



# Scout Security Limited

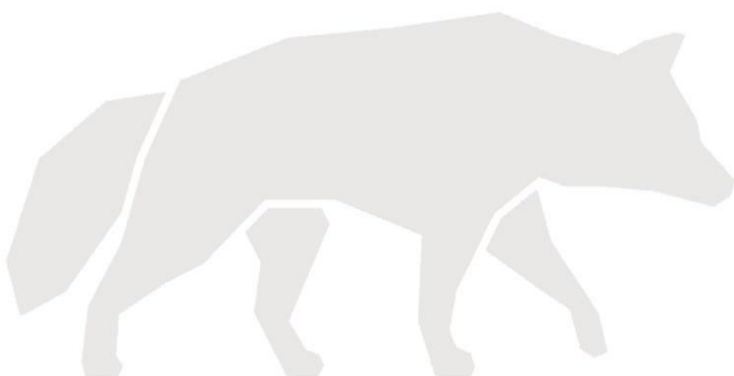
ABN 13 615 321 189

and its controlled entities

## APPENDIX 4E

Preliminary Final Report

30 June 2022



**Corporate directory****Current Directors**

Mr Daniel Roberts

*Executive Director*

Mr Martin Pretty

*Non-executive Chairman*

Mr David Shapiro

*Non-executive Director*

Mr Anthony Brown

*Non-executive Director*

Mr Solomon Majteles

*Non-executive Director***Tenure**

Appointed August 2017

Appointed July 2020

Appointed August 2017

Appointed August 2017

Appointed August 2017

**Company Secretary**

Ms. Kim Clark

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Telephone: +61 (0)8 9426 0666

**Bankers**

Westpac Banking Corporation

130 Rokeby Road

Subiaco WA 6008

**Solicitors**

Steinepreis Paganin

Level 4, The Read Buildings

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Perth WA 6000

## APPENDIX 4E

Preliminary final report  
30 June 2022

## SCOUT SECURITY LIMITED

AND CONTROLLED ENTITIES

ABN 13 615 321 189

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## Company Update

### 1. Operating and financial review

#### 1.1. Nature of Operations: Principal Activities

Scout Security Limited (ASX: SCT or the Company) was founded in Chicago, USA in 2013 and spent 7 years building a self-installed, wireless, home security platform. Scout's open, affordable, design-centric offering gives users complete flexibility around connected home security, allowing the system to integrate with other best-in-class connected home devices and offering flexible monthly subscriptions. Scout is an official partner of Amazon Alexa (including Alexa Guard) and Google's Assistant. Scout is also an Amazon Alexa Fund portfolio company.

Scout has evolved from being solely a direct-to-consumer business into a white label Security-as-a-Service platform and product suite powering recurring revenue for itself, as well as some of the largest security, internet service, and telco providers in the world.

#### 1.2. Operations Review

##### BUSINESS DEVELOPMENT

The Company's focused on both expansion and growth in FY22 through new and existing white label partners. Key business development announcements during the period included:

July 2021:	Receipt and announcement of first hardware shipment to telco partner on July 7, 2021
July 2021:	Scout joins the Competitive Carriers Association (CCA), the leading organization for wireless providers
September 2021:	Telco partner Windstream <sup>1</sup> launches Kinetic Secure Home, a white label home security solution powered by Scout
December 2021:	Scout signed a partnership agreement with Hyperion <sup>2</sup> , a master agent for T-Mobile and other US carriers
February 2022:	Letter of Intent signed with key hardware supplier to reduce cost and minimum order quantities, enabling the Scout sales team to sell into smaller channel partners at lower volume
March 2022:	Annualised recurring revenue (ARR) through telco partner exceed A\$200k
May 2022:	Annualised recurring monthly revenue streams from Windstream, Prosegur, Stanely Black and Decker, Zego, and Scout direct-to-consumer totaling more than \$A1.1 million

This financial year Scout launched its latest white label partner Windstream, a mid-sized us internet service provider with more than 1.3 million existing subscribers. Further the company continued growing its partnership with Prosegur to sell the Qido brand within Peru, and also has built a robust pipeline of future white label partners.

