Scout Security Limited

ABN 13 615 321 189

and its controlled entities

ANNUAL REPORT

30 June 2024

Corporate directory

Current Directors		Tenure
Mr Daniel Roberts	*Executive Director*	Appointed August 2017
Mr Martin Pretty	*Non-executive Chairman*	Appointed July 2020
Mr David Shapiro	*Non-executive Director*	Appointed August 2017
Mr Anthony Brown	*Non-executive Director*	Appointed August 2017
Mr Ryan McCall	*Executive Director*	Appointed February 2023

Company Secretary
Ms Kim Larkin Effective July 4, 2022

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Solicitors
Steinepreis Paganin
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16 Milligan Street
Perth WA 6000

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ASX Code SCT

Bankers
Westpac Banking Corporation
130 Rokeby Road
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Chairman's Message

Dear Fellow Shareholders,

On behalf of the Board of Directors, I would like to thank you for your patience and perseverance.

There were definitely positives to highlight in FY2024. Revenue grew 19%; gross profit expanded by 69%; regional US ISP Windstream continued to grow its Scout-powered customer base; and we advanced commercial agreements with partners Origin Wireless, Lumen and Intelligent Monitoring Group. Scout continues to be recognised within its industry, being named the market's best contract-free home security provider of 2024 by CBS Essentials, the online shopping guide of major US broadcaster CBS.

But there is no hiding from the fact that Scout did not convert any of its commercial relationships into the material uplift in revenue that the company and its investors are looking for via new commercial roll-outs of its white-label traditional security and WiFi Sensing offerings. The timeline from initial engagement and master service agreements with customers through to commercial roll-outs has continued to stretch beyond Scout's expectations.

In light of this, Scout had to take a series of strong actions in FY2024 to sustain itself. The company's cost base was materially reduced. A comprehensive recapitalisation was undertaken, converting debt to equity and raising additional capital. Additional opportunities have been added to the pipeline.

Our partnership with US broadband network operator Lumen Technologies advanced during the first half of FY2024, with the completion of a successful pilot program and the signing of a Master Service Agreement. We now await confirmation of Lumen's plans for a commercial launch.

WiFi Sensing technology represents the next wave of home security solutions and Scout is well placed to benefit when mass adoption gets underway. In Q2 FY24 we secured a new white label partnership deal with Origin Wireless AI. Origin is the category leader in providing precise presence sensing solutions, leveraging its patented and award-winning AI to detect and verify human presence for eldercare, smart automations and security. We continue to work closely with Origin to develop and commercialise WiFi Sensing into a complete home automation and security solution. Origin also invested in Scout as part of the recapitalisation launched in June 2024.

In May 2024, our white label program expanded to Australia and New Zealand through a new partnership with Intelligent Monitoring Group (ASX: IMB). IMG is a leading home security player in A&NZ and owns the region's "ADT Security" branded business. We are now working closely with IMG to develop and roll out both hub-and-spoke and WiFi sensing DIY home security offerings to consumers through IMG's various sales channels across Australia and New Zealand.

The operating leverage built into our white label sales model, accentuated by operating cost reductions, means that Scout expects it will only need one large active customer for the business to generate positive operating cash flow, with additional white label partners compounding and accelerating this trajectory.

In the year ahead we continue to focus on achieving material revenue growth through commercial launches with those partners who have already inked agreements with us and through new partnerships. Scout continues to work closely with Origin Wireless AI to commercialise WiFi motion sensing and we believe their investment in Scout highlights the value of Scout's technology platform and capabilities. We also see the value in consolidation as another means of benefiting from operating leverage. Scout has been looking seriously at corporate activity, whether that results in it acquiring scale or being acquired itself, and is pursuing a number of opportunities entering FY2025.

I would like to thank Scout's personnel for their tireless efforts and my fellow Board members for their contribution and counsel.I would also like to reiterate my gratitude to our investors for their patient support and belief in our vision. Nothing has proven easy in the past few years and the team will continue to drive for the outcomes that will make the journey worthwhile.

Martin Pretty
Non-Executive Chairman
Scout Security Ltd

Directors' report

Your directors present their report on the consolidated entity, consisting of Scout Security Limited (**Scout** or **the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2024.

Scout is listed on the Australian Securities Exchange (ASX:SCT).

1. Directors

The names of Directors in office at any time during or since the end of the year are:

Mr Martin Pretty	Non-executive Chairman (appointed Non-executive Chairman on 23 August 2021)
Mr Daniel Roberts	Executive Director
Mr David Shapiro	Non-executive Director
Mr Anthony Brown	Non-executive Director
Mr Ryan McCall	Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 6 Information relating to the directors of this Directors Report.

2. Company secretary

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

- Ms Kim Larkin

Qualifications	Certificate III in Financial Services, Graduate Certificate in Commerce, Certificate of Banking
Experience	Ms. Larkin is an experienced business professional with more than 20 years in banking and finance, and over 15 years as a Company Secretary to other ASX-listed entities. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance, and governance. As Head of Corporate Services for BoardRoom Australia in Queensland, Ms Larkin provides company secretarial services to a range of private and public companies, along with business development expertise.

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2024.

4. Significant Changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year ended 30 June 2024 other than disclosed elsewhere in this Annual Report.

5. Operating and financial review

5.1. Nature of Operations Principal Activities

Scout Security Limited (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telecommunications providers in the world. Scout's platform facilitates professional security monitoring, while its mobile app is a powerful command system for end users to monitor their home and manage their security remotely. Scout's simple and affordable DIY approach puts security within reach for millions of residential homes, small-to-medium businesses and multitenant buildings.

Scout was recognised as one of Forbes' "Best Home Security Companies of 2022" and was named the "Best Contract-Free Home Security System Provider of 2024" by CBS Essentials. Scout's design-centric offering gives users complete flexibility around connected home security, allowing the system to integrate with other best-in-class IoT devices and offering flexible monitoring options.

Scout is an official partner of Amazon Alexa and Google's Assistant. Scout is also an Amazon Alexa Fund portfolio company.

Directors' report

5.2 Material Business Risks

There are various internal and external risks that may have a material impact on the Company's future financial performance and economic sustainability. The Company makes every effort to identify material risks and to manage these effectively.

From a sustainability perspective, the Company's ability to provide resilient operations requires disciplined long-term risk management and a commitment to operating as a responsible corporate citizen.

The company's disciplined approach to long-term risk management is a critical component in the resilience of our day-to-day operations, as it reduces the impact and likelihood of negative outcomes. While we are unable to guarantee there will never be negative outcomes. While we are unable to guarantee there will never be negative outcomes, the company is committed to continually improving its risk management practices and embedding a risk management culture as we strive to minimize their occurrence.

Long-term resilience also comes from the adoption of responsible business practices. While technology and society continue to evolve, doing the right thing remains a constant in business.

The expected results from those operations in future financial years have not been included because they depend on factors such as general economic conditions, the risks outlines below and the success of the Company's strategies, some of which are outside the control of the Group.

The material business risks affecting the Company are set out below. In addition to these risks, the Company may also face a range of other risks from time to time in conducting its business activities.

- Customer retention and revenue growth
- Loss of key personnel or skilled workers
- Competition and entry of new market participants
- Reliance on third party IT suppliers
- Regulatory risk
- Availability of cash for ongoing operating activities

5.3 Operations Review

BUSINESS DEVELOPMENT

The Company focused on delivering growth in FY24 through new and existing white label partners. By the end of FY24, Scout had also implemented cost saving initiatives expected to exceed $1 million per year. Key business development announcements during the period included:

The Company focused on both expansion and growth in FY24 through new and existing white label partners. Key business development announcements during the period included:

July 2023:	Launch of pilot program with Lumen Technologies, Inc ((NYSE: LUMN)
August 2023:	Purchase order of camera hardware received from Windstream
September 2023:	Master Service Agreement signed with Lumen
November 2023:	White label deal agreed with Origin Wireless AI
December 2023:	Convertible note maturity extended to 31 December 2024
February 2024:	AU$306k of additional capital raised via existing debt facility
April 2024:	Master Service Agreement signed with Intelligent Monitoring Group (ASX: IMB)
May 2024:	First purchase order received under IMB white label partnership
June 2024:	Launch of recapitalisation via $4.376m package of equity commitments and debt conversion

Directors' report

Windstream Partnership

The Company remains focused on growing subscriptions through its white label program, which continues to yield net new customer adds each month. Growth in Scout's monthly recurring revenue (MRR) through its white label program reflects sell-through and activation of Scout-powered security systems, and over time, growth in MRR also decreases the significance of hardware purchase orders to the Company's cash flows.

During the period, US sales of the Scout-powered white labelled telco home security solution continued to develop. Sales through the Company's first US ISP white label partner, Windstream, increased through the period as Windstream actively marketed the Scout-powered DIY home security solution via e-commerce to its existing customer base. This followed the launch in the June 2023 quarter of e-commerce sales to existing Windstream customers. Prior to this point, Windstream had only targeted new customers via phone sales with the Scout-powered Kinetic Secure Home offer. A marketing push in January 2024 has hope to drive stronger growth in sales which will accrue to RMR in the March quarter.

Windstream e-commerce is proving to be a successful channel, with the rate of sales prompting Windstream to order an additional 5,000 cameras from Scout during the September quarter, and in early H2 FY24, an additional 4,000 cameras. With the value of this channel now proven, Scout and Windstream are in discussions regarding offering more Scout products on the Windstream platform, and potentially transitioning Windstream to Wi-Fi Motion Sense and moving beyond the hub model.

Intelligent Monitoring Group partnership

In April 2024, Scout signed a Master Service Agreement with leading security and monitoring company Intelligent Monitoring Group (ASX: IMB). IMB is Australia's biggest and fastest-growing home security group and owns the local business of ADT Security, a globally recognised brand.

The partnership will see the development and roll out of both hub-and-spoke and Wi-Fi sensing DIY home security offerings to consumers through IMB's various sales channels within Australia and New Zealand. As these markets are largely untapped by affordable do-it-yourself security solutions, Scout and IMB are confident in our combined efforts to capture a substantial portion of the market. In May, IMB placed an initial hardware order of A$250k to support a sales launch anticipated in Q1 FY25.

Origin AI partnership

In November, Scout secured a new white label partnership deal with Origin Wireless AI ("Origin"). Canadian-based Origin is the pioneer in transforming WiFi signals into innovative WiFi Sensing technology and the category leader in providing precise presence sensing solutions for Fortune 500 business service providers, security, and Internet-of-Things (IoT) companies, leveraging its patented and award-winning AI to detect and verify human presence for eldercare, smart automations and security. Scout completed the deliverables under the SoW in January 2024 delivering a complete white label Wi-Fi sensing home security platform to Origin. The companies continue to work jointly to develop and commercialise WiFi Sensing into a complete home automation and security solution.

Lumen partnership

In September 2023, Scout completed a pilot program and signed a Master Service Agreement with Lumen Technologies, Inc ((NYSE: LUMN), "Lumen"). Lumen is a full-service US telco with almost 22 million broadband enabled locations, adding 40,000 new fiber subscribers quarterly, and almost US$14bn in annual revenue.

The pilot program tested the Scout-powered motion sense home security app with Lumen customers, bringing cutting-edge Wi-Fi sensing capability to detect motion in homes through the disruption of Wi-Fi waves.

Scout was pleased to receive strongly positive user feedback through the pilot program, with as many as 65% of responders indicating that they would be willing to pay for the Scout-powered home security service after experiencing a free trial.

The partnership between Scout and Lumen continued productively during H2 FY24 as the parties work towards agreeing a Statement of Work (SoW) as a next step following the Master Services Agreement.

Scout and Lumen management met multiple times through the year and reconfirmed the parties' shared commitment to rolling out the Scout-powered smart security and control platform under Lumen's brand, with recurring revenues to

Directors' report

follow. Commercial launch of Scout's motion sense home security product will open a new addressable market for Scout of users who could purchase a "light" home security system as a stepping stone that can be built up over time.

International and M&A

Scout's sales and business development activities in Australia increased in early FY24. The Company remains in discussions with Australian internet service providers (ISPs) and value-added resellers (VARs) to bring Scout's Security-as-a-Service platform to Australia, leveraging the beachhead established through the achievement of first sales of Scout products on Amazon.com.au.

