

# **4C SECURITY SOLUTIONS LIMITED**

**ABN 89 000 029 265**



## **Annual Financial Report**

**for the year ended 30 June 2009**

## Corporate Directory

### 4C Security Solutions Limited

ABN 89 000 029 265

#### Directors

Abdulrahman Falaknaz  
(Chairman, Non Executive Director)

Anastasios Angeloglou  
(Group CEO)

Dr Michael Nissen  
(Non-Executive Director)

Mr Alan N K Kwok  
(Non-Executive Director)

#### Company Secretary

Steven Danielson

#### Registered Office

Level 1, 82 Waterloo Road

North Ryde NSW 2113

Tel: +61 2 8817 2800

Fax: +61 2 8817 2811

Web: [www.FCSsolutions.com](http://www.FCSsolutions.com)

Email: [investors@FCSsolutions.com](mailto:investors@FCSsolutions.com)

#### Bankers

Westpac Banking Corporation

60 Martin Place

Sydney NSW 2000

#### Share Register

Computershare Investor Services Pty Ltd

Level 5, 115 Grenfell Street

Adelaide SA 5000

Tel: +61 8 8236 2300

Fax: +61 8 8236 2305

#### Auditors

Wong & Mayes, Chartered Accountants

Level 16, 309 Kent Street

Sydney NSW 2000

#### Australian Stock Exchange Listing

ASX: FCS

Home exchange Sydney, NSW

## About Us

4C Security Solutions is a leading global provider of integrated security and turn-key solutions.

4C has a world class research and development team, a strong portfolio of proprietary products and, where relevant, sources products through partnerships with leading manufacturers to meet the supply requirements of its customers.

The product portfolio of the Group consists of smart card based access control and biometric solutions and high-end CCTV and surveillance systems, which are installed in more than 3,200 locations globally.

## Notice of Annual General Meeting

The AGM of 4C Security Solutions Limited will be held on 25 November, 2009 at 10:00 am at Killara Inn & Conference Centre located:

480 Pacific Highway

Killara NSW 2071

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## Chairman's Review

**Dear Shareholder,**

Your Company has transformed significantly over the past year.

### **FCS continues operational change**

The restructuring process started in the previous financial year continues with the same intensity and we are at the final stage of reconstruction of the company. Both your CEO and board are committed to keeping the market informed as we reach the end of transformation.

### **A strong and mature product range and a sales-oriented team**

Our company directed all employees' efforts to increase the sales so as to be viable for keeping the company in the security business. We have dedicated sales people with technical backgrounds who achieved the biggest sales volume in the history of the company and they will continue to develop new niches and broadening company brand as reliable a partner to customers.

### **Financial crisis**

During the year the company has been focused on the development of the Middle East region, as a booming economy. Unfortunately the world financial crisis affects our business and we have postponed some projects due to customer requests.

### **Corporate Governance**

Your board firmly believes that there is a link, between exemplary corporate governance and the creation of shareholder value. The Company's corporate governance is managed through the board, and the Chief Executive Officer.

Kind regards,

Abdulrahman Falaknaz  
Chairman

## Group CEO's Report

### Dear Shareholder,

I am pleased to present a review of the 2008 – 2009 financial year, and a short snapshot of company performance

### Year in review

The financial year 2008 – 2009 was a crucial year where, FCS transformed into a result-oriented and sales-driven company.

Your Board installed me as CEO last financial year and this is my first full year, and I'm glad to inform you that the performance achieved was unattained in the past.

We have commenced a full review of international operations, which has already yielded the following positive outcomes:

- A reduced, sustainable operating structure for 4C Security Solutions Limited and its subsidiaries;
- Shared services are now provided largely by the Australian office to subsidiaries, allowing us to achieve greater time efficiencies, and economies of scale with our purchasing;
- Our sales and marketing team has been decentralized, and skilled staff is working to secure bigger share of the world's biggest markets;
- Implementation of our revised sales strategy – selling through distribution channels, while maintaining our existing relationships with large government and integration customers; and
- We have commenced our evolution to a turn-key security solutions provider, which will allow us to bid on larger sections of each project.

Furthermore, we have prioritized sales to the world's biggest security markets, particularly the Middle East and the United States. These access control and surveillance markets are significant and growing.

While evidence of these initiatives started to show during the final quarter of the 2008 – 2009 financial

year, we expect the initiatives designed around, increasing sales and reducing operating costs will be reflected in the coming financial year.

### FCS technology

During the year, FCS has acted on market feedback to further enhance the capabilities of its SmaX solution.

We now have several successful SmaX case studies, including major flagship sites in the distribution and health care sectors.

Sales of the new version of SmaX with a TCP/IP enabled Single Door Controller are expected to pay off during the coming financial year, as this new system provides greater flexibility to a broader range of customers.

We continue to provide customized development of our reader range, based on customer demand, while focusing on maintenance of our core group of products and solutions.

### Board, management and staff

During the year we have optimized staff skills and achieved a simple operational linear structure allowing for fast decision-making process.

### Anastasios Angeloglou

Group CEO

## Directors' Report

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### Mr Abdulrahman Falaknaz, Chairman

Mr Abdulrahman Falaknaz is a prominent businessman in Dubai and the President of Falak Holding LLC.

Falak Holding LLC is a diversified group involved in many business activities in Dubai, the Arabian Gulf, and with investments in Canada, Turkey, India, the Far East and Australia. Falak Holding LLC has subsidiaries across a range of sectors, including real estate, fashion and jewellery boutiques, exhibition planning, mobile retail outlets and more.

Mr Falaknaz is one of the three partners building the Dubai Sports City, a multi-billion dollar real estate and sports facility development currently under construction.

Mr Falaknaz is an executive of various United Arab Emirates Sports Federations. He is a member of the UAE Olympic Committee, President of the Dubai Cricket Council, Vice-President of the UAE Emirates Cricket Board, Vice-President of the UAE Tennis Association, Board Member of the UAE National Olympic Association, and Director of Finance of the UAE National Olympic Association.

Mr Falaknaz is the Chairman of 4C Security Solutions Limited and a Non Executive Director of Boulder Steel Limited.



### Mr Anastasios Angeloglou, Chief Executive Officer

Prior to his appointment to the position of Group CEO in March, 2008, Mr Angeloglou previously served as CEO of OTE International Solutions ("OTEGlobe") and Chief Officer of Wholesale Services for Hellenic Telecommunications Organisation S.A. (NYSE: "OTE").

Before his tenure with OTE Group, Mr Angeloglou between 1996 to 2000 was CEO of Global One Communications Hellas S.A., the joint venture of France Telecom, Deutsche Telekom & US Sprint, now France Telecom.

Between 1991 and 1996, he held senior positions with Infonet Services Corporation Ltd. responsible for the company's sales in European, M.East & Africa, and global business development. Between 1985 and 1991, he held telecommunications engineering and project management positions with Exxon Chemical International Ltd., S.I.T.A., and Philips International B.V.

Mr Angeloglou was born in 1959 in Greece and he is a graduate of London University, with postgraduate studies in Wales and Belgium, in the fields of Computer Science & Mathematics, and Networks Systems Engineering.

Mr Angeloglou holds no positions on boards of other Australian listed companies.



### Mr Allan Kwok, Non Executive Director

Mr. Kwok is a chartered accountant and for over 30 years was a partner in a Sydney firm of chartered accountants. He is now the principal of Powell Kwok & Co., a firm of business consultants and chartered accountants.

He has a broad experience in areas including international trade, finance and investment. He is a director of a number of unlisted companies, which have substantial investments both in Australia and overseas and was appointed a director of the Company on 26 November 2002.



Mr Kwok is a fellow of the Institute of Chartered Accountants (FCA); a fellow of the Taxation Institute of Australia (FTIA) and a

## Directors' Report (Cont.)

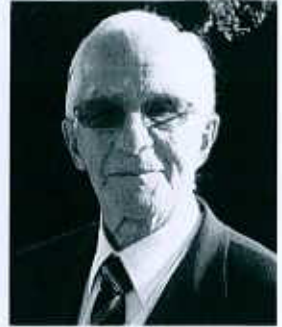
member of the Australian Chartered Institute of Secretaries.

