4C SECURITY SOLUTIONS LIMITED

ABN 89 000 029 265

Annual Financial Report

for the year ended 30 June 2011

Corporate Directory

4C Security Solutions Limited
ABN 89 000 029 265

Directors
Robert A Broomfield
(Chairman, Non-Executive Director)

Geoffrey J Cleaves
(Interim CEO and Executive Director)

Johan J Landsberg
(Non-Executive Director)

Company Secretaries
Steven Danielson
Geoffrey J Cleaves

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Level 1, 82 Waterloo Road
Macquarie Park NSW 2113
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Fax: +61 2 8817 2811
Web: www.4csecuritysolutions.com
Email: 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 NSW 2113

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 Security Solutions 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 11 November, 2011 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 achieved a Net Profit of $45,373 which was a significant improvement of $887,763 on last year's Net Loss of $842,390. The result was noteworthy as it is the first profit reported by the Group in the previous 8 years.

	Net Profit / (Net Loss)	Revenues
Year ended 30 June, 2011	$45,373	$3,204,598
Year ended 30 June, 2010	($842,390)	$3,608,107
Year ended 30 June, 2009	($3,716,136)	$4,566,866
Year ended 30 June, 2008	($13,690,506)	$4,114,047
Year ended 30 June, 2007	($29,041,023)	$3,944,637
Year ended 30 June, 2006	($8,840,647)	$2,805,035
Year ended 30 June, 2005	($8,282,105)	$2,037,924
Year ended 30 June, 2004	($6,169,897)	$2,057,817
Year ended 30 June, 2003	($2,479,863)	$2,307,693

Market conditions throughout the year remained challenging with subdued trading opportunities continuing and persistent weakness in the European, Middle East and North American market. Revenue for the year was down 11.18% to $3,204,598 compared to the previous corresponding period, which was $3,608,107. The continued deterioration of the US Dollar against the Australian dollar has also required us to continually review the Group's sourcing of many components and contract manufacturing of products.

FCS has centralised its corporate management within its Sydney headquarters and has transferred responsibility for its Middle East operations to existing resource in its London office. The reorganisation of the Group's activities have increased efficiencies to better position the Group to take advantage of additional growth opportunities and exercise suitable cost management.

Management has continued fiscal control initiatives during the year. Expenses from ordinary activities were $2,254,806, a further 30.50% decrease when compared to last year's Expenses from ordinary activities of $3,244,377.

The weaker global economy has meant a postponement in our direct entry into certain geographic and market segments. The Directors continue to work with management to agree and implement the preferred timing and channel method(s) for establishing new markets and growing additional channels.

This measured approach to the timing and appointing of resource has resulted in an increase to our sales and marketing resource through the appointment of a Sales and Marketing Manager and a Business Development Manager for the South East Asian market segment. We have also appointed a Product Engineering Manager for the BQT Solutions business to complement the progress we have made in developing new products and achieving production efficiencies.

The Group has developed and is releasing the following new products to market. This will both increase our product range and also increase the market opportunities available for both revenue and profit growth.

The new products developed include:

- MiniGuard Reader Range (5 products)
    - BM680, BM682, BM683, BM684, BM686.
- YR10 high security roller door lock
- YG 10 high security gate lock
- YD25L Self latching high security electronic deadbolt

The Group purchased 100% of Magna Electronics Pte. Limited "Magna" during the year and paid the first and second tranches of the purchase consideration through the payment of $150,000 cash and $550,000 through the issue of 4C Security Solutions Limited shares. The third tranche of purchase consideration is dependent on the EBITDA of Magna for the calendar year to 31 December 2011 and is expected to be settled in March 2012.

We have commenced marketing the Magna products in additional markets and as detailed above have successfully developed three new high security locking products.

The Group continues to execute on the strategic objectives outlined in the investor presentation released in November 2010, these include:

- Develop and launch new products to increase market share and profitability;
- Targeted acquisitions to grow product portfolio, revenue and profits;
- Implementation and continued development of a direct sales model for traditional core markets and a distribution model for the developing and other markets; and
- Cost control and working capital maximisation initiatives.

Whilst the outlook for the fiscal year ending 30 June 2012 remains challenging with regard to the general global economic conditions, particularly in Europe and the USA, the Directors remain focused on delivering on the Group's stated strategy and will continue to work alongside FCS's management to implement and execute initiatives to drive shareholder value

Geoffrey J Cleaves
Interim CEO and Director

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. Robert Andrew Broomfield, Chairman

Mr. Robert Broomfield is a seasoned business executive with more than 20 years of management experience including the past 7 years in senior positions within companies operating in the security industry.

Mr. Broomfield is currently the CEO and Executive Director of security technology company, Future Fibre Technologies Pty Ltd (FFT), which has achieved significant success in the last 3 years under Rob's leadership and is now rated as the world's leading manufacturer of Fibre Optic based Intrusion Detection Systems.

Prior to joining FFT, he was with Vision Systems Ltd, where he served as the General Manager of Asia Pacific for their Fire and Security systems.

In addition to his international sales and marketing success, Mr. Broomfield has extensive experience in operations management, including product engineering, procurement, manufacturing and operations. He has previously had 10 years experience with IBM in Australia and the United States.

Mr. Broomfield joined the FCS board on 5 October 2010 and holds no positions on boards of other Australian listed companies.

Mr. Geoffrey John Cleaves, Interim Chief Executive Officer

Mr. Geoffrey Cleaves has over 25 years experience in finance and operations management within the property, media, print, manufacturing, oil and gas and investment sectors, the last 20 years in senior management positions with both listed and unlisted corporations.

