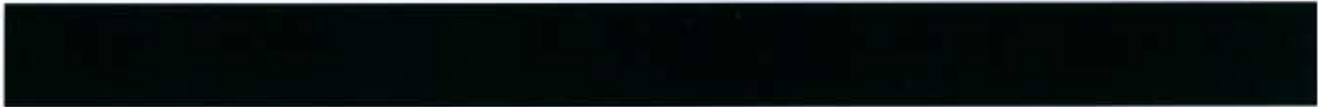


# **4C SECURITY SOLUTIONS LIMITED**

**ABN 89 000 029 265**



## **Annual Financial Report**

**for the year ended 30 June 2010**

## Corporate Directory

**4C Security Solutions Limited**  
ABN 89 000 029 265

### Directors

Abdulrahman Falaknaz  
(Chairman, Non Executive Director)

Anastasios Angeloglou  
(Group CEO)

Allan N K Kwok  
(Non-Executive Director)

Johan Landsberg  
(Non-Executive Director)

### Company Secretaries

Steven Danielson  
Geoffrey J Cleaves

### Registered Office

Level 1, 82 Waterloo Road  
North Ryde NSW 2113  
Tel: +61 2 8817 2800  
Fax: +61 2 8817 2811  
Web: [www.4csecuritysolutions.com](http://www.4csecuritysolutions.com)  
Email: [investors@4csecuritysolutions.com](mailto:investors@4csecuritysolutions.com)

### Bankers

Westpac Banking Corporation  
60 Martin Place  
Sydney NSW 2000

Australia and New Zealand Banking Group Limited  
Level 4 Shop 433,  
Macquarie Shopping Centre, Herring Road,  
North Ryde 2113 NSW

### 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 12 November, 2010 at 2:00 pm (Sydney time) at:

Killara Inn Hotel & Conference Centre  
480 Pacific Highway  
Killara NSW 2071

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## Group CEO's Report

### Dear Shareholders,

The Group continues to find the trading conditions challenging as the effects of the global financial crisis persist in limiting the ability of the group to achieve sales growth and strategic objectives. The subdued trading conditions are very evident in Europe, Middle East and United States of America where the Group had expanded direct sales operations.

The Group anticipated a break even situation or even a small profit for the 2010 financial year on the basis of continued aggressive cost control initiatives and external forecasts suggesting an improvement in trading conditions. Trading conditions remained difficult and the final results showed a loss of \$842K, significantly down from the \$3.7M loss in the previous 2009 financial year and the \$13.7M loss for the 2008 financial year.

The following market conditions contributed to a 21% decrease in sales revenues, from \$ 4.6 M in the 2009 financial year to \$3.6 M in the 2010 financial year:

- Two projects in the GCC region encountered implementation delays of more than 6 months, and;
- A project in Dubai, UAE and one in Doha, Qatar were indefinitely postponed during the period, and;
- Poor sales in the United States of America, and;
- Core markets in the United Kingdom and Australia remaining restrained and producing limited growth.
- The compromise of the MiFare platform, resulted in a significant decrease in core products sales, a situation which has now been rectified with the release of a far superior platform.

Management continued cost control initiatives during the year to produce a further 27.2% decrease of its total other expenses from ordinary activities in this financial year, down to \$3.24 M (2009: \$4.46M).

The FCS Board and Management plans to further review our strategy and planning for another challenging year ahead, our consideration includes:-

- Continue the current cost control initiatives, and;
- Adjust the Group's operational model to a centralised base, retaining direct sales operations for traditional core markets and customers, whilst implementing a network of distributors, agents, resellers and integrators in the United States of America, Middle East and continental Europe, and;
- Develop a new generation of products designed to address the increased security requirements demanded by the users.



**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 jewelry 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, Middle 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.



## Directors' Report (Cont.)

### **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 member of the Australian Chartered Institute of Secretaries.

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

### **Mr. Johan Landsberg, Non Executive Director (Appointed 6 May, 2010)**

Mr. Landsberg was born in 1969 in South Africa. He served as an Officer in the South African Defence Force before starting his professional career in the services industry.

He holds qualifications in Business Management and Marketing as well as various safety and security related certifications.

Mr. Landsberg migrated to Australia in 1999. He joined the security industry as a senior executive in various capacities in the successful implementation of large technology deployments in Australia. He has broad experience in related areas including distribution, contract, and risk management.

Mr. Landsberg was previous a senior executive of 4C Security Solutions Limited and returns with both a good understanding of the Company's history and a wealth of experience gained in the industry.

Mr. Landsberg is currently engaged as a consultant to the public sector providing commercial and technical guidance on the deployment of technologies in large scale implementations.

Mr. Landsberg joined the FCS board on 6 May 2010 and holds no positions on boards of other Australian listed companies.

### **Dr Michael Nissen, Non Executive Director (Resigned 6 May, 2010)**

Dr Nissen was a Non Executive Director of the Company during the year to his resignation on 6 May, 2010. Dr. Nissen held no positions on boards of other Australian listed companies.