<sup>1</sup> Windstream Services LLC

<sup>2</sup> Hyperion Partners LLC

## Company Update

### Windstream partnership

Launching in September 2021, Kinetic Secure Home (KSH) by Windstream marks the first major US telco to white label the Scout Security-as-a-Service platform. The Company built the solution throughout FY21, with the majority of hardware ordered and delivered in the same. In FY22 KSH launched with two tiers of service to Windstream customers: 1, a camera only solution providing a lower cost entry point to home security while still allowing remote monitoring through the Scout built applications. 2, a fully DiY home security solution with professional 24/7 monitoring. Sales growth was strong through the year with gross sales exceeding 1,000 new customers monthly, and average revenue per user (ARPU) of approximately A\$8 significantly exceeding original estimates of A\$4.70.

Through close collaboration, Scout and Windstream have continued to evolve the program. Engaging in joint marketing initiatives, ongoing training of their retail and inside sales staffs, and releasing regular feature updates to users. This high level of engagement has delivered strong results leading to total annualized recurring revenue from all sources to exceed A\$1.3 million before the end of the fiscal year.

### Business Growth

As Scout's existing partnerships with Stanley Black and Decker and Prosegur continued to generate profitable monthly recurring revenue (MRR), the Company launched Kinetic Secure Home with Windstream, and continued to pursue a robust pipeline of new partners. Windstream continues to over deliver in regard to ARPU, while adding to annualised recurring revenue (ARR) on a monthly basis. Through these partnerships, and Scout's direct-to-consumer business, the Company has increased MRR every month in the fiscal year.

Prosegur continues to sell into the Peru market to establish the Qido brand. Plans for an additional Latin American country, though expected during the fiscal year, were delayed until FY23 in order to first grow the Peru marketing while establishing best operational practices.

The Company entered into referral partner and master service agreements with Hyperion Partners, a master agent for T-Mobile and other carriers in the US. Progress is being made to finalize the financial terms in the statement of work to where Hyperion will both refer Scout products and services to their customers as well as directly resell them.

### Industry Engagement and Recognition

It was a great year of recognition for Scout within the industry. The Company joined the Competitive Carriers Association (CCA), America's leading organization for wireless providers and associated parties, to further develop and amplify its voice within the US cellular carrier and broadband sectors. This allows Scout to build meaningful relationships with a large group of cellular carriers leading to an enhanced pipeline of white label partners.

Scout also received several positive reviews of its products from tier 1 technology press such as PCMag and Tom's Guide. Forbes recognized Scout as one of the "Best Home Security Companies of 2022". The Company won the "Best-In-Class Partnership Award" from the Broadband Multimedia Marketing Association (BMMA) for innovation and excellence due to its white label partnership with Windstream.

## Company Update

### **Appointments**

Early into the fiscal year, Martin Pretty was appointed chairman of the board, assuming the position August 23, 2021. Mr Pretty has served as a non-executive director since July 2020 and is also managing director of the boutique fund manager, Equitable Investors, and a non- executive director of financial services group Centrepont Alliance Ltd (ASX: CAF) and technology communications company Spacetalk Ltd (ASX: SPA).

In December 2021 Scout announced that executive director and co-founder Dan Roberts would step out of the CEO role and into the position of executive director and Chief Product Officer. His focus is now on strategy, product roadmap and design.

Ryan M. McCall assumed the role of CEO on January 3, 2022. Mr. McCall comes to the company with as an experienced business and people leader with 14 years of global cross functional experience in consumer technology and in growing teams, revenue, and profitability.

During the 4<sup>th</sup> quarter of the fiscal year, the Company continued to improve its operations by appointing Kevin Brennan as COO, Hilari Smith as VP of Accounting, and Kim Clark as Company Secretary.

