30,833,333 Placement Shares at $0.12 to raise $3.7 million (before costs). For the year ended 30 June 2020, the Company has incurred a deficit of $17,617,120 and has net cash outflow from operating and investing activities of $9,538,133. The Directors have continued to adopt the going concern basis of preparation in preparing the Group's financial statements, and having prepared detailed cash flow forecasts which support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the date of these financial statements were approved. The Director's assessment of the Group's going concern ability was an area of audit focus and particular attention was paid to the key assumptions and judgements taken by the Directors that most significantly impacted these cash flow forecasts, including the assumptions used in forecasting projected service and hardware sales revenue and cash outflows associated with its operations.	Our procedures included, amongst others: Understanding and evaluating management's relevant controls and processes around the preparation of cash flow forecasts reviewed by the Directors. Checking and satisfying ourselves that the cash flow forecasts prepared by Directors were consistent with the Group's strategy and current position. Challenging management assumptions regarding: • the likelihood that forecasted growth and retention rates across operating sections in Australia, New Zealand and Australia will be achieved; • Assumptions around costs and cost saving initiatives to improve the Group's unit cost for delivery and manage it's overheads Assessing the Company's disclosures within the financial report and the appropriateness, including consistency with the assumptions and judgements made by management.

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of intangible assets *Refer to Note 11 of the financial report*	
At 30 June 2020, the consolidated statement of financial position of the Group includes intangible assets of $1,251,177. This amount represents 9% of total assets. Due to the significance to the Group's financial report and the level of management's judgment involved in determining a Cash Generating Units ("CGU") and assessing whether there are impairment indicators present, we consider this to be a key audit matter.	Our procedures included, amongst others: Assessing management's determination of the appropriate CGU based on our understanding of the nature of the Group's business and the economic environment in which it operates. Also reviewing the internal reporting of the Group to assess how earnings streams and groups of assets are monitored and reported Understanding and evaluating management's relevant controls and processes regarding valuation of the CGU to determine any potential impairment including the procedures around the preparation and review of the associated cash flow forecasts Assessing the appropriateness of management's judgment and conclusion that there were no impairment indicators present as at 30 June 2020. In doing so considering internal and external impairment factors and assessing the appropriateness of the amortisation period of the capitalised expenditure pursuant to the requirements of Australian Accounting Standards. Assessing, agreeing and checking the data within the cash flow forecasts associated with the CGU. Considering the adequacy of the disclosures included within the financial report.

Revenue Recognition *Refer to Note 3(o) & 4 of the Financial Report*	
For the year ended 30 June 2020, the Group has revenue of $5,090,173 from the sale of hardware and/or for contracts to provide subscription services. The determination of revenue recognition requires management judgements in accounting for revenue, relevant performance obligations, discounts and credit notes in accordance with the Group's identified performance obligations as part of the transaction.	Our procedures included, amongst others: Obtaining an understanding of the relevant controls associated with the treatment of revenue, including, but not limited to, those relating to identification of performance obligations, discounts, incentives and rebates. Considering the appropriateness of the Group's revenue recognition accounting policies including those relating to identifying performance obligations, determining the transaction price and allocating the transaction price to the performance obligations in contract. Testing a sample of transactions by sighting evidence of signed contracts, related invoices and comparing the revenue amount recognised to the timing of when the Group satisfies performance obligations associated with the transaction. Considering the adequacy of the disclosures included within the financial report.

Share Based Payments *Refer to Note 3(m), 18 and 20 of the Financial Report*	
At 30 June 2020, share based payments of $2,915,880 represent a significant portion of the Group's expenditure. Share based payments must be recorded at fair value of the service provided, or in the absence of such, at the fair value of the underlying equity instrument granted. In calculating the fair value there are a number of management judgements including but not limited to: • Assessing the probability of achieving key performance milestones in relation to vesting conditions; and • Assessing the fair value of the share price on grant date, estimate of expected future share price volatility, expected dividend yield and risk-free rate of interest.	Our procedures included, amongst others: Obtaining an understanding of the relevant controls associated with the preparation of the valuation model used to assess the fair value of share based payments, including those relating to volatility of the underlying security and the appropriateness of the model used for valuation. Critically evaluating and challenging the methodology and assumptions of management in their preparation of valuation model, agreeing inputs to internal and external sources of information. Assessing the appropriateness of share based payments expensed during the year pursuant to the requirements of Australian Accounting Standards. Assessing the Group's accounting policy as set out within Note 3(m) for compliance with the requirements of AASB 2 *Share-based Payments*.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors report, which was obtained as at the date of our audit report, and any additional other information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