Scout continues to evaluate opportunities to inorganically accelerate the growth of the Company through strategic potential acquisitions. Even as the market for DIY security has consolidated over the past 10 years, there remain a number of independent companies similar in scale to Scout. That along with those in the ageing in place, wellness, and general IoT industries could provide attractive opportunities for the Company to grow via acquisition and accelerate the path to profitability.

Industry Recognition

Scout was proud to be named the market's best contract-free home security provider of 2024 by CBS Essentials, the online shopping guide of major US broadcaster CBS.

5.4 Corporate

In December 2023, Scout agreed with investors holding AU$1.475m of the Convertible Notes due on 31 December 2023 that, subject to shareholder approval, the maturity date of the Notes would be extended to 31 December 2024 on terms detailed in the ASX announcement dated 29 December 2023.

In early H2 FY24, Scout subsequently raised an additional AU$306k via its existing debt facility and appointed US-based middle market corporate advisor Westlake Securities to explore strategic opportunities.

In June 2024, Scout announced a comprehensive recapitalisation to support working capital and growth initiatives. This followed an intensive four months of cost reduction and business development, with the expansion of existing customer relationships (Windstream and Origin) and the addition of a new contracted customer (IMB), while Scout prepared for the commercial launch of its WiFi Sensing offerings with Lumen and other white-label partners.

This recapitalisation finalised in August 2024 and comprises:

- Tranche 1 – 29,604,957 Placement shares issued to professional and sophisticated investors at an issue price of $0.004 per share under SCT's existing Listing Rule 7.1 placement capacity, raising $118,420 (before costs).
- Tranche 2 – 64,250,000 Placement shares issued, including 56,750,000 Placement shares to a strategic Investor, Origin Wireless, Inc, at an issue price of $0.004 per share to raise a further $257,000 (before costs). The Tranche 2 Placement was subject to shareholder approval under listing rule 7.1 which was granted at an Extraordinary General Meeting (EGM) on 25 July 2024.
- Non-renounceable Rights Issue to raise up to $1.57m (inclusive of the T1 and T2 Placements) at the Placement price, underwritten for $458k with $166k in additional shortfall commitments. The Company secured funding of $625k (before costs) via the Rights Issue. As set out in the Prospectus announced to ASX on 18 June 2024, the shortfall offer of up to $951k will remain open for up to three months from the closing date of the Rights Issue, being until 25 October 2024.
- All new shares to be issued at $0.004 a share with one free attaching option (exercisable at $0.005 within 2 years of the issue of Tranche 1 Placement shares) for every share issued.
- Investors holding all of the Company's outstanding convertible notes (worth $1.48 million) and US$1.34 million (A$2.07 million at an agreed exchange rate of US$0.65:A$1) of secured loan notes have agreed to convert to equity on the same terms as the placement and rights issue.

During the quarter, the Company also provided notice of a proposed share consolidation at a ratio of 100:1, approval for which was granted by shareholders on 25 July 2024 with an effective date of Monday 12 August 2024. The consolidation provides a more appropriate and effective capital structure for the Company and a share price more appealing to a wider range of investors.

In accordance with Listing Rule 7.21 and 7.22.1, all Options, Performance Rights and Warrants currently on issue by the Company will be consolidated in the same ratio as Shares, and the exercise price of the Options and Warrants will be amended in accordance with the ASX Listing Rules.

5.5 Outlook

In the year ahead Scout plans to deliver revenue growth through the launch of Lumen, Windstream growth, and launching its partnership in Australia with Intelligent Monitoring Group. Scout has also hit the ground running with Origin Wireless AI, whose equity commitment underlines the strategic value of Scout's technology platform for DIY home security and the Company's white-label proposition within the realm of Wi-Fi motion sensing.

The progress of Scout's partnership with Lumen is providing encouraging signs that there is a very real opportunity not only to take what Scout is delivering with Windstream to a much larger market, but also to commercialise the Company's leadership position in applying Wi-Fi motion sensing technology.

Scout continues to work multiple exciting opportunities through its sales pipeline, which remains the most robust it has been in the history of the Company.

With an improved balance sheet, the Company's board and management remain focused on executing Scout's growth strategy and look forward to delivering value for the Company's customers, partners and investors.

5.6 Financial Review

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a loss for the year of $3,591,168 (2023: $4,542,362 loss).

The Group's revenue for the year ended 30 June 2024 was recorded at $1,966,989 as compared with the previous year ended 30 June 2023 which recorded $1,658,638.

The net liability of the Group have increased from 30 June 2023 by $3,340,106 to $(7,832,224) at 30 June 2024 (2023: $(4,492,118) net liabilities).

As at 30 June 2024, the Group's cash and cash equivalents decreased from 30 June 2023 by $888,601 to $163,820 at 30 June 2024 (2023: $1,052,421) and had a working capital deficit of ($4,722,145) (2023: $(1,972,585) working capital deficit), as noted in Note 22.1.3 Going Concern on page 58. Please refer to the Operations Review above for additional business segment performance.

5.7 Events Subsequent to Reporting Date

See above section 5.3 details of recapitalization.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 13 Events subsequent to reporting date on page 50.

5.8 Future Developments, Prospects and Business Strategies

Likely developments in the operations of the Group have been disclosed in the Operating and Financial Review section of the Directors' Report.

Other likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations, not otherwise disclosed in this report, have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

5.9 Environmental Regulations

The Group's operations are not subject to any other significant environmental regulations in the jurisdictions it operates in, namely Australia and the United States

Directors' report

6. Information relating to the directors

- **Mr Martin Pretty** — Non-Executive Chairman; Independent
  - Qualifications — BA, CFA
  - Experience — Mr Pretty has over 20 years of experience in the investment and finance industry. He has been deeply involved throughout his career in supporting and investing in growing Australian-listed technology businesses. He was previously an investment manager with Thorney Investment Group and held management roles at ASX listed companies Hub24, Bell Financial Group and IWL Limited.
  - Interest in Shares and Options —
    - 7,197,497 Ordinary Shares
    - 5,716,751 Options
    - 92,500 Convertible Notes
    - 367,791 Warrants
  - Directorships held in other listed entities during the three years prior to the current year — Centrepoint Alliance – Non-Executive Director
    Spacetalk Ltd. (Formally MGM Wireless)
    Non-Executive Director

- **Mr Daniel Roberts** — Executive Director; Non-independent
  - Qualifications — B.Sc, MDes
  - Experience — Mr Roberts received a Bachelor of Science in Business Administration from Ohio State University, with a double major in Marketing and Logistics. Mr Roberts also holds a Master of Design (MDes) from the Institute of Design at the Illinois Institute of Technology. His professional life spans work experience in each of these areas, having worked in sales, logistics, as a design consultant and a founder-in-residence.

    Prior to Scout, he worked as a Founder-in-Residence at Sandbox Industries, a start-up incubator in Chicago. During his time at Sandbox, Mr Roberts was charged with overseeing every aspect of starting and running companies on behalf of Sandbox and the incubation team.

    Prior to graduate school, Mr Roberts worked for MAYA design as a design consultant, working on design-related projects for Fortune 500 companies. He also spent two years as a Sales Account Executive with Total Quality Logistics, where he gained a depth of knowledge in supply chain operations.
  - Interest in Shares and Options —
    - 9,900,544 Ordinary Shares
    - 2,000,000 Options
    - 1,304,940 Warrants
    - 11,000,000 Performance Shares
  - Special Responsibilities — Chief Product Officer
  - Directorships held in other listed entities during the three years prior to the current year — None

- **Mr David Shapiro** — Non-executive Director
  Non-independent
  - Qualifications — B.Sc.
  - Experience — Mr. Shapiro received a Bachelor of Science and Arts in computer science from Miami University of Ohio.

    Prior to Scout, Mr Shapiro worked at Sandbox Industries in Chicago, Illinois as a lead developer. Similar to his role at Scout, he was responsible for overseeing and implementing the creation of technology stacks for the various projects he worked on during his time at Sandbox.

    Prior to Sandbox, Mr Shapiro worked at JPMorgan Chase as a software engineer. His role primarily focused on application development for Private Client Services within the Asset and Wealth Management group at JPMorgan Private Bank.

Directors' report

Mr David Shapiro (cont)

Interest in Shares and Options	☐ 7,919,291 Ordinary Shares 2,000,000 Options
Special Responsibilities	☐ None
Directorships held in other listed entities during the three years prior to the current year	☐ None

■ **Mr Anthony Brown**	☐ Non-Executive Director; Independent
Qualifications	☐ GAICD
Experience	☐ Mr Brown has been involved in the electronic security industry for over 28 years, with a career that spans all facets of the security industry, from the mechanical, physical, electronic, cyber and logical areas. Mr Brown currently consults to major organisations in Australia and the Asia Pacific, with prior positions held being as the company owner of a systems integration business that was sold to Schneider Electric, general manager of several successful organisations and as the regional director for critical infrastructure for Smiths Detection. During Mr Brown's leadership, his organisations have delivered large multi-faceted projects, won major awards for product sales and system installations within Australia and the Asia Pacific. Mr Brown is a high-energy leader with entrepreneurial flare, excellent communication skills and a passionate commitment to professionalism at all levels of an organisation.
Interest in Shares and Options	☐ 5,737,699 Ordinary Shares 2,682,543 Options 56,250 Convertible Notes 150,000 Warrants
Directorships held in other listed entities during the three years prior to the current year	☐ None

■ **Mr Ryan McCall**	☐ Executive Director; Non-independent
Qualifications	☐ B.Sc, MBA
Experience	☐ Mr. McCall is an experienced business and people leader with 14 years of global cross-functional experience in consumer technology and growing teams, revenue, and profitability. He previously led the global commercial team for software, SaaS, and Data-as-a-Service at Futuremark (a subsidiary of global safety certification company UL, LLC). Prior to UL, he managed the global business development team for Avery Dennison, bringing it into the consumer electronics space and rapidly developing a multi-million dollar pipeline. Mr. McCall received his MBA from Santa Clara University, with a focus in leading organizations and entrepreneurship. He also holds a B.Sc, majoring in Materials Science Engineering from Michigan State University.
Interest in Shares and Options	☐ 355,000 Ordinary Shares 4,956,532 Performance Shares 1,515,750 Warrants
Directorships held in other listed entities during the three years prior to the current year	☐ None

Directors' report

7. Meetings of directors and committees

During the financial year, there were ten meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

	DIRECTORS' MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		FINANCE AND OPERATIONS COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Daniel Roberts	6	6						
David Shapiro	6	5						
Anthony Brown	6	5						
Martin Pretty	6	6						
Ryan McCall	6	6						

At the date of this report, the Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.

8. Indemnifying officers or auditor

8.1. Indemnification

The Company has paid premiums to insure each of the current and former Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a willful breach of duty in relation to the Company.

The Company has not given any further indemnity or entered into any other agreements to indemnify or pay or agree to pay insurance premiums. No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the Company

8.2. Insurance premiums

The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

9. Options

9.1. Unissued shares under option

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price $	Number under Option	Vested & Exercisable
24 Jul 2020	16 Jul 2024	0.07	5,364,497	5,364,497
21 Dec 2020	31 Dec 2024	0.135	1,433,256	1,433,256
23 Dec 2020	16 Jul 2024	0.07	8,035,715	8,035,715
23 Nov 2021	16 Jul 2024	0.07	11,785,717	11,785,717
18 Feb 2022	16 Jul 2024	0.07	1,071,429	1,071,479
24 Mar 2022	18 Mar 2025	0.07	900,000	900,000
13 May 2022	21 Apr 2025	0.10	5,400,000	5,400,000
25 Oct 2022	16 July 2024	0.07	22,293,893	22,293,893
18 Nov 2022	31Jul 2026	0.07	2,300,460	2,300,460
18 Nov 2022	16 Jul 2024	0.07	14,666,667	14,666,667
18 Nov 2022	16 Jul 2024	0.07	10,000,000	10,000,000
21 Nov 2022	16 Jul 2024	0.07	833,334	833,334
9 Dec 2022	16 Jul 2024	0.07	706,077	706,077
			84,791,045	84,791,045

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

9.2. Shares issued on exercise of options

No ordinary shares have been issued by the Company during the financial year as a result of the exercise of options (2023: nil).

10. Non-audit services

During the year, Hall Chadwick WA Audit Pty Ltd (**Hall Chadwick**), the Company's auditor, provided non-audit services in the amount of $8,323 (2023: $7,290), in addition to their statutory audits. Details of remuneration paid to the auditor can be found within the financial statements at Note 17 Auditor's Remuneration on page 51.