### **Funding activities**

During the year the Company executed on several smaller facilities to build working capital for continued growth of the business. Participants for these raises included the Board of Directors, CEO, and sophisticated investors. These facilities include:

Capital raise and restructuring totaling A\$650k completed in December 2021, comprising a placement to Scout directors and sophisticated investors and the extension of 94% of existing convertible notes to December 2023.

In May 2022, the Company closed on AU\$350k of working capital via receivables financing, participants including CEO Ryan McCall and Executive Director Dan Roberts.

In April 2022, the Company secured a working capital facility of US\$400k, which included issuing the lender 5,400,000 options at a strike price of AU\$0.10.

Scout is currently exploring new funding avenues that would provide enough operational cash flow to support upcoming white label partners, as well as a bridge to the Company's monthly recurring revenue outpacing cash burn.

### 1.3. Outlook

FY22 was a year of organizational growth and change for Scout. Through the fiscal year the Company appointed a new CEO, Chairman, COO, Chief Product Officer, Company Secretary and VP of Accounting. These moves were made for many reasons, but first and foremost was to improve the operational efficiency and competency of the business. Every move has thus far achieved this core goal, allowing Scout to operate more nimbly with improved governance, fostering an environment focused on growth.

The Windstream launch marks a significant milestone, one in which Scout has cemented itself as the premier white label Security-as-a-Service company. That combined with the Company's own direct-to-consumer sales, other existing partners, and expected future partners, leads us to expect we will achieve our goals of recurring monthly revenue balancing cash burn by itself within the near term. Windstream alone would accomplish this goal once it has sold through its initial order of hardware, and the addition of new partners in fiscal year 2023 will only expedite meeting our financial goals.

#### 1.4. 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 an increment in loss for the year to A\$3.282 million vs. 2021: A\$3.944 million loss, a 17% year-on-year reduction in net loss.

The Group's revenue for the year ended 30 June 2022 was recorded at A\$4.310 million, an increase of 257% compared to FY21 revenue of A\$1.671 million.

During the entirety of FY22 the Company saw its monthly recurring revenue increase consistently with the addition of Windstream and growth of other partners, culminating in a 84% growth in recurring revenue to A\$955k in FY22 vs. A\$518kk in FY21.

Cash receipts from customers in FY22 of A\$2.302 million were down by 19% compared to FY21's A\$2.831 million primarily due to supply chain strategy: activity of customers to pull forward inventory in the June FY21 quarter to create an inventory buffer and hedge against the global supply chain uncertainty which developed over the course of 2021 and 2022.

Please refer to the Operations Review above for additional business segment performance. Please refer to the Operations Review above for additional business segment performance.

#### 1.5. 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.

**Results for announcement to the Market**

for the year ended 30 June 2022

**1 REPORTING PERIOD (item 1)**

- Report for the financial year ended: 30 June 2022
- Previous corresponding period is the year months ended: 30 June 2021

**2 RESULTS FOR ANNOUNCEMENT TO THE MARKET**

- Increase in revenues from ordinary activities (item 2.1)
- Decrease in loss from ordinary activities after tax attributable to members (item 2.2)
- Decrease in loss from after tax attributable to members (item 2.3)

Movement	Percentage %	Amount \$
↑	257 to	4,310,127
↓	(17) to	(3,282,455)
↓	(17) to	(3,282,455)

## a. Dividends (item 2.4)

- Interim dividend
- Final dividend
- Record date for determining entitlements to the dividend (item 2.5)

Amount per Security ¢	Franked amount per security %
nil	n/a
nil	n/a

n/a

- b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Refer to the attached Operations Review.

**3 PRELIMINARY FINAL REPORT**

- a. Statement of comprehensive income (item 3):  
Refer to Consolidated statement of profit or loss and other comprehensive income on page 8
- b. Statement of financial position (item 4):  
Refer to Consolidated statement of financial position on page 9
- c. Statement of cash flows (item 5):  
Refer to Consolidated statement of cash flows on page 11
- d. Statement of changes in equity (item 6):  
Refer to Consolidated statement of changes in equity on page 10
- e. Statement of comprehensive income (item 3):

**4 DIVIDENDS (item 7) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS (item 14.2)**

Nil.