Mr Kwok holds no positions on boards of other Australian listed companies.

### **Dr Michael Nissen, Non Executive Director**

Dr Michael Nissen obtained his Bachelor of Medicine and Bachelor of Surgery degrees, from the University of Melbourne. He is a fellow of the Royal Australian College of General Practitioners and a member of the Royal College of Physicians of the United Kingdom.

From 1970 – 1984 he was the Medical Superintendent of Montefiore Home for the Aged. From 1974 – 1997 he was the Managing Director and Chief Executive Officer of Cedar Court Rehabilitation Hospital Camberwell.



From 1997 – 2000 he was Chairman of Cedar Court Health South Rehabilitation Hospital and Director of Corporate Development for Australasia. He was also the Chairman of the Victorian Rehabilitation Research Institute and in 2000 – 2001 was Chairman of the Mornington Peninsula Hospice Building Appeal.

Dr Nissen holds a Bachelor of Medicine/Bachelor of Surgery; a Diploma of Membership of the Royal Colleges of Physicians in the United Kingdom and is a Fellow of the Royal College of General Practitioners.

Dr Nissen holds no positions on boards of other Australian listed companies.

### **Company Secretary**

The Company Secretary is Mr Steven Danielson FCA, BBS, who was appointed in November 2008. He has extensive experience as company secretary of ASX listed companies.

## Directors' Report (Cont.)

### Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of 4C Security Solutions Limited were:

	Ordinary Shares	Options over Ordinary Shares
A R A Falaknaz	8,571,429	714,286
A Angeloglou	Nil	714,286
M I Nissen	1,307,143	1,428,572
A N K Kwok	80,323	1,428,572

### DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year.

### NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities during the year, of entities within the consolidated entity were the investment, development and marketing of smart card based security access control systems.

There have been no significant changes in the nature of those activities during the year.

### EMPLOYEES

The consolidated entity employed 16 employees as at 30 June 2009 (2008: 20 employees).

### REVIEW AND RESULTS OF OPERATIONS

#### Background

On 11 July 2008 the Company implemented a 7 for 1 capital consolidation of all the shares and options on issue at that date.

- 4C Controls Inc invested \$680,000 to acquire 3,400,000 pre-consolidation shares (485,715 post consolidation shares) and \$2,320,000 to acquire 11,600,000 post-consolidation shares in the Company.
- On 22 September 2008, listed options with ASX at an exercise price of 10 cents and expiry date of 31 December 2013 were issued under the terms of the SPA to:
  - 4C Controls Inc 9,500,000
  - **Financial Advisors**
  - Prime Asset Finance Ltd 12,214,286
  - Arimathea Limited 4,500,000
- In addition, 714,286 unlisted options with an exercise price of 10 Cents and expiry date of 31 December 2013 were issued to each of the following directors.
  - A Falaknaz
  - A Angeloglou
  - M Nissen
  - A Kwok

These options have a performance hurdles whereby the exercised date is conditional on the later of the fund anniversary of the allotment date and when the five day weighted average of the Company's share price on ASX reached \$1.75.



## Directors' Report (Cont.)

### Operating Results for the Period

The consolidated loss of the economic entity after providing for income tax amounted \$3,699,530 to (2008: Loss \$13,690,506). The loss is primarily due to a lot of restructuring and downsizing the personnel which incurred payments of employee entitlements.

For the first time in history one of the overseas branches posted a positive result – UK operations has \$106 107 profit

### Sales Revenues

Sales revenue for the year increased to \$4,542,233 compared to the previous corresponding period (2008 \$3,952,179). This growth was affected by a number of factors, including general economy downturn and the need to establish new sales channels,

Sales of activity in UK separated Middle East region in a new branches which was a primary reason for decreasing sale volume.

As new branch BQT Solutions Ltd UAE achieved a \$1,199,431 turnover and continue to develop the region

In the 2008-2009 financial year, we continue to emphasize our efforts into the strategies started in previous financial year namely:

- We have placed emphasis on setting up, training and supporting distribution channels. We now have distributors in two of our four major markets, and plan to set up similar channels in the USA and Europe to assist with sales to the tier two and three customers.
- We are focusing on the provision of turn-key solutions – integrating our SmaX access control system and other key technologies with applications such as time and attendance; lift control; CCTV, etc, and providing our team the opportunity to bid on larger sections of each project.

### Expenses

The management decided to expense \$1,520,500 intellectual property costs which were capitalised in previous years.

The operating expenses for the financial year were decreased significantly as a result of the measures taken from the management and imposed strict financial discipline.

The group continues to invest in the satellite business and the management believe, that this will be paid off in the future.

### Private Placement Activities

The Company made private placements to sophisticated investors, raising \$3,025,000 during the year (before capital raising costs).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from the issues of shares and options, as set out in Note 12 of the financial statements, in the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

After 30 June 2009 the following significant events have occurred.

In July 2009, the Company entered into an Convertible Loan Agreement with Pandon Holdings Pte Limited for unsecured loan for 190 000 AUD and establishment fee 10 000 AUD.

An Extraordinary General Meeting of the Company will be held, on 30 September 2009 seeking approval for private placement of 1.2 mil. AUD, to sophisticated investors.

## Directors' Report (Cont.)

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments, future prospects and business strategies & expected result have not been included in this report as the directors believe on reasonable grounds that the inclusion of such information would be likely to result in unreasonable prejudice to the economic entity.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Company has paid insurance premiums to insure certain officers of the Company. Officers of the Company include all of the Company's directors and secretary. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or related body corporate, other than conduct involving a willful breach of duty in relation to the Company.

### DIRECTORS AND SENIOR EXECUTIVES REMUNERATION

#### REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of 4C Security Solutions Limited

#### Remuneration Policy

The remuneration policy of 4C Security Solutions Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of 4C Security Solutions Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the economic entity, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for the executive director, was developed by and approved by the board after seeking professional advice from independent external consultants.

All remuneration paid to directors is valued at the cost to the company and expensed. Shares given to directors are valued as the difference between the market price of those shares and the amount paid by the directors. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

#### Company Performance, Shareholder Wealth and Directors' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors. The method applied in achieving this aim, being the issue of options to the majority of directors to encourage the alignment of personal and shareholder interests.

Details of the nature and amount of each major element of the remuneration of each director of the Company are as follows:

2009	Salary/fees	Other benefits	Options issued	Superannuation	TOTAL
<b>Directors-Non executive</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
A R Falaknaz	-	-	4,151	-	4,151
A N K Kwok	15,000	-	4,151	-	19,151
M I Nissen	15,000	-	4,151	-	19,151
<b>Directors-Executive</b>					
A Angeloglou	348,061	6,750	4,151	-	358,962

## 4C Security Solutions Limited - Annual Report

### Directors' Report (Cont.)

2009	Salary/fees	Other benefits	Options issued	Superannuation	TOTAL
<b>Directors-Non executive</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
I J Murray (1/7/07 – 1/2/08)	45,000	-	110,250	-	155,250
A N K Kwok	30,000	-	110,250	-	140,250
M I Nissen	30,000	-	110,250	-	140,250
A R Falaknaz	-	-	-	-	-
M H Sherreff Rehman (4/12/07-10/4/08)	-	-	-	-	-
R G Nissen (25/4/08- 12/6/08)	-	-	-	-	-
<b>Director-Executive</b>					
J Genner (1/7/07 – 5/3/08)	299,049	-	110,250	-	409,299
A Angeloglou (6/3/08 – 30/6/08)	166,033	8,879	-	181,783	356,695

In view of the small size and flat corporate structure of the company and the economic entity, all management decisions are currently taken by the Managing Director and the non-executive directors.

On 22 September 2008 741,286 options having exercise price of 10 Cents and expiry date of 31 December 2013 (with 12 month and \$1.75 share price hurdle) were issued to A Falaknaz, A Angeloglou, M Nissen and A Kwok. In addition, in the case of A Kwok and M Nissen, all their current options have had the expiry date shortened to 31 December 2008.