## Directors' Report (Cont.)

### COMPANY SECRETARIES

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

Mr. Geoffrey Cleaves MPA, ASCPA, FNA, SAFIN is a Company Secretary, who was appointed on 30 July, 2010. He has broad experience in corporate finance & accounting and commercial and funds management.

### 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
A N K Kwok	80,323	928,572
J J Landsberg (appointed 6 May 2010)	Nil	Nil

### 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 9 employees as at 30 June 2010 (2009: 16 employees).

## REVIEW AND RESULTS OF OPERATIONS

### Operating Results for the Period

The consolidated loss of the economic entity after providing for income tax amounted to \$842,390 (2009: Loss \$3,716,136). The loss is primarily due to a continued subdued market as a result of the global financial crisis.

### Sales Revenues

Revenue for the year decreased to \$3,608,107 compared to the previous corresponding period (2009: \$4,566,866). This result was affected by a number of factors, including general economy downturn and the need to establish new sales channels.

The global financial crisis impacted heavily on the construction industry in the Middle East. Subdued growth and decreasing turnover forced management to direct sales through the UK operation. The UK office will continue to market the company's products and services to existing major customers and will be seeking new distribution opportunities within the Middle East region.

## Directors' Report (Cont.)

The business continued to transform its operations to take advantage of more streamlined sales channels offering best of breed products and service. Strong focus on keeping up with technology developments will see core products released with improved functionality. The business will continue to seek strategic distribution partners to penetrate its target markets.

### Expenses

The total other expenses from ordinary activities for the financial year of \$3,244,377 was 27.2% less than the previous year (2009: \$4,456,336) as a result of the initiatives undertaken by management to decrease overheads.

### Private Placement Activities

The Company made private placements to sophisticated investors and as a result of conversion of loans, raising \$1,435,432 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

### 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.



## Directors' Report (Cont.)

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:

2010	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	-	-	-	-	-
A N K Kwok	45,000	-	-	-	45,000
M I Nissen	40,000	-	-	-	40,000
J Landsberg	4,515	-	-	-	4,515
<b>Directors-Executive</b>					
A Angeloglou	109,167	-	-	-	109,167

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

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.

## Directors' Report (Cont.)

### Employment Contracts of Directors

*Details of Summary of key terms of Anastasios Angeloglou (current Chief Executive Officer/Director)* have been released as a Company Announcement to the ASX

### 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	0.25	3,489,300
31.12.13	0.10 (ASX listed)	9,500,000
31.12.13	0.10 (ASX listed)	9,000,000
31.12.13	0.10 (ASX listed)	500,000
31.12.13	0.10 (ASX listed)	7,714,286
31.12.13	0.10	2,857,144
31.12.15	0.02	5,000,000
31.12.15	0.02	5,000,000
31.12.15	0.02	5,000,000
		48,060,730

During the year ended 30 June 2010, 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. 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 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.

## Directors' Report (Cont.)

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2010:

	\$
R&D grant consulting services	6,800
Other general services	<u>29,850</u>
	<u>36,650</u>

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 11 of the financial report.

### Directors' Meetings

The number 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	4 / (6)	1
A N K Kwok	6 / (6)	1

Signed in accordance with a resolution of the directors.



A Angeloglou  
Director  
Sydney, 16th September 2010

## Auditor's Independence Declaration-

Under Section 307C of the Corporations Act 2001

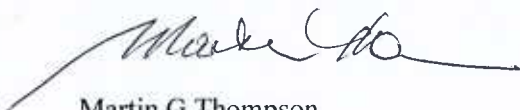
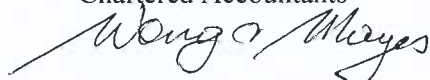
To the Directors of 4C Security Solutions Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010, there have been:

No contraventions of the auditors independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

No contraventions of any applicable code of professional conduct in relation to the audit.

Wong & Mayes  
Chartered Accountants



Martin G Thompson  
16 September 2010



## 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
A N K Kwok	Non-Executive Director
J J Landsberg	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

## Corporate Governance Statement (Cont.)

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;

### 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 as the company expands its operations.

#### 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.

## Corporate Governance Statement (Cont.)

### **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.

### **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 recognize 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.



## Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2010	Notes	CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>	2	<b>3,608,107</b>	4,566,866	<b>1,029</b>	295,163
Depreciation and amortisation expenses	3(a)	(97,539)	(1,658,581)	-	(1,520,500)
Borrowing costs expense	3(a)	(81,892)	(1,652)	(80,592)	(1,211)
Provision for diminution of investment		-	-	-	-
Salaries and employee benefits expense		(1,410,837)	(2,511,836)	(312,509)	(113,570)
Foreign exchange gain/(loss)	3(b)	6,029	(11,154)	11,977	5,265
Other expenses from ordinary activities	3(c)	(3,244,377)	(4,456,336)	(346,192)	(1,530,826)
Other comprehensive income		-	-	-	-
<b>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>(1,220,509)</b>	(4,072,693)	<b>(726,288)</b>	(2,865,679)
<b>INCOME TAX (EXPENSE)/CREDIT</b>		-	-	-	-
<b>RESEARCH AND DEVELOPMENT GRANT</b>		<b>378,119</b>	356,557	-	-
<b>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>		<b>(842,390)</b>	(3,716,136)	<b>(726,288)</b>	(2,865,679)
<b>NET PROFIT/(LOSS)</b>		<b>(842,390)</b>	(3,716,136)	<b>(726,288)</b>	(2,865,679)
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF 4C SECURITY SOLUTIONS LIMITED</b>	14	<b>(842,390)</b>	(3,716,136)	<b>(726,288)</b>	(2,865,679)
<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>(842,390)</b>	(3,716,136)	<b>(726,288)</b>	(2,865,679)
<b>EARNINGS PER SHARE</b>	16				
Basic		<b>(0.58 cents)</b>	(5.7 cents)		
Diluted		<b>(0.58 cents)</b>	(5.4 cents)		

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



## Balance Sheet

AS AT 30 JUNE 2010

	Notes	CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets		967,196	191,713	660,531	2,775
Receivables	4	1,600,854	812,872	328	131,232
Inventories	5	627,763	954,804	-	-
Other assets	6	203,614	205,230	91,395	41,022
<b>TOTAL CURRENT ASSETS</b>		<b>3,399,427</b>	<b>2,164,619</b>	<b>752,254</b>	<b>175,029</b>
<b>NON-CURRENT ASSETS</b>					
Trade & other receivables	4	99,352	99,352	23,000,268	23,057,908
Other financial assets	7(a)	-	-	1,575,320	1,575,260
Property, plant and equipment	8	215,391	278,363	-	-
Intangible assets	9	-	-	-	-
Other assets		96,592	145,155	-	33,544
<b>TOTAL NON-CURRENT ASSETS</b>		<b>411,335</b>	<b>522,870</b>	<b>24,575,588</b>	<b>24,666,712</b>
<b>TOTAL ASSETS</b>		<b>3,810,762</b>	<b>2,687,489</b>	<b>25,327,842</b>	<b>24,841,741</b>
<b>CURRENT LIABILITIES</b>					
Payables	10(a)	1,906,203	1,509,923	70,275	332,297
Other financial liabilities		-	125,612	-	-
Tax payables		-	-	-	-
Provisions	11	62,703	134,464	-	48,022
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,968,906</b>	<b>1,769,999</b>	<b>70,275</b>	<b>380,319</b>
<b>NON-CURRENT LIABILITIES</b>					
Other Liabilities – related parties	10(b)	331,324	-	88,000	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>331,324</b>	<b>-</b>	<b>88,000</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>2,300,230</b>	<b>1,769,999</b>	<b>158,275</b>	<b>380,319</b>
<b>NET ASSETS</b>		<b>1,510,532</b>	<b>917,490</b>	<b>25,169,567</b>	<b>24,461,422</b>
<b>EQUITY</b>					
Contributed equity	12	59,522,933	58,087,501	59,522,933	58,087,501
Reserves	13	24,307,944	24,307,944	24,307,944	24,307,944
Accumulated losses	14	(82,320,345)	(81,477,955)	(58,661,310)	(57,934,022)
Parent entity interest		1,510,532	917,490	25,169,567	24,461,422
Outside equity interest		-	-	-	-
<b>TOTAL EQUITY</b>		<b>1,510,532</b>	<b>917,490</b>	<b>25,169,567</b>	<b>24,461,422</b>

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

## Cash Flow Statement

YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		3,050,304	5,452,677	-	137,490
Payments to suppliers and employees		(4,171,675)	(8,280,272)	(786,113)	(2,831,053)
Interest Paid		(80,771)	(1,460)	(80,592)	(1,211)
Interest received		1,029	16,177	1,029	16,177
Other Income		378,117	274,688	-	-
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(822,996)	(2,538,190)	(865,676)	(2,678,597)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of plant and equipment		-	-	-	-
Plant and Equipment acquired		(28,172)	(107,000)	-	-
Equity investment		-	(99,352)	-	(99,352)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(28,172)	(206,352)	-	(99,352)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issues of ordinary shares		1,435,432	3,025,000	1,435,432	3,025,000
Cost of capital raising		-	(321,250)	-	(321,250)
Proceeds from borrowings		1,094,643	125,612	978,000	-
Repayment of borrowings		(890,000)	-	(890,000)	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		1,640,075	2,829,362	1,523,432	2,703,750
NET INCREASE/(DECREASE) IN CASH HELD		788,907	84,821	657,756	(74,199)
Add opening cash brought forward		191,713	106,892	2,775	76,974
Exchange rate adjustment		(13,424)	-	-	-
<b>CLOSING CASH CARRIED FORWARD</b>		<b>967,196</b>	<b>191,713</b>	<b>660,531</b>	<b>2,775</b>