PITCHER PARTNERS

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Family Zone Cyber Safety Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, 30 September 2020

ASX ADDITIONAL INFORMATION

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

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

The issued capital of the Company as at 17 September 2020 includes the following securities:

Equity Class	Number of holders	Total on issue
Fully paid ordinary shares	2,929	330,335,133
Broker Options ($0.50, 4 Dec 2020)	1	850,000
Broker Options ($0.60, 4 Dec 2020)	1	850,000
Broker Options ($0.75, 9 Apr 2021)	1	516,765
Broker Options ($0.90, 9 Apr 2021)	1	516,765
Advisor Options (($0.25, 11 Mar 2022)	1	250,000
Employee Options ($0.18, 18 Mar 2022)	36	1,629,892
Options ($0.21, 8 Nov 2022)	9	5,595,000
Employee Options ($0.21, 29 April 2023)	1	500,000
Director Options ($0.21, 7 July 2023)	1	1,000,000
Broker/Advisor Options ($0.18-$0.24, 7-13 July 2023)	6	5,500,000
Performance Shares -Class H	7	3,000,000
Performance Rights	68	29,068,235

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

2. Substantial holders in the Company

Substantial Shareholder	Number of Shares held	% of Total Shares
Regal Funds Management Pty Ltd	33,334,862	10.11%
McCusker Holdings Pty Ltd	17,190,000	5.20%

3. Distribution of equity securities as at 17 September 2020

a) Fully paid ordinary shares

Holding Ranges	Holders	Total Shares	% Total Shares
1 - 1,000	141	92,369	0.03%
1,001 - 5,000	887	2,498,600	0.76%
5,001 - 10,000	470	3,858,508	1.17%
10,001 - 100,000	1,086	42,030,248	12.72%
100,001 - 9,999,999,999	342	281,855,408	85.32%
Totals	**2,929**	**330,335,133**	**100.00%**

There were 167 holders with less than a marketable parcel of Shares based on the share price of $0.465 on 17 September 2020.

ASX ADDITIONAL INFORMATION (CONTINUED)

b) Employee Options ($0.18, 18 Mar 2022)

Holding Ranges	Holders	Total Employee Options	% Total Employee Options
1 - 1,000	-	-	-
1,001 - 5,000	4	9,752	0.60%
5,001 - 10,000	7	52,653	3.23%
10,001 - 100,000	20	663,478	40.71%
100,001 - 9,999,999,999	5	904,009	55.46%
Totals	**36**	**1,629,892**	**100.00%**

c) Options ($0.21, 8 Nov 2022)

Holding Ranges	Holders	Total Selling/Advisor Options	% Total Selling/Advisor Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	2	17,500	0.3%
10,001 - 100,000	2	71,000	1.27%
100,001 - 9,999,999,999	5	5,506,500	98.42%
Totals	**9**	**5,595,000**	**100.00%**

d) Broker/Advisor Options ($0.18-$0.24, 7-13 Jul 2023)

Holding Ranges	Holders	Total Broker Options	% Total Broker Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	6	5,500,000	100.00%
Totals	**6**	**5,500,000**	**100.00%**

e) Performance Shares

Holding Ranges	Holders	Total Broker Options	% Total Broker Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	2	118,673	3.96%
100,001 - 9,999,999,999	5	2,881,327	96.04%
Totals	**7**	**3,000,000**	**100.00%**

ASX ADDITIONAL INFORMATION (CONTINUED)

f) Performance Rights

Holding Ranges	Holders	Total Performance Rights	% Total Performance Rights
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	47	1,616,494	5.56%
100,001 - 9,999,999,999	21	27,451,741	94.44%
Totals	**68**	**29,068,235**	**100.00%**

