

ASX ANNOUNCEMENT

ASX CODE: **MBO**

Date: 20 October 2016

Dispatch of 2016 Annual Report and Notice of AGM

Mobilarm Limited is pleased to attach a copy of the 2016 Annual Report together with the Notice of Annual General Meeting, Explanatory Statement and Proxy Form which have today been dispatched to shareholders.

A copy of the Annual Report and Notice of Annual General Meeting will also be available on the Company's web site at www.mobilarm.com.

Ends

Further details

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MOBILARM LIMITED

ACN 106 513 580

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting

29 November 2016

Time of Meeting

11.00 am (WST)

Place of Meeting

**Level 2, 55 Carrington Street
Nedlands, Western Australia**

MOBILARM LIMITED

ACN 106 513 580

NOTICE OF GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Mobilarm Limited ("**Company**") will be held at 11.00 am (WST) on Tuesday 29 November 2016, at Level 2, 55 Carrington Street, Nedlands, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 5.00pm (Sydney time) on 27 November 2016.

An Explanatory Memorandum containing information in relation to each of the Resolutions to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following Resolutions.

ORDINARY BUSINESS

2016 Accounts

To receive and consider the annual financial report, the Directors' report and the auditor's report for the financial year ended 30 June 2016 and the Directors' declaration on the accounts.

Non-binding Ordinary Resolution 1: Directors' Remuneration Report

To receive and consider the Directors' Remuneration Report for the year ended 30 June 2016 and, if thought fit, to pass, with or without amendment, the following Resolution as a non-binding Resolution:

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Directors' Remuneration Report contained within the Directors' report for the financial year ended 30 June 2016 be adopted."

Note 1: the vote on this Resolution is advisory only and does not bind the Directors of the Company.

Voting Prohibition Statement:

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member,

(collectively, a "**Prohibited Voter**").

However, a Prohibited Voter may cast a vote on this Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Prohibited Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or

- (d) the Prohibited Voter is the Chair and the appointment of the Chair as proxy:
- (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

Ordinary Resolution 2: Re-election of Director – Sir Tim McClement

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That Sir Tim McClement, who retires by rotation in accordance with clause 11.4 of the Company’s constitution, ASX Listing Rule 14.4 and for all other purposes, and being eligible be re-elected as a Director.”

Ordinary Resolution 3: Approval for issue of Convertible Note

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the conversion right of the Convertible Note issued to Mr Simon Charles Howard Tripp on 30 September 2016 which, if exercised, will result in the issue of Ordinary Shares on the terms and condition set out in the Explanatory Memorandum.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons.

However, the Company need not disregard a vote on this Resolution if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By Order of the Board



D M McARTHUR
Company Secretary
Dated: 18 October 2016

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Annual General Meeting.

The Company’s Directors have determined that all Ordinary Shares of the Company that are quoted on ASX at 5:00pm (Sydney Time) on 27 November 2016 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Ordinary Shares at that time.

PROXIES

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A ‘Certificate of Appointment of Corporate Representative’ is enclosed if required.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, David McArthur on +61 8 9423 3200 if they have any queries in respect of the matters set out in this document.

MOBILARM LIMITED

ACN 106 513 580

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting (“**Notice**”) of the Company.

The Directors of the Company (“**Directors**”) recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice.

FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report, the Directors’ report and the auditor’s report for the financial year ended 30 June 2016 and the Directors’ declaration on the accounts.

A copy of the Company’s 2016 Annual Report is available on the Company’s ASX platform (ASX: MBO) and on the website www.mobilarm.com. Alternatively, a hard copy will be made available upon request.

There is no requirement for Shareholders to approve the Annual Financial Statements.

The Company’s auditor will be present at the Annual General Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor’s report, the Company’s accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company’s auditor about:

- (a) the preparation and content of the auditor’s report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the meeting date to the Company Secretary.

NON-BINDING ORDINARY RESOLUTION 1: Directors’ Remuneration Report

General

The Corporations Act requires that at a listed company’s annual general meeting, a resolution that the Remuneration Report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2016.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election.

The Company's Remuneration Report did not receive a "no" vote of 25% or more at the Company's previous annual general meeting. Less than 25% of shareholders voted against the remuneration report at the 2015 Annual General Meeting.

Proxy restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

(a) ***If you appoint a member of the Key Management Personnel (other than the Chair) as your proxy***

If you elect to appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, you ***must direct the proxy how they are to vote***. Undirected proxies granted to these persons will not be included in any vote on Resolution 1.

(b) ***If you appoint the Chair as your proxy***

If you elect to appoint the Chair as your proxy, you ***do not*** need to direct the Chair how you wish them to exercise your vote on Resolution 1, however if you do not direct the Chair how to vote, you ***must tick the acknowledgement on the Proxy Form to acknowledge that the Chair may exercise their discretion in exercising your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel***.

(c) ***If you appoint any other person as your proxy***

You ***do not*** need to direct your proxy how to vote, and you ***do not*** need to tick any further acknowledgement on the Proxy Form.

ORDINARY RESOLUTION 2: Re-election of Director – Sir Tim McClement

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer.

Clause 11.4 of the Company's Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up to the nearest whole number) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A Director who retires by rotation is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Sir Tim McClement, the Director longest in office since his last election, retires by rotation and seeks re-election as a Director.

Information about Sir Tim McClement is set out in the Company's 2016 Annual Report.

The Board unanimously supports the re-election of Sir Tim McClement.

ORDINARY RESOLUTION 3: APPROVAL FOR ISSUE OF CONVERTIBLE NOTE

3.1 General

On 30 September 2016, the Company issued a convertible note to Mr Simon Charles Howard Tripp ("**Lender**"), a sophisticated investor under section 708(8) of the *Corporations Act 2001* (Cth), to raise a total of up to \$2,000,000 ("**Convertible Note**"). As at the date of this Notice, the Lender has advanced, and there remains outstanding, \$1,000,000 under the Convertible Note.

Conversion of the Convertible Note is subject to, and conditional on, the Company obtaining all necessary Shareholder approvals.

Accordingly, Resolution 3 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 and for all other purposes for the Convertible Note to be convertible into Ordinary Shares. If Shareholders do not approve the Resolution, the Lender may, by written notice to the Company within 5 business days, require the Company to repay the outstanding principal amount of the Convertible Note, together with any interest which would have accrued on the outstanding principal amount (based on a term of 18 months) less any accrued interest actually paid by the Company to the Lender, in accordance with the terms and conditions of the Convertible Note.

3.2 Regulatory requirements

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

If Shareholders approve Resolution 3, the Convertible Note will entitle the holder to convert some or all of the Convertible Note into Ordinary Shares, in accordance with its terms, without using the Company's 15% placement capacity under ASX Listing Rule 7.1. If this conversion right is exercised by the Lender, Ordinary Shares will also be able to be issued to the Lender without using the Company's 15% placement capacity under ASX Listing Rule 7.1 in accordance with the exception in ASX Listing Rule 7.2(4).

3.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 3:

- (a) One Convertible Note was issued on 30 September 2016, the conversion right attaching to the Convertible Note being subject to, and conditional on, the Company obtaining all necessary Shareholder approvals. The unconditional convertible note must be issued within 3 months of the date of the meeting.
- (b) The face value of Convertible Note is up to \$2,000,000. As at the date of this Notice, the Lender has advanced, and there remains outstanding, \$1,000,000 under the Convertible Note.
- (c) The Convertible Note is convertible into Ordinary Shares at an issue price being the lower of:
 - (i) 4.0 cent; and
 - (ii) the issue price per equity security of the Company (or conversion or exchange price in relation to any convertible or exchangeable securities including any option or convertible note) under any equity security issue by the Company (if any) preceding the relevant conversion notice given by the Lender.

- (d) The Convertible Note was issued to Mr Simon Charles Howard Tripp, who is not a deemed associate of the Company or any related party of the Company.
- (e) Issues of Ordinary Shares on conversion of the Convertible Note will occur progressively, depending on when and if the Convertible Note is converted, in whole or in part, by the Lender;
- (f) The Convertible Note was issued on the terms and conditions set out in Schedule 1;
- (g) The funds raised from this issue will be used to repay an existing \$400,000 convertible note issued by the Company and due for payment in late October 2016, the expansion of the man overboard service business and new product development, and the potential further investment in Jaxsta Enterprise Pty Ltd.

Board Recommendation

The Board unanimously recommends that Shareholders vote on favour of Resolution 3.

MOBILARM LIMITED
ACN 106 513 580

SCHEDULE 1 –TERMS AND CONDITIONS OF CONVERTIBLE NOTE

The key terms of the Convertible Note include:

- (a) the Convertible Note has a term of 12 months or, if extended by the Lender in accordance with the terms and conditions of the Convertible Note, 18 months (**Term**) or such later date agreed in writing between the Lender and the Company;
- (b) the Convertible Note is secured by a first ranking general security over the assets and undertakings of the Company and each of its subsidiaries;
- (c) the Convertible Note bears interest at a rate of 12% per annum payable monthly in advance;
- (d) if the outstanding principal amount is repaid prior to the Convertible Note expiry of the Term, the Company must also pay to the Lender an amount equal to all interest which would have accrued on the outstanding principal amount (based on a Term of 18 months), less any interest actually paid to the Lender in that period.
- (e) the Company will not apply for quotation of the Convertible Note;
- (f) conversion of the Convertible Note is subject to, and conditional on, the Company obtaining all necessary Shareholder approvals at its 2016 annual general meeting. If Shareholder approval is not obtained prior to this date, the Lender may, by written notice to the Company within 5 business days of this date, require the Company to repay the outstanding principal amount of the Convertible Note together with all interest which would have accrued on the outstanding principal amount (based on a Term of 18 months) less any interest actually paid to the Lender in that period;
- (g) the Convertible Note can be converted, in whole or in part, by the Lender at any time during the Term. Ordinary Shares issued on conversion will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Ordinary Shares;
- (h) the Convertible Note may be converted, in whole or in part, into Ordinary Shares at an issue price of the lower of:
 - (i) 4.0 cents; and
 - (ii) the issue price per equity security of the Company (or conversion or exchange price in relation to any convertible or exchangeable securities including any option or convertible note) under any equity security issue of the Company (if any) preceding the relevant conversion notice given by the Lender;
- (i) The Company may, at any time prior to the end of the Term and with the Lender's prior written consent, repay to the Lender the outstanding principal amount under the Convertible Note.
- (j) Upon the occurrence of any of the following events:
 - (i) an Exit;
 - (ii) a Change of Control; and
 - (iii) the date of expiry of the Term,the Company must repay to the Lender all of the outstanding principal amount under the Convertible Note, together with any accrued but unpaid interest (including default interest) and, in the case of (i) and (ii) above only, all interest which would have accrued on the outstanding principal amount (based on a Term of 18 months) less any interest actually paid to the Lender in that period.
- (k) the Convertible Note does not provide for any voting rights at Shareholder meeting of the Company;

- (l) the Convertible Note is not transferrable except:
 - (i) with the prior written consent of the Company (not to be unreasonably withheld); or
 - (ii) to a related body corporate or related entity of the Lender;
- (m) if there is a reconstruction of the capital of the Company (including consolidation, subdivision, reduction, return, scheme of arrangement or otherwise, but other than by way of a bonus issue, rights issue or other security issue), prior to the date a Convertible Note is fully repaid or converted into Ordinary Shares, a proportionate adjustment will be made to the Convertible Note and the conversion price to which the holder is entitled upon conversion of the Convertible Note so that the holder does not receive any additional benefits that are not conferred on Shareholders;
- (n) if at any time the Company issues securities pursuant to a bonus issue to Shareholders, then the Convertible Note, to the extent that they have not been converted or repaid, shall be adjusted in accordance with ASX Listing Rule 6.22.3; and
- (o) there are no participation rights or entitlements inherent in the Convertible Note and the Lender will not be entitled to participate in new pro rata issues of capital offered to Shareholders during the currency of the Convertible Note without first converting the Convertible Note prior to the date for determining entitlements to participate in any such issue.

GLOSSARY

Annual General Meeting or **Meeting** means the meeting convened by this Notice.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Mobilarm Limited

Convertible Note has the meaning given in section 3 of the Explanatory Memorandum.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Annual General Meeting or **Meeting** means the meeting convened by this Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Statement and the Proxy Form.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Ordinary Share means an ordinary share in the capital of the Company.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Shareholder means a holding one or more Ordinary Shares.

WST means Australian Western Standard Time (Perth, Western Australia).

Instructions for Completing ‘Appointment of Proxy’ Form

1. **(Changes to Proxy Voting):** Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Section 250R(5) of the Corporations Act came into effect on 28 June 2012 and will affect the Chair's votes on undirected proxies. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:
 - (a) if proxy holders vote, they must cast all directed proxies as directed;
 - (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed; andFurther details on these changes are set out below.
2. **(Appointing a Proxy):** A member with two or more votes entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
3. **(Proxy vote if appointment specifies way to vote):** Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
 - (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
 - (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).
4. **(Transfer of non-chair proxy to chair in certain circumstances):** Section 250BC of the Corporations Act provides that, if:
 - (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
 - (b) the appointed proxy is not the chair of the meeting;
 - (c) at the meeting, a poll is duly demanded on the resolution; and
 - (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.
5. **(Signing Instructions):**
 - (a) **(Individual):** Where the holding is in one name, the member must sign.
 - (b) **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - (c) **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

- (d) **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
- 6. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
- 7. **(Voting in person):**
 - (a) A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.
 - (b) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Meeting in accordance with Section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting
- 8. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return the Proxy Form (and any Power of Attorney under which it is signed):
 - (a) In person to Level 2, 55 Carrington Street, Nedlands, Perth, WA;
 - (b) By mail to PO Box 985, Nedlands, WA, 6909.
 - (c) By Facsimile to +61 8 9389 8327;
 - (d) By scan and email to davidm@broadwaymgt.com.au

so that it is received at least 48 hours prior to commencement of the General Meeting. Proxy Forms received later than this time will be invalid.

CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

Shareholder Details

This is to certify that by a resolution of the directors of:

..... (Company),
Insert name of Shareholder Company
the Company has appointed:

.....,
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at an annual general meeting of the members of Mobilarm Limited to be held on Tuesday 29 November 2016 commencing at 11.00 am (WST) and at any adjournments of that meeting.

DATED

Please sign here

Executed by the Company)
in accordance with its constituent documents)
)

.....
Signed by authorised representative

.....
Signed by authorised representative

.....
Name of authorised representative (print)

.....
Name of authorised representative (print)

.....
Position of authorised representative (print)

.....
Position of authorised representative (print)

Instructions for Completion

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (eg “John Smith” or “each director of the Company”).
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (eg director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Mobilarm Limited at Level 2, 55 Carrington Street, Nedlands WA 6009 or fax the Certificate to the registered office at +61 8 9389 8327

PROXY FORM

APPOINTMENT OF PROXY

MOBILARM LIMITED

ACN 106 513 580

GENERAL MEETING

I/We

Address

Appoint

being a Member of Mobilarm Limited entitled to attend and vote at the Annual General Meeting, hereby

Name of proxy (**Please note:** Leave blank if you have selected the Chair of the Annual General Meeting as your proxy.)