During Geoff's career he has held senior management positions with organisations such as Stockland Group, Chase Corporation, Milton Corporation, Trafalgar Corporate Group, Australian Petroleum Fund and the Independent Print Media Group.

Geoff is a professional manager and his core competencies include general management, investment, asset and funds management, treasury and finance.

Mr Cleaves' highest educational qualification is a Masters degree in Professional Accounting, he also holds the following professional designations; ASCPA, FIPA and SA Fin.

Mr. Cleaves joined the FCS board on 5 October 2010 and holds no positions on boards of other Australian listed companies.

Directors' Report (Cont.)

Mr. Johan J Landsberg, Non-Executive Director

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 previously 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 contracted 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.

Mr. Abdulrahman Falaknaz, Non-Executive Director, Chairman (Resigned 30 September 2010)

Mr. Abdulrahman Falaknaz was a Non-Executive Director and Chairman of the Company during the year to his resignation on 30 September 2010. Mr. Falaknaz held no positions on boards of other Australian listed companies.

Mr. Anastasios Angeloglou, Chief Executive Officer (Resigned 5 October, 2010) Executive Director (Resigned 10 November 2010)

Mr. Angeloglou was CEO of the Company during the year to his resignation on 5 October 2010 and an Executive Director of the Company during the year to his resignation on 10 November 2010. Mr. Angeloglou held no positions on boards of other Australian listed companies.

Mr. Allan Kwok, Non-Executive Director (Resigned 5 February 2011)

Mr. Kwok was a Non-Executive Director of the Company during the year to his resignation on 5 February 2011. Mr. Kwok held no positions on boards of other Australian listed companies.

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 J Cleaves MPA, ASCPA, FIPA, 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.

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
R A Broomfield (appointed 5 Oct 2010)	2,500,000	Nil
G J Cleaves (appointed 5 Oct 2010)	Nil	Nil
J J Landsberg	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 security access control products.

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

Employees
The consolidated entity employed 12 employees as at 30 June 2011 (2010: 9 employees).

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Period
The consolidated profit of the economic entity after providing for income tax amounted to $45,373 (2010: Loss $842,390). The profit achieved is an improvement on last year's results of $887,763. The improved result was achieved through the implementation of strategic organic and acquisition growth, continued improvement in company governance execution and discipline despite challenging global economic conditions.

Sales Revenues
Revenue for the year decreased to $3,204,598 compared to the previous corresponding period (2010: $3,608,107).

This reduction in sales revenues can be contributed to a number of factors which include, the slow economic recovery from the GFC, a focus on margin business and a delay in launching new products and additional sales resource due to a measured approach to commit additional resource until signs of growth and confidence in the market returned.

The business has continued to develop its operations with a focus of engaging more streamlined sales channels to market its quality products and services. We continue our effort in keeping up with and ahead of technology developments. This is being reflected in the new products released and products under development. The difficult economic conditions contributed to slower than anticipated progress however, we are well positioned to move quickly as the recovery presents.

Expenses
The total other expenses from ordinary activities for the financial year of $2,254,806 was 30.50% less than the previous year (2010: $3,244,377) as a result of prudent cost control and achievement of working capital efficiencies.

Directors' Report (Cont.)

Magna Electronics Pte. Limited Acquisition
The company acquired 100% of Magna during the year and paid the first and second tranches of the purchase consideration through the payment of $150,000 cash and $550,000 via the issue of FCS shares. The third tranche of the purchase consideration is dependent on the EBITDA of Magna for the calendar year to 31 December 2011 and is expected to be settled in March 2012.

During the latter part of the year we commenced the marketing of Magna products in additional markets and continue with our program to develop new products.

Private Placement Activities
The Company made private placements to sophisticated investors in partial settlement of the acquisition of Magna Electronics Pte. Limited, raising $550,000 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 14 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, including expected results have not been included in this report as the directors believe on reasonable grounds that the inclusion of such information would likely 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 the Company's directors and secretaries. 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.

Directors' Report (Cont.)

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.

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:

2011	Salary/fees	Other benefits	Options issued	Superannuation	TOTAL
Directors-Non executive	**$**	**$**	**$**	**$**	**$**
R A Broomfield	17,500	-	-	-	17,500
A R Falaknaz	-	-	-	-	-
A N K Kwok	17,946	-	-	-	17,946
J J Landsberg	30,000	-	-	-	30,000
Directors-Executive					
G Cleaves	125,953	-	-	19,964	145,917
A Angeloglou	77,783	-	-	-	77,783

2010	Salary/fees	Other benefits	Options issued	Superannuation	TOTAL
Directors-Non executive	**$**	**$**	**$**	**$**	**$**
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
Directors-Executive					
A Angeloglou	109,167	-	-	-	109,167

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 Chief Executive Officer and the non-executive directors.

Employment Contracts of Directors
Details of Summary of key terms of Anastasios Angeloglou (previous Chief Executive Officer/Director) and Geoffrey Cleaves (current Interim Chief Executive Office/Director) have been released as a Company Announcement to the ASX

Directors' Report (Cont.)

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
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
		44,571,430

During the year ended 30 June 2011, 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.

Directors' Report (Cont.)

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011:

	$
R&D grant consulting services	13,318
Taxation services	31,491
Other general services	35,463
	80,272

Auditor's Independence Declaration
The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 12 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:		
R A Broomfield	10 / (10)	2
G J Cleaves	9 / (9)	-
J J Landsberg	14 / (14)	2
A R Falaknaz	0 / (4)	-
A Angeloglou	5 / (5)	-
A N K Kwok	8 / (8)	2

Signed in accordance with a resolution of the directors.