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

## Statement of Changes in Equity

YEAR ENDED 30 JUNE 2010	Notes	CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Equity Holders</b>					
<b>Share Capital</b>					
Balance at start of period		58,087,501	55,383,751	58,087,501	55,383,751
Issue of share capital		1,435,432	3,025,000	1,435,432	3,025,000
Share options exercised		-	-	-	-
Capital raising costs		-	(321,250)	-	(321,250)
<b>Total Share Capital</b>		<b>59,522,933</b>	<b>58,087,501</b>	<b>59,522,933</b>	<b>58,087,501</b>
<b>Share Based Expenses</b>					
Balance at start of period		23,276,903	23,260,698	23,276,903	23,260,698
Equity settled share based payment transactions		-	16,205	-	16,205
<b>Total Share Based Expenses</b>		<b>23,276,903</b>	<b>23,276,903</b>	<b>23,276,903</b>	<b>23,276,903</b>
<b>Capital Profits Reserve</b>					
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>
<b>Retained Earnings</b>					
Balance at start of period		(81,477,955)	(77,761,819)	(57,934,022)	(55,068,343)
Loss for the period		(842,390)	(3,716,136)	(726,288)	(2,865,679)
<b>Retained Earnings at End of Period</b>		<b>(82,320,345)</b>	<b>(81,477,955)</b>	<b>(58,660,310)</b>	<b>(57,934,022)</b>
<b>Total Equity Attributable to Equity Holders</b>		<b>1,510,532</b>	<b>917,490</b>	<b>25,170,567</b>	<b>24,461,422</b>

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

## Notes To The Financial Statements

### 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 Australian Accounting Standards, Australian Accounting Interpretations, 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 intergroup 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 in Associates

Investments in associated companies are recognised in the financial statements by applying the equity method of accounting as defined in Accounting Standard AASB 128 – Investments in Associates.

#### (g) Inventories

##### *Manufacturing and maintenance*

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



## Notes To The Financial Statements (Cont.)

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

Costs incurred in bringing each product to its present location and conditions 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) Payables by controlled entities

A provision for non-recovery has been made against amounts receivables from controlled entities in order to reflect the net worth of controlled entities or estimates of the recoverable amount. Amounts considered irrecoverable have been written off.

#### (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:	<u>2010</u>	<u>2009</u>
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 test under the IFRS adoption.

## Notes To The Financial Statements (Cont.)

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

#### **(l) Research and development expenditure**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised 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 capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation 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.

#### **(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, 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 recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised 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.

## Notes To The Financial Statements (Cont.)

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

#### (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.

#### (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.



## Notes To The Financial Statements (Cont.)

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

#### (t) Convertible notes

Convertible notes are recognised when issued at the amount of the net proceeds received. Interest on the notes is recognised in the profit and loss 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

The business operations of the Company are not sufficiently mature in their development to generate the revenues necessary to meet the immediate working capital needs of the Company. Notwithstanding, the Financial Statements have been prepared on the assumption that the Company will continue as a going concern based on the demonstrated past and continued ability of the Directors to raise equity capital from the market place.

#### (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 profit and loss account in the period in which they arise.

#### (w) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements.

#### AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

#### Disclosure impact

**Terminology changes** — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

**Reporting changes in equity** — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

**Statement of comprehensive income** — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.



## Notes To The Financial Statements (Cont.)

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

Other comprehensive income — The revised version of AASB 101 introduces the concept of ‘other comprehensive income’ which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

#### (x) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against any early adoption of these Australian Accounting Standards.

#### (y) Comparative figures

Certain comparative figures have been adjusted and recasted to provide a more detailed and meaningful comparison which are consistent with current disclosure items.

### 2. REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Revenues from operating activities</b>				
Sale of goods	3,606,293	4,542,233	-	278,987
Total revenues from operating activities	3,606,293	4,542,233	-	278,987
<b>Revenues from non-operating activities</b>				
Interest - other persons/corporations	1,029	24,633	1,029	16,176
Other income	785	-	-	-
Total revenues from non-operating activities	1,029	24,633	1,029	16,176
<b>Total revenues</b>	<b>3,608,107</b>	<b>4,566,866</b>	<b>1,029</b>	<b>295,163</b>

## Notes To The Financial Statements (Cont.)

### 3. PROFIT FROM ORDINARY ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>(a) Expenses</b>				
Depreciation of non-current assets				
Office lease fitout				
Plant and equipment	97,539	138,081	-	-
Plant and equipment under HP				-
Total depreciation of non-current assets	97,539	138,081	-	-
<b>Significant expenses- The following expense is significant in explaining the financial performance of the Company</b>				
Impairment of non-current assets				
Research and Development	-	-	-	-
Intellectual property acquired	-	1,520,500	-	1,520,500
Total amortisation of non-current assets	-	1,520,500	-	1,520,500
<b>Total depreciation and impairment expenses</b>	<b>97,539</b>	<b>1,658,581</b>	<b>-</b>	<b>1,520,500</b>
Borrowing costs expensed				
Interest expense	81,892	1,652	80,592	1,211
Provision for diminution of investments	-	-	-	-
<b>(b) Revenues</b>				
Net foreign currency (gains)/losses	(6,029)	11,154	(11,977)	(5,265)
<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	2,180,308	1,898,739	-	175,813
Consulting fees	381,881	412,429	92,404	131,556
Corporate expenses	394,349	746,071	232,601	726,711
Communication expenses	96,175	167,615	10,111	256
Office expenses	-	299,408	-	-
Provision for obsolescence	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-
Marketing expenses	20,402	716,782	10,225	304,043
Share based payment and expenses	-	-	-	-
Provision for non-recovery of loans	-	171,132	-	171,132
Other expenses	171,262	44,160	1,851	21,315
Total other expenses from ordinary activities	3,244,377	4,456,336	347,192	1,530,826