## DIRECTORS AND SENIOR EXECUTIVES REMUNERATION

### Employment Contracts of Directors

**Anastasios Angeloglou (current Chief Executive Officer/Director)** – a summary of key terms of his employment agreement are set out below.

#### a. Duration of the Contract

Mr Angeloglou has been appointed for a period of three years and he will be based in Dubai, UAE.

#### b. Remuneration

- (i) Fixed Remuneration – Mr Angeleglou will receive a base salary of 250,000 Euro per year (net of all taxes and charges).
- (ii) Contributions to pension fund – an amount of 108,000 Euro will be paid for each of the first two years and 35,000 Euro for the third year of his service into his nominated Pension Fund in Greece. These amounts are payable at the start of each year.
- (iii) Annual Bonus – an annual bonus of 50% of his base salary will be granted on the basis of his obtaining the performance benchmarks.
- (iv) Other benefits – in recognition of Mr Angeloglou's relocation to Dubai, subject to the provisioning of evidence of expenditure to the Company, he will be provided with assistance with housing, education of his child and with an appropriate motor vehicle.

#### c. Termination

Mr Angeloglou's employment may be terminated by giving not less than six months notice and making a payment of all salary, pension and expense allowances from the date of termination through to the date of expiration of the original three year term.

#### d. Non-competition

For 12 months after termination of the CEO will not be employed or engaged, directly or indirectly in any business in Australia, Italy or the USA in competition with the Group.

## 4C Security Solutions Limited - Annual Report

### Directors' Report (Cont.)

Mr Angeleglou must not, for 12 months following termination, solicit any customer of the Group or approach any staff for the purpose of inducing them to terminate their employment with the Group.

On 05.02.2009 the management contract with Mr. Anastasios Angeloglou was terminated and was signed a new agreement with a fixed remuneration of \$ 15 600 per month.

#### OPTIONS

At the date of this report, the unissued ordinary shares of 4C Security Solutions Limited under option are as follows:

Date of Expiry	Exercise Price(\$)	Number under Option
30/11/10	1.75	3,060,728
23/11/09	2.10	1,135,723
30/09/09	0.56 (ASX listed)	19,097,167
20/11/09	0.525	183,335
31/12/13	0.10 (ASX listed)	26,714,286
31/12/13	0.10	<u>2,857,144</u>
		<u>53,048,383</u>

#### DIRECTORS AND SENIOR EXECUTIVES REMUNERATION (Cont.)

During the year ended 30 June 2009, no ordinary shares of 4C Security Solutions Limited were issued on the exercise of options granted under the 4C Security Solutions Limited Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

#### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

#### NON AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

	\$
R&D grant consulting services	29,287
	<u>29,287</u>

#### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 13 of the financial report.

## Directors' Report (Cont.)

### DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Director's Meetings/(Eligible to Attend)	Audit Committee Meetings
Number of meetings held:		
Number of meetings attended:		
A R Falaknaz	0 / (6)	-
A Angeloglou	6 / (6)	-
M I Nissen	6 / (6)	1
A N K Kwok	6 / (6)	1

Signed in accordance with a resolution of the directors.



A Angeloglou

Director

Sydney 30 September 2009

## **Auditor's Independence Declaration**

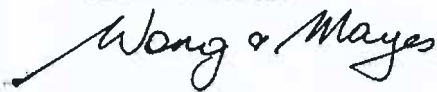

Under Section 307C of the Corporations Act 2001

To the Directors of 4C Security Solutions Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- i. No contraventions of the auditors independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

Wong & Mayes  
Chartered Accountants

Martin G Thompson  
12 October 2009

## Corporate Governance Statement

The board of directors of 4C Security Solutions Limited is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of 4C Security Solutions Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure 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.

### Composition of the Board

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise at least four directors and should maintain a majority of non-executive directors;
- the chairperson must be a non-executive director;
- the board should comprise directors with an appropriate range of qualifications and expertise; and
- the board shall meet at least bi-monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

<b>Name</b>	<b>Position</b>
A Falaknaz	Non-Executive Chairman
A Angeloglou	Managing Director
M I Nissen	Non-Executive Director
A N K Kwok	Non-Executive Director

### Audit Committee

The board has established an audit committee which operates under a charter approved by the board. 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. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.

The audit committee is also responsible for:

Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

### Board Responsibilities

As the board acts on behalf of and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by the board to the managing director. The board ensures that he is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the managing director and his staff.

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, these mechanisms include the following:

- board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the strategic plan is a dynamic document and the board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operating plans and budgets by management and board monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense;

## Corporate Governance Statement (Cont.)

### Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

The board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half yearly report distributed to all shareholders; and
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate.

### ASX Corporate Governance Principles

The directors of 4C Security Solutions Ltd support the principles of the ASX Corporate Governance Guidelines. To date, due to the size of the company the Board has not formally adopted all policies or guidelines required for compliance with the ASX's guidelines.

#### Principle 1 – Lay Sound Foundations for Management and Oversight

Due to its size the company has not as yet formalised and disclosed the functions reserved for the board and management but they plan to do so this year when the company grows.

#### Principle 2 – Structure the Board to Add Value

The Board currently includes three independent directors one of whom is the Chairman. Information on the experience and competencies are included in the Annual Report. The company will seek during the year to establish a remuneration committee, which due to the company's size has not as yet been done.

#### Principle 3 – Promote Ethical and Responsible Decision-Making

Due to its size the company has not established formal Ethical guidelines.

#### Principle 4 – Safeguard Integrity in Financial Reporting

An audit committee was established on 4 June 2003 being made up of the non-executive members of the Board. The structure consists of only non-executive directors who are independent and the chairman is not chairman of the board.

#### Principle 5 – Make Timely and Balanced Disclosure

The Directors have always adhered to the principles of continuous disclosure. Written policies and procedures designed to ensure compliance will be introduced during the year once the company grows to a sufficient level.

#### Principle 6 – Respect the Rights of Shareholders

The company believes that it adequately communicates relevant information to all shareholders on a timely basis. The company encourages shareholder participation at shareholder meetings. The external auditor is requested to attend the annual general meeting to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

#### Principle 7 – Recognise and Manage Risk

The Directors are aware of the need to identify and manage risk, no formal policies or procedures have been established to date, given the size of the company. The chief executive officer and the chief financial officer (or equivalent) should state to the board in writing that the statement given in accordance with best practice concerning the integrity of the financial statements and is founded on a sound system of risk management and internal compliance and controls which implement the policies adopted by the board; the statement also should confirm that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.



## Corporate Governance Statement (Cont.)

### **Principle 8 – Encourage Enhanced Performance**

Formal performance evaluation criteria and processes will be established in the future. Given the current size and direction of the company this was not formally introduced during the year.

### **Principle 9 – Remunerate Fairly and Responsibly**

Remuneration of the Company's Directors has been disclosed in the Annual Report. Due to its size no formal structure for the remuneration of Directors has been established as yet but the company plans to do so when appropriate

### **Principle 10 – Recognise the Legitimate Interests of Stakeholders**

The Directors recognise the importance of compliance with legal and other obligations. The directors believe they, together with their advisors, have the necessary experience to ensure these interests are protected.