Geoffrey J Cleaves
Interim CEO and Director
Sydney, 21st September 2011

WONG & MAYES
CHARTERED ACCOUNTANTS
A.B.N. 33 154 816 995
(incorporating Powell Kwok & Co)

MARTIN G. THOMPSON, B.Comm, M.Tax, FCA
M. SILAS CHAN, B.Comm, CA
PEGGY POON, B.Econ, M.Econ, CA

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ALLAN KWOK, FCA, ACIS, FTIA

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AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF 4C SECURITY SOLUTIONS LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

i. no contraventions of the auditor 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

WONG & MAYES
Chartered Accountants

Mark Tho

Martin G Thompson
Partner

Sydney, 21 September 2011

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 three 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:

Name	Position
R A Broomfield	Non-Executive Chairman
G J Cleaves	Interim CEO
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 controls 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 executive 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 executive 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

The board has adopted a corporate governance policy which sets out clear guidelines to ensure proper management and control over the affairs of the company

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

The corporate governance policy ensures Ethical and Responsible Decision making through formal processes and delegated authorities.

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 have been introduced during the year and will be continually reviewed.

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.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2011

	Note	Consolidated Group	
		2011	2010
		$	$
Revenue	3	3,204,598	3,608,107
Other income	3	471,398	378,119
Raw materials and consumables used	4a	(1,375,939)	(2.180,308)
Employee benefits expense		(1,104,090)	(1,410,837)
Depreciation and amortisation expense	4a	(121,761)	(97,539)
Finance costs		-	-
Other expenses		(981,417)	(1,139,932)
Share of net profits of associates and joint venture entities		-	-
Profit before income tax		92,789	(842,390)
Income tax expense		-	-
Profit from continuing operations		92,789	(842,390)
Profit/(Loss) for the year from discontinued operations after tax	5	(47,416)	-
Profit for the year		45,373	(842,390)
Other comprehensive income:		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		45,373	(842,390)
Profit attributable to:			
Members of the parent entity		45,373	(842,390)
Non-controlling interest		-	-
		45,373	(842,390)
Total comprehensive income attributable to:			
Members of the parent entity		45,373	(842,390)
Non-controlling interest		-	-
		45,373	(842,390)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)	18	0.027 cents	(0.58 cents)
Diluted earnings per share (cents)	18	0.027 cents	(0.58 cents)

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

Consolidated Statement of Financial Position as at 30 June 2011

	Note	Consolidated Group 2011 $	2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		591,758	967,196
Trade and other receivables	6	922,344	1,600,854
Inventories	7	809,459	627,763
Other assets	8	250,540	203,614
TOTAL CURRENT ASSETS		2,574,101	3,399,427
NON-CURRENT ASSETS			
Property, plant and equipment	10	79,597	215,391
Intangible assets	11	478,320	-
Other non-current assets	8	-	195,944
TOTAL NON-CURRENT ASSETS		557,917	411,335
TOTAL ASSETS		3,132,018	3,810,762
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	750,235	1,906,203
Provisions	13	122,072	62,703
Other current liabilities		-	-
TOTAL CURRENT LIABILITIES		872,307	1,968,906
NON-CURRENT LIABILITIES			
Other liabilities	12	301,486	331,324
TOTAL NON-CURRENT LIABILITIES		301,486	331,324
TOTAL LIABILITIES		1,173,793	2,300,230
NET ASSETS		1,958,225	1,510,532
EQUITY			
Issued capital	14	60,072,933	59,522,933
Reserves	15	24,160,265	24,307,944
Retained earnings		(82,274,973)	(82,320,345)
Parent interest		1,958,225	1,510,532
Non-controlling interest		-	-
TOTAL EQUITY		1,958,225	1,510,532

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2011

	Note	Share Capital	Share Based Expenses Reserve	Capital Profit Reserves	Foreign Currency Translation Reserves	Retained Earnings	Total Equity
		$	$	$	$	$	$
Balance at 1 July 2009		58,087,501	23,276,902	1,031,042	-	(81,477,955)	917,490
Retrospective adjustment upon change in accounting policy		-	-	-	-	-	-
Balance at 1 July 2009 (restated)							
Comprehensive income							
Profit/(Loss) for the year		-	-	-	-	(842,390)	(842,390)
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	(842,390)	(842,390)
Transactions with owners, in their capacity as owners, and other transfers							
Dividends recognised for the year		-	-	-	-	-	-
Share issued during the year		1,435,432	-	-	-	-	1,435,432
Total transactions with owners and other transfers		1,435,432	-	,	,	-	1.435,432
Other							
Transfers from retained earnings to general reserve		-	-	-	-	-	-
Total other		-	-	-	-	-	-
Balance at 30 June 2010		59,522,933	23,276,902	1,031,042	-	(82,320,345)	1,510,532
Balance at 1 July 2010		59,522,933	23,276,902	1,031,042	-	(82,320,345)	1,510,532
Comprehensive income							
Profit for the year		-	-	-	-	45,373	45,373
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	45,373	45,373
Transactions with owners, in their capacity as owners, and other transfers							
Shares issued during the year		550,000	-	-	-	-	550,000