## Notes To The Financial Statements (Cont.)

## 4. RECEIVABLES (CURRENT)

		CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
Trade debtors	4(i)	1,833,548	1,045,566	328	131,232
Provision for doubtful debts		(232,694)	(232,694)	-	-
		<u>1,600,854</u>	<u>812,872</u>	<u>328</u>	<u>131,232</u>
Other receivables & prepayments	4(ii)	203,882	205,508	91,723	31,458

## RECEIVABLES (NON-CURRENT)

Amounts receivable from owned subsidiaries					
- Loan (4C Security Solutions Holdings Limited)	4 (iii)	-	-	3,064,785	2,964,785
- Loan (4C Security Solutions (Australia) Pty Ltd)	4 (iii)	-	-	19,517,587	19,876,460
- Loan (BQT Solutions America Inc)	4 (iii)	-	-	294,037	-
- Loan (4C Satellites Pty Ltd)	4 (iii)	-	-	694,659	694,659
- Loan (4C Security Solutions (UAE) LLC)	4 (iii)	-	-	1,022,108	952,108
(Less) Provision for non-recovery		-	-	(1,592,908)	(1,592,908)
Amounts receivable from associated companies		-	-	99,817	99,817
(Less) provision for non-recovery		-	-	(99,817)	(99,817)
		<u>-</u>	<u>-</u>	<u>23,000,268</u>	<u>23,057,908</u>

## 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	342,338	518,030	-	-
Finished Goods	285,425	436,774	-	-
Total inventories at cost.	<u>627,763</u>	<u>954,804</u>	<u>-</u>	<u>-</u>

## 6. OTHER ASSETS (CURRENT)

Security Deposit	52,610	26,305	52,610	26,305
Prepayments	82,808	178,925	38,785	14,717
Receivable from related parties	68,196	-	-	-
	<u>203,614</u>	<u>205,230</u>	<u>91,395</u>	<u>41,022</u>

## Notes To The Financial Statements (Cont.)

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

#### (a) Interests in subsidiaries

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Parent Entity	
		2010	2009	2010	2009
		%	%	\$	\$
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 (Australia) Pty Ltd	Australia	100	100	-	-
BQT Solutions America Inc	USA	100	100	-	-
BQT Intelligent Security Systems Pty Ltd	Australia	60	60	60	60
4C Satellites Pty Ltd	Australia	60	60	60	60
4C Security Solutions (UAE) LLC	UAE	49	49	99,291	99,291
				14,545,152	14,545,092
<b>(Less) provision for diminution</b>				<b>(12,969,832)</b>	<b>(12,969,832)</b>
				<b>1,575,320</b>	<b>1,575,260</b>

#### (b) Interests in associate companies

The group consolidates fully the operating results of 4C Security Solutions UAE LLC as the management exercise full control over operations of the entity. The remaining portion of the 51% 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 a 2.5% interest in this German company which produces steel products for the automotive industry

# Not audited by the parent entity's auditors



## Notes To The Financial Statements (Cont.)

## 8. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Plant & equipment				
At cost	627,129	725,082	56,536	56,536
Accumulated depreciation	(527,124)	(572,794)	(56,536)	(56,536)
	<u>100,005</u>	<u>152,288</u>	-	-
Motor Vehicle				
At cost	146,850	138,691	-	-
Accumulated depreciation	(41,134)	(34,673)	-	-
	<u>105,716</u>	<u>104,018</u>	-	-
Furniture, fixtures and fittings				
At cost	72,844	81,918	-	-
Accumulated depreciation	(63,174)	(59,861)	-	-
Total furniture, fixtures and fittings	<u>9,670</u>	<u>22,057</u>	-	-
Total property, plant and equipment	<u>215,391</u>	<u>278,363</u>	-	-
Cost	846,823	945,691	56,536	56,536
Under lease	-	-	-	-
	<u>846,823</u>	<u>945,691</u>	<u>56,536</u>	<u>56,536</u>
Accumulated depreciation and amortisation	(631,432)	(667,328)	(56,536)	(56,536)
Total written down amount	<u>215,391</u>	<u>278,363</u>	-	-
<b>Reconciliations</b>				
Reconciliations of the carrying amount of each class of property, plant and equipment are set out below:				
<i>Plant and Equipment</i>				
Carrying amount at beginning of year	152,288	236,303	-	-
Additions/(Disposals)	32,869	4,629	-	-
Depreciation	(85,152)	(88,644)	-	-
<b>Carrying amount at end of year</b>	<u>100,005</u>	<u>152,288</u>	-	-
<i>Motor Vehicles</i>				
Carrying amount at beginning of year	104,018	138,691	-	-
Exchange Adjustment	1,698	-	-	-
Additions/(Disposals)	-	-	-	-
Depreciation	-	(34,673)	-	-
<b>Carrying amount at end of year</b>	<u>105,716</u>	<u>104,018</u>	-	-
<i>Furniture, Fixtures and fittings</i>				
Carrying amount at beginning of year	22,057	36,821	-	209,209
Additions	-	-	-	-
Relinquishment of Fitout	-	-	-	-
Depreciation/Amortisation	(12,387)	(14,764)	-	209,209
<b>Carrying amount at end of year</b>	<u>9,670</u>	<u>22,057</u>	-	-