## Income Statement

YEAR ENDED 30 JUNE 2009	Notes	CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>	2	<b>4,566,866</b>	4,114,047	<b>295,163</b>	150,621
Depreciation and amortisation expenses	3(a)	(1,658,581)	(4,106,276)	(1,520,500)	(2,432,752)
Borrowing costs expense	3(a)	(1,652)	(2,632)	(1,211)	(2,632)
Provision for diminution of investment			-	-	-
Salaries and employee benefits expense		(2,511,836)	(3,463,526)	(113,570)	(773,608)
Foreign exchange gain/(loss)	3(b)	(11,154)	-	5,265	-
Other expenses from ordinary activities	3(c)	(4,456,336)	(10,232,119)	(1,530,826)	(5,061,633)
<b>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>(4,072,693)</b>	(13,690,506)	<b>(2,865,679)</b>	(8,120,004)
<b>INCOME TAX (EXPENSE)/CREDIT</b>			-		-
<b>RESEARCH AND DEVELOPMENT GRANT</b>		<b>356,557</b>	-		-
<b>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>		<b>(3,716,136)</b>	(13,690,506)	<b>(2,865,679)</b>	(8,120,004)
<b>NET PROFIT/(LOSS)</b>		<b>(3,716,136)</b>	(13,690,506)	<b>(2,865,679)</b>	(8,120,004)
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF 4C SECURITY SOLUTIONS LIMITED</b>	14	<b>(3,716,136)</b>	(13,690,506)	<b>(2,865,679)</b>	(8,120,004)
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF 4C SECURITY SOLUTIONS LIMITED</b>		<b>(3,716,136)</b>	(13,690,506)	<b>(2,865,679)</b>	(8,120,004)
<b>EARNINGS PER SHARE</b>	19				
Basic		<b>(5.7 cents)</b>	(3.8 cents)		
Diluted		<b>(5.7 cents)</b>	(3.8 cents)		

The Income Statement is to be read in conjunction with the Notes to the Financial Statements.

## Balance Sheet

AS AT 30 JUNE 2009

	Notes	CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets		191,713	106,892	2,775	76,974
Receivables	4	812,872	804,214	131,232	22,383,636
Inventories	5	954,804	1,159,878	-	-
Other assets	4	205,230		41,022	-
<b>TOTAL CURRENT ASSETS</b>		<b>2,164,619</b>	<b>2,070,984</b>	<b>175,029</b>	<b>22,460,610</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	6(a)	99,352	-	24,633,168	3,095,760
Property, plant and equipment	7	278,363	273,124	-	-
Intangible assets	8	-	1,520,500	-	-
Other assets	8(c)	145,155	184,655	33,544	184,655
<b>TOTAL NON-CURRENT ASSETS</b>		<b>522,870</b>	<b>1,978,279</b>	<b>24,666,712</b>	<b>3,280,415</b>
<b>TOTAL ASSETS</b>		<b>2,687,489</b>	<b>4,049,263</b>	<b>24,841,741</b>	<b>25,741,025</b>
<b>CURRENT LIABILITIES</b>					
Payables	9	1,401,933	1,686,776	289,085	796,590
Other financial liabilities		125,612	-	-	-
Tax payables		107,990		43,212	
Provisions	11	134,464	361,549	48,022	249,973
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,769,999</b>	<b>2,048,325</b>	<b>380,319</b>	<b>1,046,563</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions		-	87,668	-	87,668
<b>TOTAL NON-CURRENT LIABILITIES</b>			<b>87,668</b>		<b>87,668</b>
<b>TOTAL LIABILITIES</b>		<b>1,769,999</b>	<b>2,135,993</b>	<b>380,319</b>	<b>1,134,231</b>
<b>NET ASSETS</b>		<b>917,490</b>	<b>1,913,270</b>	<b>24,461,422</b>	<b>24,606,794</b>
<b>EQUITY</b>					
Contributed equity	12	58,087,501	55,383,751	58,087,501	55,383,751
Reserves	13	24,307,944	24,291,338	24,307,944	24,291,338
Accumulated losses	14	(81,477,955)	(77,761,819)	(57,934,023)	(55,068,295)
Parent entity interest		917,490	1,913,270	24,461,422	24,606,794
Outside equity interest				-	-
<b>TOTAL EQUITY</b>		<b>917,490</b>	<b>1,913,270</b>	<b>24,461,422</b>	<b>24,606,794</b>

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements.

## Cash Flow Statement

YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		5,452,677	4,729,918	137,490	-
Payments to suppliers and employees		(8,280,272)	(12,223,533)	(2,831,053)	(3,550,456)
Interest Paid		(1,460)	(2,632)	(1,211)	(2,633)
Interest received		16,177	157,931	16,177	145,684
Other Income		274,688	363,825	-	3,937
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		<b>(2,538,190)</b>	<b>(6,974,491)</b>	<b>(2,678,597)</b>	<b>(3,403,468)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of plant and equipment			57,568		-
Plant and Equipment acquired		(107,000)	(71,015)		-
Equity investment		(99,352)	-	(99,352)	(4,410,487)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		<b>(206,352)</b>	<b>(13,447)</b>	<b>(99,352)</b>	<b>(4,410,487)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issues of ordinary shares		3,025,000	1,954,400	3,025,000	1,954,400
Cost of capital raising		(321,250)	-	(321,250)	-
Loan received		125,612	-		-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		<b>2,829,362</b>	<b>1,954,400</b>	<b>2,703,750</b>	<b>1,954,400</b>
NET INCREASE/(DECREASE) IN CASH HELD		<b>84,821</b>	<b>(5,033,538)</b>	<b>(74,199)</b>	<b>(4,859,555)</b>
Add opening cash brought forward		106,892	5,140,430	76,974	4,936,529
<b>CLOSING CASH CARRIED FORWARD</b>		<b>191,713</b>	<b>106,892</b>	<b>2,775</b>	<b>76,974</b>

The Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements.

## 4C Security Solutions Limited - Annual Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Accounting Standards, Urgent Issues Group Consensus Views other authoritative pronouncements of the AASB and the Corporations Act 2001. The financial report has been prepared on the accrual basis and is in accordance with the historical cost convention, except for certain assets which as noted are at revaluation. The accounting policies adopted are consistent with previous years.

#### (b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising 4C Security Solutions Limited (the parent entity) and all entities which 4C Security Solutions Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

#### (c) Foreign currencies

##### *Translation of foreign currency transactions*

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

#### (d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

#### (e) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

#### (f) Investments

Listed shares held for trading are carried at net market value. Changes in net market value are recognised as a revenue or expense in the Income statement for the period.

#### (g) Inventories

##### *Manufacturing and maintenance*

Inventories are valued at the lower of cost and net realisable value.

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

- Raw materials - purchase cost on a first-in-first-out basis; and
- Finished goods and work-in-progress - cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

#### (h) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down.

## 4C Security Solutions Limited - Annual Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (i) Property, plant and equipment

All classes of property, plant and equipment are measured at cost.

##### *Depreciation*

Depreciation is provided on a straight line basis on all property, plant and equipment.

Major depreciation rates are:	2009	2008
Leased motor vehicles:	22.5%	22.5%
Motor vehicles:	22.5%	22.5%
Plant and equipment:	10-30%	10-30%

#### (j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

##### *Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

##### *Finance leases*

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Income Statement.

#### (k) Intangibles

##### *Goodwill*

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets assigned at the time of acquisition of a business or shares in a controlled entity. The capitalized amount is subject to an annual impairment under the IFRS adoption.

#### (l) Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Consolidated Entity has sufficient resources to complete development.

The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortization and impairment losses.

#### (m) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

## 4C Security Solutions Limited - Annual Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (n) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, if it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

#### (o) Contributed equity

Issued and paid up capital is recognized at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognized directly in equity as a reduction of the share proceeds received.

#### (p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Sale of Goods*

Control of the goods has passed to the buyer.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

##### *Interest*

Control of the right to receive the interest payment.

#### (q) Taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

##### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

#### (r) Employee entitlements

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employee's services provided to reporting date, calculated at undiscounted amounts based on remuneration, wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs such as worker's compensation insurance premiums and payroll tax (if applicable).

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

## 4C Security Solutions Limited - Annual Report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (s) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### (t) Convertible notes

Convertible notes are recognized when issued at the amount of the net proceeds received. Interest on the notes is recognized in the income statement as an expense. Convertible notes are treated as compound financial instruments where there is an obligation to make scheduled payments of interest and principal as long as the instrument is not converted, and there is also an option, held by the holder, to convert the note into equity.

#### (u) Going concern inherent uncertainty

Notwithstanding the previous losses made by the company, the financial statements have been prepared assuming the company will continue as a going concern. To enable the company to continue as a going concern and be able to realise assets and discharge liabilities in the normal course of business, the company may need to secure financing from sources which may include proceeds from the placement of shares in the capital of the company.