In the event that non-audit services are provided by Hall Chadwick, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001 (Cth). These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

11. Proceedings on behalf of company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

12. Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Scout Security Ltd support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council. For a detailed analysis of the Company's Corporate Governance Policies, visit the corporate governance section of our website at www.scoutalarm.com.

13. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2024 has been received and can be found on page 18 of the annual report.

Directors' report

14. Remuneration report (audited)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2024. The information in this remuneration report has been audited as required by s308(3C) of the Corporations Act 2001 (Cth).

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report.

14.1. Key management personnel (**KMP)**

This remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether Executive or otherwise) of the parent company, and includes those Executives in the Parent and the Group receiving the highest remuneration. KMP comprise the directors of the Company and key executive personnel:

- Mr Daniel Roberts — Executive Director
- Mr Martin Pretty — Non-executive Chairman
- Mr David Shapiro — Non-executive Director
- Mr Anthony Brown — Non-executive Director
- Mr Ryan McCall — Executive Director

14.2. Principles used to determine the nature and amount of remuneration

The objective of the Company's Executive reward framework is to ensure reward for performance is competitive and

appropriate for the results delivered.

The framework aligns Executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that Executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) performance linkage / alignment of Executive compensation;
(iv) transparency; and
(v) capital management.

The Company has structured an Executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

(i) focuses on sustained growth in shareholder wealth;
(ii) attracts and retains high calibre executives;
(iii) rewards capability and experience; and
(iv) provides a clear structure for earning rewards.

a. Remuneration Governance

Fees and payments to directors and key management personnel reflect the demands and responsibilities of the positions and are in line with the general market and the financial condition of the Company. There are no minimum or maximum amounts. There is no remuneration committee. Non-Executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. There currently is no approved remuneration limit as per the Company's constitution and will be adopted by ordinary resolution of the shareholders at the annual general meeting. The entire board is responsible for remuneration packages. The Directors believe this is satisfactory given the size and complexity of Company operations.

b. Use of Remuneration Consultants

Remuneration consultants were not used in the establishment of remuneration packages in 2024.

c. Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

Directors' report

14. Remuneration report (audited)

(1) Non-executive director remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Any newly appointed Non-Executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. There are no termination or retirement benefits for non-Executive Directors (other than for superannuation for one Australian Non-Executive Director). Non-Executive Directors may be offered options as part of their remuneration, subject to shareholder approval.

The remuneration of non-executive directors for the period ended 30 June 2024 is detailed in section 14.3 of this remuneration report.

(2) Senior executive and executive director remuneration

Senior Executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

d. Non-Executive Director Remuneration

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

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. It is the policy of the Company to compensate Directors in share-based payments through the issue of Options and cash-based remuneration (subject to any necessary Shareholder and regulatory approvals).

(1) Service Contracts

The key terms of the Non-Executive Director letters of appointment are as follows:

- Term of agreement – ongoing subject to annual review.
- Directors' Fees – the issue of Options on initial appointment.
- There is no notice period stipulated to terminate the contract by either party.

Apart from their duties as Directors, some Non-Executive Directors may undertake work for the Company over and above the specific duties of a Non-Executive Director.

e. Executive Remuneration:

Remuneration and other terms of employment for the Executive Director and CEO are formalised in service agreements. Other major provisions of these agreements are set out below:

(1) Executive Employment Agreement (EEA) – Ryan McCall

Scout has entered into EEAs with Ryan McCall, dated 3 January 2022, pursuant to which the Company has engaged:

- Ryan McCall as Chief Executive Officer **(CEO)**

(2) Executive Employment Agreement (**EEA**) – Daniel Roberts

Scout has entered into EEAs with Daniel Roberts, updated 3 January 2022, pursuant to which the Company has engaged:

- Daniel Roberts as Chief Product Officer **(CPO)**

14. Remuneration report (audited)

The material terms and conditions of the EEAs are summarised below:

(1) **Term:** The EEAs do not contain a fixed term and will continue in force until terminated in accordance with their provisions.

(2) **Remuneration:** Ryan McCall will be paid an annual salary of US$250,000. Daniel Roberts will be paid an annual salary of US$225,000. Effective February 17, 2024, a 20% salary reduction was instituted to both Mr. McCall and Mr. Roberts for an unspecified period of time.

(3) **Incentive Programs:** Ryan McCall and Daniel Roberts will be entitled to participate in employee incentive programs offered by the Company, at the Board's discretion.

(4) **Termination:** Scout may at its sole discretion terminate the Employment in the following manner:

(i) by giving not less than one month's written notice if at any time:

(A) the Executive is or becomes incapacitated by illness or injury of any kind which prevents the Executive from performing duties under the EEA for a period of 2 consecutive months or any periods aggregating 2 months in any period of 12 months during the term of the Employment; or

(B) is or becomes of unsound mind or under the control of any committee or officer under any law relating to mental health for a period of 2 consecutive months

(ii) by giving 1 month's written notice if at any time the Executive:

(A) commits any serious or persistent breach of any of the provisions contained in the EEA and the breach is not remedied within 14 days of the receipt of written notice from Scout to the Executive to do so;

(B) in the reasonable opinion of the Board, is absent in, or demonstrates incompetence with regard to the performance of the Executive's duties under this Agreement, or is neglectful of any duties under this Agreement or otherwise does not perform all duties under the EEA in a satisfactory manner, provided that the Executive:

(I) has been counselled on at least three separate occasions of the specific matters complained of by the Board; and

(II) after each such occasion has been provided with a reasonable opportunity of at least a month to remedy the specific matters complained of by the Board;

(C) the Executive commits or becomes guilty of any gross misconduct; or

(D) refuses or neglects to comply with any lawful reasonable direction or order given to the Executive by Scout which the Executive, after receipt of prior notice, has failed to rectify to the reasonable satisfaction of Scout within 21 business days of receipt of that notice;

(iii) summarily without notice if at any time the Executive is convicted of any major criminal offence which brings Scout or any of its affiliates into lasting disrepute, by giving notice effective immediately and without payment of any salary other than salary accrued to the date of termination or breaches the insider trading provisions of the EEA; or

(iv) without reason by giving 3 months' written notice to the Executive and, at the end of that notice period, making a payment to the Executive equal to the Salary payable over a 3-month period.

The EEA contain other standard terms and conditions expected to be included in contracts of this nature.

f. Voting and comments made at the Company's Annual General Meeting (**AGM**)

At the Annual General Meeting held on 16 November 2023, the company received 52,252,152 (96.21%) Yes votes and 2,060,139 (3.79%) Against and 25,000 Abstain on its remuneration report for the 2023 financial year. The Group did not employ a remuneration consultant during the year.

14.3. Directors and KMP remuneration

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

14. Remuneration report (audited)

2024 – Group	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
Group KMP	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity / Perf. Rights	Options	
	$	$	$	$	$	$	$	$	$	$
Daniel Roberts[1]	316,797	-	-	-	-	-	-	-	-	316,797
David Shapiro[1]	59,487	-	-	-	-	-	-	-	-	59,487
Anthony Brown	49,980	-	-	-	-	-	-	-	-	49,980
Martin Pretty	50,000	-	-	-	-	-	-	-	-	50,000
Ryan McCall[1]	351,997	-	-	-	-	-	-	(5,115)	-	346,882
	828,261	-	-	-	-	-	-	(5,115)	-	823,146

(1) Converted from USD to AUD using an average rate for the relevant period

2023 – Group	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
Group KMP	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Options	
	$	$	$	$	$	$	$	$	$	$
Daniel Roberts[1]	309,841	-	-	-	-	-	-	-	18,509	328,350
David Shapiro[1]	57,913	-	-	-	-	-	-	-	18,509	76,422
Anthony Brown	49,980	-	-	-	-	-	-	-	18,509	68,489
Sol Majteles[2]	25,000	-	-	-	-	-	-	-	18,509	43,509
Martin Pretty	50,000	-	-	-	-	-	-	-	18,509	68,509
Ryan McCall[1][3]	371,238	-	-	-	-	-	-	29,131	-	400,369
	863,972	-	-	-	-	-	-	29,131	92,545	985,648

(1) Converted from USD to AUD using an average rate for the relevant period
(2) Resigned as Non-executive Director on 31 Dec 2022
(3) Appointed as CEO effective on 03 January 2022. Appointed as Executive Director on 01 February 2023

14.4. Share-based compensation

The Group believes that encouraging its directors and executives to become shareholders is the best way of aligning their interests with those of its shareholders. At present the Group does not have an employee share option plan.

Directors were issued Nil options as share-based compensation during the year (2023: 10,000,000l)

There were no equity instruments issued during the year to Directors as a result of options exercised that had previously been granted as compensation.

a. Securities received that are not performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

Directors' report

14. Remuneration report (audited)

14.5. KMP equity holdings

a. Fully paid ordinary shares of Scout Security Limited held by each KMP

The number of ordinary shares of Scout Security Limited held, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2024 is as follows

2024 – Group *Group KMP*	Balance at start of year/ appointment No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Daniel Roberts	9,900,544	-	-	-	9,900,544
David Shapiro	7,919,291	-	-	-	7,919,291
Anthony Brown	5,737,699	-	-	-	5,737,699
Martin Pretty	7,189,497	-	-	8,000	7,197,497
Ryan McCall[(1)]	177,500	-	-	177,500[(1)]	355,000
	30,924,531	-	-	185,500	31,110,031

(1) Performance shares converted

b. Options in Scout Security Limited held by each KMP

The number of options over ordinary shares in Scout Security Limited held, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2024 is as follows:

2024 – Group *Group KMP*	Balance at start of year/ appointment No.	Granted as Remuneration during the year No.	Exercised during the year No.	Other changes during the year No.	Balance at end of year No.	Vested and Exercisable No.	Not Vested No.
Daniel Roberts	2,000,000	-	-	-	2,000,000	2,000,000	-
David Shapiro	2,000,000	-	-	-	2,000,000	2,000,000	-
Anthony Brown	2,682,543	-	-	-	2,682,543	2,682,543	-
Martin Pretty	5,716,751	-	-	-	5,716,751	5,716,751	-
Ryan McCall	-	-	-	-	-	-	-
	12,399,294	-	-	-	12,399,294	12,399,294	-

c. Performance Shares of Scout Security Limited held by each KMP

2024 – Group *Group KMP*	Balance at start of year/ appointment No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Daniel Roberts	-	11,000,000	-	-	11,000,000
David Shapiro	-	-	-	-	-
Anthony Brown	-	-	-	-	-
Martin Pretty	-	-	-	-	-
Ryan McCall	5,134,032	-	-	(177,500)	4,956,532
	5,134,032	11,000,000	-	(177,500)	15,956,532

14. Remuneration report (audited)

i. 4,601,532 Performance Shares were approved at the Annual General Meeting held on 16 November 2022 to Mr Ryan McCall which convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as detailed below and as detailed below. Additionally, 710,000 Performance shares were approved for Mr. Ryan McCall subject to the company's vesting schedule for tenure with no additional performance milestone. Vesting probability of Non-Market Vesting conditions calculated at 5%.

Class of Performance Right	Performance Condition	Performance rights No.	Vesting condition	Expiry Date	Performance Condition Satisfied	Fair Value
A	Upon achievement of a 90 day VWAP of 7 cents based upon shares traded on ASX over any period between allotment of the rights and 16 July 2024	1,150,383	Market vesting	16 July 2024	No	12,433
B	Upon achievement of a 90 day VWAP of 12 cents based upon shares traded on ASX over any period between allotment of the rights and 30 June 2025	1,150,383	Market vesting	30 June 2025	No	5,053
C	Upon the releasing of audited Financial Statements by the company evidencing NPAT of at least A$2,000,000 in any one of the FY23, FY24 or FY25	1,150,383	Non-Market Vesting	30 June 2025	No	534
D	Upon the Company reporting recurring monthly revenue (excluding development, hardware sales or other one-off revenue) that exceeds expenses for any 3-month period prior to 30 June 2025	1,150,383	Non-Market Vesting	30 June 2025	No	961
Service	Upon tenure milestones	710,000	Non-Market Vesting	1 January 2025	Partial(1)	21,300

1. 355,000 Performance Shares converted into 355,000 Ordinary Fully Paid Shares upon satisfaction and achievement of the tenure milestone.

ii. 11,000,000 Performance Shares were approved at the Annual General Meeting held on 16 November 2023 to Mr Daniel Roberts which convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as detailed below and as detailed below. Vesting probability of Non-Market Vesting conditions calculated at 5%.