- a. Details of dividend or distribution reinvestment plans in operation are described below (item 8):  
Not applicable



**APPENDIX 4E**

Preliminary final report  
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**SCOUT SECURITY LIMITED**

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**Results for announcement to the Market**

for the year ended 30 June 2022

5 RATIOS	Current period	Previous corresponding period
	\$	\$
a. Financial Information relating to 5b and 5c:		
Earnings for the period attributable to owners of the parent	(3,282,455)	(3,943,796)
Net liabilities	(2,431,340)	(59,999)
Less: Intangible assets (including net deferred tax balances)	-	-
Net tangible assets	(2,431,340)	(59,999)
	No.	No.
Fully paid ordinary shares	153,394,650	145,672,677
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	151,443,657	133,871,005
	¢	¢
b. Net tangible assets backing per share (cents) (item 9):	(1.58)	(0.041)
c. Earnings per share attributable to owners of the parent (cents) (item 14.1):	(2.167)	(2.946)
The Group does not report diluted earnings per share, as dilution is not applied to annual losses generated by the Group. During the 2022 financial year the Group had 33,990,614 unissued shares under option and 5,514,660 performance shares which are anti-dilutive.		

6 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 10)		
a. Control gained over entities		
■ Name of entities (item 10.1)	Nil	
■ Date(s) of gain of control (item 10.2)		
b. Loss of control of entities		
■ Name of entities (item 10.1)	Nil	
■ Date(s) of loss of control (item 10.2)	N/A	
c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 10.3).	Nil	
d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	Nil	

## Results for announcement to the Market for the year ended 30 June 2022

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DETAILS OF ASSOCIATES AND JOINT VENTURE: (item 11)

■

Name of entities (item 11.1)

Nil

■

Percentage holding in each of these entities (item 11.2)

n/a

■

Aggregate share of profits (losses) of these entities (item 11.3)

Current period

\$

Previous  
corresponding  
Period

\$

N/A

N/A

8

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position. (item 12):

Refer to commentary update accompanying this 4E

9

The financial information provided in the Appendix 4E is based on the preliminary final report (attached), which has been prepared in accordance with Australian Accounting Standards (item 13)

10

A COMMENTARY ON THE RESULTS FOR THE PERIOD (item 14)

Refer to Company Update on page 1 . The Group had revenue of \$4,310,127 (2021: \$1,671,133) for the period.

11

The preliminary final report has been prepared based on the 30 June 2022 accounts which are in the process of being audited by an independent Audit Firm in accordance with the requirements of s.302 of the *Corporations Act 2001* (Cth). (item 15)

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**Consolidated statement of profit or loss and other comprehensive income**  
for the year ended 30 June 2022

	Note	2022 \$	2021 \$
<i>Continuing operations</i>			
Revenue	1.1	4,310,127	1,671,133
Cost of sales		(2,333,587)	(814,924)
		1,976,540	856,209
Other income	1.2	132,937	190,094
Consultancy and professional fees		(1,195,579)	(959,673)
Depreciation and amortisation		-	-
Employment costs	2.1	(2,250,091)	(1,621,556)
Finance costs		(776,973)	(715,294)
Information technology costs		(300,017)	(268,886)
Occupancy costs		(128,456)	(127,358)
Share-based payments expense	6	(16,058)	(620,180)
Sales and marketing		(80,663)	(38,455)
Shipping and postage		(37,134)	(15,678)
Travel and accommodation		(121,345)	(6,211)
Other expenses		(485,616)	(616,808)
Loss before tax		(3,282,455)	(3,943,796)
Income tax expense		-	-
<b>Net loss for the year</b>		<b>(3,282,455)</b>	<b>(3,943,796)</b>
<i>Other comprehensive income, net of income tax</i>			
■ Items that may be reclassified subsequently to profit or loss:			
□ Foreign currency movement		154,216	103,930
<b>Other comprehensive income for the period, net of tax</b>		<b>154,216</b>	<b>103,930</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(3,128,239)</b>	<b>(3,839,866)</b>