Dividends recognised for the year	-	-	-	-	-	-
Total transactions with owners and other transfers	550,000	-	-	-	-	550,000
Other						
Foreign Currency Translation Reserve	-	-	-	(147,679)	-	(147,679)
Transfer of prior year revaluation increment to asset realisation on sale of freehold property	-	-	-	-	-	-
Total other	-	-	-	(147,679)	-	(147,679)
Balance at 30 June 2011	60,072,933	23,276,902	1,031,042	(147,679)	(82,274,972)	1,958,225

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

Consolidated Statement of Cash Flow for the year ended 30 June 2011

	Note	Consolidated Group 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,964,252	3,050,304
Other Receipts		471,398	378,117
Payments to suppliers and employee		(4,643,606)	(4,171,675)
Interest received		17,097	1,029
Finance costs		(3,570)	(80,771)
Income tax paid		(714)	-
Net cash provided by (used in) operating activities		(195,143)	(822,996)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		40,330	-
Purchase of property, plant and equipment		(7,766)	(28,172)
Purchase of Magna Electronics Pte Ltd		(700,000)	-
Dividends received from associates and joint ventures		-	-
Loans to related parties:			
– payments made		(19,978)	-
– proceeds from repayments		-	-
Net cash used in investing activities		(687,414)	(28,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		550,000	1,435,432
Proceeds from borrowings		-	1,095,000
Repayment of borrowings		-	(890,357)
Loans from related parties:			
– payments made		-	-
– proceeds from borrowings		-	-
Net cash provided by (used in) financing activities		550,000	1,640,075
Net increase in cash held		(332,557)	788,907
Cash and cash equivalents at beginning of financial year		967,196	191,713
Exchange Adjustment		(42,881)	(13,424)
Cash and cash equivalents at end of financial year		591,758	967,196

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

Notes to the Financial Statements

These consolidated financial statements and notes represent those of 4C Security Solutions Limited and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, 4C Security Solutions Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 21st September 2011 by the directors of the company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by 4C Security Solutions Limited at the end of the reporting period. A controlled entity is any entity over which 4C Security Solutions Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 9 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

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

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

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

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method).* In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

b. **Inventories**

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

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.

c. **Plant and Equipment**

Each class of plant and equipment is carried at cost.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Motor vehicles	22.5%
Plant and equipment	10-30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

d. **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

e. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

f. **Investments in Associates**

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

g. **Intangibles Other than Goodwill**

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

h. **Foreign Currency Transactions and Balances**

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

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

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

i. **Employee Benefits**

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.

j. **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 2 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

l. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

m. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

n. **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 and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;

- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

– AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

– AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

– AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

– AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

– AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

  - clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
  - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
  - amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
  - adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
  - making sundry editorial amendments to various Standards and Interpretations.

  This Standard is not expected to impact the Group.

– AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

– AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  This Standard is not expected to impact the Group.

– AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

– AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes.

  The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

– AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

  This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

  The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

  Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

  This Standard is not expected to impact the Group.

– AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

  [The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

  This Standard is not expected to impact the Group.

Notes To The Financial Statements (Cont.)

2. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	2011 $	2010 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**425,678**	752,254
Non-Current assets	**24,806,563**	24,575,529
TOTAL ASSETS	**25,232,240**	25,327,783
LIABILITIES		
Current liabilities	**92,888**	70,216
Non-Current liabilities	**88,000**	88,000
TOTAL LIABILITIES	**180,888**	158,216
NET ASSETS	**25,051,352**	25,169,567
EQUITY		
Issued capital	**60,072,933**	59,522,933
Retained earnings/(Accumulated Losses)	**(59,329,525)**	(58,661,309)
Capital profits reserve	**1,031,041**	1,031,041
Share Based Expenses Reserves	**23,276,903**	23,276,903
TOTAL EQUITY	**25,051,352**	25,169,567
STATEMENT OF COMPREHENSIVE INCOME		
Total profit	**(678,298)**	(726,287)
Total comprehensive income	**(678,298)**	(726,287)

Notes To The Financial Statements (Cont.)

3. REVENUE AND OTHER INCOME

		Note	Consolidated Group 2011 $	2010 $
a.	**Revenue from continuing operations**			
	Sales revenue:			
	– sale of goods		**3,187,501**	3,607,078
	– provision of services		**-**	-
			3,187,501	3,607,078
	Other revenue:			
	– dividends received:			
	- related parties		**-**	-
	- other persons		**-**	-
			-	
	– interest received			
	- related parties		**-**	-
	- other persons		**17,097**	1,029
			17,097	
	Total interest revenue on financial assets not at fair value through profit or loss			
	– R & D Tax Concession received		**471,398**	378,119
	– other revenue		**-**	-
			471,398	378,119
	Total revenue		**3,675,996**	3,986,226
	Other income:			
	– gain on disposal of property, plant and equipment		**-**	-
	– gain on debt defeasance		**-**	-
			-	-
b.	**Total revenue and other income from continuing operations**			
	– attributable to members of the parent entity		**3,675,996**	3,986,226
	– attributable to non-controlling interests		**-**	-
			3,675,996	3,986,226
c.	**Income from continuing operations and discontinued operation**			
	– attributable to members of the parent entity		**3,675,996**	3,986,226
	– attributable to non-controlling interests		**-**	-
			3,675,996	3,986,226

Notes To The Financial Statements (Cont.)