Class of Performance Right	Performance Condition	Performance rights No.	Vesting condition	Expiry Date	Performance Condition Satisfied	Fair Value
1	Upon achievement of a 90 day VWAP of 7 cents cents based upon shares traded on ASX over any period between allotment of the rights and Upon achievement of a 90 day VWAP of 7 cents	1,500,000	Market Vesting	16 July 2024	No	294
2	Upon achievement of a 90 day VWAP of 12 cents based upon shares traded on ASX over any period between allotment of the rights and 30 June 2025	1,500,000	Market Vesting	1 July 2025	No	826
3	Upon the releasing of Audited Financial Statements by the Company evidencing annual NPAT of at least A$2,000,000 in any one of the FY23, FY24 and FY25	1,500,000	Non- Market Vesting	3 Sept 2025	No	431
4	Upon the Company reporting recurring monthly revenue (excluding development fees, hardware sales or other one-off revenue) items) that exceeds expenses for any 3 month period prior to 30 June 2024	1,500,000	Non- Market Vesting	1 July 2025	No	1,125
5	Upon the Company achieving a 90-day VWAP of 20 cents based upon shares traded over any period between allotment of the rights and 30 June 2025	5,000,000	Market Vesting	1 July 2025	No	2,863

Directors' report

14.6. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

14.7. Loans from KMP

2024 – Group *Group KMP*	Balance at start of year $	Made during the year $	Repaid during the year $	Interest Paid $	Balance at end of year $
Daniel Roberts	123,461	7,627	-	6,251	131,088
David Shapiro	-	-	-	-	-
Anthony Brown	-	-	-	-	-
Martin Pretty	27,000	10,000	-	1,638	37,000
Ryan McCall	137,144	15,253	-	6,945	152,397
	287,605	32,880	-	14,834	320,485

The loans from KMP are part of a larger facility detailed in note 5.7.1, and fall under the same terms as all debt holders in that facility.

14.8. Loans to KMP - Unpaid KMP Salaries and Director Fees

2024 – Group *Group KMP*	Balance at start of year $	Accrued during the year $	Repaid during the year $	Interest Paid $	Balance at end of year $
Daniel Roberts[(1)]	-	50,941	-	-	50,941
David Shapiro[(1)]	44,616	59,487	-	-	104,103
Anthony Brown	58,433	54,988	-	-	113,421
Martin Pretty	50,417	55,000	-	-	105,417
Ryan McCall[(1)]	-	56,839	-	-	56,839
	153,466	277,255	-	-	430,721

(1) Converted from USD to AUD using an average rate for the relevant period

14.9 Other transactions with KMP and or their Related Parties

There have been no other transactions in addition to those described in the tables or as detailed in Note 16 Related party transactions.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).

MARTIN PRETTY
Non-Executive Chairman
Dated this Thursday, 26 September 2024

To the Board of Directors,

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit director for the audit of the financial statements of Scout Security Limited for the financial year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours Faithfully

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated this 26th day of September 2024
Perth, Western Australia

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2024

	Note	2024 $	2023 $
Continuing operations			
Revenue	1.1	1,966,989	1,658,638
Cost of sales		(851,273)	(996,940)
		1,115,716	661,698
Other income	1.2	27,688	22,262
Movement in fair value of embedded derivative	5.8.1	384,375	-
Consultancy and professional fees		(558,350)	(480,832)
Depreciation and amortisation		-	-
Employment costs	2.1	(2,524,350)	(2,945,852)
Finance costs		(1,016,139)	(865,825)
Information technology costs		(98,623)	(108,257)
Occupancy costs		(158,500)	(146,924)
Share-based payments expense	19	(32,913)	28,173
Sales and marketing		(12,287)	(61,506)
Shipping and postage		(150,047)	(183,811)
Travel and accommodation		(17,530)	(71,455)
Other expenses		(550,208)	(390,033)
Loss before tax		(3,591,168)	(4,542,362)
Income tax expense	4.1	-	-
Net loss for the year		(3,591,168)	(4,542,362)
Other comprehensive income, net of income tax			
■ Items that may be reclassified subsequently to profit or loss:			
□ Foreign currency movement		22,490	(60,540)
Other comprehensive income for the period, net of tax		22,490	(60,540)
Total comprehensive income attributable to members of the parent entity		(3,568,678)	(4,602,902)
Earnings per share:		¢	¢
Basic loss per share (cents per share)	18.4	(1.55)	(2.18)
Diluted loss per share (cents per share)	18.4	N/A	N/A

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position
as at 30 June 2024

	Note	2024 $	2023 $
Current assets			
Cash and cash equivalents	5.1	163,820	1,052,421
Trade and other receivables	5.2	197,905	37,869
Inventories	6.1	94,383	399,300
Other current assets	5.3	76,794	45,327
Total current assets		532,902	1,534,917
Non-current assets			
Financial assets	5.4	-	220,079
Total non-current assets		-	220,079
Total assets		532,902	1,754,996
Current liabilities			
Trade and other payables	5.5.1	3,253,827	1,530,970
Borrowings	5.5.2	3,512,165	1,838,885
Unearned revenues	5.6	366,643	137,647
Financial liabilities	5.8	-	384,375
Total current liabilities		7,132,635	3,891,877
Non-current liabilities			
Borrowings	5.7	1,232,491	2,355,237
Total non-current liabilities		1,232,491	2,355,237
Total liabilities		8,365,126	6,247,114
Net liabilities		(7,832,224)	(4,492,118)
Equity			
Issued capital	7.1	18,380,171	18,223,976
Reserves	7.4	6,042,561	5,947,694
Accumulated losses		(32,254,956)	(28,663,788)
Total equity		(7,832,224)	(4,492,118)

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2024

	Note	Contributed equity $	Foreign Currency Translation Reserve $	Share-based Payments Reserve $	Accumulated Losses $	Total equity $
Balance at 1 July 2022		16,065,022	304,312	5,314,283	(24,121,426)	(2,437,809)
Loss for the year attributable owners of the parent		-	-	-	(4,542,362)	(4,542,362)
Other comprehensive income for the year attributable owners of the parent		-	(60,540)	-	-	(60,540)
Total comprehensive income for the year attributable owners of the parent		-	(60,540)	-	(4,542,362)	(4,602,902)
Transaction with owners, directly in equity						
Shares issued during the year (net of costs)	7.1	2,150,753	-	-	-	2,150,753
Options granted during the year	7.3	-	-	131,192	-	131,192
Warrants Issued during the year	7.4	-	-	387,366	-	387,366
Performance shares	7.2	8,201	-	(128,919)	-	(120,718)
Balance at 30 June 2023		18,223,976	243,772	5,703,922	(28,663,788)	(4,492,118)
Balance at 1 July 2023		18,223,976	243,772	5,703,922	(28,663,788)	(4,492,118)
Loss for the year attributable owners of the parent		-	-	-	(3,591,168)	(3,591,168)
Other comprehensive income for the year attributable owners of the parent		-	22,490	-	-	22,490
Total comprehensive income for the year attributable owners of the parent		-	22,490	-	(3,591,168)	(3,568,678)
Transaction with owners, directly in equity						
Shares issued during the year (net of costs)	7.1	140,920	-	-	-	140,920
Options granted during the year	7.3	-	-	-	-	-
Warrants Issued during the year	7.4	-		54,740	-	54,740
Performance shares	7.2	15,275	-	17,637	-	32,912
Balance at 30 June 2024		18,380,171	266,262	5,776,299	(32,254,956)	(7,832,224)

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
for the year ended 30 June 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Receipts from customers		1,989,108	1,718,346
Payments to suppliers and employees		(3,523,867)	(5,021,880)
Interest received		-	-
Finance costs		(253,080)	(138,769)
Net cash used in operating activities	5.1.2.1	(1,787,839)	(3,442,303)
Cash flows from investing activities			
Net cash used in investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	7.1	118,420	2,309,999
Payments for capital raising costs		-	(120,600)
Proceeds from convertible debt securities		-	-
Proceeds of borrowings		974,592	2,129,222
Repayment of borrowings		(421,044)	(68,429)
Share Application		232,000	-
Net cash provided by financing activities		903,968	4,250,192
Net increase / (decrease) in cash and cash equivalents held		(883,871)	807,889
Cash and cash equivalents at the beginning of the year		1,052,421	236,863
Change in foreign currency held		(4,730)	7,669
Cash and cash equivalents at the end of the year	5.1	163,820	1,052,421

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the year ended 30 June 2024

In preparing the 2024 financial statements, Scout Security Limited has grouped notes into sections under five key categories:

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The presentation of the notes to the financial statements is supported by the IASB's Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 Presentation of Financial Statements which have provided preparers with more flexibility in presenting the information in their financial reports.

The financial report is presented in Australian dollars, except where otherwise stated.

Notes to the consolidated financial statements
for the year ended 30 June 2024

SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

(a) *accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.*

(b) *analysis and sub-totals.*

(c) *information about estimates and judgements made in relation to particular items.*

Note 1. Revenue and other income	2024 $	2023 $
1.1 Revenue		
Product sales	381,275	138,917
Subscription revenues	1,135,027	1,052,622
Development fees	450,687	467,099
Licensing and support fees	-	-
	1,966,989	1,658,638
1.2 Other Income		
Interest income	-	-
Other	27,688	22,262
	27,688	22,262

1.3 Accounting policy

1.3.1 ***Revenue from contracts with customers***

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations; and Step

5: Recognise the revenue as the performance obligations are satisfied.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 1 Revenue and other income (cont.)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

ii. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

1.3.2 ***Revenue from sale of goods and development fees and licensing fees***

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of that asset. Revenue is recognised when the goods are shipped to the customer.

1.3.3 ***Revenue from rendering of services***

Revenue from the monitoring services (subscriptions) is recognised over time, as the customer simultaneously receives and consumes the services performed by the Group (i.e. monitoring of the alarm system by Scout Security).

1.3.4 ***Interest income***

Interest revenue is recognised in accordance with Note 3.1 Finance income and expenses.

Note 2. Loss before income tax

	2024 $	2023 $
The following significant revenue and expense items are relevant in explaining the financial performance:		
2.1. Employment costs		
■ Salary and wages	2,367,384	2,788,042
■ Director Fees	156,967	157,810
■ Superannuation	-	-
	2,524,351	2,945,852

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 2 Loss before income tax (cont.)

2.1.1. ***Accounting policy***

2.: 1.1. Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

2.: 1.2. Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

2.: 1.3. Retirement benefit obligations: Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

2.: 1.4. Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

2.: 1.5. Equity-settled compensation

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, considering the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Note 3. Other Significant Accounting Policies related to items of profit and loss

3.1. **Finance income and expenses**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest revenue is recognised on a time proportionate basis that considers the effective yield on the financial asset.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 4. Income tax	Note	2024 $	2023 $
4.1. Income tax expense			
Current tax		-	-
Deferred tax		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
■ Increase / (decrease) in deferred tax assets	4.6	-	-
■ (Increase) / decrease in deferred tax liabilities		-	-
		-	-
4.2. Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Accounting loss before tax		(3,591,242)	(4,542,362)
Prima facie tax on operating loss at 25% (2023: 25%)		(897,811)	(1,135,591)
Add / (Less) tax effect of:			
☐ Difference in overseas jurisdictions tax rate		(87,920)	(169,725)
☐ Non-deductible expenses		113,839	312,545
☐ Timing differences		-	-
☐ Deferred tax asset not brought to account		871,892	992,771
Income tax expense/(benefit) attributable to operating loss		-	-
		%	%
4.3. The applicable weighted average effective tax rates attributable to operating profit are as follows:		-	-

4.3.1.1. The tax rates used in the above reconciliations is the corporate tax rate of 25% payable by the Australian corporate entity on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting year.