OR

☐ the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions or if no directions have been as the proxy sees fit, at the Annual General Meeting to be held at 11.00 am (WST) on Tuesday 29 November 2016 at Level 2, 55 Carrington Street, Nedlands, Western Australia, and at any adjournment of that meeting.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Ordinary Resolution 1- Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 2- Re-Election of Director- Tim McClement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 3- Approval for Issue of Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ____%.

Signature of Member(s)

Date: _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____ **Date:** _____



MOBILARM[®]

ALWAYS ON WATCH

ABN 15 106 513 580

MOBILARM LIMITED

ANNUAL REPORT

Year ended 30 June 2016

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REVIEW OF OPERATIONS

2016 was a transitional year in which we saw tougher economic conditions offset by our long term strategy to diversify from single unit sales. Our services business doubled in size over the last year and combined with our rental program, that now accounts for 43% of the revenues earned.

Our customers understand the strict requirements for occupational health and safety. Annual servicing is important to ensure the ongoing safety of their personnel and to make sure they take advantage of the very latest improvements to their solutions.

Our focus in FY2017 is to continue the success we have had with rentals and service and expand it by offering solutions in new markets. We see potential to leverage our solutions into other markets outside of our traditional man overboard space.

Offshore Oil & Gas and Wind farms

The offshore Oil & Gas industry and offshore Renewable Energy industry is key to our business and the tougher economic conditions in that market continued in 2016. We are committed to the long term benefits of the sector as they are hazardous environments that benefit from the improved capabilities of our solutions.

Commercial Marine

We continue to sell into this market, especially fishing which continues to recognise its very hazardous environment. Safety is important in this tight margin market, so we need to keep our focus to deliver safety to the highest standard in the most cost-effective way to these customers.

Defence

The Group retains its focus in this market and continues to get active interest from its customers. The sector is very cyclical and we continue to interact with customers to be ready with our products for both their surface and underwater needs.

Government & Regulatory

We continue to work with government and regulatory agencies around the world to provide the best level of safety.

Summary

Financial year 2016 was clear proof of the impact of the strategy we implemented over the last years. We look to 2017 with an eye for sales growth and further improvements to our margins to continue delivering positive operating cash flows.

We have also invested in Jaxsta Enterprise Pty Ltd (Jaxsta) which we believe will have a long term benefit to both our operation and our shareholders.

We continue committed to the long term success of our venture and look forward to an extremely positive year for our customers, shareholders, employees and business partners.



Ken Gaunt
Chief Executive Officer and Director

Perth, Western Australia

30 September 2016

DIRECTORS' REPORT

The directors present their report together with the financial report of Mobilarm Limited ("the Company") and controlled entities ("the Group") for the year ended 30 June 2016 and the auditor's report thereon.

Directors

The directors of Mobilarm Limited in office during or since the end of the financial year are:

Sir Tim McClement (i)	- Independent Chairman
Mr. Ken Gaunt (ii)	- Director and Chief Executive Officer
Mr. Jorge Nigaglioni (iii)	- Director and Chief Financial Officer

- (i) Appointed Chairman on 7 March 2013, appointed director (non executive) on 1 September 2012.
- (ii) Appointed on 31 August 2011, appointed Chief Executive Officer on 5 January 2012.
- (iii) Appointed on 7 March 2013, served as Chief Financial Officer since 9 February 2009.

Mr Robert Kenneth (Ken) Gaunt (appointed director on 1 September 2011)

Mr Gaunt founded Electronic Banking Solutions Pty Ltd in 1998 and as its managing director grew it into a successful business right up to the merger with Cash Card Australia Limited in 2003 where he served as a director. Ken was a board member and Australia's representative of the ATM industry association and was a member of the customer advisory board of National Cash Register Group Limited. Mr. Gaunt is a non-executive director of K2 Energy Ltd (ASX: KTE).

Mr. Jorge Nigaglioni (appointed director on 7 March 2014)

Jorge Nigaglioni has over 21 years of experience in accounting and finance roles in both public and private companies. In his last two years at PricewaterhouseCoopers he was involved in auditing and consulting for startup companies. As a Controller at Agilent Technologies, he was involved in turning around two divisions to profitability. Jorge has worked with startup companies and has been CFO in a NASDAQ Bulletin Board listed company.

Jorge has a Masters of Business Administration from the University of Wisconsin-Madison and a Bachelor's of Science degree in Business Administration from Bryant University. Jorge is a member of the Australian Institute of Company Directors and also holds a Certificate in Governance Practice and Administration from Chartered Secretaries Australia.

Sir Tim McClement (Appointed as Chairman on 7 March 2014)

Sir Tim has an extensive and highly successful Naval career. From 2004 to 2006 Sir Tim was the Deputy Commander-in-Chief Fleet (as a Vice Admiral). In this role he was the Chief Operating Officer of the Royal Navy's front line operational command running the day-to-day Command of the 2nd most powerful Navy in the world. From 2001 to 2003 Sir Tim was the Assistant Chief of Naval Staff (as a Rear Admiral). He was a member of the Admiralty Board, which was chaired by the Secretary of State for Defence. Sir Tim is also an experienced chairman and non-executive director, having served as Director of Subsea Resources Ltd, Managing Director of Flagship Superyacht Academy, an adviser to Undersea Defence Technology, a strategic adviser to Large Yacht Solutions, a member of the Defence Advisory Board of Babcock International, a military adviser to CTruk, a Director of CWind and Chairman of Protection Vessels International which as a start up in 2009 achieved revenues of £48 Million by the end of 2011.

Directors Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Group during the financial year are:

Director	Number of Meetings Attended	Number of meetings held during the time the Director held office.	Number of audit committee meetings held during the time the Director held office.	Number of remuneration committee meetings held during the time the Director held office.	Number of nomination committee meetings held during the time the Director held office.
Sir Tim McClement	11	11	-	-	-
Mr. Ken Gaunt	11	11	-	-	-
Mr. Jorge Nigaglioni	11	11	-	-	-

The Company formed its committees at a time when it had more members in its board, but due to the current size and composition of the board, it has managed the activities of the committees at the board level.

Committee Membership

As at the date of this report, the Group had an audit committee, a remuneration committee, a nomination committee of the board of directors. All board members acted as members of all the committees during the year.

Interest in the shares of the Group and related corporations

As at the date of this report, the interests of the directors in the shares of the Group and related parties or corporations were:

Director	Ordinary Shares	Performance Class C	Share rights	Share Options
Sir Tim McClement	1,000,000	Nil	Nil	Nil
Mr. Ken Gaunt	68,715,026	Nil	Nil	32,671,147
Mr. Jorge Nigaglioni	1,501,781	Nil	5,000,000	Nil

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr. David McArthur

Mr. McArthur is a chartered accountant with over 30 years of experience in the corporate management of publicly listed companies. Mr McArthur holds a Bachelor of Commerce Degree from the University of Western Australia.

Principal Activities

The principal activities of the Group during the financial year were the development, manufacturing and sale of Man Overboard Safety Solutions.

There were no other significant changes in the nature of the activities of the Group during the financial year.

Dividends

No dividends were paid or declared for the financial year.

Operating Results for the Year

Operations of the Group

The loss from operations for the group after providing for income tax amounted to \$1,129,614 (2015: Loss of \$807,086, an increase of 40%). The Group decreased sales to \$6,632,792 in 2016 as compared to \$6,692,065 in 2015, a 1% decrease. The decrease is primarily due to the tougher economic conditions in the Oil & Gas market compared to previous years. This was mostly offset by the increase in our rental and service revenues.

	FY 2016	FY 2015
Purchases	\$3,764,402	\$4,932,079
Rentals	1,111,843	831,438
Service	1,756,547	928,548
Total	\$6,632,792	\$6,692,065

The Group's operating expenses increased to \$6,077,893 in 2016 as compared to \$5,893,902 in 2015, an increase of 3%. The increase is mostly due an increase in interest expense from our convertible notes that were in place for the full 12 month period, instead of 5 months in the previous year. The Company also wrote down some of its rental assets.

Financial Position of the Group

The Group ended 2016 with net assets of \$4,968,907 compared to \$5,356,542 in 2015. The decrease in the value of net assets is mostly due to the use of inventories purchased in the previous year as part of its rental strategy and the writedown of used rental assets.

On the asset side, the Group has decreased its current asset position to \$5,968,992 from \$6,178,606 in 2015, mostly from the inventories purchased in the previous year. Non-current assets decreased to \$3,950,403 from \$4,093,741 in 2015, mostly due to the depreciation and impairment of its rental assets offset by the Group's investment in Jaxsta Enterprise.

On the liability front, the Group increased its current liability position to \$4,893,472 from \$2,835,638 due to the reclassification of the convertible notes from non-current to current. The notes are due at the end of July. The accordingly the Group decreased its non-current liability position from \$2,080,167 to \$57,016

Business strategy for future financial years

The Group completed its transition to its new business model during 2014 and has been focused on expanding it in 2016. The Group continued expanding its service capabilities to expand its rental and services business, resulting in the growth of rental and service revenues. The Group is focused on rolling out these capabilities worldwide to our service partners. We are focused on entering new markets with new product and service offerings under development in FY2017.

The Group is also diversifying its technology offerings by its investment in Jaxsta. Further information on likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would likely result in unreasonable prejudice to the Group.

Net Tangible Asset/(Liability)

The Group had net tangible assets of \$1,797,514 (2015: 2,412,691). The net tangible assets per weighted average share is \$0.004 (2015: \$0.007).

Changes in the State Of Affairs

Other than the items listed above, there were no other changes to the state of affairs of the Group.

Likely Developments and Expected Results

The directors have excluded from this report information on likely developments in the operations of the entity and the expected results of those operations in future financial years, since, in the opinion of the directors, it would prejudice the interests of the Group if this information were included.

Environmental Regulation and Performance

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Use of Funds

The Group confirms that for the financial year ended 30 June 2016 the Group used its cash that it had at the time of admission in a way that was consistent with the Company's business objectives.

Directors' Benefits

Disclosure of benefits provided to directors during the financial year is made in Notes 21 and 23 of the financial statements.

Share Options and Unissued Shares

As at the date of this report, there were 29,670,487 options issued (29,670,487 as at the reporting date).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Group or any related body corporate. No options have been exercised during the year or as of the date of this report.

As at the date of this report, there were 16,000,000 Shares Rights on issue. Refer to the remuneration report for further details of the Performance Shares outstanding.

Indemnification and Insurance of Directors and Officers

The Group has entered into Deeds of Indemnity with Directors and Officers against all liabilities to another person (other than the Group or related body corporate) that may arise from their position with the Group, except:

- any liability expressly excluded under section 199A(2) of the Corporations Act;
- any legal cost expressly excluded under section 199A(3) of the Corporations Act;
- any other liability or cost otherwise excluded by law;
- any liability arising out of conduct involving a lack of good faith.

The agreement indicates that the Group will meet the full amount of any such liabilities, including legal expenses, up to the maximum amount permitted by law.

The Group paid a premium during the year in respect to a directors' and officers' liability insurance policy. The policy insures the directors of the Group, the Group secretary and executive officers against a liability incurred while acting in the capacity of directors, secretary or executive officer to the extent permitted under the Corporations Act 2001. The directors have not included the amount of premiums paid or the nature of liabilities covered in respect to the directors' and officers' liability insurance policy; as such disclosure is prohibited under the terms of the contract.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the year ended 30 June 2016.

Non-Audit Services

There were no non-audit services provided by the entity's auditor, Walker Wayland Audit (WA) Pty Ltd.

Significant events subsequent to balance date

The Company repaid \$1,600,000 out of \$2,000,000 in convertible notes due in July and August and entered into new convertible note with a new party for up to a total of \$2,000,000 as of 30 September 2016. The proceeds of the new notes will complete the repayment of the remaining \$400,000 of existing convertible notes due in late October and the remaining balance is to be used for the expansion of the man overboard service business and new product development, as well as potential further investment in Jaxsta through its option agreement. These notes carry an interest rate of 12% and a conversion price of the lower of 4 cents or any future capital transaction during the term of the note. The notes expire on 31 March 2018. The convertible notes are secured by the assets of the Company.

There have been no other events since the end of the financial year that affect the results as at and for the year ended 30 June 2016.

Signed in accordance with a resolution of the directors.



Ken Gaunt
Chief Executive Officer and Director

Perth, Western Australia

30 September 2016

MOBILARM LIMITED
ABN 15 106 513 580

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATION ACT 2001
TO THE DIRECTORS OF MOBILARM LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Walker Wayland Audit (WA) Pty Ltd.

Walker Wayland Audit (WA) Pty Ltd



**JOHN DORAZIO FCA
Director**

For and on behalf of
Level 2, 129 Melville Parade
COMO WA 6152

Dated this 30th day of September 2016

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mobilarm Limited (the "Group"), I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;

(c) subject to the matters mentioned in Note 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

On behalf of the Board



Ken Gaunt
Chief Executive Officer and Director

Perth, Western Australia

30 September 2016

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2016 outlines the remuneration arrangements of the Group.

The 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.

For the purposes of this report, the term “executive” includes the Chief Executive Officer (CEO), executive directors, senior executives, general managers and company secretary and the term “director” refers to non-executive directors only.

The remuneration report is presented under the following sections:

- **Individual key management personnel disclosures**
- **Remuneration at a glance**
- **Board oversight of remuneration**
- **Non-executive director remuneration arrangements**
- **Executive remuneration arrangements**
- **Group performance and the link to remuneration**
- **Executive contractual arrangements**
- **Equity instruments disclosures**

1) Individual key management personnel disclosures

Details of KMP of the Group are set out below.

Key Management Personnel

Directors

Sir Tim McClement	Appointed Chairman on 7 March 2013, appointed Director (non executive) on 1 September 2012.
Mr. Ken Gaunt	Director appointed on 31 August 2011, appointed Chief Executive Officer on 5 January 2012.
Mr. Jorge Nigaglioni	Director appointed on 7 March 2013, served as Chief Financial Officer since 9 February 2009.

There have been no changes to Key Management Personnel after reporting date and before the date the financial report was authorised for issue.

Remuneration at a glance

Remuneration strategy review in FY 2016

The Group completed a realignment of remuneration against shareholder return during the 2012 and 2013 years. The long term incentives from the plans issued in those years are still in place through the 2017 financial year. The Group issued further remuneration during FY2015 to certain Key Management Personnel in the same structure as those issued in 2013. The Group also extended the LTI compensation for the CEO for a further term until 2018.

Board oversight of remuneration

Remuneration committee

During Financial Year 2016, the Board in its entirety acted as the remuneration committee. The remuneration committee is responsible for making recommendations to the board on the remuneration arrangements for non-executive directors and executives.

The remuneration committee has the responsibility to assess the amount and composition of remuneration of non-executive directors and executives. The board is seeking to attract and retain top director and executive talent to deliver maximum shareholder value.

Further information on the committee's role, responsibilities and membership can be seen at <http://www.mobilarm.com>.

Remuneration approval process

The board approves the remuneration arrangements of the CEO and executives and all awards made under the long-term incentive (LTI) plans. The board also sets the aggregate remuneration of non-executive directors which is then subject to shareholder approval.

Remuneration strategy

Mobilarm Limited's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group and shareholder return.