4. PROFIT FOR THE YEAR

	Note	Consolidated Group	
		2011	2010
		$	$
Profit before income tax from continuing operations includes the following specific expenses:			
a. **Expenses**			
Cost of sales		**1,375,939**	2,180,308
Consulting fees		**262,943**	381,881
Corporate expenses		**449,709**	394,349
Communication expenses		**36,375**	96,175
Marketing expense		**12,147**	20,402
Depreciation of non-current assets:			
– Plant and equipment		**121,761**	97,539
Foreign currency translation losses/(gains)		**4,905**	(6,029)
Borrowing costs:			
– Interest expenses		-	81,892
b. **Significant Revenue and Expenses**			
The following significant revenue and expense items are relevant in explaining the financial performance:			
Discontinuation of UAE operation	5	**47,416**	-
Net Loss on the discontinuation of UAE operation	5	**47,416**	-

Notes To The Financial Statements (Cont.)

5. DISCONTINUED OPERATIONS

	2011 $
The consolidated group has ceased direct trading operations in the UAE, and transferred the sales and marketing functions to other entities of the consolidated group.	
Financial information relating to the discontinued operation to the date of disposal is set out below.	
The financial performance of the discontinued operation to the date of closure, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:	
Revenue	-
Expenses	(47,416)
Loss before income tax	(47,416)
Income tax expense	-
Loss attributable to members of the parent entity	(47,416)
Total loss after tax attributable to the discontinued operation	(47,416)
The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:	
Net cash inflow/(outflow) from operating activities	(47,416)
Net cash decrease in cash generated by the discontinued division	(47,416)

Loss on disposal of UAE operation included in profit/(loss) from discontinued operations per the statement of comprehensive income.

Notes To The Financial Statements (Cont.)

6. TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group 2011 $	2010 $
Trade debtors		**1,049,804**	1,833,548
Provision for doubtful debts		**(127,460)**	(232,694)
		922,344	1,600,854

7. INVENTORIES

		2011	2010
Raw materials and stores			
Direct materials at cost		**509,464**	342,338
Finished Goods		**299,995**	285,425
Total inventories at cost.		**809,459**	627,763

8. OTHER ASSETS

	Note	2011	2010
Other Assets (Current)			
Security Deposit		**53,732**	52,610
Prepayments		**26,628**	82,808
Product Development Expenditure		**40,736**	-
Other Current Assets		**21,787**	-
Receivable from related parties	19b	**107,657**	68,196
		250,540	203,614
Other Assets (Non-Current)			
Investment in associated companies and uncalled capital		-	195,944
		-	195,944

Notes To The Financial Statements (Cont.)

9. OTHER FINANCIAL ASSETS (NON CURRENT)

(a) Interests in controlled entities

	Country of Incorporation	Percentage Owned (%)*	
		2011	2010
Subsidiaries of 4C Security Solutions Limited:			
BQT Solutions (Australia) Pty Ltd	Australia	100	100
BQT Solutions (UK) Limited #	UK	100	100
BQT Solutions America Inc.	USA	100	100
Magna Electronics Pte. Ltd #	Singapore	100	-
Manz Engineering Limited #	New Zealand	100	-
BQT Intelligent Security Systems Pty Ltd	Australia	60	60
BQT Satellites Limited	Australia	60	60
BQT Solutions UAE LLC	UAE	49	49

* *Percentage of voting power is in proportion to ownership*

\# Not audited by the parent entity's auditors

(b) Acquisition of Controlled Entity

On the 29th of November 2010, 4C Security Solutions Limited acquired 100% of the issued shares of Magna Electronics Pte. Limited. Manz Engineering Limited is 100% owned by Magna Electronics Pte. Limited, therefore Manz Engineering Limited becomes one of the consolidated entities.

The first and second tranches of the purchase consideration were through the payment of $150,000 in cash and $550,000 through the issue of 4C Security Solutions Limited shares. The third tranche of purchase consideration is dependent on the EBITDA of Magna for the calendar year to 31 December, 2011 and is expected to be settled in March 2012.

The Assets and Liabilities of Magna Electronic Pte Limited are as follows:-

	$
Receivables	31,172
Inventories	141,366
Other Current Assets	29,040
Plant and Equipment	93,741
Intangibles	743,596
Payables	79,886
Other Current Liabilities	34,822

(c) Interests in associate companies

The Group consolidates fully the operating results of BQT 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%

** 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

Notes To The Financial Statements (Cont.)

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2011	2010
	$	$
Plant & equipment		
At cost	**732,964**	627,129
Accumulated depreciation	**(658,078)**	(527,124)
	74,886	100,005
Motor Vehicle		
At cost	-	146,850
Accumulated depreciation	-	(41,134)
	-	105,716
Furniture, fixtures and fittings		
At cost	**68,576**	72,844
Accumulated depreciation	**(63,865)**	(63,174)
Total furniture, fixtures and fittings	**4,711**	9,670
Total property, motor vehicle, plant and equipment	**79,597**	215,391
Total at cost	**801,540**	846,823
Accumulated depreciation and amortisation	**(721,943)**	(631,432)
Total written down amount	**79,597**	215,391

Reconciliations

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

	2011	2010
Plant and Equipment		
Carrying amount at beginning of year	**100,005**	152,288
Additions/(Disposals)	**91,816**	32,869
Depreciation	**(116,935)**	(85,152)
Carrying amount at end of year	**74,886**	100,005
Motor Vehicles		
Carrying amount at beginning of year	**105,716**	104,018
Exchange Adjustment	-	1,698
Additions/(Disposals)	**(105,716)**	-
Depreciation	-	-
Carrying amount at end of year	-	105,716
Furniture. Fixtures and fittings		
Carrying amount at beginning of year	**9,670**	22,057
Additions/(Disposals)	**(133)**	-
Relinquishment of Fitout	-	-
Depreciation/Amortisation	**(4,826)**	(12,387)
Carrying amount at end of year	**4,711**	9,670

Notes To The Financial Statements (Cont.)