4.3.1.2. The US entity tax rate is a blend of the federal and state taxes at 21% and 9.5% respectively. The US corporate entities tax losses have unrecognised deferred tax assets in relation to unutilised tax losses carried forward for which no deferred tax asset has been recorded as it is not probable that taxable profit will be available in the foreseeable future.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 4	Income tax (cont.)	2024 $	2023 $
4.4.	Balance of franking account at year end of the parent	nil	nil
4.5.	**Current tax liabilities**		
	Foreign Income tax payable	-	-
		-	-
4.6.	**Deferred tax assets**		
	Tax losses	-	-
		-	-
	Net deferred tax assets	-	-
4.7.	**Tax losses and deductible temporary differences**		
	Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
	■ Revenue losses attributable to Australia	524,604	198,768
	■ Revenue losses attributable to foreign subsidiaries	7,668,078	6,835,288
	■ Deductible temporary differences	85,298	2,888
		8,277,980	7,036,944

4.8. Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2024 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates consider both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

The parent company has accumulated tax losses of $2,098,414 (2023: $795,074) which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 4 Income tax (cont.)

4.9. Accounting policy

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Scout Security Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 5. Financial assets and financial liabilities

5.1. Cash and cash equivalents

	2024 $	2023 $
Cash at bank	163,820	1,052,421
	163,820	1,052,421

5.1.1. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 8 Financial risk management.

5.1.2. *Cash Flow Information*

5.1.2.1. Reconciliation of cash flow from operations to loss after income tax

	2024 $	2023 $
Loss after income tax	(3,591,168)	(4,542,362)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss from ordinary activities:		
■ Finance cost	253,080	-
■ Depreciation and amortisation	-	-
■ Foreign exchange loss	-	-
■ Net share-based payments expensed	32,913	(28,173)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
■ Decrease in inventories	304,916	94,649
■ Movement in fair value of embedded derivative	(384,375)	-
■ Increase in prepayments and other receivables	(191,503)	487,835
■ Increase in trade and other payables	1,559,302	562,020
■ Increase in unearned revenue	228,996	(16,272)
Cash flow (used in) from operations	(1,787,839)	(3,442,304)

5.1.2.2. Credit and loan standby arrangement with banks

The Group has no credit standby facilities.

5.1.2.3. Non-cash investing and financing activities

2024

During the year, and as detailed in in Note 7.1:

- 29,604,957 ordinary shares issued in connection with a Placement @ $0.004 per share.
- $974,592 Proceeds from Loan facility (5.7.1) and Future receipts sale (5.5.2.3)

2023

During the year, and as detailed in in Note 7.1:

- 76,999,998 ordinary shares issued in connection with a Placement and Rights Issue @ $0.03 per share.
- $2,129,222 Proceeds from new Loan facility

Note 5 Financial assets and financial liabilities (cont.)

5.1 Cash and cash equivalents (cont.)

5.1.3. *Reconciliation of liabilities arising from financing activities*

	Note	2022 $	Cash flows $	Non-cash changes Acquisitions $	Foreign Exchange $	Other Changes $	2023 $
Convertible notes – face value	5.7.2	1,537,500	-	-	-	-	1,537,500
Secured debt – April 2022	5.7.3	408,167	-	-	-	(408,167)	-
Secured debt – April 2023	5.7.4	-	2,129,222	-	-	-	2,129,222
ERC Payable-current	5.5.2	360,312	-	-	-	-	360,312
Total liabilities from financing activities		2,305,979	2,129,222	-	-	(408,167)	4,027,034

	Note	2023 $	Cash flows $	Non-cash changes Acquisitions $	Foreign Exchange $	Other Changes $	2024 $
Convertible notes – face value	5.7.2	1,537,500	-	-	-	-	1,537,500
Secured debt –April 2022	5.7.3	-	-	-	-	-	-
Secured debt – April 2023	5.7.1	2,129,222	635,181	-	-	-	2,764,403
ERC Payable-current	5.5.2	360,312	(360,312)	-	-	-	-
Current Borrowing-Other	5.5.2.3	-	203,507	-	-	-	203,507
Total liabilities from financing activities		4,027,034	478,376	-	-	-	4,505,410

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 5 Financial assets and financial liabilities (cont.)

5.2. Trade and other receivables	Note	2024 $	2023 $
5.2.1. *Current*			
Trade receivable	5.2.3	197,905	37,869
		197,905	37,869

5.2.2. The Group's exposure to credit rate risk is disclosed in Note 8 Financial risk management.

5.2.3. The average credit period on sales of goods and rendering of services ranges from 30 to 60 days. Interest is not charged. No allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods and rendering of services, determined by reference to past default experience. Amounts are considered as past due when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

5.2.4. ***Accounting policy***

Trade receivables are generally due for settlement within periods ranging from 30 to 60 days. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance. (see also Note 5.9.1).

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

5.3. Other assets	2024 $	2023 $
5.3.1. *Current*		
Deposits	-	-
Other current assets	76,794	45,327
	76,794	45,327

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 5 Financial assets and financial liabilities (cont.)

5.4. Financial assets	2024 $	2023 $
5.4.1. *Current*		
Convertible notes – transaction costs		
Facilities, broker and investors Options	1,523,334	1,523,334
Fees	70,000	70,000
Convertible note – Embedded Derivative at initial recognition	793,190	793,190
Unwound transaction costs	(2,386,524)	(2,166,445)
	-	220,079

5.4.2. The transaction costs were incurred in relation to the raising of funds under the convertible note facility (note 5.5.2.2). These costs are required to be offset against the convertible note liability and amortised over the term of the convertible note and are treated as finance costs in profit or loss.

5.5. Trade and other payables	2024 $	2023 $
5.5.1. *Current*		
Unsecured		
Trade payables	1,172,946	454,437
Accruals and other payables	2,080,881	1,076,533
	3,253,827	1,530,970

5.5.2 **Borrowings**	**Note**	2024 $	2023 $
Current			
Borrowing- ERC Payable		-	301,659
Convertible Note-face value	5.5.2.2	1,475,000	1,475,000
Borrowing-Other	5.5.2.3	203,507	62,226
Secured Debt- Current	5.7.1	1,833,658	-
		3,512,165	1,838,885

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 5 Financial assets and financial liabilities (cont.)

5.5.2.2 On 16 July 2020, the Company has entered into a Convertible Note Deed ("Note") with clients of Gleneagle Securities (Aust) Pty Limited ("Gleneagle") and existing shareholders of the Company, to raise up to $2 million.

The investors in the Note include institutional and sophisticated investors. The key features of the Note are summarised below:

- **Term:** The term of the Note is 2 years.
- **Conversion:** Each Note may be converted into one fully paid ordinary share in the capital of the Company at the Conversion Price (below).
- **Conversion Price**: The conversion price of the Note will be the lower of:
  - 7c (which is a 40% premium to Scout's last traded price of 5c) and;
  - a 20% discount to any future equity issuance by the Company, subject to a floor price of 3c.
- **Variation to Conversion Price**: In the event the Company undertakes a bonus issue, rights issue or capital reorganization (including consolidation, subdivision, reduction or return), the conversion price (including the floor price) will be varied to the extent applicable and subject to the ASX Listing Rules to place investors in substantially the same position as they would have been had no such event occurred.
- **Facility Options**: In consideration for participation in the Note, Investors will be paid a Facility Fee in the form of 2,980,276 Options (issued proportionate to their individual investment).
- **Initial Instalment**: Scout will draw $750,000 in an Initial Instalment at completion:
  - In consideration for participation in the Initial Instalment, Investors will be issued a total of 8,035,715 Options (proportionate to their investment in the Initial Instalment), Shareholders approved the issue at the Annual General Meeting held on 23 December 2020.
  - The Investors will have the right to convert the Initial Instalment at any time.
- Subsequent Instalments: Scout may draw, but is under no obligation to draw, Subsequent Instalments totalling $1.25 million. Until such time as Scout elects to draw a Subsequent Instalment, Scout will be under no obligation to issue any securities beyond those issued to investors under the Initial Instalment and will not be penalized in any way should it elect not to draw any Subsequent Instalment.
  - It is a condition precedent to Scout electing to draw a Subsequent Instalment that it has sufficient placement capacity at the time the drawing is made to issue the Subsequent Instalment, including all shares and options to be issued in connection with the Subsequent Instalment.
  - Subsequent Instalments may be drawn monthly on 21 days' notice in instalments of either $250,000 or $500,000, subject to Scout's share price being greater than 80% of the conversion price (determined based on the conversion price as at the date of the drawdown request and the proposed issue date of the Note, respectively).
  - In consideration for participation a Subsequent Instalment, Investors will be issued a number of Options proportionate to their investment, calculated on the basis that 2 Options will be issued for the equivalent of 1 converted share, with the potential of issuing a total of 35,714,286 Options.

The Company may elect to redeem any Subsequent Instalments ahead of any conversion rights.

- **Interest**: Interest of 5% p.a. is payable on drawn funds, accruing daily and payable quarterly.
- **Gleneagle Fee**: A further 2,384,221 Options will be issued to Gleneagle and supporting brokers as part of their fee.
- **Option terms**: All Options in the transaction will be exercisable at 7c and will expire on 16 July 2024.
- **Subsequent Draw**: On 19 November 2021 the Company elected to draw down a $450,000 subsequent installment of the $2,000,000 convertible note. In consideration for participating in the the subsequent instalment, convertible note investors will be issued a total of 14,285,717 options with a strike price of 7 cents and an expiry date of 16 July 2024.
- **New Note and Expiry Extension:** On 23 December 2021, the Company has entered into a Convertible Note Deed ("Note") with institutional and sophisticated investors to raise $450,000. Under the facility, the company reached agreement with holders of 94% of the Note dated 16 July 2020 to extend the maturity date of their notes from 16 July 2022 to 31 December 2023. The maturity date of the remaining $62,500 of the Note remains unchanged at 16 July 2022.
- The terms of the Notes dated 16 July 2020 and 23 December 2021 otherwise remain unchanged from the original terms outlined in the Notes dated 16 July 2020.
- In FY2024, Notes were reclassed from non-current to current liabilities.

Note 5 Financial assets and financial liabilities (cont.)

5.5.2.3 On 16 April 2023, the Company entered into an agreement with credit-card processing company Stripe to receive a loan in the amount of $56,800 USD. Terms of the loan include a flat fee of $4,544 USD, for a total repayment amount of $61,355 USD. Additional terms include repayment of 25% per recurring transaction with a 60-day minimum repayment of of $6,816 USD. Balance at 30 June 2024 is $14,351 AUD.

Three new facilities were entered into during the March 2024 quarter. New unsecured term loan in the amount of $30,000 USD from Intuit. Interest rate is 18.0% per annum with a term of two (2) years. New Future Receipts Sale and Purchase Agreement of $72,000 USD with Arsenal for $99,000 of future receipts. Term is 28 weeks. New Future Receipts Sale and Purchase Agreement of $99,000 USD from Credibly for $122,000 of future receipts. Term is 40 weeks. The balance of three loans at 30 June 2024 was $189,156 AUD.

5.5.3 Trade payables are non-interest bearing and are normally settled on 30-day payables, terms. Other payables are non-trade are non-interest bearing and have an average term of 1 month.

5.5.4 ***Accounting policy***

5.5.4.1. **Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

5.6. Unearned revenues

	2024 $	2023 $
5.6.1. *Current*		
Unsecured		
Unearned revenues	366,643	137,647
	366,643	137,647

5.7 Borrowings

	Note	2024 $	2023 $
Secured Debt -non-current	5.7.1	1,232,491	2,355,237
		1,232,491	2,355,237

5.7.1 On 28 April 2023, the Company entered into a secured debt deed of loan ("Deed") with a syndicate of primarily US-based investors to raise up to USD$4 million. As of June 30, 2024, $3,356,456 had been raised. New funds raised total $2,397,868 and rollover of existing loans total $958,588. After Warrant reserve and amortization, loan balance at 30 June 2024 was $3,066,149.

- **Term:** The term of the deed is 5 years with a minimum of 90 days, after which the facility can be repaid in whole or part, on 10 days' notice, with a 1% pre-payment fee being paid in respect of such amount of the Principal Sum as is prepaid.
- **Interest:** The interest rate will be fixed at 12% per annum, payable monthly.
- **Deed Warrants:** In consideration for participation in the Deed, investors will be granted fifteen (15) Initial Warrants for each US$1.00 value of Loan note issued to the Lender at strike price of $0.05 and an expiration date 3 years from issuance.
- **Subsequent to reporting date:** On 11 June 2024, the Company announced a restructure including 517,111,249 Loan Note Share at a deemed inssue price of $0.004 per Share in conversion of Loan notes on issue. In August 2024, subsequent to this June 30, 2024 reporting date, the process completed resulting in a net reduction of this loan by $1,833,580 and additional financing costs associated with the issue of Options of $1,044,714.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 5 Financial assets and financial liabilities (cont.)