*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 2022

	Note	2022 \$	2021 \$
<i>Current assets</i>			
Cash and cash equivalents	3.1	236,863	1,902,575
Trade and other receivables	3.2	505,504	55,353
Inventories	4.1	475,378	493,882
Other current assets	3.3	45,607	204,747
<b>Total current assets</b>		<b>1,263,352</b>	<b>2,656,557</b>
<i>Non-current assets</i>			
Financial assets	3.4	694,046	934,184
<b>Total non-current assets</b>		<b>694,046</b>	<b>934,184</b>
<b>Total assets</b>		<b>1,957,398</b>	<b>3,590,741</b>
<i>Current liabilities</i>			
Trade and other payables	3.5	1,550,252	741,897
Borrowings	3.5	422,812	-
Unearned revenues	3.6	148,132	1,947,218
<b>Total current liabilities</b>		<b>2,121,196</b>	<b>2,689,115</b>
<i>Non-current liabilities</i>			
Borrowings	3.7	1,883,167	712,500
Financial liabilities	3.8	384,375	249,125
<b>Total non-current liabilities</b>		<b>2,267,542</b>	<b>961,625</b>
<b>Total liabilities</b>		<b>4,388,738</b>	<b>3,650,740</b>
<b>Net liabilities</b>		<b>(2,431,340)</b>	<b>(59,999)</b>
<i>Equity</i>			
Issued capital	5.1	16,065,022	15,413,387
Reserves	5.4	5,618,595	5,359,116
Accumulated losses		(24,114,957)	(20,832,502)
<b>Total equity</b>		<b>(2,431,340)</b>	<b>(59,999)</b>

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

## APPENDIX 4E

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## SCOUT SECURITY LIMITED

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### Consolidated statement of changes in equity

for the year ended 30 June 2022

	Note	Contributed equity	Foreign Currency Translation Reserve	Share-based Payments Reserve	Accumulated Losses	Total equity
		\$	\$	\$	\$	\$
<i>Balance at 1 July 2020</i>		12,179,075	46,166	3,249,816	(16,888,706)	1,413,650
Loss for the year attributable owners of the parent		-	-	-	(3,943,796)	(3,943,796)
Other comprehensive income for the year attributable owners of the parent		-	103,930	-	-	103,930
Total comprehensive income for the year attributable owners of the parent		-	103,930	-	(3,943,796)	(3,839,866)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	5.1	3,234,312	-	-	-	3,234,312
Options granted during the year	5.3	-	-	1,339,024	-	1,339,024
Performance Shares	5.2	-	-	620,180	-	620,180
<i>Balance at 30 June 2021</i>		15,413,387	150,096	5,209,020	(20,832,502)	(59,999)
<i>Balance at 1 July 2021</i>		15,413,387	150,096	5,209,020	(20,832,502)	(59,999)
Loss for the year attributable owners of the parent		-	-	-	(3,282,455)	(3,282,455)
Other comprehensive income for the year attributable owners of the parent		-	154,216	-	-	154,216
Total comprehensive income for the year attributable owners of the parent		-	154,216	-	(3,282,455)	(3,128,239)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	5.1	651,635	-	-	-	651,635
Options granted during the year	5.3	-	-	439,616	-	439,616
Performance shares	5.2	-	-	(334,353)	-	(334,353)
<i>Balance at 30 June 2022</i>		16,065,022	304,312	5,314,283	(24,114,957)	(2,431,340)