To this end, key objectives of the Group's reward framework are to ensure that remuneration practices:

- are aligned to the Group's business strategy, both short and long term;
- offer competitive remuneration benchmarked against the external market; and
- are aligned with shareholder return.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration is separate and distinct.

Non-executive director remuneration arrangements

Remuneration policy

The board manages remuneration in order to balance the ability to have the best talent at its board and executive levels, the ability to provide the necessary levels of corporate governance for the Group and be able to do it at a cost that is within the means of the Group and the acceptance of shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure will be reviewed annually against fees paid by comparable companies.

The Company's constitution and the ASX listing rules specify that the non-executive directors' fee pool shall be determined from time to time by a general meeting.

The Company has an aggregate fee pool of \$200,000 per year for Non Executive Directors to accommodate any corporate governance requirements as part of the Group's listing on the ASX.

Structure

The remuneration of Non Executive Directors consists of directors' fees only. Non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The compensation of non-executive directors is based on a base fee of \$30,000 per annum for being a director of the Group and a base fee of \$120,000 or £60,000 per annum for being the Chairman of the Group.

The remuneration of non-executive directors for the year ended 30 June 2016 and 30 June 2015 is detailed in table 1 and 2 respectively of this report.

Executive remuneration arrangements

Remuneration levels and mix

The Group's goal is to incentivise executives with a remuneration package that addresses their position and responsibilities within the Group and is also aligned with market practice. The Group is looking to ensure that total employment cost (TEC) is within the range of offerings for the position in the market.

The CEO's remuneration mix comprises 51% fixed remuneration as a proportion of total remuneration, 0% short term incentives ("STI") on target and 49% LTI. Executives' remuneration mix ranges from 87%-97% fixed remuneration as a proportion of total remuneration, 0% STI on target, and 3%-13% LTI.

Structure

In the 2016 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration.

The table below illustrates the structure of Mobilarm Limited's executive remuneration arrangements:

Remuneration Component	Vehicle	Purpose	Link to Performance
Fixed remuneration	Represented by total employment cost (TEC) Comprises base salary, superannuation contributions and other benefits	Set with reference to role, market and experience Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.	No link to company performance.
STI component	Cash bonus on short term sales targets Awards are made in the form of performance shares or stock options	Set to drive aggressive growth and reduce reliance on fixed compensation. Align to business model promoting rentals and long term service.	Sales targets based on volume and type of sale. Sales targets based on volume of sales.
LTI component	Awards are made in the form of performance shares or stock options	Rewards executives for their contribution to the creation of shareholder value over the longer term.	Vesting of awards is dependent on Mobilarm Limited's targeted performance goal.

Fixed remuneration

Executive contracts of employment do not include any guaranteed base pay increases.

The fixed component of executives' remuneration is detailed in table 1.

Variable remuneration — short-term incentive (STI)

The Group does not currently operate an STI program. The board has discussed the potential for such a program to drive Group performance in key performance factors, but no program has been put in place. During the year, no discretionary bonuses were paid.

Variable remuneration — long-term incentives (LTI)

LTI awards are made annually to executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to executives and other key talent who have an impact on the Group's performance against the relevant long-term performance measure.

LTI – Share Options

Structure

LTI awards are made under the performance share plan (PSP) and/or the employee stock option plan (ESOP).

LTI awards to executives are delivered in the form of performance share rights. Each performance share right entitles the holder to one fully paid ordinary share in the Group. The number of performance shares rights issued is based on the executive's target LTI. The performance shares rights will vest prior to the three-year or five-year expiry date subject to meeting performance measures (see below), with no opportunity to reset. The performance criteria is directly linked to the market value of the Company's shares in order to focus on shareholder return.

LTI awards made under the Group's ESOP are delivered in the form of share options. Each share option entitles the holder to one fully paid ordinary share in the Group. The number of share options issued is based on the KMP's or executive's target LTI. The share options issued to date have multiple time based vesting dates and expire five years from the date of issue. The Group will consider specific performance criteria for other awards under the ESOP. No share options have been exercised as of the date of this report.

Performance measure to determine vesting

The Group uses specific milestone or market capitalisation as the performance measure for the performance share plan. This criteria was selected to align compensation with growth to move the Group from an early stage development business to a large commercial entity in a short time period.

The milestone for each class of performance shares is as follows:

Performance Share Class	Performance Share Milestone	Performance Shares Awarded Since Inception
A	ASX conditional listing	6,666,666
B	\$65 million market capitalisation	3,166,666
C	\$100 million market capitalisation	3,166,668

The milestone for each class of performance share rights is as follows:

Type	Performance Share Right Milestone	Performance Share Rights Awarded Since Inception
	MBO VWAP exceeding 10 cents	16,000,000

Share options issued under the ESOP have vesting dates as follows:

Date of Issue	Number of Options	Vesting Date	Expiry Date
22-Dec-2010	625,000	22-Dec-2010	22-Dec-2015
20-Jan-2011	83,333	20-Jan-2011	15-Oct-2015
09-Jun-2011	500,000	09-Jun-2011	09-Jun-2016

The option grants for K. Gaunt and T. McClement have vesting criteria as follows:

Date of Issue	Number of Options	Vesting Criteria	Expiry Date
31-Aug-2012	29,670,487	5 day VWAP exceeding \$0.10	31-Jan-2018
01-Oct-2012	2,000,000	5 day VWAP exceeding \$0.10	01-Oct-2015

Table 3 provides details of performance shares awarded during the year and Table 4 provides details of the value of the performance shares awarded, vested and lapsed during the year.

Termination and change of control provisions

Where a participant ceases employment prior to the vesting of their award, the performance share and/or options are forfeited unless the board applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances.

In the event of a change of control of the Group, the performance period end date will generally be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period, subject to ultimate board discretion.

LTI awards for 2016 financial year

The Group did not issue any LTI awards during the 2016 financial year.

LTI awards for 2015 financial year

The Group issued 10,000,000 performance share rights to various employees as LTI during 2015.

Group performance and the link to remuneration

Group performance and its link to long-term incentives

The financial performance measure driving LTI is the Group's price per share and market capitalisation. The Group went through a restructuring activity in 2014 and 2012, and had refocused its LTI on the price per share to focus on growing the value to our existing shareholders. This is still the focus in 2016. The measure of market capitalisation was used in the past as it correlated with overall business performance.

Executive contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

Chief Executive Officer

The CEO, Mr. Gaunt, is employed under a rolling contract. Under the terms of the contract in place, the CEO receives \$60,000 and 100,000 pounds sterling, an amount equivalent to the \$240,000 at the time of the restructuring.

In addition, the CEO was awarded 29,670,487 options. Each option entitles the holder to exercise the option in exchange for one ordinary share in the Company. The options are exercisable at an exercise price of per option A\$0.021. The Options vest when the Share Price is equal to or greater than A\$0.10 (subject to adjustment under the terms of the grant). In addition, upon a Change of Control Event (i), the Options automatically vest.

- (i) Change of Control Event means:
- a person acquires voting power in at least 50.1% or more of the issued Shares;
 - a person acquires the power to direct or cause the direction of management or policies of the Company;
 - a person directly or indirectly acquires all or substantially all of the business and assets of the Group; or
 - a person otherwise acquires or merges with the Group, including by way of a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, share acquisition, securities issuance, share buyback or repurchase, reverse takeover, dual listed company structure, establishment of a new holding entity for the Group or any other comparable transaction or arrangement.

The CEO's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer-initiated termination	None	6 months	None	Board discretion
Termination for serious misconduct	None	None	None	Unvested awards forfeited
Employee-initiated termination	1 month	None	None	Unvested awards forfeited

As at the end of the financial year, the liability for an employer termination of the CEO would be \$120,000.

Other KMP

All other KMP have rolling contracts. Standard KMP termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer-initiated termination	None	3 months	None	Board discretion
Termination for serious misconduct	None	None	None	Unvested awards forfeited
Employee-initiated termination	1 month	None	None	Unvested awards forfeited

As at the end of the financial year, the liability for an employer termination of the Executives would be \$50,000.

Remuneration of key management personnel of the Group:

Table 1: Remuneration for the year ended 30 June 2016

	Short-term benefits				Post employment		Long-term benefits		Share-based payments		Termination payments	Total	Performance related
	Salary and fees	Cash bonus	Non-monetary benefits	Other	Super-annuation	Retirement benefits	Cash incentives	Long service leave	Options	Shares			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS													
T. McClement	145,503	-	-	-	-	-	-	-	4,600	-	-	150,103	-
Total non-executive directors	145,503	-	-	-	-	-	-	-	4,600	-	-	150,103	
EXECUTIVE DIRECTORS													
K. Gaunt	289,976	-	-	-	27,888	-	-	-	304,615	-	-	622,479	49
J. Nigaglioni	180,000	-	-	-	16,650	-	-	11,247	-	32,235	-	240,132	13
Total executive directors	469,976	-	-	-	44,538	-	-	11,247	304,615	32,235	-	862,611	
OTHER EXECUTIVE KEY MANAGEMENT PERSONNEL													
R. Gaunt	134,099	-	-	-	7,963	-	-	-	-	4,616	-	146,678	3
J. Gething	146,609	-	-	-	13,561	-	-	11,424	-	19,341	-	190,935	10
C. Neal	82,519	-	-	-	9,125	-	-	-	-	11,063	-	102,707	11
R. Pettit	70,731	-	-	-	7,499	-	-	-	-	4,616	-	82,846	6
R. Wilson	70,731	-	-	-	7,499	-	-	-	-	4,616	-	82,846	6
Total executive KMP	504,969	-	-	-	45,647	-	-	11,424	-	44,252	-	606,012	
TOTALS	1,120,168	-	-	-	90,185	-	-	22,671	309,215	76,487	-	1,618,726	

Table 2: Remuneration for the year ended 30 June 2015

	Short-term benefits				Post employment		Long-term benefits		Share-based payments		Termination payments	Total	Performance related
	Salary and fees	Cash bonus	Non-monetary benefits	Other	Super-annuation	Retirement benefits	Cash incentives	Long service leave	Options	Shares			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS													
T. McClement	136,658	-	-	-	-	-	-	-	13,800	-	-	150,458	-
Total non-executive directors	136,658	-	-	-	-	-	-	-	13,800	-	-	150,458	
EXECUTIVE DIRECTORS													
K. Gaunt	271,746	-	-	-	21,943	-	-	-	231,658	-	-	525,347	44
J. Nigaglioni	180,000	-	-	24,703	18,935	-	-	5,545	-	34,013	-	263,196	13
Total executive directors	451,746	-	-	24,703	40,878	-	-	5,545	231,658	34,013	-	788,543	
OTHER EXECUTIVE KEY MANAGEMENT PERSONNEL													
R. Gaunt	105,464	61,301	-	-	12,639	-	-	-	-	1,923	-	181,327	35
J. Gething	150,000	-	-	-	13,875	-	-	3,478	-	19,341	-	186,694	10
C. Neal	75,921	-	-	-	8,383	-	-	-	-	8,370	-	92,674	9
T. Venter	53,878	61,301	-	-	13,801	-	-	-	-	1,923	-	130,903	48
R. Wilson	61,391	61,301	-	-	14,838	-	-	-	-	1,923	-	139,454	45
Total executive KMP	446,654	183,903	-	-	63,536	-	-	3,478	-	33,480	-	731,051	
TOTALS	1,035,057	183,903	-	24,703	104,414	-	-	9,022	245,458	67,493	-	1,670,051	

Performance share rights vested during the year

There were three million performance share rights vested during the year.

Table 3: Performance share rights awarded and vested during the year

	Awarded during year		Fair value per share at award (note 22)	Terms and Conditions for each Grant				Vested	
	Number	Date		Milestone	Vesting Date	Exercise Price	Expiry Date	Number	%
EXECUTIVE DIRECTORS									
K. Gaunt	-	-	-	-	-	-	-	-	-
J. Nigaglioni	-	-	-	-	-	-	-	-	-
OTHER KEY MANAGEMENT PERSONNEL									
R. Gaunt	-	-	-	-	-	-	-	1,000,000	
J. Gething	-	-	-	-	-	-	-		
C. Neal	-	-	-	-	-	-	-		
R. Pettit	-	-	-	-	-	-	-	1,000,000	
R. Wilson	-	-	-	-	-	-	-	1,000,000	-
TOTAL	-		-					3,000,000	

Table 4: Share options awarded and vested during the year

	Awarded during year		Fair value per share at award (note 22)	Terms and Conditions for each Grant				Vested	
	Number	Date		Milestone	Vesting Date	Exercise Price	Expiry Date	Number	%
EXECUTIVE DIRECTORS									
K. Gaunt	-	-	-	-	-	-	-	-	-
J. Nigaglioni	-	-	-	-	-	-	-	-	-
OTHER KEY MANAGEMENT PERSONNEL									
R. Gaunt	-	-	-	-	-	-	-	-	-
J. Gething	-	-	-	-	-	-	-	-	-
C. Neal	-	-	-	-	-	-	-	-	-
R. Pettit	-	-	-	-	-	-	-	-	-
R. Wilson	-	-	-	-	-	-	-	-	-
TOTAL	<u>-</u>		<u>-</u>					<u>-</u>	

Value of performance shares awarded, exercised, forfeited and lapsed during the year ended 30 June 2016

There were no performance shares vested during the year. The remaining Performance shares class C expired on 28 September 2014 without meeting the vesting criteria.

Table 5: Value of performance share rights awarded, exercised, forfeited and lapsed during the year ended 30 June 2016

	Value of performance share rights granted during the year ^A	Value of performance share rights converted during the year	Value of performance share rights lapsed during the year	Performance share rights forfeited	Remuneration consisting of performance share rights during the year
	\$	\$	\$	\$	%
T. McClement	-	-	-	-	-
K. Gaunt	-	-	-	-	-
J. Nigaglioni	-	-	-	-	-
R. Gaunt	-	23,078	-	-	-
J. Gething	-	-	-	-	-
C. Neal	-	-	-	-	-
R. Pettit	-	23,078	-	-	-
R. Wilson	-	23,078	-	-	-

Table 6: Value of performance share rights awarded, exercised, forfeited and lapsed during the year ended 30 June 2015

	Value of performance share rights granted during the year ^A	Value of performance share rights converted during the year	Value of performance share rights lapsed during the year	Performance share rights forfeited	Remuneration consisting of performance share rights during the year
	\$	\$	\$	\$	%
T. McClement	-	-	-	-	-
K. Gaunt	-	-	-	-	-
J. Nigaglioni	-	-	-	-	-
R. Gaunt	23,078	-	-	-	-
J. Gething	-	-	-	-	-
C. Neal	23,078	-	-	-	-
R. Pettit	23,078	-	-	-	-
R. Wilson	23,078	-	-	-	-

Table 7: Value of share options awarded, exercised and lapsed during the year ended 30 June 2016

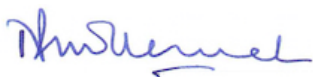
	Value of share options granted during the year^^	Value of share options exercised during the year	Value of share options lapsed during the year	Remuneration consisting of share options during the year
	\$	\$	\$	%
T. McClement	-	-	41,400	4,600
K. Gaunt	-	-	-	-
J. Nigaglioni	-	-	-	-
R. Gaunt	-	-	-	-
J. Gething	-	-	-	-
C. Neal	-	-	-	-
R. Pettit	-	-	-	-
R. Wilson	-	-	-	-

^^ For details on the valuation of the share options, including models and assumptions used, please refer to note 22.