Accounting policy

5.7.4.1. **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

5.8. **Financial liabilities**	2024 $	2023 $
5.8.1. ***Current***		
Convertible note – Embedded Derivative liability	-	384,375
	-	384,375

5.8.3. On 16 July 2020, the Company has entered into a Convertible Note Deed (Note 5.5.2.2) On application of AASB 9 Financial Instruments the Group accounts for convertible security financing on a fair value basis. As the terms of the conversion feature was not fixed for fixed number of shares, the conversion feature was deemed to be an embedded derivative liability. On initial recognition the fair value of the conversion rights granted was included in the transaction costs as detailed in note 5.4. The conversion rights will be recognised as equity on the extinguishment of the convertible note for shares if exercised, otherwise they will be recouped in profit or loss if not converted. As of 30 June 2024, the conversion feature of the embedded derivate was deemed to be out of the money and revalued to nil.

Note 5 Financial assets and financial liabilities (cont.)

14.10 Other Significant Accounting Policies related to Financial Assets and Liabilities

5.9.1. ***Investments and other financial assets***

5.9.1.1. **Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

5.9.1.2. **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

5.9.1.3. **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

5.9.1.3.1. *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- *FVOCI*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- *FVPL*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

5.9.1.3.2. **Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Note 5 Financial assets and financial liabilities (cont.)

5.9. Other Significant Accounting Policies related to Financial Assets and Liabilities

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

5.9.1.4. Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 6. Non-financial assets and financial liabilities

6.1. Inventories

	2024 $	2023 $
Finished goods	94,383	399,300
Components	-	-
	94,383	399,300

6.1.1. *Accounting policy*

Inventories are valued at the lower of cost and net realisable value on a *first-in, first-out* (**FIFO**) basis. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Finished goods - purchase and delivery costs, net of rebates and discounts received or receivable.

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

6.2. Other Significant Accounting Policies related to Non-Financial Assets and Liabilities

6.2.1. *Impairment of non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at note 4.9) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Note 7. Equity

7.1. Issued capital

	Note	2024 No.	2023 No.	2024 $	2023 $
Fully paid ordinary shares at no par value		262,519,839	230,668,020	18,380,171	18,223,976
7.1.1. *Ordinary shares*					
At the beginning of the year		230,668,020	153,394,650	18,223,976	16,065,022
Shares issued during the year:					
■ Director placement at $0.015		1,500,000		22,500	
■ Placement at $0.03 per share		-	32,666,664	-	980,000
■ Rights issue and shortfall of Rights issue at $0.03 per share		-	44,333,334	-	1,330,000
■ Conversion of employee performance Shares		746,862	273,372	15,275	8,201
■ Placement at $0.004 per share		29,604,957	-	118,420	-
Transaction costs relating to share issues					
■ Cash		-	-	-	(120,599)
■ Equity based		-	-	-	(38,648)
At end of the year		262,519,839	230,668,020	18,380,171	18,223,976

7.1.2. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

7.1.3. ***Accounting policy***

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Note 7 Equity (cont.)

7.2. Performance shares

	Note	2024 No.	2023 No.	2024 $	2023 $
Performance shares		16,504,843	6,052,820	174,545	156,908
At the beginning of the period		6,052,820	5,514,660	156,908	285,827
Performance shares movement during the year:					
■ Issued	19.2.1	11,000,000	5,311,532	3,447	41,282
■ Issued		198,882	-	-	-
■ Fair Value Adjustments				29,466	-
■ Lapsed		-	(4,500,000)		(162,000)
■ Converted to ordinary shares		(746,859)	(273,372)	(15,276)	(8,201)
At end of the year		16,504,843	6,052,820	174,545	156,908

7.3. Options

	Note	2024 No.	2023 No.	2024 $	2023 $
Options and performance shares		84,791,045	84,791,045	5,159,648	5,159,648
At the beginning of the period		84,791,045	33,990,614	5,159,648	5,028,456
Options issued/(lapsed) during the year:					
■ Issue of options(1)	19.2.2.1	-	38,499,971	-	-
■ Issue of brokers options	19.2.2.2	-	2,300,460	-	38,648
■ Issue of director options	19.2.2.3	-	10,000,000	-	92,544
At end of the year		84,791,045	84,791,045	5,159,648	5,159,648

(1) Issued as free attaching options

Notes to the consolidated financial statements

Note 7. Equity (con)

7.4. Reserves

		2024 $	2023 $
Foreign currency translation reserve	7.4.1	266,262	243,772
Share-based payment reserve	7.4.2	5,334,193	5,316,556
Warrant reserve	7.4.3	442,106	387,366
		6,042,561	5,947,694

7.4.1. ***Foreign currency translation reserve***

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

7.4.2. ***Share-based payment reserve***

The share-based payment reserve records the value of options and performance shares issued the Company to its employees or consultants.

7.4.3. ***Warrant reserve***

The warrant reserve records the value of warrants issued the Company to its Lenders as part of the debt facility detailed in 5.7.1.

SECTION B. RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

Note 8. Financial risk management

8.1. Financial Risk Management Policies

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's financial assets and liabilities is shown below:

	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2024 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2023 Total $
Financial Assets								
☐ Cash and cash equivalents	163,820	-	-	163,820	1,052,421	-	-	1,052,421
☐ Trade and other receivables	-	-	197,905	197,905	-	-	37,869	37,869
☐ Other assets	-	-	76,794	76,794	-	-	45,327	45,327
☐ Financial assets	-	-	-	-	-	-	220,079	220,079
Total Financial Assets	163,820	-	274,699	438,519	1,052,421	-	303,275	1,355,696
Financial Liabilities								
Financial liabilities at amortised cost								
☐ Trade and other payables	-	-	3,209,897	3,209,897	-	-	1,530,970	1,530,970
☐ Borrowings	-	4,744,656	-	4,744,656	-	4,194,122	-	4,194,122
☐ Financial liabilities	-	-	-	-	-	-	384,375	384,375
Total Financial Liabilities	-	4,744,656	3,209,897	7,954,553	-	4,194,122	1,915,345	6,109,467
Net Financial Assets / (Liabilities)	163,820	(4,744,656)	(2,935,198)	(7,516,034)	1,052,421	(4,194,122)	(1,612,070)	(4,753,771)

8.2. Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

Note 8 Financial risk management (cont.)

8.2.1. *Credit risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

- *Credit risk exposures*

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, wherever possible.

8.2.2. *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group’s ability to raise equity funding in the market is paramount in this regard.

Note 8 Financial risk management (cont.)

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position.

- *Contractual Maturities*

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2024 $	2023 $	2024 $	2023 $	2024 $	2023 $
Financial liabilities due for payment						
Trade and other payables	3,253,827	1,530,970	-	-	3,253,827	1,530,970
Borrowings	3,512,165	1,838,885	1,232,491	2,355,237	4,744,656	4,194,122
Financial Liabilities	-	384,375	-	-	-	384,375
Total contractual outflows	6,765,992	3,754,230	1,232,491	2,355,237	7,998,483	6,109,467
Financial assets						
Cash and cash equivalents	163,820	1,052,421	-	-	163,820	1,052,421
Trade and other receivables	197,905	37,869	-	-	197,905	37,869
Total anticipated inflows	361,725	1,090,290	-	-	361,725	1,090,290
Net (outflow) / inflow on financial instruments	(6,404,267)	(2,663,940)	(1,232,491)	(2,355,237)	(7,636,758)	(5,019,177)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

8.2.3. *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities minimally expose it to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group does not enter into derivative financial instruments including foreign exchange forward contracts to hedge against financial risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

8.2.3.1. Interest rate risk

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 8 Financial risk management (cont.)

The Company and the Group's exposures to interest rate in financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

8.2.3.2. **Foreign exchange risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group. As a result of significant operations in the United States, the Group's Consolidated Statement of Financial Position can be affected significantly by movements in the US Dollar to Australian dollar exchange rates.

8.2.3.3. **Price risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

8.2.4. Sensitivity Analyses

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

8.2.4.1. **Interest rates**	Profit $	Equity $
Year ended 30 June 2024		
±100 basis points change in interest rates	± 1,638	± 1,638
Year ended 30 June 2023		
±100 basis points change in interest rates	± 10,524	± 10,524

8.2.4.2. **Foreign exchange**	Profit $	Equity $
Year ended 30 June 2024		
±10% of Australian dollar strengthening/weakening against the United States dollar	± 243,825	± 200,322
Year ended 30 June 2023		
±10% of Australian dollar strengthening/weakening against the United States dollar	± 301,172	± 2,732

8.2.5. ***Net Fair Values***

8.2.5.1. ***Fair value estimation***

The fair values of financial assets and financial liabilities are presented in the table in Note 8.1 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 8 Financial risk management (cont.)

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Note 9. Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

The working capital position of the Group was as follows:

	Note	2024 $	2023 $
Cash and cash equivalents	5.1	163,820	1,052,421
Trade and other receivables	5.2	197,905	37,869
Inventories	6.1	94,383	399,300
Other current assets	5.3	76,794	45,327
Trade and other payables	5.5.1	(3,253,827)	(1,530,970)
Unearned revenues	5.6	(366,643)	(137,647)
Borrowings - Current	5.5.2	(3,512,165)	(1,838,885)
Working capital position		(6,599,733)	(1,972,585)

Notes to the consolidated financial statements
for the year ended 30 June 2024

SECTION C. GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

(a) *changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation*

(b) *transactions with non-controlling interests, and*

(c) *interests in joint operations.*

A list of significant subsidiaries is provided in note 10. This note also discloses details about the Group's equity accounted investments.

Note 10. Interest in subsidiaries and Consolidated Entity Disclosure Statement

10.1. Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Investments in subsidiaries are accounted for at cost. Each subsidiaries country of incorporation is also its principal place of business:

	Country of Incorporation	Class of Shares	Percentage Owned	
			2024	2023
■ Scout Security Inc	USA	Ordinary	100.0	100.0

Note 11. Other Significant Accounting Policies related to Group Structure

11.1. Basis of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

11.1.1. *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

less

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 11 Other Significant Accounting Policies related to Group Structure

11.1.2. ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 10 Interest In Subsidiaries of the financial statements.

11.1.3. ***Loss of control***

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

11.1.4. ***Transactions eliminated on consolidation***

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2024

SECTION D. UNRECOGNISED ITEMS

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 12. Commitments

There are no commitments as at 30 June 2024 (2023: Nil).

Note 13. Events subsequent to reporting date

- On 14 August 2024 an Entitlement issue, debt conversion and placement & Prospectus completed.

  1. an issue of 368,750,000 Convertible Note Shares and 368,750,000 Convertible Note Options to holders of Convertible Notes to settle all outstanding Convertible Notes on issue ($1,4750,000) and extinguish the related embedded derivative ($384,375) associated with the Convertible Notes. This transaction includes financing costs associated with the issue of additional Options of $744,982;
  2. an issue of 517,111,279 Loan Note Shares and 517,111,279 Loan Note Options to holders of Loan Notes on conversion of a portion of Loan Notes on issue, resulting in a net reduction of these loans by $1,833,658 and additional financing costs associated with the issue of Options of $1,044,714;
  3. an issue of 44,000,000 Fee Shares and 94,000,000 Fee Options to holders of Loan Notes in consideration for the extension of the maturity date for the Loan Notes and consent to completion of the Offer, Placement and Debt Conversion, resulting in additional financing costs associated with the issue of the Shares and Options of $374,975;
  4. a pro-rata non-renounceable entitlement issue at an issue price of $0.004 per Share together with one (1) free New Option for every Share applied for and issued raising $624,580 (less costs);
  5. an offer of 93,854,957 Placement Shares and 1 free attaching New Option for every Share issued to the Placement Participants raising $375,420 under the Placement (less costs).

- On 12 August 2024, 405 warrants were issued with a strike price of $0.05 expiring 01-May-2026

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Note 14. Contingent liabilities

There are no other contingent liabilities as at 30 June 2024 (2023: Nil).

Notes to the consolidated financial statements
for the year ended 30 June 2024

SECTION E. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 15. Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

- Mr Daniel Roberts — Executive Director
- Mr David Shapiro — Non-executive Director
- Mr Anthony Brown — Non-executive Director
- Mr Martin Pretty — Non-executive Director
- Mr Ryan McCall — Chief Executive Officer; Executive Director as of 01 Februrary 2023

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 13.