## Notes To The Financial Statements (Cont.)

### 9. INTANGIBLES

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
Goodwill - deemed cost	16,984,768	16,984,768	-	-
Less: Accumulated amortisation	(16,984,768)	(16,984,768)	-	-
	-	-	-	-
Research and development	2,929,666	2,929,666	-	-
Less: Accumulated amortisation	(2,929,666)	(2,929,666)	-	-
	-	-	-	-
	-	-	-	-
<b>Reconciliations</b>				
Goodwill				
Carrying amount at beginning of year	1,520,500	1,520,500	-	-
Additions	-	-	-	-
Impairment	(1,520,500)	(1,520,500)	-	-
<b>Carrying amount at end of year</b>	-	-	-	-
<i>Research and Development</i>				
Carrying amount at beginning of year	-	-	-	-
Additions	-	-	-	-
Amortisation	-	-	-	-
Impairment	-	-	-	-
<b>Carrying amount at end of year</b>	-	-	-	-

### 10. PAYABLES & OTHER LIABILITIES

#### (a) PAYABLES (CURRENT)

Unsecured Liabilities:				
Trade creditors	824,717	1,401,933	182,352	289,085
Sundry creditors and accrued expenses	1,081,486	107,990	(112,077)	43,212
	1,906,203	1,509,923	70,275	332,297

#### (b) OTHER LIABILITIES (NON-CURRENT)

Related parties – Advances from directors	331,324	-	88,000	-
---	---------	---	--------	---

### 11. PROVISIONS

Employee entitlements	36,234	18,361	-	-
Others	26,469	116,103	-	48,022
	62,703	134,464	-	48,022

## Notes To The Financial Statements (Cont.)

### 12. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>(a) Issued and paid up capital</b>				
146,347,564 ordinary shares fully paid (2009 – 65,075,988 shares)		<b>59,522,933</b>		<b>58,087,501</b>

	2010		2009	
	Number of shares	\$	Number of shares	\$
<b>(b) Movements in shares on issue</b>				
Beginning of the financial year	<b>65,075,988</b>	<b>58,087,501</b>	55,383,751	55,383,751
Issued during the year:				
Placement at 2 cents(pre-consolidated 3,400,000)	-	-	485,715	680,000
Placement at 1 cent	<b>19,000,000</b>	<b>190,000</b>	-	-
Placement at 2 cents	<b>23,750,000</b>	<b>475,000</b>	9,206,522	2,345,000
Placement at 2 cents	<b>38,521,576</b>	<b>770,432</b>	-	-
Less: Capital raising costs	-	-	-	(321,250)
End of the financial year	<b>146,347,564</b>	<b>59,522,933</b>	65,075,988	58,087,501

### (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 22.

### 13. RESERVES

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>23,276,903</b>	23,276,903	<b>23,276,903</b>	23,276,903
	<b>24,307,944</b>	24,307,944	<b>24,307,944</b>	24,307,944

(a) Relates to profit on sale of listed investments

(b) Relates to share based expenses

### 14. ACCUMULATED LOSSES

Balance at the beginning of year	<b>81,477,955</b>	77,761,819	<b>57,934,022</b>	55,068,343
Net loss attributable to members of 4C SECURITY SOLUTIONS LIMITED	<b>842,390</b>	3,716,136	<b>726,288</b>	2,865,679
Adjustment for minority interest	-	-	-	-
Total available for appropriation	<b>82,320,345</b>	81,477,955	<b>58,661,310</b>	57,934,022
Balance at end of year	<b>82,320,345</b>	81,477,955	<b>58,661,310</b>	57,934,022

## Notes To The Financial Statements (Cont.)

## 15. 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
A N K Kwok -	Non Executive
M I Nissen -	Non Executive
J J Landsberg -	Non Executive

## b. Parent Entity Directors' Remuneration

2010	Primary		Post Employment		Equity	Other	Total
	Salary, Fees & Commissions	Super-annuation Contribution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options	
A R Falaknaz	-	-	-	-	-	-	-
A N K Kwok	45,000	-	-	-	-	-	45,000
M I Nissen	40,000	-	-	-	-	-	40,000
J J Landsberg	4,515	-	-	-	-	-	4,515
A Angeloglou	109,167	-	-	-	-	-	109,167