Table 8: Value of share options awarded, exercised and lapsed during the year ended 30 June 2015

	Value of share options granted during the year^^	Value of share options exercised during the year	Value of share options lapsed during the year	Remuneration consisting of share options during the year
	\$	\$	\$	%
T. McClement	-	-	-	-
K. Gaunt	-	-	-	-
J. Nigaglioni	-	-	-	-
P. Cleary	-	-	-	-
J. Gething	-	-	-	-
C. Neal	-	-	-	-
R. Pettit	-	-	-	-
R. Wilson	-	-	-	-

Signed in accordance with a resolution of the Directors.



Sir Tim McClement
Chairman

Perth, Western Australia

30 September 2016

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “Board”) of Mobilarm Limited (the “Company”) is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Mobilarm Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australia Securities Exchange (ASX) Corporate Governance Principles and Recommendations (Third Edition)”, unless otherwise stated.

As required under ASX Listing Rule 4.10.3, the Group makes the following disclosures in relation to each of the Recommendations.

Board Functions

The Board is established to direct the Group to meet the expectations of the shareholders, as well as other stakeholders. As part of meeting those expectations, the Board has a responsibility to identify the areas of corporate governance to effectively manage the Group. To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Group is delegated, by the Board, to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board.

To this end the Board has established the following committees:

- Audit and Risk
- Nomination
- Remuneration

The Group has commenced the process to establish the roles and responsibilities of these committees.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval and monitoring of a strategic plan designed to meet stakeholders' needs and manage business risk.
- Implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports.
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored.
- Reporting to shareholders.

Structure of the Board

The Board reviews its composition as required to ensure that the Board has the appropriate mix of commercial and financial skills, technical expertise, industry experience, and diversity (including, but not limited to gender and age) which the Board is looking to achieve in its membership. The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directors' report.

The specific skills that the Board collectively bring to the Company include:

- Industry Experience
- Commercial experience
- Public company experience
- Analytical
- Financial
- Risk Management
- Strategic planning
- Strategic leadership
- Corporate Governance
- Communications
- Inter personal
- Technology

Directors of Mobilarm Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Mobilarm Limited are considered to be independent:

Name	Position
Sir Tim McClement	Independent director

The board recognises the Corporate Governance Council's recommendation that the Chair should be an independent director.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
Mr. Ken Gaunt	5 years
Sir Tim McClement	4 years
Mr. Jorge Nigaglioni	4 years

For additional details regarding board appointments, please refer to our website.

Performance

The performance of the Board and key executives is reviewed against both measurable and qualitative indicators.

The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Mobilarm Limited.

Directors whose performance is consistently unsatisfactory may be asked to retire.

Director education

All new directors complete an induction process. The non-executive director is given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and is given access to continuing education opportunities to update and enhance his skills and knowledge.

Independent professional advice

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior approval of the Chairperson, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Trading policy

Under the Group's securities trading policy, an executive or director must not trade in any securities of the Group at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Group Secretary or a Director to do so and a director must first obtain approval of the Chairman.

As required by the ASX listing rules, the Group notifies the ASX of any transaction conducted by directors in the securities of the Group.

Diversity Policy

The Group recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. Mobilarm has since its inception believed its diverse workforce is the key to its continued growth, improved productivity and performance.

We have and actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. While Mobilarm is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group.

To this end, the Group supports and complies with the recommendations contained in the ASX Corporate Governance Principles and Recommendations. The Group has established a diversity policy outlining the board's measurable objectives for achieving diversity. This is assessed annually to measure the progress towards achieving those objectives. The diversity policy is available in the corporate governance section on the Group's website.

The table below outlines the diversity objectives established by the Board, the steps taken during the year to achieve these objectives, and the outcomes. In the previous year, we significantly reduced our headcount. This shifted our focus during the year to ensuring the required skill sets were present and allowing opportunities for personnel to change roles to meet the needs. As we grow the business we will shift our focus again towards monitored diversity improvements.

Objectives	Steps/Outcomes
Recruit and manage on the basis of an individual's competence, qualification and performance.	The Group manages individuals based on performance with annual review.
Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff.	Whilst Mobilarm places focus on diversity, career development opportunities are equal for all employees.
Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace.	The Group includes diversity in our culture and day to day operations.
Take action to prevent and stop discrimination.	Mobilarm has set a zero tolerance policy against discrimination of employees at all levels. The company also provides avenues for employees to voice their concerns or report any discrimination. No cases of discrimination were reported during the year (2015: nil).
Create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.	We communicated the policies to all personnel and updated our policies to include these changes.

Pursuant to Recommendation 3.4 of the Recommendations, the Company discloses the following information as at the date of this report:

	2016		2015	
Gender Representation	Women	Men	Women	Men
Group Representation	22%	78%	21%	79%
Board Representation	0%	100%	0%	100%
Senior management representation	50%	50%	50%	50%
Corporate services provider representation	0%	100%	0%	100%

The Senior Management representation does not include board members.

Nomination committee

The Board has established a nomination committee and a chair person to establish its role and responsibility. The committee has not met as of the date of this report. The Board as a whole acted as the Nomination committee during the period. The nomination committee is comprised by non-executive director and the chairman of the board when the Board composition allows. The nomination committee is managed by the Board as a whole, but chaired independently by the following members throughout the year:

- Sir Tim McClement (Committee Chairman)

Audit and Risk committee

The Board has established an Audit and Risk committee, which operates under a charter approved by the Board. The committee has not met as of the date of this report. The Board of directors as a whole acted as the Audit and Risk committee during the period. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The committee is comprised of a non-executive director and the chairman of the Board when the Board composition allows.

The audit committee is managed by the Board as a whole, but chaired independently by the following members throughout the year:

- Sir Tim McClement (Committee Chairman)

Qualifications of audit committee members

Sir Tim McClement has an extensive and highly successful Naval career. From 2004 to 2006 Sir Tim was the Deputy Commander-in-Chief Fleet (as a Vice Admiral). In this role he was the Chief Operating Officer of the Royal Navy's front line operational command running the day-to-day Command of the 2nd most powerful Navy in the world. From 2001 to 2003 Sir Tim was the Assistant Chief of Naval Staff (as a Rear Admiral). He was a member of the Admiralty Board, which was chaired by the Secretary of State for Defence. Sir Tim is also an experienced chairman and non-executive director, having served as Director of Subsea Resources Ltd, Managing Director of Flagship Superyacht Academy, an adviser to Undersea Defence Technology, a strategic adviser to Large Yacht Solutions, a member of the Defence Advisory Board of Babcock International, a military adviser to CTruk, a Director of CWind and Chairman of Protection Vessels International which as a start up in 2009 achieved revenues of £48 Million by the end of 2011.

Risk

The Group sells products and services aimed at mitigating risk in the workplace. As such, the Board takes a proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Group's approach to creating long-term shareholder value.

In recognition of this, the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In doing so the Board has taken the view that it is crucial for all Board members to be a part of this process and as such, has not established a separate risk management committee.

The Board oversees an annual assessment of risks affecting the Group and the effectiveness of management's plans to mitigate the risks. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the CEO, including responsibility for the day to day design and implementation of the company's risk management and internal control system.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk. The strategic plan includes the identified risks and strategies to mitigate them.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

For the purposes of assisting investors to understand better the nature of the risks faced by Mobilarm Limited, the Board has prepared a list of operational risks as part of the Principle 7 disclosures. However, the Board notes that this does not necessarily represent an exhaustive list and that it may be subject to change based on underlying market events.

- Fluctuations in component prices, exchange rates & demand volumes.
- Political instability/sovereignty risk in our manufacturing site.
- The occurrence of force majeure events by significant suppliers.
- Increasing costs of operations, including labour costs.
- Increased regulatory barriers around the implementation of devices using regulated radio frequencies in various countries.
- Increased competition from established and new companies.

The Group does not currently operate an internal audit/control team.

Underpinning these efforts is a comprehensive set of policies and procedures directed towards achieving the following objectives in relation to the requirements of Principle 7:

- Effectiveness and efficiency in the use of the Group's resources;
- Compliance with applicable laws and regulations; and
- Preparation of reliable published financial information.

CEO and CFO certification

In accordance with section 295A of the *Corporations Act*, the CEO and CFO have provided a written statement to the Board that:

- Their view provided on the Group's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.
- The Group's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

In response to this, internal control questions are required to be completed by the key management personnel of all significant business units, including finance managers, in support of these written statements.

Remuneration

The expected outcomes of the remuneration goals of the Group are:

- Attract, retain and incentivise key executives.
- Performance incentives that allow executives to be rewarded for delivering results to the Group and its shareholders.

To assist in achieving these goals, the Group formed a remuneration committee to devise and monitor the amount of executive directors' and officers' remuneration to ensure it is closely tied to the Group's financial and operational performance. The committee has not met as of the date of this report. The Board as a whole acted as the Remuneration committee during the period.

For a full discussion of the Group's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the directors' report.

There is no scheme to provide retirement benefits to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the CEO and executive team. The committee is comprised of a non-executive director and the chairman of the Board when the Board composition allows.

The remuneration committee is managed by the Board as a whole, but chaired independently by the following member throughout the year:

- Sir Tim McClement (Committee Chairman)

Shareholder communication policy

Pursuant to Principle 6, Mobilarm's objective is to promote effective communication with its shareholders at all times.

Mobilarm Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about Mobilarm Limited's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in applicable the ASX listing rules and the *Corporations Act* in Australia.
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Mobilarm Limited.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX.
- Through the distribution of the annual report and notices of annual general meeting.
- Through shareholder meetings and investor relations presentations.
- Through letters and other forms of communications directly to shareholders.
- By posting relevant information on Mobilarm Limited's website: **www.mobilarm.com**

The Group's website **www.mobilarm.com** has a dedicated investor relations section for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

ASX PRINCIPLES COMPLIANCE STATEMENT

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.1

A majority of the Board should be independent directors.

Recommendation 4.2

The audit and risk management committee should be structured so that it:

- *consists only of non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent chair, who is not chair of the Board*
- *has at least three members*

Recommendation 8.2

The remuneration and nomination committee should be structured so that it:

- *consists of a majority of independent directors*

Only one of the three directors is independent. In view of the size of the Company and the nature of its activities, the Board considers that the current Board structure is a cost effective and practical means of directing and managing the Company. The Chairman of the Board is non-executive and independent.

While the ASX Principles recommend an ideal structure for the audit and risk management and remuneration and nomination committees, they recognise that for smaller Boards it may not be possible to implement such a structure.

Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with these ASX Principles to be materially detrimental to the Company.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2016

		Consolidated	
	<i>Note</i>	2016	2015
		\$	\$
Revenue			
Sale of goods		5,520,949	5,860,627
Portion of rentals recognised as revenue		1,111,843	831,438
		<u>6,632,792</u>	<u>6,692,065</u>
Cost of units sold		(1,467,154)	(1,330,877)
Depreciation of units under rental	3(c)	(219,966)	(149,765)
		<u>(1,687,120)</u>	<u>(1,480,642)</u>
		<u>4,945,672</u>	<u>5,211,423</u>
Interest income	3(a)	16,317	14,045
Other income		72,424	26,301
Employee benefits	3(d)	(2,031,849)	(2,154,793)
Share based compensation expense	3(d)	(413,394)	(332,018)
Depreciation and amortisation	3(c)	(411,380)	(629,765)
Advertising		(29,219)	(81,009)
Audit and tax	3(f)	(98,815)	(86,766)
Accountancy		(29,361)	(29,697)
Freight and cartage		(200,574)	(158,831)
External consultants and contractors		(358,257)	(486,019)
Rental	3(c)	(213,166)	(180,478)
Travel and accommodation		(507,574)	(522,736)
Allowance for doubtful debts		8,354	48,055
Legal fees		(185,727)	(346,386)
Telephone and internet charges		(72,527)	(84,719)
Insurance		(102,730)	(61,360)
Printing, postage and stationery		(42,531)	(47,151)
Motor vehicles expenses		(96,520)	(93,005)
Finance costs	3(b)	(461,878)	(247,296)
Property letting fees		(26,814)	(41,969)
Rates and land tax		(96,666)	(75,215)
Information technology costs		(122,628)	(80,425)
Foreign exchange gain/(loss)		(43,585)	241,945
Impairment of capitalised development costs		-	(4,395)
Impairment of units under rental		(150,546)	-
Other expenses		(390,506)	(437,277)
Loss before income tax (carried forward)		<u>(1,043,480)</u>	<u>(639,847)</u>

	<i>Note</i>	2016	2015
		\$	\$
Loss before income tax (brought forward)		(1,043,480)	(639,847)
Income tax (expense)/benefit	4(a)	(86,133)	(167,239)
Loss from operations after income tax	15	<u>(1,129,614)</u>	<u>(807,086)</u>
Other comprehensive income			
Foreign currency translation reserve movement		(586,908)	284,736
Total comprehensive (loss)/income for the year		<u>(1,716,522)</u>	<u>(522,350)</u>
Basic earnings per share (cents per share)	19	(0.2)	(0.2)
Diluted earnings per share (cents per share)	19	<u>(0.2)</u>	<u>(0.2)</u>

The statement of comprehensive income should be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2016

	<i>Note</i>	Consolidated 2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	18	2,374,023	1,487,957
Trade and other receivables	6	994,415	1,454,299
Inventories	7	2,003,610	2,465,568
Other current assets		596,944	770,782
TOTAL CURRENT ASSETS		5,968,992	6,178,606
NON-CURRENT ASSETS			
Plant and equipment	8	779,010	1,092,060
Intangible assets and goodwill	9	2,671,393	3,001,681
Investment in other businesses	10	500,000	-
TOTAL NON-CURRENT ASSETS		3,950,403	4,093,741
TOTAL ASSETS		9,919,395	10,272,347
CURRENT LIABILITIES			
Trade and other payables	11	1,631,977	1,702,107
Interest bearing loans and borrowings	12	3,136,641	974,809
Provisions	13 (a)	124,854	158,722
TOTAL CURRENT LIABILITIES		4,893,472	2,835,638
NON-CURRENT LIABILITIES			
Provisions	13 (b)	57,016	39,281
Interest bearing loans and borrowings	12	-	2,040,886
TOTAL NON-CURRENT LIABILITIES		57,016	2,080,167
TOTAL LIABILITIES		4,950,488	4,915,805
NET ASSETS		4,968,907	5,356,542
EQUITY			
Contributed equity	14	30,601,809	29,686,317
Accumulated losses	15	(26,810,634)	(25,681,020)
Reserves	16	1,177,732	1,351,245
TOTAL EQUITY		4,968,907	5,356,542

The statement of financial position should be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2016