	2024 $	2023 $
Short-term employee benefits	828,261	863,972
Post-employment benefits	-	-
Share-based payments	(5,115)	121,676
Total	823,146	985,648

Note 16. Related party transactions

There are no other related party transactions other than those payments to Directors as disclosed in the remuneration report.

Note 17. Auditor's remuneration

	2024 $	2023 $
Remuneration of the auditor for:		
■ Auditing or reviewing the financial reports:		
☐ Hall Chadwick WA Audit Pty Ltd (**Hall Chadwick**)	68,484	61,040
	68,484	61,040

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 18. Earnings per share (EPS)	Note	2024 $	2023 $
18.1. **Reconciliation of earnings to profit or loss**			
Loss for the year		(3,591,168)	(4,542,362)
Less: loss attributable to non-controlling equity interest		-	-
Loss used in the calculation of basic and diluted EPS		(3,591,168)	(4,542,362)
		2024 No.	**2023 No.**
18.2. **Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**		231,079,202	208,071,167
Weighted average number of dilutive equity instruments outstanding	18.5	N/A	N/A
18.3. **Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**		231,079,202	208,071,167
18.4. **Earnings per share**		**2024 ₵**	**2023 ₵**
Basic EPS (cents per share)	18.5	(1.55)	(2.18)
Diluted EPS (cents per share)	18.5	N/A	N/A

18.5. As at 30 June 2024, the Group has 84,791,045 unissued shares under options (2023: 84,791,045) and 16,504,843 performance shares on issue (2023: 6,052,820). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and partly-paid shares were anti-dilutive.

Note 19. Share-based payments	Note	2024 $	2023 $
19.1. **Share-based payments:**			
▪ Recognised in profit and loss	19.2.1	32,913	(28,173)
▪ Recognised in equity (transaction costs)		-	38,647
▪ Recognised in financial assets	19.2.2	54,740	387,366
▪ Movement in equity (transfer to share capital)		(15,275)	(8,201)
Gross share-based payments		72,378	389,639

19.2. Share-based payment arrangements in effect during the year

19.2.1. ***Share-based payments recognised in profit or loss***

19.2.1.1. Performance Shares – Mr Ryan McCall

4,601,532 Performance Shares were approved at the Annual General Meeting held on 16 November 2022 to Mr Ryan McCall which convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as detailed below and as detailed below.

Additionally, 710,000 Performance shares were approved for Mr. Ryan McCall subject to the company's vesting schedule for tenure with no additional performance milestone.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 19 Share-based payments (cont.)

19.2.1.1 Performance Shares – Mr Ryan McCall

Class of Performance Right	Performance Condition	Performance rights No.	Vesting condition	Expiry Date	Performance Condition Satisfied	Fair Value
A	Upon achievement of a 90 day VWAP of 7 cents based upon shares traded on ASX over any period between allotment of the rights and 16 July 2024	1,150,383	Market vesting	16 July 2024	No	12,433
B	Upon achievement of a 90 day VWAP of 12 cents based upon shares traded on ASX over any period between allotment of the rights and 30 June 2025	1,150,383	Market vesting	30 June 2025	No	5,053
C	Upon the releasing of audited Financial Statements by the company evidencing NPAT of at least A$2,000,000 in any one of the FY23, FY24 or FY25	1,150,383	Non-Market Vesting	30 June 2025	No	534
D	Upon the Company reporting recurring monthly revenue (excluding development, hardware sales or other one-off revenue) that exceeds expenses for any 3-month period prior to 30 June 2025	1,150,383	Non-Market Vesting	30 June 2025	No	961
Service	Upon tenure milestones	710,000	Non-Market Vesting	1 January 2025	Partial(1)	21,300

(1) 177,500 Performance Shares converted into 177,500 Ordinary Fully Paid Shares upon satisfaction and achievement of the tenure milestone.

19.2.1.2 Performance Shares – Mr Daniel Roberts

11,000,000 Performance Shares were approved at the Annual General Meeting held on 16 November 2023 to Mr Daniel Roberts which convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as detailed below and as detailed below. Vesting probability of Non-Market Vesting conditions calculated at 5%.

Class of Performance Right	Performance Condition	Performance rights No.	Vesting condition	Expiry Date	Performance Condition Satisfied	Fair Value
1	Upon achievement of a 90 day VWAP of 7 cents cents based upon shares traded on ASX over any period between allotment of the rights and Upon achievement of a 90 day VWAP of 7 cents	1,500,000	Market Vesting	16 July 2024	No	294
2	Upon achievement of a 90 day VWAP of 12 cents based upon shares traded on ASX over any period between allotment of the rights and 30 June 2025	1,500,000	Market Vesting	1 July 2025	No	826
3	Upon the releasing of Audited Financial Statements by the Company evidencing annual NPAT of at least A$2,000,000 in any one of the FY23, FY24 and FY25	1,500,000	Non- Market Vesting	3 Sept 2025	No	431
4	Upon the Company reporting recurring monthly revenue (excluding development fees, hardware sales or other one-off revenue) items) that exceeds expenses for any 3 month period prior to 30 June 2024	1,500,000	Non- Market Vesting	1 July 2025	No	1,125
5	Upon the Company achieving a 90-day VWAP of 20 cents based upon shares traded over any period between allotment of the rights and 30 June 2025	5,000,000	Market Vesting	1 July 2025	No	2,863

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 19 Share-based payments (cont.)

19.2. ***Share-based payments recognised in financial assets***

19.2.1.1. Facility Options

On 25 October 2022, 38,499,971 Free Attaching Facility Options were issued. Details of the assumptions used in the valuation of the options of these options are summarised below detailed below and in Note 19.4:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
38,499,971	16 July 2024	$0.070	Immediately upon issue

19. 2.2.2. Broker Options

On 18 November 2022, 2,300,460 Broker Options were issued. Details of the assumptions used in the valuation of the options of these options are summarised below detailed below and in Note 19.4:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
2,300,460	31 July 2026	$0.070	Immediately upon issue

19. 2.2.3. Director Options

On 18 November 2022, 10,000,000 Options were issued to company Directors. Details of the assumptions used in the valuation of the options of these options are summarised below detailed below and in Note 19.4:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
10,000,000	16 July 2024	$0.070	Immediately upon issue

19.3. **Movement in share-based payment arrangements during the period**

A summary of the movements of all Company options issued as share-based payments is as follows:

	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	84,791,045	$0.0730	33,990,614	$0.0776
Granted	-	-	50,800,431	$0.0785
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	84,791,045	$0.0730	84,791,045	$0.0738
Exercisable at year-end	84,791,045	$0.0730	84,791,045	$0.0738

19.3.1.1. No options were exercised during the year (2023: Nil).

19.3.1.2. The weighted average remaining contractual life of options outstanding at year end was .77 years (2023: 1.57 years). The weighted average exercise price of outstanding options at the end of the reporting period was $0.0730 (2023: $0.0738).

19.4. **Fair value of options granted during the year**

N/A

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 19 Share-based payments (cont.)

19.4.1. ***Accounting policy***

The Group has provided payment to service providers and related parties in the form of share-based compensation whereby services are rendered in exchange for shares or rights over shares, *equity-settled transactions*. The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate valuation model for services provided by employees or where the fair value of the goods or services received cannot be reliably estimated.

For goods and services received where the fair value can be determined reliably the goods and services and the corresponding increase in equity are measured at that fair value. The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each balance date, the entity revises its estimates of the number of options with non-market vesting conditions that are expected to become exercisable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award, *vesting date*.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

19.4.2. ***Key estimate***

194.2.1. Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs. The assumptions and models used for estimating fair value for share- based payment transactions are disclosed in Note 19.4.

The Company issued performance shares during the year ended 30 June 2023 based upon the conditions set out in Note 19. The Company follows the guidelines of AASB 2: Share Based Payments and takes into account non-market vesting conditions and estimates the probability and expected timing of achieving the performance conditions. The Group has not recognised any cost associated with the issue of the performance shares as there remains significant uncertainty as to whether the performance milestones will be met and the performance shares will convert to ordinary shares. For full details of the terms of the performance shares see Note 19.4

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Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 20. Operating segments

20.1. Identification of reportable segments

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (Chief operating decision makers) in assessing performance and determining the allocation of resources.

The financial information presented in the consolidated statement of comprehensive income and the consolidated statement of financial position is the same as that presented to the chief operating decision maker.

20.2. Basis of accounting for purposes of reporting by operating segments

20.2.1. *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of directors as the chief operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group. During the current period, the Group is considered to operate in one segment, being home security services in the USA.

	2024 $	2023 $
20.3. Revenue by geographical region		
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	-	-
United States	1,966,989	1,658,638
Total revenue	1,966,989	1,658,638
20.4. Assets by geographical region		
The location of segment assets by geographical location of the assets is disclosed below:		
Australia	108,206	261,981
United States	424,696	1,763,260
Total assets	532,902	2,025,241

20.5. Major customers

The Group has a number of customers to whom it provides both products and services. The Group has business customers who account for 78% (2023: 74%) of total revenue.

Notes to the consolidated financial statements
for the year ended 30 June 2024

Note 21. Parent entity disclosures

Scout Security Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Scout Security Limited did not enter into any trading transactions with any related party during the year.

21.1. Financial Position of Scout Security Limited

	2024 $	2023 $
Current assets	108,206	41,902
Non-current assets	-	-
Total assets	108,206	41,902
Current liabilities	4,432,718	1,680,657
Non-current liabilities	1,232,491	2,617,961
Total liabilities	5,665,209	4,298,618
Net assets/(liabilities)	(5,557,003)	(4,256,716)
Equity		
Issued capital	18,331,441	18,175,245
Reserve	5,776,299	5,703,922
Accumulated losses	(29,664,743)	(28,135,883)
Total equity	(5,557,003)	(4,256,716)

21.2. Financial performance of Scout Security Limited

	2024 $	2023 $
Loss for the year	(1,528,860)	(4,168,542)
Other comprehensive income	-	-
Total comprehensive income	(1,528,860)	(4,168,542)

21.3. Guarantees

There are no guarantees entered into by Scout Security Limited for the debts of its subsidiaries as at 30 June 2024 (2023: $nil).

21.4. Contractual commitments

The parent company has no capital commitments at 30 June 2024 (2023: $nil). The parent company other commitments are disclosed in Note 12 Commitments.

21.5. Contingent liabilities

There are no guarantees entered into by Scout Security Limited for the debts of its subsidiaries as at 30 June 2024 (2023: $nil).

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 22. Statement of significant accounting policies

22.1. Basis of preparation

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

22.1.1. Reporting Entity

Scout Security Limited (Scout or the Company) is a listed public company limited by shares, domiciled and incorporated in Australia. These are the consolidated financial statements and notes of Scout and controlled entities (collectively the Group). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in the design, manufacture and sales of security systems.

The separate financial statements of Scout, as the parent entity, have not been presented with this financial report as permitted by the Corporations Act 2001 (Cth).

22.1.2. Basis of accounting

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AAS Board) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the Corporations Act 2001 (Cth).

Australian Accounting Standards (AASBs) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

The financial statements were authorised for issue on 26 September 2024 by the directors of the Company.

22.1.3. Going Concern

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

The Group incurred a loss for the year of $3,591,168 (2023: $4,542,362) and a net cash out-flow from operating activities of $1,787,839 (2023: $3,442,304) out-flow. As at 30 June 2024, the Company had a working capital deficit of $6,599,733 (2023: $1,972,585 working capital deficit), as disclosed in Note 9 of the Capital Management note.

The ability of the Group to continue as a going concern is dependent on executing its near and medium term plans for expansion of its product portfolio; or on securing additional debt and/or equity funding in the event that sufficient revenue is not generated in the normal course of business.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- Post year end, funds raised include $1.0 million (before costs) from a placement and rights issue.
- Post year end, secured debt in the net amount of $1.8 million converted to equity. The remaining secured debt reduced to $1.2 million with the maturity date extended to 2028.
- Investors holding all the Company’s outstanding convertible notes (worth $1.48 million) converted to equity on the same terms as the placement and rights issue.
- The plan is to raise an additional $951k of the shortfall within the next three months.
- Cost saving strategies have been implemented and will regularly be reviewed and adjusted. This includes introducing equity-based compensation plans for KMP members.
- The month-on-month growth of existing white label customers, along with the addition of new ones, will increase incoming cash payments on an ongoing basis, thus bolstering the financial stability. Additional development and hardware fees from white label partners is expected to bring in upwards of $500k by the end of the calendar year.
- Management have prepared a cashflow forecast for the next 12 months that indicates the operating cash inflows will be sufficient to meet expenses and other financial obligations as an when they are due;
- Managing cash flows in line with available funds

Note 22. Statement of significant accounting policies

The directors plan to continue the Group's operations on the basis disclosed above and believe that there will be sufficient funds for the Group to meet its obligations and liabilities for at least 12 months from the date of this report. In the event that the Group is unable to generate sufficient revenue in the normal course of business or secure additional funds through new share issues or borrowings, the Group may need to reduce costs or negotiate extended terms with key creditors in order to meet working capital requirements.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern and meet its debts as and when they become due and payable.