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 2022

	Note	2022 \$	2021 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		2,302,218	2,831,943
Payments to suppliers and employees		(6,042,969)	(4,977,194)
Interest received		13,219	220
Finance costs		(28,420)	(8,453)
<b>Net cash used in operating activities</b>		<b>(3,755,952)</b>	<b>(2,153,484)</b>
<i>Cash flows from investing activities</i>			
<b>Net cash used in investing activities</b>		<b>-</b>	<b>-</b>
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares		200,000	3,500,000
Payments for capital raising costs		(12,558)	(251,346)
Proceeds from convertible debt securities		875,410	750,000
Proceeds of borrowings		954,019	-
Repayment of borrowings		-	-
Government grants		-	-
<b>Net cash provided by financing activities</b>		<b>2,016,871</b>	<b>3,998,654</b>
<b>Net increase / (decrease) in cash and cash equivalents held</b>		<b>(1,739,081)</b>	<b>1,845,170</b>
Cash and cash equivalents at the beginning of the year		1,902,575	62,310
Change in foreign currency held		73,369	(4,905)
<b>Cash and cash equivalents at the end of the year</b>	3.1	<b>236,863</b>	<b>1,902,575</b>

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

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**Notes to the Appendix 4E preliminary final report**  
for the year ended 30 June 2022

<b>Note</b>	<b>1</b>	<b>Revenue and other income</b>	<b>2022</b>	<b>2021</b>
			<b>\$</b>	<b>\$</b>
<b>1.1</b>		<b>Revenue</b>		
		Product sales	2,645,313	489,568
		Subscription revenues	955,678	518,279
		Development fees	111,815	649,895
		Licensing and support fees	597,321	13,391
			4,310,127	1,671,133
<b>1.2</b>		<b>Other Income</b>		
		Interest income	13,219	220
		Other	119,718	189,874
			132,937	190,094
<b>Note</b>	<b>2</b>	<b>Loss before income tax</b>	<b>2022</b>	<b>2021</b>
			<b>\$</b>	<b>\$</b>
The following significant revenue and expense items are relevant in explaining the financial performance:				
<b>2.1</b>		<b>Employment costs</b>		
		Salary and wages	2,100,015	1,519,254
		Director Fees	145,642	97,964
		Superannuation	4,433	4,338
			2,250,091	1,621,556
<b>2.2</b>		<b>Finance costs</b>		
		Interest – Unwinding of transaction cost	791,489	924,079
		Interest – Embedded Derivative	(63,526)	(251,956)
		Interest – Accrued Interest on Convertible Note	43,825	34,718
		Others	5,185	8,453
			776,973	715,294

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**Notes to the Appendix 4E preliminary final report**

for the year ended 30 June 2022

**Note 3 Financial assets and financial liabilities**

<b>3.1</b>	<b>Cash and cash equivalents</b>	<b>2022</b>	<b>2021</b>
		<b>\$</b>	<b>\$</b>
	Cash at bank	236,863	1,902,575
		236,863	1,902,575
<b>3.2</b>	<b>Trade and other receivables</b>	<b>2022</b>	<b>2021</b>
		<b>\$</b>	<b>\$</b>
<b>3.2.1</b>	<b>Current</b>		
	Trade receivable	105,157	55,353
	ERC receivable	400,347	-
		505,504	55,353
<b>3.3</b>	<b>Other assets</b>	<b>2022</b>	<b>2021</b>
		<b>\$</b>	<b>\$</b>
<b>3.3.1</b>	<b>Current</b>		
	Deposits	-	180,370
	Other current assets	45,607	24,377
		45,607	204,747
<b>3.4</b>	<b>Financial assets</b>	<b>2022</b>	<b>2021</b>
		<b>\$</b>	<b>\$</b>
<b>3.4.1</b>	<b>Current</b>		
	<b>Convertible notes – transaction costs</b>		
	Facilities, broker and T1 investors Options	1,523,334	1,220,073
	Fees	70,000	70,000
	Convertible note – Embedded Derivative at initial recognition	793,190	568,190
	Unwound during the period	(1,692,478)	(924,079)
		694,046	934,184

3.4.2 The transaction costs were incurred in relation to the raising of funds under the convertible note facilities (note 3.7.2). 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.