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

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*



## Notes To The Financial Statements (Cont.)

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

#### d. Options and Rights Holdings

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

(prior to 7 for 1 option consolidation)

	Balance 01.07.2009	Granted as Remun- eration	Options Exercise*	Net Change Other*	Balance 30.06.2010	Total vested 30.06.2010	Total Exercisable 30.06.2010	Total Unexercisable 30.06.2010
<b>Parent Entity</b>								
<b>Directors</b>								
A Falaknaz	714,286	-	-	-	714,286	714,286	714,286	-
A Angeloglou	714,286	-	-	-	714,286	714,286	714,286	-
A N K Kwok	1,428,572	-	-	(500,000)	928,572	928,572	928,572	-

#### e. Shareholdings

Number of Shares Held by Parent Entity Directors

	Balance 01.07.2009	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.2010
<b>Parent Entity Directors</b>					
A R Falaknaz	8,571,429	-	-	-	8,571,429
A Angeloglou	-	-	-	-	-
A N K Kwok	80,323	-	-	-	80,323

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

#### f. 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.

## Notes To The Financial Statements (Cont.)

### 16. EARNINGS PER SHARE

	CONSOLIDATED	
	2010	2009
	\$	\$
Profit/(loss) used in calculation of earnings per share		
Basic Profit/(loss) per share	<b>(0.58) cents</b>	(5.7) cents
No of ordinary shares on issue used in the calculation of basic loss per share	<b>146,347,564</b>	65,075,988
Diluted Profit/( loss) per share	<b>(0.58) cents</b>	(5.4) cents
No of ordinary shares on issue used in the calculation of diluted loss per share	<b>146,347,564</b>	65,075,988

### 17. AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
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	<b>31,242</b>	116,074	<b>31,242</b>	116,074
Other auditors	-	-	-	-
	<b>31,242</b>	116,074	<b>31,242</b>	116,074
(b) Other services				
Wong & Mayes	<b>36,650</b>	59,112	<b>36,650</b>	59,112
Other auditors	-	-	-	-
	<b>36,650</b>	59,112	<b>36,650</b>	59,112

## Notes To The Financial Statements (Cont.)

### 18. 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, BQT Intelligent Security Systems Pty Ltd, 4C Security Solutions (Australia) Pty Ltd and partly owned 4C Satellites Pty 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 2010 and 2009 consisted only of loans by 4C Security Solutions Limited.

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
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	23,693,353
Associated companies	-	-	99,817	99,817
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 controlled entities:				
4C Security Solutions Holdings Limited	-	-	3,064,785	216,060
4C Security Solutions (Australia) Pty Ltd	-	-	19,517,587	2,579,628
4C Satellites Pty Ltd	-	-	-	693,659
BQT Solutions America Inc	-	-	294,037	-
4C Security Solutions (UAE) LLC	-	-	123,858	898,249
Loans advanced to associated companies	-	-	99,817	99,817
Loans advanced to and (payable to) key management personnel				
A Falaknaz	(331,324)	-	(88,000)	-
P Gaymor	68,196	-	-	-

## Notes To The Financial Statements (Cont.)

### 19. 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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>										
Sales to customers outside the consolidated entity	1,886,426	3,418,771	265,297	560,588	1,813,133	913,488	117,405	1,199,431	4,082,261	6,092,278
Other revenues from customers outside the consolidated entity	1,029	24,633	-	-	-	-	-	-	1,029	24,633
Inter-segment revenues	(475,183)	(1,550,045)	-	-	-	-	-	-	(475,183)	(1,550,045)
Total segment revenue	1,412,272	1,893,360	265,297	560,588	1,813,133	913,488	117,405	1,199,431	3,608,107	4,566,866
Unallocated revenue	-	-	-	-	-	-	-	-	-	-
Total consolidated revenue	1,412,272	1,893,359	265,297	560,588	1,813,133	913,488	117,405	1,199,431	3,608,107	4,566,866
<b>Results</b>										
Segment result	(688,615)	(3,399,829)	(191,323)	(183,088)	92,288	106,107	(434,674)	(579,278)	(1,222,324)	(4,072,693)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-
Consolidated entity profit/(loss) from ordinary activities before income tax (expense)/credit	(688,615)	(3,399,829)	(191,323)	(183,088)	92,288	106,107	(434,674)	(579,278)	(1,222,324)	(4,072,693)
Income tax expense	-	-	-	-	-	-	-	-	-	-
Consolidated entity profit/(loss) from ordinary activities after income tax expense	-	(3,399,829)	(191,323)	(183,088)	92,288	106,107	(434,674)	(579,278)	(1,222,324)	(4,072,693)
Other Income	-	-	1,815	-	-	-	-	-	1,815	-
R & D Grant	378,119	356,557	-	-	-	-	-	-	378,119	356,557
Net profit/(loss)	(310,496)	(3,043,272)	(189,508)	(183,088)	92,288	106,107	(434,674)	(579,278)	(842,390)	(3,716,136)
<b>Assets</b>										
Segment assets	2,098,647	1,513,924	61,698	297,975	1,176,840	323,098	473,577	552,492	3,810,762	2,687,489
Unallocated assets	-	-	-	-	-	-	-	-	-	-
Total assets	2,098,647	1,513,924	61,698	297,975	1,176,840	323,098	473,577	552,492	3,810,762	2,687,489
<b>Liabilities</b>										
Segment liabilities	(11,226,012)	1,405,318	1,993,800	10,030	9,586,621	70,500	1,945,821	284,151	2,300,230	1,769,999
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-
Total liabilities	(11,226,012)	1,405,318	1,993,800	10,830	9,586,621	70,500	1,945,821	284,151	2,300,230	1,769,999
<b>Other segment information:</b>										
Acquisition of property, plant and equipment, intangible assets and other non-current assets	-	-	-	-	-	-	-	138,691	-	-
Depreciation	76,844	98,277	-	-	1,826	5,131	18,869	34,673	97,539	138,081
Impairment	-	1,520,500	-	-	-	-	-	-	-	1,520,500
Non-cash expenses other than depreciation and amortization – share based expenses	-	-	-	-	-	-	-	-	-	-