#### (v) Foreign controlled entities

The financial statements of foreign controlled entities have been translated using the temporal method. Under this method, monetary assets and liabilities are translated into Australian currency at the rate of exchange current at balance date, while revenue and expense items are translated at the average of rates ruling during the year and non-monetary assets and liabilities are translated at their historic rate. Exchange differences arising on translation are brought to account in the income statement in the period in which they arise.



## 4C Security Solutions Limited - Annual Report

### 2. REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Revenues from operating activities</b>				
Sale of goods	4,542,233	3,952,179	278,987	-
Total revenues from operating activities	4,542,233	3,952,179	278,987	-
<b>Revenues from non-operating activities</b>				
Interest - other persons/corporations	24,633	157,921	16,177	146,684
Other income	-	3,947	-	3,937
Total revenues from non-operating activities	24,633	161,868	16,177	150,621
<b>Total revenues</b>	<b>4,566,866</b>	<b>4,114,047</b>	<b>295,164</b>	<b>150,621</b>

### 3. PROFIT FROM ORDINARY ACTIVITIES

#### (a) Expenses

Depreciation of non-current assets				
Office lease fitout				-
Plant and equipment	138,081	135,780	-	4,721
Plant and equipment under HP				-
Total depreciation of non-current assets	138,081	135,780	-	4,721
<b>Significant expenses- The following expense is significant in explaining the financial performance of the Company</b>		135,780		
Impairment of non-current assets				
Research and Development	-	1,542,465	-	-
Intellectual property acquired	1,520,500	2,428,031	1,520,500	2,428,031
Total amortisation of non-current assets	1,520,500	3,970,496	1,520,500	2,428,031
<b>Total depreciation and impairment expenses</b>	<b>1,658,581</b>	<b>4,106,276</b>	<b>1,520,500</b>	<b>2,432,752</b>
Borrowing costs expensed				
Interest expense	1,652	2,632	1,211	2,632
Provision for diminution of investments	-	-	-	-

#### (b) Revenues

Net foreign currency (gains)/losses	(11,154)	-	5,265	-
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## 4C Security Solutions Limited - Annual Report

### 3. PROFIT FROM ORDINARY ACTIVITIES (Cont.)

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>(c) Specific items</b>				
Profit from ordinary activities before income tax expense includes the following specific revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:				
Cost of goods sold	1,898,739	1,902,114	175,813	-
Consulting fees	412,429	2,845,940	131,556	1,528,470
Corporate expenses	746,072	1,286,221	726,710	272,046
Communication expenses	167,615	104,609	256	21,237
Office expenses	299,408	993,320		342,476
Provision for obsolescence		371,541		-
Loss on disposal of fixed assets		-		-
Marketing expenses	716,782	414,823	304,043	-
Share based payment and expenses	16,604	999,600	16,604	999,600
Provision for non-recovery of loans	171,132	-	171,132	1,520,593
Other expenses	27,555	1,313,951	4,712	377,211
Total other expenses from ordinary activities	4,456,336	10,232,119	1,530,826	5,061,633

### 4. RECEIVABLES (CURRENT)

Trade debtors	4(i)	1,045,566	961,525	131,232	-
Provision for doubtful debts		(232,694)	(244,365)	-	-
		812,872	717,160	131,232	-
Goods and Services Tax receivable			-		-
Other receivables & prepayments	4(ii)	205,508	87,054	41,022	-
Related parties – Travel advances to directors			-		-
Amounts receivable from owned subsidiaries					
– Loan (4C Security Solutions Holdings Limited)	4 (iii)			2,964,785	2,964,785
– Loan (4C Security Solutions (Australia) Pty Ltd)	4 (iii)			19,876,460	19,418,851
– Loan (4C Satellites Ltd)	4 (iii)			693,659	609,432
– Loan (4C Security Solutions (UAE) LLC)	4 (iii)			952,108	911,161
(Less) provision for non-recovery				(1,691,726)	(1,520,593)
				22,795,286	22,383,636

#### Terms and conditions

- (i) Trade debtors are non-interest bearing.
- (ii) Other receivables are non-interest bearing and have repayment terms between 1 and 90 days.
- (iii) The Parent Company has agreed not to seek repayment of the amounts due by its controlled entities until the profitability and financial resources of those entities permit.

### 5. INVENTORIES (CURRENT)

#### Raw materials and stores

Direct materials at cost	518,030	582,444	-	-
Finished Goods	436,774	577,434	-	-
Total inventories at cost.	954,804	1,159,878	-	-

## 4C Security Solutions Limited - Annual Report

### 6. OTHER FINANCIAL ASSETS (NON CURRENT)

#### (a) Interests in subsidiaries

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Parent Entity	
		2009	2008	2009	2008
		%	%	\$	\$
Parent entity:					
4C Security Solutions Ltd	Australia				
Controlled entities:					
4C Security Solutions Holdings Ltd	UK	100	100	14,445,741	14,445,741
4C Security Solutions UK Ltd	UK	100	100	-	-
4C Security Solutions (Australia) Pty Ltd	Australia	100	100	-	-
Banque-Technology Systems Inc	USA	100	100	-	-
4C Satellites Ltd		60	60	60	60
4C Security Solutions (UAE) LLC		49	49	99,291	99,291
BP Space SPA #	Italy	45	45	99,352	-
				14,644,444	14,545,092
<b>(Less) provision for diminution</b>				<b>(12,969,832)</b>	<b>(11,449,332)</b>
				<b>1,674,612</b>	<b>3,095,760</b>

#### (b) Interests in associate companies

The group consolidates fully results of BQT Solutions UAE Ltd as the Management exercise full control over operations of the entity. The remaining portion of the equity is not paid by the other shareholder

Euro Forming Services GmbH**	2.5	2.5	-	-
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\*\* the Company has an informal agreement with Boulder Steel Ltd for an 2.5% interest in this German company which produces steel products for the automotive industry

# Not audited by the parent entity's auditors

#### (c) Other assets

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Security Deposit	26,305	184,655	26,305	184,655

#### 4C Security Solutions Limited - Annual Report

#### 7. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Plant & equipment				
At cost	725,082	725,082	56,536	56,536
Accumulated depreciation	(572,794)	(488,779)	(56,536)	(56,536)
	<u>152,288</u>	<u>236,303</u>	<u>-</u>	<u>-</u>
Motor Vehicle				
At cost	138,691	-	-	-
Accumulated depreciation	(34,673)	-	-	-
	<u>104,018</u>	<u>-</u>	<u>-</u>	<u>-</u>
Furniture, fixtures and fittings				
At cost	81,918	81,918	-	-
Accumulated depreciation	(59,861)	(45,097)	-	-
Total furniture, fixtures and fittings	<u>22,057</u>	<u>36,821</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>278,363</u>	<u>215,124</u>	<u>-</u>	<u>-</u>
Cost	945,691	807,000	56,536	56,536
Under lease	-	-	-	-
	<u>945,691</u>	<u>807,000</u>	<u>56,536</u>	<u>56,536</u>
Accumulated depreciation and amortisation	(669,328)	(533,876)	(56,536)	(56,536)
Total written down amount	<u>278,363</u>	<u>273,124</u>	<u>-</u>	<u>-</u>

#### Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment are set out below:

#### Plant and Equipment

Carrying amount at beginning of year	725,082	297,066	-	-
Additions (Disposals)	-	38,890	-	-
Depreciation	(572,278)	(99,653)	-	-
<b>Carrying amount at end of year</b>	<u>152,794</u>	<u>236,303</u>	<u>-</u>	<u>-</u>

#### Motor Vehicles

Carrying amount at beginning of year	-	-	-	-
Additions	138,691	-	-	-
Disposals	-	-	-	-
Depreciation	(34,673)	-	-	-
<b>Carrying amount at end of year</b>	<u>104,018</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Furniture, Fixtures and fittings