	<i>Note</i>	Consolidated	
		2016	2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		7,301,625	6,806,149
Payments to suppliers and employees		(6,723,409)	(8,965,819)
Interest received		16,317	14,045
Payment for research and development		(66,588)	(261,131)
R&D tax rebate		216,036	320,917
Interest and other borrowing costs paid		(245,815)	(64,131)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	18	498,166	(2,149,970)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(12,589)	(35,366)
Payments for shares in other business		(500,000)	-
Term Deposit		-	48,217
NET CASH FLOWS PROVIDED/(USED) IN INVESTING ACTIVITIES		(512,589)	12,851
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	2,902,847
Proceeds from share issues		980,239	-
Costs of share issue		(79,750)	(120,000)
CASH FLOWS FROM FINANCING ACTIVITIES		900,489	2,782,847
NET INCREASE/(DECREASE) IN CASH HELD		886,066	645,728
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		1,487,957	842,229
CASH AT THE END OF THE FINANCIAL YEAR	18	2,374,023	1,487,957

The statement of cash flows should be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2016

Consolidated					
Attributable to equity holders of Mobilarm Limited					
	Issued Capital	Accumulated Losses	Share based payment Reserve (Note 16)	Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
COMPANY					
At 1 July 2014	29,804,298	(24,873,934)	505,648	230,627	5,666,639
Net loss for the year	-	(807,086)	-	-	(807,086)
Other comprehensive income	-	-	-	284,736	284,736
Total comprehensive loss for the period	-	(807,086)	-	284,736	(522,350)
Transactions with owners in their capacity as owners					
Costs of share issues	(120,000)	-	-	-	(120,000)
Currency translation reserve	242	-	-	-	242
Share based payments – Performance Shares	1,777	-	-	-	1,777
Share based payments – Stock Options	-	-	84,776	-	84,776
	-	-	245,458	-	245,458
As at 30 June 2015	29,686,317	(25,681,020)	835,882	515,363	5,356,542
Net loss for the year	-	(1,129,614)	-	-	(1,129,614)
Other comprehensive income	-	-	-	(586,908)	(586,908)
Total comprehensive loss for the year	-	(1,129,614)	-	(586,908)	(1,716,522)
Transactions with owners in their capacity as owners					
Issuance of shares	980,239	-	-	-	980,239
Costs of share issues	(64,500)	-	-	-	(64,500)
Currency translation reserve	(247)	-	-	-	(247)
Share based payments – Performance Shares Rights	-	-	104,179	-	104,179
Share based payments – Stock Options	-	-	309,216	-	309,216
As at 30 June 2016	30,601,809	(26,810,634)	1,249,277	(71,545)	4,968,907

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2016

1) CORPORATE INFORMATION

The financial report of Mobilarm Limited (the "Company") and its consolidated entities (the "Group") for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of directors on 30 September 2016.

Mobilarm Limited is a company limited by shares incorporated and domiciled in Australia. The nature of the operations and principal activities of the Group are described in the Director's Report.

The Company owns two wholly owned subsidiary companies as follows:

Name	Country of Incorporation	Date of Establishment
Marine Rescue Technologies Ltd	United Kingdom	
Mobilarm, Inc.	United States of America	18 June 2010

The Company's wholly owned subsidiary Marine Rescue Technologies Ltd also owns a wholly owned subsidiary company of its own as follows:

Name	Country of Incorporation	Date of Establishment
Rentquip Ltd	United Kingdom	14 June 2014

The Company's wholly owned subsidiary Marine Rescue Technologies Ltd also owns 50% ownership stake of a joint venture of its own as follows:

Name	Country of Incorporation	Date of Establishment
Mobilarm Nigeria	Nigeria	19 March 2014

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for contingent consideration which has been measured at fair value.

The financial report is presented in Australian Dollars and all values are rounded to the nearest dollar.

Going Concern

This report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company has incurred a net operating loss after tax for the year ended 30 June 2016 of \$(1,129,614) (2015: \$(807,086)) and experienced net cash inflows from operating activities of \$498,166 (2015: \$(2,149,970)). As 30 June 2016, the Company had net assets of \$4,968,907 (2015: \$5,356,542).

Notwithstanding the above, the ability of the Group to continue as a going concern is reliant on:

- increased profitability and cash flows from operations, and/ or

- the raising of funds through a debt or equity issue.

The Directors have reviewed the business outlook and plans of the company and believe that the Company will achieve increased cash flows from operations to sustain its ability to continue as a going concern, which will also make the raising of funds more achievable if needed. The Company has completed a capital and debt raising to fund its ongoing man overboard operations, particularly to grow its successful service program. The Company is also investing in Jaxtsa Enterprise Pty Ltd as a way of diversifying and enhancing its technology portfolio.

Should the entity not achieve the matters set out above, there is significant uncertainty whether the entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

The financial report does not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

(a) Compliance Statement

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 July 2015. The adoption of these Standards and Interpretations did not have a significant impact on the accounting policies of the Group.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2 (amended)	Share-based payments	The objective of this Standard is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.	1 January 2014	1 July 2015
AASB 3 (amended)	Business Combinations	The objective of this Standard is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. To accomplish that, this Standard establishes principles and requirements for how the acquirer: (a) recognises and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; (b) recognises and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.	1 January 2014	1 July 2015
AASB 8 (amended)	Operating Segments	An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.	1 January 2014	1 July 2015
AASB 10 (amended)	Consolidated Financial Statements	The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	1 January 2015	1 July 2015
AASB 12 (amended)	Disclosure of Interests in Other Entities	The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.	1 January 2015	1 July 2015
AASB 13 (amended)	Fair Value Measurement	This Standard: (a) defines fair value; (b) sets out in a single Standard a framework for measuring fair value; and (c) requires disclosures about fair value measurements.	1 January 2014	1 July 2015

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are below.</p> <ul style="list-style-type: none"> (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the credit risk are presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2015	1 July 2015
AASB 107 (amended)	Statement of Cash Flows	<p>The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.</p>	1 January 2014	1 July 2015

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 110 (amended)	Events after the Reporting Period	<p>The objective of this Standard is to prescribe:</p> <p>(a) when an entity should adjust its financial statements for events after the reporting period; and</p> <p>(b) the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting period.</p> <p>The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.</p>	1 January 2015	1 July 2015
AASB 116 (amended)	Property, Plant and Equipment	<p>The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.</p>	1 January 2014	1 July 2015
AASB 117 (amended)	Leases	<p>The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases.</p>	1 January 2015	1 July 2015

(b) New Accounting Standards and Interpretations Issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2016.

These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 102 (amended)	Inventories	The objective of this Standard is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognised as an asset and carried forward until the related revenues are recognised. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.	1 January 2018	The Group is yet to determine the impact of this standard.	1 July 2018
AASB 112 (amended)	Income Taxes	The objective of this Standard is to prescribe the accounting treatment for income taxes. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of: (a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in an entity's statement of financial position; and (b) transactions and other events of the current period that are recognised in an entity's financial statements.	1 January 2018	The Group is yet to determine the impact of this standard.	1 July 2018
AASB 118	Revenue	This Standard shall be applied in accounting for revenue arising from the following transactions and events: (a) the sale of goods; (b) the rendering of services; and (c) the use by others of entity assets yielding interest, royalties and dividends.	1 January 2018	The Group is yet to determine the full impact of this standard, but it will affect the treatment of its rental operations.	1 July 2018

(c) Basis of consolidation

A controlled entity is any entity that Mobilarm Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is located below. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Group.

Where controlled entities have entered the consolidate group during the year, their operating results have been included from the date control was obtained.

Controlled entities

	<u>Country of Incorporation</u>	<u>Percentage Owned (%)</u>	
		<u>2016</u>	<u>2015</u>
Parent Entity			
Mobilarm Limited	Australia		
Subsidiaries of Mobilarm Limited			
Marine Rescue Technologies Ltd	United Kingdom	100%	100%
Mobilarm, Inc.	United States of America	100%	100%
Rentquip Ltd	United Kingdom	100%	100%
Mobilarm Nigeria	Nigeria	50%	50%

The other owner of Mobilarm Nigeria also own a 50% ownership stake. The joint venture has not had any operations as of this date apart from the formation of the entity. Previous transactions to Nigeria were made on a reseller arrangement from Mobilarm Ltd or Marine Rescue Technologies Ltd directly. There are no carrying values for any assets or liabilities as of the year ended 30 June 2016.

The Group has also acquired a 3.33% interest in Jaxsta Enterprise Pty Ltd. The Group does not have a controlling interest in the entity and recognises the investment at its fair value.

(d) Significant accounting judgments, estimates and assumptions

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

(i) Amortisation of intangibles with finite useful lives

In relation to the amortisation of intangibles with finite useful lives, management's judgements are used to determine the estimate useful life. Management's judgements are based on historical information relating to specific assets. Details of the useful lives are detailed below.

(ii) Capitalised development costs

Development costs are only capitalised by the Group when it can demonstrate the technical feasibility of completing the asset so that the asset will be available for use or sale, how the asset will generate future

economic benefits and the ability to measure reliably the expenditure attributed to the intangible asset during its development.

(iii) Taxation

The Group's accounting policy for taxation requires management's judgements as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgements are also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Judgements about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future cash sales, cost of sales, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

(iv) Goodwill Impairment

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the Statement of Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group as a whole. This represent the lowest level at which goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8.

Impairment testing is performed at 30 June each year. If the recoverable amount of the Group is less than the carrying amount, an impairment loss is recognised.

(v) Debtors Provisioning

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(vi) Share Based Payments

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Sholes model and reviewed by an external valuer.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- i. The grant date fair value of the award.
- ii. The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- iii. The expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously

held equity interest in the acquiree is remeasured to fair value at the acquisition date through the Statement of Comprehensive Income.

(f) Operating segments

An operating segment is a component of an entity 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 entity), 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. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

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.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

The Group does not currently have multiple segments, but will identify segments that meet the quantitative criteria if and when present. The Chief Executive Officer is the Group's chief operating decision maker.

(g) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received and receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Rental income

Rental income from the Group's rental service of its equipment and maintenance is accounted for on a straight-line basis over the lease term.

(h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Comprehensive Income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

(i) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(k) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- a) Raw materials – purchase cost on a first-in, first-out basis; and
- b) Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

(m) Foreign currency

Items included in the financial statements of each entity within the Group are measured using the currency of the primary economic environment in which it operates ("functional currency"). The functional and presentation currency of Mobilarm Limited is Australian dollars ("A\$"). The functional currency of our overseas subsidiaries are as follows:

Marine Rescue Technologies Ltd	British Pound (GBP£)
Rentquip Ltd	British Pound (GBP£)
Mobilarm, Inc.	United States Dollar (US\$)
Mobilarm, Nigeria	United States Dollar (US\$)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the financial report are taken to the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The results of the foreign subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

(n) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST or VAT except;

- When the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST or VAT included.

The net amount of GST or VAT recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST or VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

(p) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows;

- Plant and equipment – 2.5 to 20 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income. in the year the asset is derecognised.

(q) Investments and other financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of

equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Statement of Comprehensive Income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the Statement of Financial Position date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(r) Intangible assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

- (i) Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

Patents and Licences
Useful lives: <i>5 years</i>
Amortisation method used: <i>Straight Line</i>
Internally generated or acquired: <i>Acquired</i>
Impairment testing: Annually and more frequently when an indication of impairment exists.

Development Costs
Useful lives: <i>Finite</i>
Amortisation method used: Amortised over the period of expected future sales from the related project on a straight-line basis.
Internally generated or acquired: <i>Internally generated</i>
Impairment testing: Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised.

(s) Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the Statement of Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group as a whole. This represents the lowest level at which goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB8.

Impairment testing is performed at 30 June each year. If the recoverable amount of the Group is less than the carrying amount, an impairment loss is recognised.

(t) Impairment of non-financial assets

The Group assesses whether there is an indication that an asset may be impaired at each reporting date. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the

recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(u) Trade and other payables

Trade payables and other payables are carried at amortised costs and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(i) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Mobilarm Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(i) Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

(x) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

(ii) Long service leave

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(y) Contributed equity

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.

(z) Earnings per Share

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

Diluted earnings/(loss) per share are calculated by dividing the net operating profit/(loss) for the year attributable to ordinary equity holders (after deducting interest on convertible notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(aa) Shared based payments

(i) Equity settled transactions

The Group at times provides benefits to its employees (including KMP) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- The Employee Share Option Plan (ESOP), which provides benefits to all employees, including KMP.
- The Performance Share Plan, which provide benefits to KMP.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes for Stock options and Binomial model for performance shares and reviewed by an external valuer.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- iv. The grant date fair value of the award.
- v. The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- vi. The expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(bb) Convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the Statement of Financial Position, net of transaction costs.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Interest on the liability component of the instruments is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

Transaction costs are apportioned between the liability and equity components of the convertible non-cumulative redeemable preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

3) REVENUE AND EXPENSES

		Consolidated	
		2016	2015
		\$	\$
3(a)	Interest income	16,317	14,045
		16,317	14,045
3(b)	Finance costs		
	Interest – other parties	397,364	136,537
	Interest – related parties	-	-
	Factoring facility costs	62,044	106,772
	Hire purchase charges	2,470	3,987
		461,878	247,296
3(c)	Operating expenses		
	Depreciation and amortisation of plant and equipment	88,623	81,045
	Amortisation of intangible assets	322,757	548,720
		411,380	629,765
	Depreciation of units under rental	219,966	149,765
		631,346	779,530
	Inventory written off during the year	118,177	3,155
	Doubtful debts	(7,043)	(48,055)
	Lease payments – operating leases	213,166	180,478
	Provision for employee entitlements	57,446	127,066
		381,746	262,644
3(d)	Employee benefits expense		
	Wages and salaries and on-costs	1,669,607	1,826,436
	Director fees	319,255	276,112
	Superannuation costs	42,987	52,245
		2,031,849	2,154,793
	Share based payments/(reversals)	413,394	332,018
	Total	2,445,243	2,486,811
3(e)	Research and development costs		
	Research and development costs charged directly to the Statement of Comprehensive Income		
	Amortisation of capitalised development costs	322,757	548,720

3(f) Auditors' remuneration

Amounts received or due and receivable by Walker Wayland & Cassons business advisers LLP for:

An audit of the financial report of the entity (including MRT)

98,815

86,766

Other services:

98,815

86,766

4) INCOME TAX

		Consolidated	
		2016	2015
		\$	\$
4(a)	The major components of the current income tax benefit are:		
	Current income tax expense/(benefit)	86,133	167,239
	Current income tax change/(benefit) irrespective of prior year	-	-
	Deferred tax	-	-
		<u>86,133</u>	<u>167,239</u>
4(b)	A reconciliation between the income tax benefit and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows: Prima facie income tax benefit calculated @ 30% (2015: 30%) on loss from ordinary activities	(313,044)	(242,126)
	Add tax effect of:		
	Non-deductible items	(92,564)	(12,171)
	Share-based payments	(124,018)	(99,605)
	R&D uplift	<u>(72,029)</u>	<u>(149,135)</u>
	Current year income tax expenses/(benefit)	(601,655)	(503,037)
	Deferred tax assets not brought to account	687,788	670,276
	Income tax expense/benefit	<u>86,133</u>	<u>167,239</u>
4(c)	Deferred income tax		
	R&D expenditure	240,095	223,702
		<u>240,095</u>	<u>223,702</u>
	Deferred tax liabilities offset by deferred tax assets	(240,095)	(223,702)
	Net deferred tax liabilities	<u>-</u>	<u>-</u>
4(d)	Deferred tax asset		
	Provision for employee entitlements	9,363	6,813
	Provision for doubtful debts	12,947	18,756
	Accrued superannuation	(12,370)	(14,083)
	Provision for warranty	55,105	55,105
	Depreciable assets	119,474	693,785
	Accruals	(166,654)	(403,056)
	Borrowing costs	(368,176)	(136,537)
	Other	-	-
	Tax losses	<u>5,697,216</u>	<u>5,151,250</u>
		5,346,905	5,372,033
	Deferred tax assets not brought to account	(5,089,130)	(5,148,331)
		<u>257,775</u>	<u>223,702</u>
	Deferred tax assets offset against deferred tax liabilities	(257,775)	(223,702)
	Net deferred tax assets	<u>-</u>	<u>-</u>

4(e) Income tax losses

Future income tax benefit arising from tax losses not recognised at reporting date

5,697,216	5,151,250
5,697,216	5,151,250

5) DIVIDENDS PAID AND PROPOSED

	Consolidated	
	2016	2015
	\$	\$
There were no dividends paid or declared for the financial year ended 30 June 2016 (30 June 2015: nil).	-	-
	-	-

6) TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016	2015
	\$	\$
Trade debtors	888,188	1,155,995
Less: allowance for impairment loss (a)	(10,165)	(18,756)
	878,023	1,137,239
Goods and services tax	8,349	5,357
Value added tax	-	-
Sundry receivables	-	88,001
R & D Rebate	108,043	223,702
	994,415	1,454,299

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance account for impairment losses is recognised when there is objective evidence that an individual trade receivable is impaired.