11. INTANGIBLES ASSETS

	Consolidated Group 2011 $	2010 $
Goodwill - deemed cost	**17,442,973**	16,984,768
Less: Accumulated amortisation	**(16,984,768)**	(16,984,768)
	458,205	-
Research and development	**2,929,666**	2,929,666
Less: Accumulated amortisation	**(2,929,666)**	(2,929,666)
	-	-
Patents	**172,024**	-
Less: Accumulated amortisation	**(151,909)**	-
	20,115	-
Total intangibles	**478,320**	-

	2011	2010
Reconciliations		
Goodwill		
Balance at beginning of year	-	1,520,500
Additions	**458,205**	-
Impairment	-	(1,520,500)
Closing value at end of year	**458,205**	-
Research and Development		
Balance at beginning of year	-	-
Additions	-	-
Amortisation	-	-
Impairment	-	-
Closing value at end of year	-	-
Patents		
Balance at beginning of year	-	-
Additions	**53,564**	-
Amortisation	**(33,449)**	-
Impairment	-	-
Closing value at end of year	**20,115**	-

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill has an infinite life.

Impairment disclosures

Goodwill is allocated to cash-generating unit which is based on the Group's reporting segments:

	2011 $	2010 $
Security locks segment	**458,205**	-
Total	**458,205**	-

Notes To The Financial Statements (Cont.)

11. INTANGIBLES ASSETS (Cont.)

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 4-year period. The cash flows are discounted using the interest rate of 9%.

The following assumptions were used in the value-in-use calculations:

	Discount Rate
Security locks segment	9%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets have based on the expectation of a program of comercialisation of products to project revenue. Costs are calculated taking into account historical gross margins. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

12. TRADE AND OTHER PAYABLES

		Consolidated Group	
		2011	2010
		$	$
(a) Trade and Other Payables (Current)			
Trade creditors		**551,604**	824,717
Sundry creditors and accrued expenses		**198,631**	1,081,486
		750,235	1,906,203
(b) Other Liabilities (Non-Current)			
Related parties – Advances from associate of related party	19(b)	**301,486**	331,324

13. PROVISIONS

	2011	2010
Employee entitlements	**40,432**	36,234
Others	**81,640**	26,469
	122,072	62,703

Notes To The Financial Statements (Cont.)

14. CONTRIBUTED EQUITY

	2011 Number of shares	2011 $	2010 Number of shares	2010 $
(a) Issued and paid up capital				
164,680,898 ordinary shares fully paid (2010 – 146,347,564 shares)	**164,680,898**	**60,072,933**	146,347,564	59,522,933
(b) Movements in shares on issue				
Beginning of the financial year	**146,347,564**	**59,522,933**	65,075,988	58,087,501
Shares issued during the year:				
Placement at 3 cents	**10,000,000**	**300,000**	-	-
Placement at 3 cents	**8,333,334**	**250,000**	-	-
Placement at 1 cent	-	-	19,000,000	190.000
Placement at 2 cents	-	-	23,750,000	475,000
Placement at 2 cents	-	-	38,521,576	770,432
Less: Capital raising costs	-	-	-	-
End of the financial year	**164,680,898**	**60,072,933**	146,347,564	59,522,933

(c) Share Options

There is no share option issued during the year. 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 16.

15. RESERVES

	Consolidated Group 2011 $	Consolidated Group 2010 $
Capital Profits Reserve *	**1,031,042**	1,031,042
Share Based Expenses Reserve **	**23,276,902**	23,276,902
Foreign Currency Translation Reserve	**(147,679)**	-
	24,160,265	24,307,944

* Relates to profit on sale of listed investments

** Relates to share based expenses

Notes To The Financial Statements (Cont.)

16. INTERESTS OF KEY MANAGEMENT PERSONNEL

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

Directors

R A Broomfield -	Chairman – Non Executive (appointed on 5 Oct 2010)
A R Falaknaz -	Chairman – Non Executive (resigned on 30 Sep 2010)
G J Cleaves -	Interim CEO (appointed on 5 Oct 2010)
A Angeloglou	Executive (resigned on 10 Nov 2010)
A N K Kwok -	Non-Executive (resigned 5 Feb 2011)
J J Landsberg -	Non-Executive

b. Directors' Remuneration

2011	Primary				Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options		
R A Broomfield	17,500	-	-	-	-	-	-	17,500
A R Falaknaz	-	-	-	-	-	-	-	-
A N K Kwok	17,946	-	-	-	-	-	-	17,946
G J Cleaves	125,953	-	-	-	19,964	-	-	145,917
J J Landsberg	30,000	-	-	-	-	-	-	30,000
A Angeloglou	77,783	-	-	-	-	-	-	77,783

2010	Primary				Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	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

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 granted and exercised during the year, which previously granted as remuneration.

Notes To The Financial Statements (Cont.)

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

d. Options and Rights Holdings

Number of options held by specific people who were directors in part of the year

	Balance 01.07.2010	Granted as Remuneration	Options Exercise*	Net Change Other*	Balance 30.06.2011	Total vested 30.06.2011	Total Exercisable 30.06.2011	Total Unexercisable 30.06.2011
Directors								
A R Falaknaz held via Falak Holding LLC (resigned)	714,286	-	-	-	714,286	714,286	714,286	-
A Angeloglou (resigned)	714,286	-	-	-	714,286	714,286	714,286	-
A N K Kwok (resigned)	928,572	-	-	(214,286)	714,286	714,286	714,286	-

e. Shareholdings

Number of Shares Held by Parent Entity Directors

	Balance 01.07.2010	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.06.2011
Parent Entity Directors					
R A Broomfield **	2,500,000	-	-	-	2,500,000
A R Falaknaz held via Falak Holding LLC (resigned)	8,571,429	-	-	-	8,571,429
A Angeloglou (resigned)	-	-	-	-	-
A N K Kwok (resigned)	80,323	-	-	-	80,323

* Net change other refers to options expired during the financial year.