## Notes To The Financial Statements (Cont.)

### 19. SEGMENT INFORMATION (Cont.)

#### SECONDARY SEGMENTS

<i>Business segments</i>	Consolidated	
	2010	2009
Segment Revenue:		
Smart card access systems	<b>3,607,078</b>	4,542,233
Investment	<b>1,029</b>	24,633
Total Revenue	<b>3,608,107</b>	4,566,866
Segment Assets by Location of Assets:		
Smart card Access systems	<b>3,810,762</b>	2,687,489
Investment	-	-
Total Assets	<b>3,810,762</b>	2,687,489

### 20. 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.



## 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 2010 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 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 16th September 2010

## Independent Auditor's Report

WONG & MAYES  
CHARTERED ACCOUNTANTS  
ABN 33 154 816 995  
MARTIN G. THOMPSON  
M. SILAS CHAN

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### Report on the Financial Report

We have audited the accompanying financial report of 4C Security Solutions Limited (the company) and 4C Security Solutions Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with 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. These Auditing 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, provided to the directors of 4C Security Solutions Limited on 16 September 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.





**Auditor's Opinion**

In our opinion:

- a. the financial report of 4C Security Solutions Limited and 4C Security Solutions Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their 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 report also complies with International Financial Reporting Standards as disclosed in Note 1.

**WONG & MAYES**  
**Chartered Accountants**

Martin G Thompson  
Partner

Dated this 24<sup>th</sup> day of September 2010

## 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 9 September 2010.

### 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	694	371,862
1,001-5,000	783	1,915,379
5,001-10,000	196	1,410,762
10,001-100,000	250	7,485,463
100,001 and over	56	135,164,098

The number of shareholders holding less than a marketable parcel of 11,112 shares are: 1,689      3,867,842

#### (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.	PIERCE SECURITY PTE LIMITED	21,530,788	14.71
2.	EKOGLOBAL PTY LIMITED <EKOINVESTMENTS A/C>	19,260,788	13.16
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,188,734	12.43
4.	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	16,730,000	11.43
5.	MR MICHEL MCGEEVER	15,000,000	10.25
6.	4C CONTROLS INC	12,800,000	8.75
7.	MR PATRICK BENEDICT TWOMEY + MS GENEVIEVE ROSVALL <PB & GL TWOMEY FAMILY A/C>	5,000,000	3.42
8.	MR ROBERT ANDREW BROOMFIELD	2,500,000	1.71
9.	ANZ NOMINEES LIMITED <CASH INCOME A/C>	2,344,860	1.60
10.	MS KAREN SOANS	1,716,405	1.17
11.	NEFCO NOMINEES PTY LTD	1,391,572	0.95
12..	MR JOHN GENNER	1,338,283	0.91
13.	MS LYNETTE JOY SANDERS	1,250,000	0.85
14.	MUR PTY LTD <PAVAL DISCRETIONARY A/C>	1,144,481	0.78
15.	TRE PTY LTD <TIME ROAD SUPERANNUATION A/C>	1,020,000	0.70
16.	FILMGATE PTY LTD <MG FINLAYSON SUPER FUND A/C>	1,000,000	0.68
17.	PIERCE CIM PTE LIMITED	894,286	0.61
18.	MR CHRISTOPHER BLAKE	891,864	0.61
19.	IDEA RICH LTD	809,143	0.55
20.	AMISUN PTY LIMITED <THE AMISUN SUPER FUND A/C>	747,466	0.51
		125,558,670	85.79

#### (c) Voting rights

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

## ASX Additional Information (cont.)

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 9 September 2010.

### 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
	28	197,421

The number of option holders holding less than a marketable parcel of 15,625 options are:

#### (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. ANZ NOMINEES LIMITED <CASH INCOME A/C>	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
	26,384,286	98.76

#### (c) Voting rights

Options do not carry voting rights