22.1.4. ***Comparative figures***

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

22.1.5. ***New and Amended Standards Adopted by the Group***

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

22.2. Value added taxes

Value-added tax (VAT) is the generic term for the broad-based consumption taxes that the Group is exposed to such as: Australia (Goods and Services Tax or GST) and in the USA (Sales Tax), hereafter collectively referred to as 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 taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (or jurisdictional equivalent) is included as a current asset or liability in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

22.3. Foreign currency transactions and balances

22.3.1. ***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 legal parent entity's functional and presentation currency. The functional currency of Scout Security Inc. is the United States Dollar.

Note 22. Statement of significant accounting policies

22.3.2. ***Transaction 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 the 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 gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

22.3.3. ***Group companies and foreign operations***

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

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

22.4. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 22.4.1.

22.4.1. ***Critical Accounting Estimates and Judgments***

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

22.4.1.1. Key estimate – Taxation

Refer 4.8 in the Income Tax note.

22.4.1.2. Key estimate – Inventories

Refer Note 6.1 Inventories

22.4.1.3. Key estimate – Share-based payments

Refer Note 19 Share-based payments

22.5. Fair Value

22.5.1. *Fair Value of Assets and Liabilities*

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

22.5.2. *Fair value hierarchy*

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

22.5.3. *Valuation techniques*

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 22. Statement of significant accounting policies

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

22.6. **New Accounting Standards and Interpretations not yet mandatory or early adopted**

22.6. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 23. Company details

The registered office of the Company is:

Registered Office - Australia
Street + Postal: Level 8
210 George Street
Sydney, NSW 2000
Australia

Registered Office – United States
Postal: 210 North Racine Avenue Unit 2N
Chicago, IL 60607
USA

Note 24. Consolidated Entity Disclosure Statement

Entity	Type of Entity	Trustee partner, or participant in joint venture	% of share capital held	Country of Incorporation	Australian resident or foreign resident (for tax purpose)	Foreign tax jurisdiction(s) of foreign residents
Scout Security Ltd	Public Corporation	n/a	n/a	Australia	Australian	n/a
Scout Security Inc.	Corporation	n/a	100%	USA	Foreign	USA

Notes to the consolidated financial statements
for the year ended 30 June 2024

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 19 to 62, are in accordance with the Corporations Act 2001 (Cth) and:

   (a) comply with Accounting Standards;

   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 22.1 to the financial statements; and

   (c) give a true and correct view of the financial position as at 30 June 2024 and of the performance for the year ended on that date of the Group.

   (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);

   (e) The Consolidation Entity Disclosure Statement in Note 24 is true and correct as at 30 June 2024

2. 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 and is signed for and on behalf of the directors by:

MARTIN PRETTY
Non-Executive Chairman
Dated this Thursday, 26 September 2024

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOUT SECURITY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scout Security Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the director's declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2024 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 22.1.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 22.1.3 in the financial report which indicates that the Consolidated Entity incurred a net loss of $3,591,168 during the year ended 30 June 2024. As stated in Note 22.1.3, these events or conditions, along with other matters as set forth in Note 22.1.3, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Borrowings **(Note 5.5.2 and 5.7)** During the year, the Group had secured additional funding from secured lenders amounting to $635,180 under the existing secured debt deed. Warrants were issued to the lenders in consideration for participation in the Deed. As at 30 June 2024, the total borrowings outstanding was $4,744,656. Subsequent to 30 June 2024, $1,475,000 convertible notes and $1,833,658 secured debts were converted into shares on 14 August 2024. Borrowings are considered to be a key audit matter due to the significance of the balance to the Group's financial position and the complexities involved in the recognition and measurement of the value of the borrowing based on the embedded terms and conditions of the borrowing.	Our procedures amongst others included: • Analysing the agreement to identify the key terms and conditions within; • Verification of the funds received during the year; • Assessing the treatment for the existing loans rolled over; • Assessing the accounting treatment of the financial instruments in accordance with the recognition and measurement as well as the disclosure requirements of the relevant Australian Accounting Standards; • Evaluating management's valuations on the warrants and assessing the assumptions and inputs used; • Assessing the calculation including relevant amortisation of finance costs for the year; and • Assessing the adequacy of the disclosures in the financial report

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition **(Note 1.1 and 5.6)** The Group has several revenue streams as outlined in note 1.1 and has generated sales of $1,966,989 and has unearned revenue of $366,643 at balance date. We focused on this area as recognition of revenue under AASB 15 *Revenue from Contracts with Customers* ('AASB 15') requires significant judgement by management in identifying performance obligations, allocation of the transaction price and satisfaction of performance obligations over time or at a point in time. We consider this to be a key audit matter due to the judgement and estimates involved in determining when the performance obligations are met and revenue is recognised.	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to revenue processing and recognition; • Reviewing the revenue recognition policy for compliance with AASB 15; • Reviewing a sample of revenue to supporting contracts to ensure revenue was recognised in accordance with the revenue recognition policy; • Assessing cut-off of revenue at balance date and verifying revenue has been recorded in the correct reporting period or deferred as unearned revenue; and Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Scout Security Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error, and the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error. In Note 22.1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

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

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024. 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 Scout Security Limited, for the year ended 30 June 2024, complies with section 300A of the Corporations Act 2001.

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated this 26th day of September 2024
Perth, Western Australia

Notes to the consolidated financial statements
for the year ended 30 June 2024

Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital as at 21 August 2024.

a. **Ordinary share capital**

14,127,942 ordinary fully paid shares held by 601 shareholders.

b. **Unlisted Options over Unissued Shares**

Number of Options	Exercise Price $	Expiry Date
14,334	0.135	04 Jan 2025
9,000	0.070	18 Mar 2025
54,000	0.100	21 Apr 2025
23.005	0.070	31 July 2026
11,358,648	0.005	13 June 2026
440,009	0.004	13 June 2026
11,898,996		

c. **Unlisted Warrants over Unissued Shares**

Number of Warrants	Exercise Price $	Expiry Date
341,733	0.05	01 May 2026
341,733		

d. **Performance Rights over Unissued Shares**

165,051 performance rights.

e. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options**: Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.
- **Unlisted Warrants**: Warrants do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

f. **Substantial Shareholders as at 21 August 2024.**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
ED DRUMMOND	2,116,215	14.98
NATIONAL NOMINEES LIMITED	2,102,750	14.88
ADAPTIVE INCOME	1,923,596	13.62

g. **Distribution of Shareholders as at 21 August 2024.**

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	354	87,320	0.62
1,001 – 5,000	127	336,525	2.38
5,001 – 10,000	43	304,719	2.16
10,001 – 100,000	50	1,606,518	11.37
100,001 – and over	27	11,792,860	83.47
	601	**14,127,942**	**100.00**

h. **Unmarketable Parcels as at 21 August 2024**

At the date of this report there were 564 shareholders who held less than a marketable parcel of shares holding 1,647,761 shares.

i. **On-Market Buy-Back**

There is no current on-market buy-back.

j. **Restricted Securities**

The Company has no restricted securities

Notes to the consolidated financial statements
for the year ended 30 June 2024

k. **20 Largest Shareholders — Ordinary Shares as at as at 21 August 2024**

	Holder Name	Holding	% IC
1	ED DRUMMOND	2,116,215	14.98%
2	NATIONAL NOMINEES LIMITED	2,102,750	14.88%
3	ADAPTIVE INCOME	1,923,596	13.62%
4	ORIGIN WIRELESS INC	567,500	4.02%
5	SANDHURST TRUSTEES LTD	443,954	3.14%
	<EQUIT INV DRAGONFLY A/C>		
6	MATTHEW HARRIS & ASSOCIATES PTY LTD	390,626	2.76%
	<HARRIS PRACTICE A/C>		
7	NON CORRELATED CAPITAL PTY LTD	309,375	2.19%
	<ALIWA ALPHA FUND>		
8	DANIEL B ROBERTS	283,045	2.00%
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	264,794	1.87%
10	ACACIA CAPITAL PTY LIMITED	263,918	1.87%
11	CITICORP NOMINEES PTY LIMITED	258,328	1.83%
12	JARVISBROWN SUPER PTY LTD	238,395	1.69%
	<JARVIS BROWN SF A/C>		
13	K3Y VENTURES LLC	232,784	1.65%
14	TASCO HOLDINGS PTY LTD	224,550	1.59%
	<TASCO HOLD SUPER FUND A/C>		
15	PAC PARTNERS SECURITIES PTY LTD	218,750	1.55%
15	SPINITE PTY LTD	218,750	1.55%
15	LEVEL 1 PTY LTD	218,750	1.55%
	<THE LEVEL ONE A/C>		
15	GLENEAGLE ASSET MANAGEMENT LIMITED	218,750	1.55%
	<GLENEAGLE INVESTMENT FUND A/C>		
16	MR RYAN MCCALL	217,394	1.54%
17	SEGAL DRUMMOND	211,622	1.50%
18	CAMERON DRUMMOND	154,196	1.09%
19	CHAD SMITH	140,222	0.99%
20	LAZARUS SECURITIES PTY LTD	125,000	0.88%
	<CLIENT A/C>		
	Total	11,343,264	80.29%
	Total issued capital - selected security class(es)	14,127,942	100.00%

Additional Information for Listed Public Companies

I. Unquoted Securities Holders Holding More than 20% of the Class as at 21 August 2024

- *Unlisted Options (Exercise price $13.50, Expiry Date: 31.12.24)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
ACACIA CAPITAL PTY LIMITED	7,167	50.00
GLENEAGLE SECURITIES NOMINEES PTY LTD	7,167	50.00
TOTAL	**14,334**	**100.00**
TOTAL UNLISTED OPTIONS	**14,334**	

- *Unlisted Options (Exercise price $7.00, Expiry Date: 18.03.25)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
NATIONAL NOMINEES LIMITED <FUNDHOST LIMITED A/C>	3,500	38.89
TOTAL	**3,500**	**38.89**
TOTAL UNLISTED OPTIONS	**9,000**	

- *Unlisted Options (Exercise price $10.00, Expiry Date: 21.04.25)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
ADAPTIVE INCOME FUND LP	54,000	100.00
TOTAL	**54,000**	**100.00**
TOTAL UNLISTED OPTIONS	**54,000**	

- *Unlisted Warrants (Exercise price $5.00, Expiry Date: 01.05.26)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
SEGAL EDWARD DRUMMOND JR	150,000	43.90
ADAPTIVE INCOME FUND LP	93,750	27.43
TOTAL	**243,750**	**71.33**
TOTAL UNLISTED WARRANTS	**341,733**	

Notes to the consolidated financial statements
for the year ended 30 June 2024

- *Unlisted Options (Exercise price $7.00, Expiry Date: 31.07.26)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
SEQUOIA CORPORATE FINANCE	23,005	100..00
TOTAL	**23,005**	**100.00**
TOTAL UNLISTED OPTIONS	**23,005**	

- *Unlisted Options (Exercise price $0.50, Expiry Date: 13.06.26)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
No individual holder holding over 20%	-	-
TOTAL	**-**	**-**
TOTAL UNLISTED OPTIONS	**11,358,648**	

- *Unlisted Options (Exercise price $0.40, Expiry Date: 13.06.26)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
ED DRUMMOND	193,138	43.89
ADAPTIVE INCOME	120,711	27.43
TOTAL	**313,849**	**71.32**
TOTAL UNLISTED OPTIONS	**440,009**	

2 Company Secretary

The Company Secretary was Kim Larkin

3 Principal registered office

As disclosed in Note 23 Company details on page 62 of this Annual Report.

4 Registers of securities

As disclosed in the Corporate directory on page i of this Annual Report.

5 Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page i of this Annual Report.

6 Use of funds

The Company has used its funds in accordance with its initial business objectives.