** Ms Lynette Joy Sanders, who is associated with R A Broomfield, held 1,250,000 shares as at 14 Sept 2011.

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. Upon retirement employed executive directors are paid employee benefit entitlements accrued to date of retirement. 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.)

17. AUDITORS' REMUNERATION

	Consolidated Group	
	2011	2010
	$	$
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	**72,285**	31,242
- Other auditors	**12,073**	-
	84,358	31,242
(b) Other services		
- Wong & Mayes	**80,272**	36,650
- Other auditors	**-**	-
	80,272	36,650

18. EARNINGS PER SHARE

Profit/(loss) used in calculation of earnings per share:-		
Basic Profit/(loss) per share	**0.027 cents**	(0.58) cents
No of ordinary shares on issue used in the calculation of basic profit/(loss) per share	**164,680,898**	146,347,564
Diluted Profit/(loss) per share	**0.027 cents**	(0.58) cents
No of ordinary shares on issue used in the calculation of diluted profit/(loss) per share	**164,680,898**	146,347,564

19. RELATED PARTY TRANSACTIONS

a. **The Group's main related parties are as follows:**

i. *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 16: Interests of Key Management Personnel (KMP).

ii. *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel exercise significant influence.

b. **Transactions with related parties:**

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

The following transactions occurred with related parties:

Loans advanced to and (payable to) key management personnel		
Falak Holding LLC which associated with A Falaknaz	**(301,486)**	(331,324)
P Gaymor	**107,657**	68,196

Notes To The Financial Statements (Cont.)

20. OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The Group operates in the smart card access control and security locks industries. For smart card access control system, it operates in three main geographic areas being Australia, United Kingdom, United States of America. For security locks, it operates under the company of Magna Electronics Pte. Ltd and Manz Engineering Limited in Southeast Asia and New Zealand.

i. Segment performance

	Australia	UK	US	UAE	Magna	Total
	$	$	$	$	$	$
30 June 2011						
REVENUE						
External sales	1,866,230	663,089	265,678	-	392,771	3,187,768
Intersegment sales	403,299	-	-	-	-	403,299
Interest revenue	17,097	-	-	-	-	17,097
Total segment revenue	2,286,626	663,089	265,678	-	392,771	3,608,164
Reconciliation of segment revenue to group revenue						
Other revenue	471,131	-	-	-	-	471,131
Intersegment elimination	(403,299)	-	-	-	-	(403,299)
Revenue from discontinued operations	-	-	-	-	-	-
Total group revenue	2,354,458	663,089	265,678	-	392,771	3,675,996
Segment net profit from continuing operations before tax	38,000	29,572	69,108	-	(43,891)	92,789
Net profit before tax from continuing operations						92,789
30 June 2010						
REVENUE						
External sales	1,411,244	1,813,133	265,297	117,405	-	3,607,079
Intersegment sales	475,183	-	-	-	-	475,183
Interest revenue	1,029	-	-	-	-	1,029
Total segment revenue	1,887,456	1,813,133	265,297	117,405	-	4,083,291

Reconciliation of segment revenue to group revenue

	Australia	UK	US	UAE	Magna	Total
	$	$	$	$	$	$
Other revenue	378,119	-	-	-	-	378,119
Intersegment elimination	(475,183)	-	-	-	-	(475,183)
Revenue from discontinued operations	-	-	-	-	-	-
Total group revenue	1,790,392	1,813,133	265,297	117,405	-	3,986,227
Segment net profit from continuing operations before tax	(310,495)	92,288	(189,509)	(434,674)	-	(842,390)
Net profit before tax from continuing operations						(842,390)

ii. Segment assets

	Australia	UK	US	UAE	Magna	Total
	$000	$000	$000	$000	$000	$000
30 June 2011						
Segment assets	1,592,719	327,290	194,947	-	-	2,114,956
Segment asset increases for the period:						
– capital expenditure	-	-	-	-	-	-
– acquisitions	-	-	-	-	1,017,061	1,017,061
Total group assets	1,592,719	327,290	194,947	-	1,017,061	3,132,017
30 June 2010						
Segment assets	2,098,647	1,176,840	61,698	473,577	-	3,810,762
Segment asset increases for the period:						
– capital expenditure	-	-	-	-	-	-
– acquisitions	-	-	-	-	-	-
Total group assets	2,098,647	1,176,840	61,698	473,577	-	3,810,762

iii. *Segment liabilities*

	Australia	UK	US	UAE	Magna	Total
	$000	$000	$000	$000	$000	$000
30 June 2011						
Segment liabilities	625,506	7,145,005	1,680,268	-	255,792	9,706,571
Reconciliation of segment liabilities to group liabilities:						
Intersegment eliminations	-	(7,009,220)	(1,523,558)	-	-	(8,532,778)
Total group liabilities	625,506	135,785	156,710	-	255,792	1,173,793
30 June 2010						
Segment liabilities	1,286,735	9,586,621	-	1,945,821	-	12,819,177
Reconciliation of segment liabilities to group liabilities:						
Intersegment eliminations	-	(8,773,833)	-	(1,745,114)	-	(10,518,947)
Total group liabilities	1,286,735	812,788	-	200,707	-	2,300,230

Notes To The Financial Statements (Cont.)