4. Top 20 Shareholder as at 17 September 2020

Position	Holder Name	Holding	% IC
1	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	21,745,092	6.58%
2	MCCUSKER HOLDINGS PTY LTD	17,190,000	5.20%
3	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	11,231,615	3.40%
4	TIMOTHY NOMINEES PTY LTD <TIMOTHY FAMILY A/C>	10,479,730	3.17%
5	TWYNAM INVESTMENTS PTY LTD	9,950,000	3.01%
6	SISU INTERNATIONAL PTY LTD	8,688,705	2.63%
7	HARMANIS HOLDINGS PTY LTD <HARMAN FAMILY A/C>	8,319,655	2.52%
8	MOSCH PTY LTD	7,738,094	2.34%
9	1001 PTY LTD <D COLBRAN SUPER FUND A/C>	7,612,500	2.30%
10	CITICORP NOMINEES PTY LIMITED	6,644,023	2.01%
11	GASMERE PTY LTD	6,228,888	1.89%
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,994,462	1.81%
13	MR THOMAS MADSEN	5,064,707	1.53%
14	BROWN BRICKS PTY LTD	4,673,558	1.41%
15	FRESHIE PTY LTD <THE SWAN FAMILY A/C>	4,196,575	1.27%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,837,804	1.16%
17	SCOTT ROBERT NOAKES	3,626,181	1.10%
18	TRIGGER ASSETS PTY LTD <TRIGGER INVESTMENT A/C>	3,383,184	1.02%
19	WYLLIE GROUP PTY LTD	3,333,333	1.01%
20	NOVALANE COM PTY LTD <ROBINSON FAMILY A/C>	3,036,644	0.92%
	Total	**152,974,750**	**46.31%**
	Total issued capital - selected security class(es)	**330,335,133**	**100.00%**

ASX ADDITIONAL INFORMATION (CONTINUED)

5. Restricted Securities

There are no restricted securities on issue as at 17 September 2020.

6. Unquoted Securities

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

a) Broker Options ($0.50-$0.90, 4 Dec 2020 to 9 Apr 2021)

Holder Name	Holding	% Total Options
TR Nominees Pty Ltd	2,733,530	100.00%
Total Options	**2,733,530**	**100.00%**

b) Advisor Options ($0.25, 11 Mar 2022)

Holder Name	Holding	% Total Options
Idea X Partners Pte Ltd	250,000	100.00%
Total Options	**250,000**	**100.00%**

c) Options ($0.21, 8 Nov 2022)

Holder Name	Holding	% Total Options
Vault (WA) Pty Ltd <Vault A/C>	3,000,000	53.62%
Total Options	**5,595,000**	**100.00%**

d) Employee Options ($0.21, 29 Apr 2023)

Holder Name	Holding	% Total Options
Beachswing Pty Ltd	500,000	100.00%
Total Options	**500,000**	**100.00%**

e) Director Options ($0.21, 7 Jul 2023)

Holder Name	Holding	% Total Options
Philuchna Pty Ltd <PM & NA Warren Family A/C>	1,000,000	100.00%
Total Options	**1,000,000**	**100.00%**

f) Broker/Advisor Options ($0.18-$0.24, 7-13 July 2023)

Holder Name	Holding	% Total Options
Bell Potter Nominees Ltd <BB Nominees A/C>	1,550,000	28.18%
Total Options	**5,500,000**	**100.00%**

ASX ADDITIONAL INFORMATION (CONTINUED)

g) Performance Shares

Holder Name	Holding	% Total Performance Shares
Michael Oliver Lawson	960,000	32.00%
Scott Robert Noakes	960,000	32.00%
Total	**3,000,000**	**100.00%**

7. On-market buy back

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

CORPORATE GOVERNANCE

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

https://f.hubspotusercontent40.net/hubfs/416543/Corporate%20Governance%20Statement%20-Family%20Zone%2030%20June%202020.pdf

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

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