	Consolidated	
	2016	2015
	\$	\$
Movement in allowance for impairment loss		
-balance at beginning of year	18,756	98,774
-amounts written off	1,234	(31,963)
-charge for the year	(7,043)	(48,055)
-balance at end of year	12,947	18,756

c) At 30 June 2016, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI**	+91 days *PDNI	+91 days CI**
2016	\$888,188	\$613,441	\$130,808	\$81,451	\$-	\$62,488	\$12,947
2015	\$ 1,155,995	\$691,004	\$151,156	\$256,074	\$-	\$38,965	\$18,756

* Past due not impaired (PDNI)

**Considered impaired (CI)

Allowance for impairment loss

Receivables past due but not considered impaired are: \$143,939 (2015: \$295,039). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

i. Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security for trade debtors, nor is it the company's policy to transfer (on-sell) receivables to special purpose entities.

ii. Foreign exchange risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 25.

7) INVENTORIES

	Consolidated 2016	2015
At cost		
Raw materials, stores and work in progress inventory at net realisable value	1,829,392	2,374,145
Finished goods	174,218	91,423
Total inventories at lower of cost and net realisable value	<u>2,003,610</u>	<u>2,465,568</u>

Inventories recognised as an expense for the year ended 30 June 2016 totalled \$1,467,154 (2015: \$1,330,877) for the Group.

8) PLANT AND EQUIPMENT

	Consolidated	
	2016	2015
	\$	\$
Units under customer rental		
At cost	886,409	989,644
Accumulated amortisation	(345,861)	(187,153)
	540,548	802,491
Plant and equipment		
At cost	927,170	937,420
Less: Accumulated depreciation	(691,535)	(654,280)
	235,635	283,140
Motor vehicles		
At cost	16,004	18,194
Accumulated amortisation	(13,177)	(11,765)
	2,287	6,429
TOTAL PLANT AND EQUIPMENT	779,010	1,092,060
Reconciliation		
Reconciliation of carrying values for each class of plant and equipment are set out below:		
Units under Customer Rental:		
- Carrying amount at beginning of financial year	802,491	350,957
- Additions	19,557	601,299
- Disposals	(61,534)	-
- Impairment of units under rental	(150,546)	-
- Depreciation	(69,420)	(149,765)
- Carrying amount at end of financial year	540,548	802,491
Plant and Equipment:		
- Carrying amount at beginning of financial year	283,140	264,988
- Additions	61,925	92,485
- Disposals	-	-
- Depreciation	(109,430)	(74,333)
- Carrying amount at end of financial year	235,635	283,140
Motor Vehicles:		
- Carrying amount at beginning of financial year	6,429	7,942
- Additions	-	-
- Disposals	-	-
- Depreciation	(4,142)	(1,513)
- Carrying amount at end of financial year	2,287	6,429
TOTAL PLANT AND EQUIPMENT	779,010	1,092,060

Assets are encumbered to the extent set out in note 12.

9) INTANGIBLE ASSETS AND GOODWILL

	Consolidated				
	Development Costs	Intellectual Property	Goodwill	Computer Software	Total
	\$	\$	\$	\$	\$
At 30 June 2016					
Cost (gross carrying amount)	4,098,261	991,153	1,924,068	5,012	7,018,494
Accumulated amortisation	(3,352,255)	(991,153)	-	(3,693)	(4,347,101)
Net carrying amount	746,006	-	1,924,068	1,319	2,671,393
Year ended 30 June 2016					
At 1 July 2015, net of accumulated amortisation	1,075,250	-	1,924,068	2,363	3,001,681
Additions	3,581	-	-	-	3,581
Impairment	-	-	-	-	-
Amortisation	(332,825)	-	-	(1,044)	(333,869)
At 30 June 2016, net of accumulated amortisation	746,006	-	1,924,068	1,319	2,671,393
At 30 June 2015					
Cost (gross carrying amount)	4,243,067	991,153	1,924,068	6,889	7,165,177
Accumulated amortisation	(3,167,817)	(991,153)	-	(4,526)	(4,163,496)
Net carrying amount	1,075,250	-	1,924,068	2,363	3,001,681
At 1 July 2014, net of accumulated amortisation	1,329,880	-	1,924,068	-	3,253,948
Additions	298,485	-	-	6,889	305,374
Impairment	(4,395)	-	-	-	(4,395)
Amortisation	(548,720)	-	-	(4,526)	(553,246)
At 30 June 2015, net of accumulated amortisation	1,075,250	-	1,924,068	2,363	3,001,681

Development costs

Development costs have been capitalised at cost. The intangible asset has been assessed as having a finite life and is amortised using the straight-line method over a period of 5 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

Intellectual property

Intellectual property costs have been capitalised at cost. The intangible asset was assessed as having a finite life and is fully amortised.

Patents and licenses costs

Patents and licenses costs have been capitalised at cost. These patent and licenses have been granted for a minimum of 5 years by the relevant government agency and have accordingly been amortised using the straight line method over this finite life. It was determined that the Patents and Licences which were being carried had no future economic benefit to the Group. Therefore, these amounts were fully amortised.

Goodwill

Goodwill has been capitalised at cost of the business combination being the excess of the consideration transferred over the fair value of the company's net identifiable assets acquired and liabilities assumed. The goodwill recognised in the previous year arose on the acquisition of MRT. Refer to note 26 for further details. The acquisition of MRT occurred on 9 June 2011 and the allocation of goodwill is allocated to the Man Overboard cash generating units.

The Group performed its annual impairment test as at 30 June 2016. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2016, the market capitalisation of the Group was above the book value of its equity.

The recoverable amount of the electronics CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. The projected cash flows have been updated to reflect the increased demand for products and services. The pre-tax discount rate applied to cash flow projections is 20% and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate. As a result of this analysis, management has concluded the value of goodwill requires no impairment charge.

Impairment losses recognised

The Group did not recognise any impairments in the 2016 financial year (2015: \$4,395). The impairment loss in 2015 related to small projects on complimentary products to our locator beacon products and has been recognised in the statement of comprehensive income in the line item "Impairment of capitalised development costs". The Group has written off the value of these projects in full during the year.

There were no reversals of impairment losses recognised in the 2016 and 2015 financial year.

10) INVESTMENT IN OTHER BUSINESSES

	Consolidated	
	2016	2015
	\$	\$
Investment in Jaxsta Enterprise Pty Ltd	500,000	-
Investment on other businesses	<u>500,000</u>	<u>-</u>

In May 2016, the Company made a \$500,000 investment in Jaxsta Holdings Pty Ltd (Jaxsta) for a 3.33% equity position. Mobilarm will also have the right to invest a further \$2,500,000 directly for a further 16.67% equity.

If the above investment is completed within 18 months, Mobilarm will have the right to buy a further 20% of Jaxsta from an existing Jaxsta shareholder and associate of Melanie Verheggen, a major shareholder of MBO, for \$5,000,000 being \$2,200,000 in cash and \$2,800,000 in Mobilarm shares at a deemed price of \$0.007, being 400,000,000 shares with a free attaching option for four years at an exercise price of \$0.007. This right has an exercise window of 18 months after the initial investment is complete.

11) TRADE AND OTHER PAYABLES

	Consolidated	
	2016	2015
	\$	\$
Trade creditors	820,270	885,502
Customer deposits	131,300	131,300
Current tax liabilities	291,250	413,741
Other creditors and accruals	389,157	271,564
	<u>1,631,977</u>	<u>1,702,107</u>

Trade Payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Other Payables

Other payables are non-trade payables, are non-interest bearing and have an average term of six (6) months. Due to the short-term nature of accounts payable and other payables, their carrying amount is approximate to their fair value.

See note 25 for interest rate, foreign exchange and liquidity risk.

12) INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	2016	2015
	\$	\$
CURRENT		
Convertible Note (i)	1,094,830	974,809
Convertible Note (ii)	2,040,508	-
	<u>3,135,338</u>	<u>974,809</u>
Finance Leases	1,303	-
Total	<u><u>3,136,641</u></u>	<u><u>974,809</u></u>
NON CURRENT		
Convertible Notes (ii)	-	2,038,866
Finance leases	-	2,020
Total	<u><u>-</u></u>	<u><u>2,040,886</u></u>

The Company entered into various interest bearing loans for working capital purposes. The terms of each loan are described below.

- (i) The Company entered into a convertible note, with an interest rate of 6%. The note is convertible by the noteholder upon giving the Company thirty days notice at the lower of \$0.04 per share or the price of any new Entitlements Issue, currently \$0.007 per share. The note can be converted by the Company at the expiration date at a price that equals 80% of the trailing 30 day VWAP at the time of expiry. The convertible note expires on 7 March 2017.
- (ii) The Company entered into eight convertible note agreements on 31 January 2015 for a total of \$2,000,000. The notes have an interest rate of 12% payable quarterly. The notes are convertible into ordinary shares at a price of \$0.06 cents per share. The notes expire starting on 31 July 2016.

Non current interest bearing borrowings are finance leases for vehicles and equipment.

All amounts disclosed on the balance sheet approximate their fair market values.

13) PROVISIONS

		Consolidated	
		2016	2015
		\$	\$
CURRENT	(a)		
Employee entitlements		76,519	103,617
Warranty provision		48,335	55,105
Provision for unused leased facilities		-	-
		<u>124,854</u>	<u>158,722</u>
NON-CURRENT			
Employee entitlements	(b)	<u>57,016</u>	<u>39,281</u>
(a) Movement in employee entitlement provisions			
	Current	Non-Current	Total
At 1 July 2015	103,617	39,281	142,898
Additions	95,801	17,735	113,536
Utilised	(122,899)	-	(122,899)
At 30 June 2016	<u>76,519</u>	<u>57,016</u>	<u>133,535</u>
	Current	Non-Current	Total
At 1 July 2014	115,218	30,294	145,512
Additions	112,404	14,662	127,066
Utilised	(124,005)	(5,675)	(129,680)
At 30 June 2015	<u>103,617</u>	<u>39,281</u>	<u>142,898</u>

14) CONTRIBUTED EQUITY

		Consolidated		
		2016	2015	
		\$	\$	
Issued and paid up capital:				
350,084,416 (2014 – 350,084,416) ordinary shares fully paid.		30,601,809	29,686,317	
		<u>30,601,809</u>	<u>29,686,317</u>	
		2016	2015	
		No. of shares	No. of shares	
		\$	\$	
Reconciliation of Contributed Equity				
Equity at beginning of year	350,085,416	350,085,416	29,686,317	29,752,742
Issue of ordinary shares (i)	140,034,143	-	980,239	-
Cost of share issue	-	-	(64,500)	(120,000)
Conversion of performance share rights	3,000,000	-	-	-
Currency revaluation	-	-	(247)	242
Performance shares class C	-	-	-	53,333
Equity at end of the year	<u>493,119,559</u>	<u>350,085,416</u>	<u>30,601,809</u>	<u>29,686,317</u>

(i) The Group had an Entitlements Offer for \$980,239 at \$0.007 per share.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

	June 2016	June 2015
	\$	\$
Stock options	959,856	650,640
Performance share rights	289,421	185,242
Reserves	1,249,277	835,882

Options	June 2016		June 2015	
	Number	\$	Number	\$
Movement in options on issue				
Balance at beginning of year	32,878,820	650,640	68,178,820	405,182
Options cancelled – Employee Stock Option Plan (i)	(1,208,333)		(300,000)	
Options issued – Directors Compensation (ii)	-	309,216	-	245,458
Options cancelled – Directors Compensation (ii)	(2,000,000)	-	-	-
Options cancelled – Capital Raising	-	-	(35,000,000)	-
Balance at end of the year	29,670,487	959,856	32,878,820	650,640

(i) There are no outstanding options issued under the employee stock option plan as at 30 June 2016.

- (ii) On the 8th of August 2012 the Board (excluding Mr Ken Gaunt who did not wish to make any recommendation) has proposed the issue of 29,670,487 share options to Director/Chief Executive Officer Ken Gaunt. Each option entitles the holder to exercise the option in exchange for one ordinary share in the Company. The options are exercisable at an exercise price of per option A\$0.021. The Options vest when the Share Price is equal to or greater than A\$0.10 (subject to adjustment under the terms of the grant). In addition, upon a Change of Control Event (i), the Options automatically vest.

Change of Control Event means:

- a. a person acquires voting power in at least 50.1% or more of the issued Shares;
- b. a person acquires the power to direct or cause the direction of management or policies of the Company;
- c. a person directly or indirectly acquires all or substantially all of the business and assets of the Group; or
- d. a person otherwise acquires or merges with the Group,

including by way of a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, share acquisition, securities issuance, share buyback or repurchase, reverse takeover, dual listed company structure, establishment of a new holding entity for the Group or any other comparable transaction or arrangement.

In association with the grant above, the Company has also proposed that the Company enter into an interest-free loan agreement with Mr. Gaunt of an amount equal to the total Grant Price payable for the 29,670,487 Options, being a total loan amount of \$267,034. These transactions were approved at a general meeting of shareholders on the 7th of September 2012. The stock options were extended at the annual general meeting of shareholder on the 29th of November 2014, extending the term to 31 January 2018. The Group recognised a stock option expense of \$304,615 during the year (2015: \$231,658) in relation to this award.

Additionally, Sir Tim McClement was issued 2,000,000 options. The options are exercisable at an exercise price of per option A\$0.027. The Options vest when the Share Price is equal to or greater than A\$0.10 (subject to adjustment under the terms of the grant). These transactions were approved at a general meeting of shareholders on the 29th of November 2012. The Group recognised stock option expense of \$4,600 during the year (2015: \$13,800) in relation to this award. These options have lapsed as of 31 October 2015.