Carrying amount at beginning of year	272,919	272,919	209,209	209,209
Additions	-	-	-	-
Relinquishment of Fitout	(165,909)	(165,909)	-	(165,909)
Depreciation/Amortisation	(84,953)	(70,190)	(209,209)	(43,301)
<b>Carrying amount at end of year</b>	<u>22,057</u>	<u>36,821</u>	<u>-</u>	<u>-</u>

#### 8. INTANGIBLES

Goodwill - deemed cost	16,984,768	16,984,768	-	-
Less: Accumulated amortisation	(16,984,768)	(15,464,268)	-	-
	-	1,520,500	-	-
Research and development	2,929,666	2,929,666	-	-
Less: Accumulated amortisation	(2,929,666)	(2,929,666)	-	-
	-	-	-	-
	-	1,520,500	-	-

#### Reconciliations

Goodwill				
Carrying amount at beginning of year	1,520,500	3,905,231	-	-
Additions	-	-	-	-
Impairment	1,520,500	(2,384,731)	-	-
<b>Carrying amount at end of year</b>	<u>-</u>	<u>1,520,500</u>	<u>-</u>	<u>-</u>

## 4C Security Solutions Limited - Annual Report

### 8. INTANGIBLES (Cont.)

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Research and Development</i>				
Carrying amount at beginning of year	-	1,542,467	-	-
Additions	-	-	-	-
Amortisation	-	-	-	-
Impairment	-	(1,542,467)	-	-
<b>Carrying amount at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 9. PAYABLES (CURRENT)

Unsecured Liabilities:				
Trade creditors	1,401,933	701,197	289,085	115,030
Financial liabilities	125,612	-	-	-
Sundry creditors and accrued expenses	242,454	985,579	91,234	681,560
	<b>1,769,999</b>	<b>1,686,776</b>	<b>380,319</b>	<b>796,590</b>

### 10. STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

#### Equity Holders

##### Share Capital

Balance at start of period	55,383,751	53,429,351	55,383,751	53,429,351
Issue of share capital	3,025,000	1,954,400	3,025,000	1,954,400
Share options exercised	-	-	-	-
Capital raising costs	(321,250)	-	(321,250)	-
<b>Total Share Capital</b>	<b>58,087,501</b>	<b>55,383,751</b>	<b>58,087,501</b>	<b>55,383,751</b>

##### Share Based Expenses

Balance at start of period	23,260,298	22,260,698	23,260,298	22,260,698
Equity settled share based payment transactions	16,604	999,600	16,604	999,600
<b>Total Share Based Expenses</b>	<b>23,276,902</b>	<b>23,260,298</b>	<b>23,276,902</b>	<b>23,260,298</b>

##### Capital Profits Reserve

Balance at start of period	1,031,041	1,031,041	1,031,041	1,031,041
Movements	-	-	-	-
<b>Total Reserve</b>	<b>1,031,041</b>	<b>1,031,041</b>	<b>1,031,041</b>	<b>1,031,041</b>

##### Retained Earnings

Balance at start of period	(77,761,819)	(64,071,313)	(55,068,294)	(46,948,290)
Loss for the period	(3,716,136)	(13,690,506)	(2,865,679)	(8,120,004)
<b>Retained Earnings at End of Period</b>	<b>(81,477,955)</b>	<b>(77,761,819)</b>	<b>(57,934,023)</b>	<b>(55,068,294)</b>

#### Total Equity Attributable to Equity Holders

	<b>917,940</b>	<b>1,913,271</b>	<b>24,461,422</b>	<b>24,606,794</b>
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## 4C Security Solutions Limited - Annual Report

### 11. PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Employee entitlements-Current	18,361	361,549	-	249,973
Employee entitlements-Non-current	-	87,668	-	87,668
Other	116,103	361,549	48,022	249,973
	<b>134,464</b>	<b>361,549</b>	<b>48,022</b>	<b>249,973</b>

### 12. CONTRIBUTED EQUITY

#### (a) Issued and paid up capital

370,924,756 ordinary shares fully paid

(2008 – 349,869,756) (prior to 7 for 1 capital

Consolidation – see note 25)

	55,383,751	55,383,751
--	------------	------------

	2009		2008	
	Number of shares	\$	Number of shares	\$
<b>(b) Movements in shares on issue</b>				
Beginning of the financial year	55,383,751	55,383,751	349,869,756	53,429,351
Issued during the year:				
Placement at 20.0 cents(preconsolidated 3,400,000)	485,715	680,000	5,055,000	404,400
Placement at 20.0 cents	9,206,522	2,302,000	5,000,000	1,000,000
Placement at 5 cents			11,000,000	550,000
Less: Capital raising costs		(321,250)	-	-
End of the financial year	<b>65,075,988</b>	<b>58,087,501</b>	<b>370,924,756</b>	<b>55,383,751</b>

#### (c) Share Options

For information relating to the Company's employee options, including details of options issued, exercised & lapsed during the financial year & the options outstanding at year end refer to note 24.

Options issued at 5.0 cent	500,000	25,000
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## 4C Security Solutions Limited - Annual Report

### 13. RESERVES

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Capital Profits Reserve- (a)	<b>1,031,041</b>	1,031,041	<b>1,031,041</b>	1,031,041
Share Based Expenses Reserve-(b)	<b>23,276,902</b>	23,260,298	<b>23,276,902</b>	23,260,298
	<b>24,307,943</b>	24,291,339	<b>24,307,943</b>	24,291,339

(a) Relates to profit on sale of listed investments

(b) Relates to share based expenses

### 14. RETAINED LOSSES

Balance at the beginning of year	<b>77,761,819</b>	64,071,313	<b>55,068,294</b>	46,948,290
Net loss attributable to members of 4C SECURITY SOLUTIONS LIMITED	<b>3,716,136</b>	13,690,506	<b>2,865,679</b>	8,120,004
Adjustment for minority interest		-	-	-
Total available for appropriation	<b>81,477,955</b>	77,761,819	<b>57,933,973</b>	55,068,294
Balance at end of year	<b>81,477,955</b>	77,761,819	<b>57,933,973</b>	55,068,294

### 15. OUTSIDE EQUITY INTEREST RETAINED LOSSES

Reconciliation of outside equity interest in controlled entities:

Reserve

Retained losses

	-	-	-	-
	-	-	-	-

## 4C Security Solutions Limited - Annual Report

### 16. DIRECTORS' AND EXECUTIVES' DISCLOSURES FOR DISCLOSING ENTITIES

#### a. Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial year are:

##### Parent Entity Directors

A R Falaknaz -	Chairman – Non Executive
A Angeloglou	Executive (appointed 6 March 2008)
A N K Kwok -	Non Executive
M I Nissen -	Non Executive

#### b. Parent Entity Directors' Remuneration

2009	Primary			Post Employment		Equity	Other	Total
	Salary, Fees & Commissions	Super-annuation Contribution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
A R Falaknaz	-	-	-	-	-	4,151		4,151
A N K Kwok	15,000	-	-	-	-	4,151		19,151
M I Nissen	15,000	-	-	-	-	4,151		19,151
A Angeloglou	348,061	-	-	6,750	-	4,151		358,962

#### b. Parent Entity Directors' Remuneration

2008	Primary			Post Employment		Equity	Other	Total
	Salary, Fees & Commissions	Super-annuation Contribution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
A R Falaknaz	-	-	-	-	-	-	3,430	3,430
A N K Kwok	30,000	-	-	-	-	110,250	3,430	143,680
M I Nissen	30,000	-	-	-	-	110,250	3,430	143,680
A Angeloglou	166,032	181,783	-	-	-	-	13,309	361,125
M Shereef	-	-	-	-	-	-	-	-
M Al Ali	-	-	-	-	-	-	-	-
R G Nissen	-	-	-	-	-	-	-	-

The service and performance criteria set to determine remuneration are included per Note 18 (g).

In view of the small size of the economic entity, all strategic direction matters are controlled by the Board of Directors and no other staff are considered to be "specified executives" under the accounting standard AASB 1046.