21. 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 Statement of Financial Position and notes to the financial statements.
- 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.

(b) Bank Overdraft

The Group has unsecured bank overdraft facilities $20,000 and $63,537 in Australia and in New Zealand respectively. Variable interest rate is charged on amounts withdrawn. Management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice.

(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.

22. SHARE-BASED PAYMENTS

A summary of the movements of company options issues to employees is as follows:

	Consolidated Entity	
	30.06.11 No.	30.06.10 No.
a. Movement in the number of share options held by employees and ex-employees are as follows:		
Opening balance	**6,346,444**	27,191,241
Granted during the year	-	-
Sold/Exercised during the year	-	-
Expired during the year	**(3,489,300)**	**(20,844,797)**
Closing Balance	**2,857,144**	6,346,444
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	-	-

c. Details of share options outstanding as at end of year:

Grant Date	Expiry and Exercise Date	Exercise Price $	30.06.11 No.	30.06.10 No.
23.11.07	30.11.10	0.25	-	3,489,300
22.09.08	31.12.13	0.10	**2,857,144**	2,857,144
			2,857,144	6,346,444

Notes To The Financial Statements (Cont.)

23. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The directors are not aware of any significant events that have occurred since the end of financial year.

24. CASH FLOW INFORMATION

	Consolidated Group	
	2011	2010
	$	$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	45,373	(842,390)
Cash flows excluded from profit attributable to operating activities:		
– finance costs on debentures	-	-
Non-cash flows in profit:		
– amortisation	-	-
– depreciation	121,761	97,539
– write-off of capitalised expenditure	-	-
– write-off of obsolete stock	62,740	87,774
– write-down of inventory to fair value	-	-
– net gain on disposal of property, plant and equipment	45,596	-
– gain on revaluation of investment in associate	-	-
Share of associated companies net profit after income tax and dividends	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and term receivables	678,510	(787,892)
– (increase)/decrease in prepayments	129,172	96,115
– (increase)/decrease in inventories	(181,696)	327,041
– increase/(decrease) in trade payables and accruals	(1,155,968)	270,668
– increase/(decrease) in income taxes payable	-	-
– increase/(decrease) in provisions	59,369	(71,761)
Cash flow from operations	(195,143)	(822,996)

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 16 to 45, are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitute explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer has declared that:
    a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
    b. the financial statements and notes for the financial year comply with Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Geoffrey J Cleaves
Interim CEO and Director
Sydney, 21st September 2011

WONG & MAYES
CHARTERED ACCOUNTANTS
A.B.N. 33 154 816 995
(incorporating Powell Kwok & Co)

MARTIN G. THOMPSON, B.Comm, M.Tax, FCA
M. SILAS CHAN, B.Comm, CA
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4C SECURITY SOLUTIONS LIMITED

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 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 4C Security Solutions Limited, 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 2011 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 10 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of 4C Security Solutions Limited for the year ended 30 June 2011 complies with s 300A of the *Corporations Act 2001*.

WONG & MAYES
Chartered Accountants

Wong & Mayes

Mark Thom

Martin Thompson
Partner

Dated this 21st day of September 2011

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 14 September 2011.

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	**682**	**364,339**
1,001-5,000	**749**	**1,816,538**
5,001-10,000	**182**	**1,318,593**
10,001-100,000	**228**	**6,856,054**
100,001 and over	**62**	**154,325,374**
The number of shareholders holding less than a marketable parcel of 29,412 shares are:	**1,763**	**6,016,921**

(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	13.07
2.	EKOGLOBAL PTY LIMITED <EKOINVESTMENTS A/C>	19,260,788	11.70
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,612,915	11.30
4.	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	16,730,000	10.16
5.	MR MICHEL MCGEEVER	15,000,000	9.11
6.	4C CONTROLS INC	12,800,000	7.77
7.	MR NEIL HINGSTON <HINGSTON FAMILY A/C>	7,064,261	4.29
8.	MR PATRICK BENEDICT TWOMEY + MS GENEVIEVE ROSVALL <PB & GL TWOMEY FAMILY A/C>	5,000,000	3.04
9.	PANDON HOLDINGS PTE LIMITED	4,114,338	2.50
10.	MR MATTHEW NYE-HINGSTON	3,073,979	1.87
11.	PIERCE CIM PTE LIMITED	2,683,367	1.63
12.	MR ROBERT ANDREW BROOMFIELD	2,500,000	1.52
13.	JP MORGAN NOMINEES LIMITED <CASH INCOME A/C>	2,289,329	1.39
14.	MS KAREN SOANS	1,716,405	1.04
15.	PIERCE ATLANTIC PTE LTD	1,675,215	1.02
16.	NEFCO NOMINEES PTY LTD	1,391,572	0.85
17.	MS LYNETTE JOY SANDERS	1,250,000	0.76
18.	MUR PTY LTD <PAVAL DISCRETIONARY A/C>	1,144,481	0.69
19.	LITTLEBET COM PTY LTD	1,116,522	0.68
20.	FILMGATE PTY LTD <MG FINLAYSON SUPER FUND A/C>	1,000,000	0.61
		139,953,960	**84.98**

(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 14 September 2011.

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**
The number of option holders holding less than a marketable parcel of 15,625 options are:	**28**	**197,421**

(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.	JP MORGAN 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