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**Note 3 Financial assets and financial liabilities (cont.)**

**3.5 Trade and other Payables**

**3.5.1 Current**

*Unsecured*

Trade payables

Accruals and other payables

2022	2021
\$	\$
924,286	542,120
625,966	199,777
1,550,252	741,897

**3.5.2 Borrowings**

**Current**

Borrowing- ERC Payable

Convertible Note- face value

Note  
3.5.3

2022	2021
\$	\$
360,312	
62,500	-
422,812	-

3.5.3 On 27 May 2022, the Company entered into an agreement to sell their US Government owed Employee Retention Credit ("ERC") to a group comprising off CEO Ryan McCall, Co-Founder Dan Roberts, and other parties. The Company will receive US\$248,219.02 in return of the sale of the rights of the ERC. The key features of the sale are summarized below:

- **Employee Retention Credits:** As part of the US Government Coronavirus Aid, Relief, and Economic Security Act, the Company qualifies for US\$275,798.91 in US Government credits, payable at which point the US Government Internal Revenue Service processes the refund.
- **Purchase Price:** The parties combined have purchased the ERC from the Company at a discount of 10% to the full amount for a total of US\$248,219.02
- **Interest:** The Company will pay the purchasers 1% interest per month of the value of the credits if the US Government takes longer than 1 year from the date of the purchase to pay the ERC.

**3.6 Unearned revenues**

**3.6.1 Current**

*Unsecured*

Unearned revenues

2022	2021
\$	\$
148,132	1,947,218
148,132	1,947,218

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**3.7 Borrowings****3.7.1 Non-current**

Convertible notes – face value

Secured Debt

Note	2022 \$	2021 \$
3.7.2	1,475,000	712,500
3.7.3	408,167	-
	1,883,167	712,500

3.7.2 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.

**Notes to the Appendix 4E preliminary final report**  
for the year ended 30 June 2022**Note 3 Financial assets and financial liabilities (cont.)****3.7 Borrowings(cont.)**

- **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. \$37,500 of the initial instalment of \$750,000 were converted to shares during the year.
- **Subsequent Draw:** On 19 November 2021 the Company elected to draw down a \$500,000 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.

3.7.3 On 13 April 2022, the Company entered into a secured debt deed of loan ("Deed") with Adaptive Income Fund, LP to raise US\$400,000. The key features of the Deed are summarized below:

- **Term:** The term of the deed is 2 years with a minimum of 90 days, after which the facility can be repaid in whole or part, on 30 days' notice, without penalty.
- **Interest:** The interest rate will be fixed at 7.0% per annum, calculated and payable quarterly. In the event of default by the Company, a default margin of 8.0% will be added.
- **Deed Options:** In consideration for participation in the Deed, investors will be granted 5,400,000 options to acquire shares in the company at strike price of \$0.10 and an expiration date 3 years from issuance.

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#### 3.8

##### 3.8.1 Financial liabilities

###### *Non-current*

Convertible note – Embedded Derivative liability

	2022 \$	2021 \$
	384,375	249,125
	384,375	249,125

- 3.8.2 On 16 July 2020, the Company has entered into a Convertible Note Deed (Note 3.7.2). 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 10. 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.

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**Note 4 Non-financial assets and financial liabilities**

**4.1 Inventories**

	2022 \$	2021 \$
Finished goods - at cost	475,378	493,882
Prepayments – inventory orders	-	-
	475,378	493,882