#### c. Shares Issued on Exercise of Remuneration Options

*No Options Exercised During the Year, Previously Granted As Remuneration*



## 4C Security Solutions Limited - Annual Report

### 17. DIRECTORS' AND EXECUTIVES' DISCLOSURES FOR DISCLOSING ENTITIES (Cont.)

#### e. Options and Rights Holdings

##### NUMBER OF OPTIONS HELD BY SPECIFIED DIRECTORS

(prior to 7 for 1 option consolidation)

	Balance	Granted as	Options	Net Change	Balance	Total vested	Total	Total
	01.07.2008	Remun- eration	Exercise*	Other*	30.06.2009	30.06.2009	Exercisable 30.06.2009	Unexercisable 30.06.2009
<b>Parent Entity</b>								
<b>Directors</b>								
A Falaknaz	-	-	-	-	-	-	-	-
A N K Kwok	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000	-
M I Nissen	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000	-

#### f. Shareholdings

##### Number of Shares Held by Parent Entity Directors

(prior to 7 for 1 share consolidation)

	Balance	Received as	Options	Net Change	Balance
	01.07.2008	Remuneration	Exercised	Other*	30.06.2009
<b>Parent Entity Directors</b>					
A R Falaknaz	60,000,000	-	-	-	60,000,000
A Angeloglou	-	-	-	-	-
A N K Kwok	562,258	-	-	-	562,258
M I Nissen	9,150,000	-	-	-	9,150,000

\* Net change other refers to shares purchased or sold during the financial year.

#### g. Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members of the company is as follows:

The remuneration structure, for directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors are paid employee benefit entitlements accrued to date of retirement. The company may terminate the contracts without cause by providing 12 months written notice or making payment in lieu of notice based on the individual's annual salary. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

The group seeks to emphasise payment for results through providing various bonus schemes, specifically, the incorporation of incentive payments based on the key performance indicators such as sales targets and return on equity. The objective of the reward schemes is to both reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders.

## 4C Security Solutions Limited - Annual Report

### 18. EARNINGS PER SHARE

	CONSOLIDATED	
	2009	2008
	\$	\$
Profit/(loss) used in calculation of earning per share	(3,716,136)	(13,690,506)
Basic Profit/(loss) per share	(5.7) cents	(3.8) cents
No of ordinary shares on issue used in the calculation of basic loss per share	65,075,988	356,244,808
Diluted Profit/( loss) per share	(5.4) cents	(3.8) cents
No of ordinary shares on issue used in the calculation of diluted loss per share	65,075,988	356,244,808

### 19. AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts received or due and receivable by auditors for:				
(a) Audit or review of the financial report of the entity and any other entity in the consolidated entity				
Wong & Mayes	116,074	69,682	116,074	69,682
Other auditors		10,387		-
	<b>116,074</b>	<b>80,069</b>	<b>116,074</b>	<b>80,069</b>
(b) Other services				
Wong & Mayes	59,112	26,837	59,112	26,837
Other auditors		-		-
	<b>59,112</b>	<b>26,837</b>	<b>59,112</b>	<b>26,837</b>

### 20. RELATED PARTY TRANSACTIONS

#### Wholly-owned group transactions

The wholly owned group consists of 4C Security Solutions Limited and its wholly owned controlled entities 4C Security Solutions Holdings Limited, 4C Security Solutions UK Limited, 4C Security Solutions (Australia) Pty Ltd and partly owned 4C Satellites Ltd and 4C Security Solutions (UAE) LLC.

Transactions between 4C Security Solutions Limited and related parties in the wholly owned group during the years ended 30 June 2008 and 2008 consisted only of loans by 4C Security Solutions Limited.

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Aggregate amounts receivable from, and payable to, related parties in the wholly owned group at balance date were as follows:				
Non Current receivables:				
Controlled entities	-	-	23,189,140	23,904,224

The Parent Company has agreed not to seek repayment of the amounts due by its controlled entities until the profitability and financial resources of those entities permit.

#### Loans advanced to:

4C Security Solutions Holdings Limited	-	-	216,060	216,060
4C Security Solutions (Australia) Pty Ltd *	-	-	2,579,628	2,579,628
4C Satellites Ltd	-	-	693,659	609,432
4C Security Solutions (UAE) LLC	-	-	898,249	911,161

\* formerly called BQT Solutions (Australia) Pty Ltd

## 4C Security Solutions Limited - Annual Report

### 22. SEGMENT INFORMATION

#### Segment products and locations

The group operates in the smart card access control industry. The group operates in three geographic areas being Australia, United States of America and United Kingdom.

#### PRIMARY SEGMENTS

Geographic segments	Australia		USA		UK		UAE		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>										
Sales to customers outside the consolidated entity	3,418,771	2,282,342	560,588	196,873	913,488	1,472,964	1,199,431	-	6,092,279	3,952,179
Other revenues from customers outside the consolidated entity	24,633	161,868	-	-	-	-	-	-	24,633	161,868
Inter-segment revenues	(1,550,045)	-	-	-	-	-	-	-	(1,550,045)	-
Total segment revenue	1,893,360	2,444,210	560,588	196,873	913,488	1,472,964	1,199,431	-	4,566,866	4,114,047
Unallocated revenue	-	-	-	-	-	-	-	-	-	-
Total consolidated revenue	1,893,359	2,444,210	560,588	196,873	913,488	1,472,964	1,199,431	-	4,566,866	4,114,047
<b>Results</b>										
Segment result	(3,399,830)	11,165,492	(183,088)	(385,654)	106,107	(1,139,760)	(579,278)	-	(4,056,089)	(12,690,906)
Unallocated expenses	(16,604)	(999,600)	-	-	-	-	-	-	(16,604)	(999,600)
Consolidated entity profit/(loss) from ordinary activities before income tax (expense)/credit	(3,416,434)	12,165,092	(183,088)	(385,654)	106,107	(1,139,760)	(579,278)	-	(4,072,693)	(13,690,506)
Income tax expense	-	-	-	-	-	-	-	-	-	-
Consolidated entity profit/(loss) from ordinary activities after income tax expense	(3,416,434)	12,165,092	(183,088)	(385,654)	106,107	(1,139,760)	(579,278)	-	(4,072,693)	(13,690,506)
Extraordinary item	356,557	-	-	-	-	-	-	-	356,557	-
Net profit/(loss)	(3,059,877)	12,165,092	(183,088)	(385,654)	106,107	(1,139,760)	(579,278)	-	(3,716,136)	(13,690,506)
<b>Assets</b>										
Segment assets	1,531,924	3,502,954	297,975	43,494	323,098	365,154	552,492	-	2,687,489	4,049,263
Unallocated assets	-	-	-	-	-	-	-	-	-	-
Total assets	1,531,924	3,502,954	297,975	43,494	323,098	365,154	552,492	-	2,687,489	4,049,263
<b>Liabilities</b>										
Segment liabilities	1,405,318	1,974,255	10,030	2,342	70,500	159,660	284,151	-	1,769,999	2,135,993
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-
Total liabilities	1,405,318	1,974,255	10,830	2,342	70,500	159,660	284,151	-	1,769,999	2,135,993
<b>Other segment information:</b>										
Acquisition of property, plant and equipment, intangible assets and other non-current assets	-	30,837	-	-	-	-	138,691	-	138,691	30,837
Depreciation	98,277	130,101	-	-	5,131	5,679	34,673	-	138,081	135,780
Impairment	1,520,500	3,970,496	-	-	-	-	-	-	1,520,500	3,970,496
Non-cash expenses other than depreciation and amortization – share based expenses	-	999,600	-	-	-	-	-	-	-	999,600

#### SECONDARY SEGMENTS

Business segments	Consolidated	
	2009	2008
<b>Segment Revenue:</b>		
Smart card access systems	4,542,233	3,956,126
Investment	24,633	157,921
Total Revenue	4,566,866	4,114,047
<b>Segment Assets by Location of Assets:</b>		
Smart card Access systems	2,687,489	4,049,263
Investment	-	-
Total Assets	2,687,489	4,049,263

23. FINANCIAL INSTRUMENTS

**(a) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security at the balance date, to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the Balance sheet and notes to the financial statement.

The consolidated entity does not have any material risk exposure to any single debtor or group of debtors under financial instrument entered into by it.