Performance Share Rights	June 2016		June 2015	
	Number	\$	Number	\$
Movement in options on issue				
Balance at beginning of year	19,000,000	185,242	11,000,000	100,466
Performance share rights issued	-	104,179	10,000,000	84,776
Performance share rights converted	(3,000,000)	-		
Performance share rights forfeited	-	-	(2,000,000)	-
Balance at end of the year	16,000,000	289,421	19,000,000	185,242

The Company granted 11,000,000 performance share rights in 2013 to employees, 9,000,000 of these remain valid as of 30 June 2016. The Company granted a further 7,000,000 performance share rights in February 2015 to employees. The performance share rights vest when the Share Price is equal to or greater than A\$0.10 (subject to adjustment under the terms of the grant). In addition, upon a Change of Control Event (i), the performance share rights automatically vest.

- (i) Change of Control Event means:
- a person acquires voting power in at least 50.1% or more of the issued Shares;
 - a person acquires the power to direct or cause the direction of management or policies of the Company;
 - a person directly or indirectly acquires all or substantially all of the business and assets of the Group; or
 - (d) a person otherwise acquires or merges with the Group, including by way of a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, share acquisition, securities issuance, share buyback or repurchase, reverse takeover, dual listed company structure, establishment of a new holding entity for the Group or any other comparable transaction or arrangement.

Some of the performance share rights have additional vesting criteria regarding specific performance of projects being completed, such as the development of our next generation products.

The Company granted a further 3,000,000 performance share rights in February 2015 to employees that vested in February 2016.

15) ACCUMULATED LOSSES

	Consolidated	
	2016	2015
	\$	\$
Accumulated losses at the beginning of the financial year	(25,681,020)	(24,873,934)
Net loss for the year	(1,129,614)	(807,086)
Accumulated losses at the end of the financial year	(26,810,634)	(25,681,020)

16) RESERVES

	Consolidated	
	2016	2015
	\$	\$
Share based payment Reserve		
Balance at the beginning of the financial year	835,882	505,648
Issuance and amortisation of performance share rights	104,179	84,776
Issuance and amortisation of share options issued	309,216	245,458
Balance at the end of the financial year	1,249,277	835,882
Currency revaluation Reserve		
Balance at the beginning of the financial year	515,363	230,627
Change in currency reserve for the year	(586,908)	284,736
Balance at the end of the financial year	(71,545)	515,363
Balance at the end of the financial year	1,177,732	1,351,245

Nature and purpose of reserve

(i) Share based payment reserve

This reserve records movement in the fair value of share based payments.

(ii) Performance share rights reserve

This reserve records movement in the fair value of share based payments.

(iii) Currency revaluation reserve

This reserve records movement in the currency for balance sheet items of our non-Australian dollar based subsidiaries.

17) COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into commercial leases as follows. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2016	2015
	\$	\$
Within one year	196,984	262,287
After one year but not more than five years	584,610	732,442
More than five years	182,245	359,109
	963,839	1,353,838

The Group has entered into financial lease commitments on certain motor vehicles and office equipment with a carrying amount of \$42,885 (2015: \$114,093). These leases expire within 1 to 5 years. These leases have an option to purchase at the end of their term. There are no restrictions placed on the lessee by entering into these leases.

Future minimum amounts payable under non-cancellable finance leases as at 30 June are as follows:

	Consolidated	
	2016	2015
	\$	\$
Within one year	-	-
Unexpired interest	-	-
After one year but not more than five years	-	-
Unexpired interest	-	-
More than five years	-	-
	-	-

The Group has termination benefits relating to the termination payments to KMPs if their contracts are terminated under certain conditions. The gross commitment is \$170,000.

The Group has no other commitments or contingencies.

18) NOTES TO STATEMENT OF CASH FLOWS

		Consolidated	
		2016	2015
		\$	\$
18(a)	Reconciliation of cash		
	Cash balance comprises:		
	- cash on hand	120	1,763
	- Cash at bank	2,373,903	1,486,194
	Closing cash balance	<u>2,374,023</u>	<u>1,487,957</u>
18(b)	Reconciliation of loss from ordinary activities after tax to the net cash activities		
	Operating loss after tax	(1,129,614)	(807,086)
	Amortisation	332,825	549,440
	Depreciation	298,520	227,903
	Share based compensation	413,394	332,018
	Impairment of assets under customer rental	(2,537)	-
	Impairment of capitalised development costs	-	(4,395)
	Write-down of inventories	-	3,155
	Provision for doubtful debts	(5,809)	(80,018)
	Borrowing costs	387,323	131,284
	Foreign currency translation	(586,907)	284,736
	Other	118,820	(168,333)
	Changes in Assets and Liabilities		
	Decrease/(Increase) in Trade and other receivables	465,693	215,929
	Decrease/(Increase) in Inventories	461,958	(1,990,736)
	Decrease/(Increase) in Prepayments	173,838	(456,144)
	Decrease/(Increase) in Development costs	156,925	(292,779)
	(Increase) in Investments in other businesses	(500,000)	-
	(Decrease) in Trade and other payables	(70,130)	(91,661)
	Increase/(Decrease) in Provision for employee entitlements	(16,133)	51,821
	(Decrease) in Provision for warranty	-	(55,104)
	Net cash flows provided/(used) in operating activities.	<u>498,166</u>	<u>(2,149,970)</u>

19) EARNINGS PER SHARE

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

	Consolidated	
	2016	2015
	\$	\$
Losses used in calculating loss per share		
For basic loss per share		
Net loss attributable to ordinary equity holders	(1,129,614)	(807,086)
Weighted average number of shares	Number	Number
Weighted average number of ordinary shares outstanding during the year for basic earnings/(loss) per share	455,817,802	350,084,416
Weighted average number of ordinary shares adjusted for the effect of dilution	455,817,802	350,084,416
Basic earnings per share (cents per share)	(0.2)	(0.2)
Diluted earnings per share (cents per share)	(0.2)	(0.2)

The number of potential ordinary shares not considered dilutive is 45,670,487.

20) SEGMENT INFORMATION

The Group operates solely in the development, manufacturing and sale of Man Overboard safety systems as one segment under the management of the CEO. The Group operates in four geographical locations being Australia, Nigeria, the United Kingdom and the United States.

Major customers

The Group has a number of customers to which it provides both products and services. The following identifies the individual customer accounts that amounted to more than five percent of sales.

	Consolidated	
	2016	2015
	%	%
Highest volume customer for the year	10.8	26.7
Second highest volume customer for the year	6.2	8.6
Third highest volume customer for the year	5.8	7.2
Fourth highest volume customer for the year	5.6	5.9
Fifth highest volume customer for the year	5.1	-
All customers above 3% of sales	37.0	48.4
Total sales for customers under 3%	63.0	51.6

Revenue by geographic area

Revenue from external customers by geographical locations based on the location of the customers is as follows:

	Consolidated	
	2016	2015
	\$	\$
Australia	352,669	253,819
North America	385,229	1,079,408
Europe	5,068,210	4,360,500
Other foreign countries	826,684	998,338
Total revenue	6,632,792	6,692,065

Non-current assets by geographic area

Non-current assets held by the Group based on the geographical locations of the assets is as follows:

	Consolidated	
	2016	2015
	\$	\$
Australia	2,521,128	2,045,820
United Kingdom	1,429,275	2,047,921
United States	-	-
Total non-current assets	3,950,403	4,093,741

21) KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel during the year were:

Name	Title
Sir Tim McClement	Independent Chairman
Mr. Ken Gaunt	Chief Executive Officer & Executive Director
Mr. Jorge Nigaglioni	Chief Financial Officer & Executive Director
Mrs. Caroline Neal	General Manager MRT
Mr. Robert Gaunt	Chief Operating Officer
Mr. Jon Gething	General Manager Defence
Mr. Ryan Pettit	Marine Safety Advisor
Mr Ray Wilson	Channel Manager

Please see full remuneration report on page 14.

Directors and Executives	Primary			Post Employment		Equity	Other	TOTAL
	Salary & fees	Cash bonus	Non Monetary benefits	Super-annuation	Retirement benefits	Shares/ options		
	\$	\$	\$	\$	\$	\$	\$	\$
30 June 2016								
Total Compensation	1,120,167	-	-	90,185	22,671	385,701	-	1,618,724
30 June 2015								
Total Compensation	1,035,057	183,903	-	104,414	9,022	312,952	24,703	1,670,051

Shareholdings

Number of Shares held by Directors and Specified Executives:

	Balance 1 July 2015	Issued as remuneration	Options exercised	Conversion of Performance Shares	Net change other(i)	Balance 30 June 2016
Directors						
Sir Tim McClement	1,000,000	-	-	-	-	1,000,000
Ken Gaunt	49,082,161	-	-	-	19,632,865	68,715,026
Jorge Nigaglioni	636,415	-	-	-	865,366	1,501,781
Specified Executives						
Robert Gaunt	-	-	-	1,000,000	-	-
Caroline Neal	-	-	-	-	-	-
Jon Gething	-	-	-	-	-	-
Ryan Pettit	-	-	-	1,000,000	-	-
Ray Wilson	-	-	-	1,000,000	-	-

	Balance 1 July 2014	Issued as remuneration	Options exercised	Conversion of Performance	Net change other(i)	Balance 30 June 2015
Directors						
Sir Tim McClement	1,000,000	-	-	-	-	1,000,000
Ken Gaunt	49,082,161	-	-	-	-	49,082,161
Jorge Nigaglioni	636,415	-	-	-	-	636,415
Specified Executives						
Robert Gaunt	-	-	-	-	-	-
Caroline Neal	-	-	-	-	-	-
Jon Gething	-	-	-	-	-	-
Ryan Pettit	-	-	-	-	-	-
Ray Wilson	-	-	-	-	-	-

(i) The Company had a placement that closed on 29 September 2015 in which existing executive shareholders participated.

Number of Performance Shares Class C held by Directors and Specified Executives:

	Balance 1 July 2014	Received as remuneration	Converted to ordinary shares	Balance 30 June 2015	Balance 1 July 2015	Received as remuneration	Converted to ordinary shares	Balance 30 June 2016
		Performance Shares Class C			Performance Shares			
Directors								
Jorge Nigaglioni	333,334	-	(333,334)	-	-	-	-	-

Number of Share Options held by Directors and Specified Executives:

	Balance 1 July 2015	Awarded	Exercised	Lapsed	Balance 30 June 2016	Vested	Not Vested	Balance 30 June 2016
Directors								
Sir Tim McClement (i)	2,000,000	-	-	(2,000,000)	-	-	-	-
Ken Gaunt (i)	29,670,487	-	-	-	29,670,487	-	29,670,487	29,670,487
Jorge Nigaglioni	-	-	-	-	-	-	-	-
Specified Executives								
Robert Gaunt	-	-	-	-	-	-	-	-
Caroline Neal	-	-	-	-	-	-	-	-
Jon Gething	150,000	-	-	(150,000)	-	-	-	-
Ryan Pettit	-	-	-	-	-	-	-	-
Ray Wilson	-	-	-	-	-	-	-	-

	Balance 1 July 2014	Awarded	Exercised	Lapsed	Balance 30 June 2015	Vested	Not Vested	Balance 30 June 2015
Directors								
Sir Tim McClement (i)	2,000,000	-	-	-	2,000,000	-	2,000,000	2,000,000
Ken Gaunt (i)	29,670,487	-	-	-	29,670,487	-	29,670,487	29,670,487
Jorge Nigaglioni	-	-	-	-	-	-	-	-
Specified Executives								
Robert Gaunt	-	-	-	-	-	-	-	-
Caroline Neal	-	-	-	-	-	-	-	-
Jon Gething	150,000	-	-	-	150,000	-	150,000	150,000
Ryan Pettit	-	-	-	-	-	-	-	-
Ray Wilson	-	-	-	-	-	-	-	-

See note 14 for description of terms of these options.

Number of Performance Share Rights held by Directors and Specified Executives:

	Balance 1 July 2015	Awarded	Exercised	Lapsed	Balance 30 June 2016	Vested	Not Vested	Balance 30 June 2016
Directors								
Sir Tim McClement	-	-	-	-	-	-	-	-
Ken Gaunt	-	-	-	-	-	-	-	-
Jorge Nigaglioni (i)	5,000,000	-	-	-	5,000,000	-	5,000,000	5,000,000
Specified Executives								
Robert Gaunt (i)	1,000,000	-	(1,000,000)	-	-	-	-	-
Caroline Neal (i)	2,000,000	-	-	-	2,000,000	-	2,000,000	2,000,000
Jon Gething (i)	3,000,000	-	-	-	3,000,000	-	3,000,000	3,000,000
Ryan Pettit (i)	1,000,000	-	(1,000,000)	-	-	-	-	-
Ray Wilson (i)	1,000,000	-	(1,000,000)	-	-	-	-	-

	Balance 1 July 2014	Awarded	Exercised	Lapsed	Balance 30 June 2015	Vested	Not Vested	Balance 30 June 2015
Directors								
Sir Tim McClement	-	-	-	-	-	-	-	-
Ken Gaunt	-	-	-	-	-	-	-	-
Jorge Nigaglioni (i)	5,000,000	-	-	-	5,000,000	-	5,000,000	5,000,000
Specified Executives								
Robert Gaunt (i)	-	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000
Caroline Neal (i)	1,000,000	1,000,000	-	-	2,000,000	-	2,000,000	2,000,000
Jon Gething (i)	3,000,000	-	-	-	3,000,000	-	3,000,000	3,000,000
Ryan Pettit (i)	-	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000
Ray Wilson (i)	-	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000

See note 14 for description of terms of these performance share rights.

22) SHARE-BASED PAYMENT PLANS

Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	2016	2015
	\$	\$
Expense arising from equity-settled share-based payment transactions	413,394	330,234
Benefit realised from forfeited equity-settled share-based payment transactions	-	-
Expense arising from cash-settled share-based payment transactions	-	-
Total expense arising from share-based payment transactions	413,394	330,234

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2016 and 2015.

Employee share option plan (ESOP)

All share options granted to employees lapsed during the year ended 30 June 2016. The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Group's shares. Under the ESOP, the exercise price of the options is set at the market price of the shares on the date of grant.

The Group uses a binomial model to calculate the value of options that it recognises in its financial statements.

No share options were issued under the plan during the year.

Performance share plan (PSP)

Performance shares are granted to senior executives to align the long term the participants to the long term interests of shareholders. This plan lapsed during the year ended 30 June 2015. The plan is milestone based with the milestones set out as indicated below:

Performance Shares	Performance Share Milestone	Expiry
Class C	\$100 million market capitalisation	Five years from ASX listing

When a participant ceases employment prior to the vesting of their share options or reaching the performance share milestone, the share options or performance shares are forfeited unless cessation of employment is due to termination initiated by the Group. In the event of a change of control the performance period end date will be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period.

The contractual life of each option is five years. The expiry date of Performance Shares are listed in the table above.

Summaries of shares granted under performance share plan arrangements:

The following table illustrates the number movements in performance shares issued during the year.

	2016 Number	2015 Number
Outstanding at the beginning of the year	-	333,334
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	(333,334)
Outstanding at the end of the year	-	-
Convertible at the end of the year	-	-

The fair value of the Performance Shares Class C has been recognised at \$0.16. The valuation was based on the price of the IPO of \$0.20 and discounted 20% to account for the risk and the escrow period of two years. There are no dividends incorporated into the measurement of fair value and the Performance Shares have no other feature to affect the measurement of fair value.

23) EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

	2016 \$	2015 \$
Employee Entitlements		
The aggregate employee entitlement liability is comprised of :		
Accrued wages, salaries and on costs	13,213	136,867
Provisions (current)	76,519	103,617
Provisions (non- current)	57,016	39,281
	146,748	279,765
No. of Employees: 28 (2015: 28)		

Superannuation Commitments

No specific superannuation fund has been established for staff. As per the requirements of Superannuation Legislation Amendment (Choice of Superannuation Funds) Act 2005, we allow our staff full discretion on selecting their superannuation fund.

The company contributes on behalf of the employees at the superannuation guarantee levels of employee's salaries and wages. The company does not contribute over and above these amounts other than contracted amounts under service contracts of relevant employees.

24) RELATED PARTY DISCLOSURES

(a) The following related party transactions occurred during the financial period:

SIR TIM MCCLEMENT

Sir Tim McClement earned chairman's fees of \$145,503 during 2016. Any other transactions throughout the year relate to reimbursements for expenses incurred by Mr. McClement or his related entities on behalf of the Group.

JORGE NIGAGLIONI

Jorge Nigaglioni earned a salary for his function as Chief Financial Officer of \$180,000 during 2016. Any other transactions throughout the year relate to reimbursements for expenses incurred by Mr. Nigaglioni or his related entities on behalf of the Group.

KEN GAUNT

Ken Gaunt received a salary of \$229,976 plus director fees of \$60,000 paid to Blazzed Pty Ltd. Any other transactions throughout the year relate to reimbursements for expenses incurred by Mr. Gaunt or his related entities on behalf of the Group.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

25) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases and hire purchase contracts, cash, short-term deposits and derivatives.

The Group is exposed to financial risks which arise directly from its operations. The Group has policies and measures in place to manage financial risks encountered by the business.

Primary responsibility for the identification of financial risks rests with the Board. The Board determines policies for the management of financial risks. It is the responsibility of the Chief Financial Officer and senior management to implement the policies set by the Board and for the constant day to day management of the Group's financial risks. The Board reviews these policies on a regular basis to ensure that they continue to address the risks faced by the company.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policy to minimise risk from fluctuations in interest rates is to utilise fixed interest rates in its bank loans, finance leases and hire purchase contracts. Cash and short term deposits are exposed to floating interest rate risks. Analysis is performed on customers' credit rating prior to signing contracts and analysis is performed regularly of credit exposures and aged debt to manage credit and liquidity risk.

The policies in place for managing the financial risks encountered by the company are summarised below.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to variable interest rates is as follows:

	2016 \$	2015 \$
Financial Assets		
Cash and cash equivalents	2,374,023	1,487,957
	2,374,023	1,487,957

The Group's policy is to manage its exposure to movements in interest rates by fixing the interest rate on financial instruments, including bank loans, finance leases and hire purchase liabilities, where possible. In addition, the company utilises a number of financial institutions to obtain the best interest rate possible and to manage its risk. The Group does not enter into interest rate hedges.

The following sensitivity analysis is based on the variable interest rate risk exposures in existence at the reporting date:

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements relating to financial assets and liabilities of floating rates based on management's expectations:

	Post-Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Higher/ (Lower) 2016 \$	Higher/ (Lower) 2015 \$	Higher/ (Lower) 2016 \$	Higher/ (Lower) 2015 \$
Financial Assets				
+0.5% (50 basis points)	11,870	7,440	-	-
-0.5% (50 basis points)	(11,870)	(7,440)	-	-

The periodic effects are determined by relating the hypothetical changes in the floating interest rates to the balance of financial instruments at reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

Foreign currency risk

As a result of operations internationally the Group's Statement of Financial Position can be affected by movements in the various exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the functional currency. The Group's policy is to naturally manage foreign exchange exposure by contracting with customers to receive sales revenue in the currency that the expenses have been incurred. The Group hedged its position against the Brexit vote to lower its cash reserve exposure.

At 30 June 2016, the Group had the following exposure to foreign currency

	2016	2015
	\$	\$
Financial Assets		
Cash and cash equivalents	653,561	446,120
Trade and other receivables	932,580	1,186,857
	<u>1,586,141</u>	<u>1,632,977</u>
Financial Liabilities		
Trade and other payables	853,487	942,076
	<u>853,487</u>	<u>942,076</u>
Net Exposure	<u>732,654</u>	<u>690,901</u>

The Group is primarily exposed to foreign currency risk against the British Pound and the US Dollar. The wholly owned subsidiary Marine Rescue Technologies Ltd operates in British Pounds. The Group has small exposures against the Euro. A sensitivity analysis has been performed based on the foreign currency risk exposures in existence at the Statement of Financial Position date.

	Post-Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Higher/ (Lower)	Higher/ (Lower)	Higher/ (Lower)	Higher/ (Lower)
	2016	2015	2016	2015
	\$	\$	\$	\$
Net Exposure				
5% increase in FX rate	34,888	32,900	-	-
5% decrease in FX rate	(38,561)	(36,363)	-	-

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Publicly available credit information from recognised providers is utilised for this purpose where available.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group has been exposed to credit risk as the top four customers accounted for 28% (2015: 48%) The Group has commenced selling its products and aims to minimise concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers within the resources, energy and infrastructure industries.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chief Financial Officer.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Group only trades with recognised third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to manage the liquidity of the business by monitoring project cash flows and through the use of financing facilities. The Group currently utilises financing facilities in the form of bank loans and hire purchase liabilities. The liquidity of the Group is managed by the company's Finance and Accounting department.

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities as of 30 June 2016.

The remaining contractual maturities of the company's financial liabilities are:

	6 months or less	6 months to 1 year	1 year to 5 years	Total Contractual Cash Flow	Total Carrying Amount
	\$	\$	\$	\$	\$
FINANCIAL LIABILITIES					
Year ended 30 June 2016					
Trade and other payables	1,340,728	-	-	1,340,728	1,340,728
Convertible Notes & Other	2,040,508	1,094,830	-	3,155,722	3,135,338
Hire purchase liability	-	-	2,020	2,020	2,020
Net Maturity	3,381,236	1,094,830	2,020	4,498,470	4,478,086
Year ended 30 June 2015					
Trade and other payables	1,284,657	-	-	1,284,657	1,284,657
Convertible Notes & Other	38,866	974,809	2,000,000	3,123,675	3,013,675
Hire purchase liability	-	-	2,020	2,020	2,020
Net Maturity	1,323,523	974,809	2,002,020	4,410,352	4,300,352

* Contingent consideration has not been included in the table as it will be settled in shares.

Equity price risk

Equity price risk arises from the Group's contingent consideration payable as the fair value reported on the statement of financial position is impacted by the Group's share price on the Australian Stock Exchange.

This has been measured based on the maximum number of shares to be issued at the Group's share price at the date of acquisition. Over the term of the contingent consideration, the amount will be fair valued at each balance date and the movement in fair value recorded through the statement of comprehensive income. For example, if the share price in the Group increases, the value of the contingent consideration will increase, resulting in an increase to the liability reported in the statement of financial position and expense in the statement of comprehensive income.

At 30 June 2016, there was no contingent consideration recorded.

The table below discloses the sensitivities in relation to the impact of a share price movement on the valuation of the embedded derivative. The 3 cent sensitivity is based on a reasonably possible change over a financial year using an observed range of the actual historical share prices of the Group since its listing date.

	Post-Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Higher/ (Lower) 2016 \$	Higher/ (Lower) 2015 \$	Higher/ (Lower) 2016 \$	Higher/ (Lower) 2015 \$
Net Exposure				
3 cent increase in share price	-	-	-	-
3 cent decrease in share price	-	-	-	-

Fair values

The Group's contingent consideration is recorded at its fair value, using the Level 2 basis as described in the Fair Value Hierarchy below.

The Fair Value Hierarchy assigns rankings to the level of judgment which is applied in deriving inputs for valuation techniques used to measure fair value. The three levels of the Fair Value Hierarchy are as follows:

Level 1 is the preferred input for valuation and reflects unadjusted quoted prices in active markets for identical assets or liabilities which the economic entity can access at the end of the reporting period. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 is the valuation of assets and liabilities either directly or indirectly based upon market observables other than quoted prices. For example: financial assets with fair values based on broker quotes; investments in private equity funds with fair values obtained via fund managers; and assets that are valued using the economic entities' own models whereby the majority of assumptions are market observable.

Level 3 relates to inputs that are unobservable. Unobservable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

26) BUSINESS COMBINATIONS

Acquisition of Marine Rescue Technologies Ltd

On 9 June 2011, Mobilarm Limited acquired Marine Rescue Technologies Ltd (MRT), a leader in the design and manufacture of man overboard technology in Europe. Mobilarm acquired 100% of the issued capital of MRT for GBP £1,723,000 (approximately AUD \$2,653,790). The purchase price was split into an initial cash payment of GBP £1,189,000 (approximately AUD \$1,831,316) and a deferred share based compensation of GBP £534,000 (approximately AUD \$822,475).

Reconciliation of Goodwill

	\$
Carrying amount at beginning of financial year	1,924,068
Carrying amount at end of financial year	<u>1,924,068</u>

27) CONTINGENT LIABILITIES

As at reporting date there were no contingent liabilities.

28) SUBSEQUENT EVENTS

The Company repaid \$1,600,000 out of \$2,000,000 in convertible notes due in July and August and entered into new convertible note with a new party for up to a total of \$2,000,000 as of 30 September 2016. The proceeds of the new notes will complete the repayment of the remaining \$400,000 of existing convertible notes due in late October and the remaining balance is to be used for the expansion of the man overboard service business and new product development, as well as potential further investment in Jaxsta through its option agreement. These notes carry an interest rate of 12% and a conversion price of the lower of 4 cents or any future capital transaction during the term of the note. The notes expire on 31 March 2018. The convertible notes are secured by the assets of the Company.

There have been no other events since the end of the financial year that affect the results as at and for the year ended 30 June 2016.

MOBILARM LIMITED
ABN 15 106 513 580

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MOBILARM LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Mobilarm Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

- a. the financial report of Mobilarm Limited is in accordance with the *Corporations Act 2001* including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion the remuneration report of Mobilarm Limited for the year ended 30 June 2016 complies with s 300A of the *Corporations Act 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 2 – Going Concern to the financial report, there is material uncertainty whether the group will be able to pay its debts as and when they fall due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the group not continue as a going concern.

Walker Wayland Audit (WA) Pty Ltd

Walker Wayland Audit (WA) Pty Ltd



JOHN DORAZIO FCA

Director

For and on behalf of

Level 2, 129 Melville Parade

COMO WA 6152

Dated this 30th day of September 2016

SHAREHOLDER INFORMATION

MARKET

Mobilarm Limited ordinary shares are listed on the Australian Stock Exchange (ASX) under the ticker MBO.

SHARE OWNERSHIP

Share capital

The details of the share capital of Mobilarm Limited are presented in note 14 'Contributed Equity' in the financial statements.

Major shareholders

The table on page 8 of this Annual Report presents information pertaining to the shares in Mobilarm Limited held by Directors.

Mobilarm Limited is not directly or indirectly controlled by another corporation or by any government. As described in note 14 'Contributed Equity' in the financial statements, no shareholder possesses voting rights that differ from those attaching to all of Mobilarm Limited's voting securities.

The following table shows holdings of five per cent or more of voting rights in Mobilarm Limited's shares as notified to Mobilarm Limited under the Corporations Act 2001, Section 671B.

Shareholder	Ordinary Shares Held	% Ownership
BLAZZED PL	68,715,026	13.9%
GLENEAGLE SEC NOM PL	65,754,698	13.3%
JUNIOR JAY PL	39,039,731	7.9%
NEWD CORP PL	33,699,409	6.8%

Unmarketable Parcels

The Company has 57 shareholders with unmarketable parcels of 10,000 shares or less, totalling 307,022 ordinary shares.

TOP 20 SHAREHOLDERS
As of 30 September 2016

Shareholder	Ordinary Shares Held	% Ownership
BLAZZED PL	68,715,026	13.9%
GLENEAGLE SEC NOM PL	65,754,698	13.3%
JUNIOR JAY PL	39,039,731	7.9%
NEWD CORP PL	33,699,409	6.8%
DUTCH INK 2010 PL	24,308,406	4.9%
VERHEGGEN MELANIE T	22,029,015	4.3%
UBS NOM PL	16,000,000	3.2%
GREYWOOD HOLDINGS PL	14,820,000	2.8%
VALUE NOM PL	13,472,469	2.7%
TUBBY INV PL	10,660,000	2.2%
HASLER GARY DARREN	7,850,000	1.6%
CITICORP NOM PL	7,232,038	1.6%
SCOTT KURTIS ADAM	6,734,000	1.4%
VERHEGGEN SASHA THERESE	5,274,243	1.1%
VERHEGGEN DAMON	5,274,243	1.1%
STONEFIELD DVLMTS PL	4,333,334	0.9%
GAUNTSWOOD PL	4,000,001	0.8%
ASIANA PROPS LTD	3,984,365	0.8%
K&J SUPER PL	3,570,000	0.7%
N FYFE HLDGS PL	3,404,286	0.7%
Top 20	361,222,140	72.7%
Total	493,119,559	100.0%

Distribution of shareholders and shareholdings as at 30 September 2015

Size of Holding	Shareholder Numbers	%	Share Numbers	%
1-1000	15	2.9%	3,815	0.0%
1001-5000	8	1.5%	27,525	0.0%
5001-10000	33	6.4%	275,682	0.1%
10000-100000	249	48.3%	10,674,608	2.2%
Over 100,000	211	40.9%	482,137,929	97.7%
Total	516	100.0%	493,119,559	100.0%

Registered Address	Shareholder Numbers	%
Australia	482,795,032	97.9%
Hong Kong	3,984,365	0.8%
British Virgin Islands	3,000,000	0.6%
New Zealand	1,977,064	0.4%
United Kingdom	1,010,000	0.2%
United States	287,696	0.1%
Papua New Guinea	65,402	0.0%
Total	493,119,559	100.0%

CORPORATE DIRECTORY

DIRECTORS

Sir Tim McClement	Independent Chairman
Mr. Jorge Nigaglioni	Executive Director
Mr. Ken Gaunt	Executive Director

COMPANY SECRETARY

Mr. David McArthur	Company Secretary
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KEY EXECUTIVES

Mr. Ken Gaunt	Chief Executive Officer
Mr. Jorge Nigaglioni	Chief Financial Officer

REGISTERED OFFICE

2/33 Roberts Street
Osborne Park WA 6017

PRINCIPLE PLACE OF BUSINESS

2/33 Roberts Street
Osborne Park WA 6017

CONTACT DETAILS

Web: www.mobilarm.com
Tel: (08) 9315-3511

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

LAWYERS TO THE COMPANY

Steinepreis Paganin
Level 4, The Reads Building
16 Milligan Street
Perth WA 6000

AUDITORS

Walker Wayland Audit (WA) Pty Ltd
Level 2,
129 Melville Parade
Como WA 6152

BANKERS

National Australia Bank

Mobilarm Limited ordinary shares are listed on the Australian Stock Exchange (ASX) under the ticker MBO.