**Note 5 Equity**

**5.1 Issued capital**

	2022 No.	2021 No.	2022 \$	2021 \$
Fully paid ordinary shares at no par value	153,394,650	145,672,677	16,065,022	15,413,387
<b>5.1.1 Ordinary shares</b>				
At the beginning of the year	145,672,677	119,211,053	15,413,387	12,179,075
Shares issued during the year:				
■ Conversion of convertible debt securities @ \$0.07 per share	-	535,714	-	37,500
■ Embedded derivative component on conversion of convertible debt	-	-	26,224	67,109
■ Tranche 1 Placement @ \$0.135 per share	-	13,723,980	-	1,852,737
■ Share purchase plan @ \$0.135 per share	-	1,496,282	-	202,000
■ Tranche 2 Placement @ \$0.135 per share	-	8,498,241	-	1,147,263
■ Shortfall share purchase plan @ \$0.135	-	2,207,407	-	298,000
■ Conversion of employee performance shares	2,610,066	-	201,830	-
■ Conversion of performance shares	1,500,000	-	138,900	-
■ Conversion of convertible debt securities @ \$0.07 per share	1,071,429	-	75,000	-
■ Directors Placement @ \$0.088	2,285,716	-	200,000	-
■ Conversion of employee performance Shares	254,762	-	9,681	-
■ Transaction costs relating to share issues				
■ Cash	-	-	-	(251,346)
■ Equity based	-	-	-	(118,951)
At end of the year	153,394,650	145,672,677	16,065,022	15,413,387

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**5.2 Performance shares**

	2022 No.	2021 No.	2022 \$	2021 \$
Performance shares	5,514,660	44,808,751	282,169	620,180
At the beginning of the year	44,808,751	36,000,000	620,180	-
Performance shares movement during the year:				
■ Issued	1,070,737	8,808,751	16,058	620,180
■ Fair value adjustments	-	-	-	-
■ Lapsed	(36,000,000)	-	-	-
■ Converted to ordinary shares	(4,364,828)	-	(350,411)	-
At end of the year	5,514,660	44,808,751	285,827	620,180

**5.3 Options**

		2022 No.	2021 No.	2022 \$	2021 \$
<b>Note</b>		33,990,614	14,833,468	5,028,456	4,588,840
Options		14,833,468	27,300,001	4,588,840	3,249,816
At the beginning of the year					
Options issued/(lapsed) during the year:		-	(27,300,001)	-	-
■ Options lapsed		-	2,980,276	-	271,351
■ Issue of facility options	5.3.1	-	2,384,221	-	217,080
■ Issue of brokers options	5.3.2	-	1,433,256	-	118,951
■ Issue of advisor options	5.3.3	-	8,035,715	-	731,642
■ Issue of T1 investor options	5.3.4	11,785,717	-	262,821	-
■ Issue of facility options	5.3.5	1,071,429	-	21,000	-
■ Issue of facility options	5.3.6	900,000	-	19,440	-
■ Issue of Investor options	5.3.7	5,400,000	-	136,355	-
■ Issue of options	5.3.8	33,990,614	14,833,468	5,028,456	4,588,840
At end of the year					

5.3.1 On 24 July 2020, 2,980,276 facility options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.3.2 On 24 July 2020, 2,384,221 brokers options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.3.3 On 21 December 2020, 1,433,256 advisors at exercise price of \$0.135 expiring 31 December 2024 were issued.

5.3.4 On 23 December 2020, 8,035,715 T1 Investor options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.3.5 On 23 November 2021, 11,785,717 facility options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.3.6 On 18 February 2022, 1,071,429 facility options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.3.7 On 24 March 2022, 900,000 investor options at exercise price of \$0.07 expiring 18 March 2025 were issued as free attaching options to the new \$450,000 convertible note facility.

5.3.8 On 13 May 2022, 5,400,000 options at exercise price of \$0.10 expiring 21 April 2025 were issued as part of costs of \$400,000 secured debt facility.

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#### 5.4 Reserves

Foreign currency translation reserve  
Share-based payment reserve

	2022 \$	2021 \$
Foreign currency translation reserve	304,312	150,096
Share-based payment reserve	5,314,283	5,209,020
	5,618,595	5,359,116

#### Note 6 Share-based payments

	2022 \$	2021 \$
<b>6.1 Share-based payments:</b>		
▪ Recognised in profit and loss (expenses)	16,058	620,180
▪ Recognised in equity (transaction costs)	-	118,951
▪ Recognised in financial assets	439,616	1,220,073
▪ Movement in equity (transfer to share capital)	(350,411)	
Gross share-based payments:	105,263	1,959,204