**(c) Net Fair Values**

Methods and assumptions used in determining net fair value:

For assets and other liabilities, the net fair-value approximates the carrying values. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The consolidated entity has no financial assets where the carrying amount exceeds net fair value at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance sheet and in the notes to and forming part of the financial statements.

**(d) Financial Arrangements**

The Company has no other financial arrangements in place.

## 4C Security Solutions Limited - Annual Report

### 24. EMPLOYEE BENEFITS

#### Employee Share Option Arrangements

	Economic Entity		Parent Entity	
	30.06.09 No.	30.06.08 No.	30.06.09 No.	30.06.08 No.
a. Movement in the number of share options held by employees are as follows:				
Opening balance	45,585,000	45,585,000	45,585,000	45,585,000
Granted during the year	15,100,000	15,100,000	15,100,000	15,100,000
Sold/Exercised during the year	-	-	-	-
Expired during the year	(12,075,000)	(12,075,000)	(12,075,000)	(12,075,000)
Closing Balance	<b>48,610,000</b>	48,610,000	<b>48,610,000</b>	48,610,000
b. Details of the value of share options exercised during the year:				
Proceeds from shares issued	-	-	-	-
Fair value as at issue date of shares issued during the year	-	-	-	-
	Economic Entity		Parent Entity	
	30.6.09 No.	30.6.08 No.	30.6.09 No.	30.6.08 No.
c. Details of share options outstanding as at end of year:				
Grant Date	Expiry and Exercise Date	Exercise Price \$		
23.11.07	30.11.10	0.25	15,100,000	15,100,000
23.11.05	23.11.09	0.30	10,950,000	10,950,000
20.11.06	30.11.10	0.25	9,325,000	9,325,000
20.11.06	30.09.09	0.08	13,225,000	13,225,000
			<b>48,610,000</b>	48,610,000

#### NOTE 25. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

After 30 June 2008 the following significant events have occurred.

In July 2009, the Company entered into an Convertible Loan Agreement with Pandon Holdings Pte Limited for unsecured loan for 190 000 AUD and establishment fee 10 000 AUD.

At an Extraordinary General Meeting of the Company will be held, on 30 September 2009 for private placement of \$1,200,000, to sophisticated shareholders.

## Directors' Declaration

In accordance with a resolution of the directors of 4C SECURITY SOLUTIONS LIMITED, I declare that:

1. In the opinion of the directors the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including;
  - (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and
  - (b) complying with Accounting Standards in Australia and Corporations Regulations 2001;
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.
3. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.

On behalf of the Board



A ANGELOGLOU  
Director

Sydney 30 September 2009

# Independent Auditor's Report

WONG & MAYES  
CHARTERED ACCOUNTANTS  
ABN 76 132 744 872  
MARTIN G. THOMPSON  
M. SILAS CHAN

LEVEL 16, 309 KENT STREET  
SYDNEY NSW 2000  
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## Scope

### The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for 4C Security Solutions Limited (the company) & the consolidated entity for the year ended 30 June 2008. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Audit Opinion

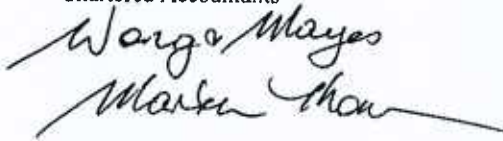
In our opinion, the financial report of 4C Security Solutions Limited is in accordance with:

- a. the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory financial reporting requirements in Australia.

**Inherent uncertainty regarding continuation as a going concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As described in Note 1(u) by the directors, there is significant uncertainty whether the entity will be able to 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 the amounts stated in the financial report. The directors believe that it is appropriate to prepare the financial report on a going concern basis given current marketing and operational plans and prospects of raising additional funds if required. Accordingly, the financial statements do not include adjustments that might result from the outcome of this uncertainty.

Wong & Mayes  
Chartered Accountants

Handwritten signature of Martin G Thompson in cursive script.

MARTIN G THOMPSON  
Partner  
Sydney

Date: 12th day of October 2009



## ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 September 2009.

### 1. Ordinary fully paid shares

#### (a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Number of holders	Number of shares
1 - 1,000	703	378,385
1,001 - 5,000	829	2,051,117
5,001 - 10,000	211	1,521,258
10,001 - 100,000	276	8,063,626
100,001 and over	49	53,061,602
	2,068	65,075,988

#### (b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Ordinary Shares	
		Number of shares	Percentage of ordinary shares
1.	ANZ NOMINEES LIMITED <CASH INCOME A/C>	20 202 436	31.04
2.	4C CONTROLS INC	12 800 000	19.67
3.	MS KAREN SOANS	1 716 405	2.64
4.	NEFCO NOMINEES PTY LTD	1 391 572	2.14
5.	MUR PTY LTD <PAVAL DISCRETIONARY A/C>	1 144 481	1.76
6.	FILMGATE PTY LTD <MG FINLAYSON SUPER FUND A/C>	1 000 000	1.54
7.	PIERCE CIM PTE LIMITED	894 286	1.37
8.	MR CHRISTOPHER BLAKE	891 864	1.37
9.	MR JOHN GENNER	888 181	1.36
10.	IDEA RICH LTD	809 143	1.24
11	TRE PTY LTD <TRE SUPER FUND A/C>	780 000	1.20
12..	AMISUN PTY LIMITED <THE AMISUN SUPER FUND A/C>	747 466	1.15
13.	ANDWENDROD SERVICES PTY LTD	714 286	1.10
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	686 570	1.06
15.	GOLDRIM INVESTMENTS PROPRIETARY LIMITED	677 832	1.04
16.	CITICORP NOMINEES PTY LIMITED	540 029	0.83
17.	WARRARKE PTY LTD	483 713	0.74
18.	SANDERSON HOLDINGS LIMITED	462 858	0.71
19.	MR ARISTIDES STRATES	400 000	0.61
20.	HEWBOURNE PTY LTD <SPLASHERS DISCRETIONARY A/C>	381 494	0.59
		47,612,616	73.16

#### (c) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

## ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 September 2009.

### 2. Options expiring 31/12/2013

#### (a) Distribution of equity securities

The number of option holders, by size of holding, in each class of option are:

	Number of holders	Number of options
1-1,000	0	0
1,001-5,000	0	0
5,001-10,000	50	500,000
10,001-100,000	0	0
100,001 and over	3	26,214,286
	<hr/> 53	<hr/> 26,714,286

#### (b) Twenty largest option holders

The names of the twenty largest holders of quoted options are:

	Number of options	Percentage of quoted options
1. PRIME ASSET FINANCE LTD	12 214 286	45.72
2. 4C CONTROLS INC	9 500 000	35.56
3. CITICORP NOMINEES PTY LIMITED	4 500 000	16.84
4. ABROCARD PTY LTD <CAANN A/C>	10 000	0.04
5. ADV MEDICAL HOLDINGS PTY LTD	10 000	0.04
6. ANNANDALE FAMILY HEALTH CARE PTY LTD	10 000	0.04
7. BAVERSTOCK TRADING LIMITED	10 000	0.04
8. MR ADAM CHALMERS	10 000	0.04
9. DR DANNY CHALMERS	10 000	0.04
10. HANNI CHALMERS	10 000	0.04
11. MRS MANDY CHALMERS	10 000	0.04
12. MR PAUL CHALMERS	10 000	0.04
13. MS REBECCA CHALMERS	10 000	0.04
14. MR RON CHALMERS	10 000	0.04
15. CITADEL RESOURCES LIMITED	10 000	0.04
16. MR CHARLES CROMEK	10 000	0.04
17. DOSTILL PTY LIMITED	10 000	0.04
18. ESKIMO EQUITIES PTY LIMITED	10 000	0.04
19. MR MERYLEN FRANK	10 000	0.04
20. GREENFIELDS SECURITIES PTY LIMITED <SUPER FUND A/C>	10 000	0.04
	<hr/> 26,384,286	<hr/> 98.76

#### (c) Voting rights

Options do not carry voting rights