FAMILY ZONE CYBER SAFETY LIMITED
ACN 167 509 177

APPENDIX 4E
GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Reporting Period

Financial year end	30 June 2019
Previous corresponding reporting period	30 June 2018

Results for Announcement to Market

	30 June 2019 $	30 June 2018 $	% increase/ (decrease) over corresponding period
Revenue from ordinary activities	4,184,323	2,329,780	80%
Profit/(Loss) after from ordinary activities tax attributable to members	(14,401,137)	(18,206,211)	(21)%
Net profit/(loss) for the period attributable to members	(14,416,110)	(18,194,548)	(21)%

Dividends

No dividends have been declared or paid during the year ended 30 June 2019. The Directors do not recommend the payments of a dividend in respect of the year ended 30 June 2019.

The Company does not have any dividend reinvestment plan in operation.

Explanation of Results

Throughout the year the Group continued to develop and refine the commercialisation strategy for its suite of cyber safety product. The Group reported strong growth in customer sales with material contribution from all three distribution channels being consumer, education and wholesale. The education business in particular contributed strongly to revenue growth during the year, with significant uptake seen in the US education market. The Group reported operating revenues of $4.18 million for the current financial year representing an 80% increase from the prior year.

The Group continued to invest in the development of a new products as well as undertaking a number of major product enhancements to continually upgrade and improve the features of its existing products, create new revenue streams and optimise its customer acquisition strategy. Family Zone's continued investment in R&D activities during the year, resulted in the Group receiving government grant income of approximately $3.83 million resulting in total revenue and other income for the year of approximately $8.03 million[1].

Employee and director remuneration was a key expenditure item for the financial year being approximately $6.13 million. During the year the Group invested in the establishment an experienced sales and delivery team to drive growth in the US education market.

Non- cash share based payments to employees and consultants during the period were approximately $1.93 million. These equity incentives are designed to ensure employee and consultants interests were closely aligned with the achievement of the Group's operational and financial targets and also to reduce cash payments as part of the Group's commitment to reduce cash overheads and bring forward the achievement of cash flow breakeven. Another significant non-cash expenditure items was the depreciation and amortisation charge for the financial year of approximately $4.50 million.

The Group reported a net loss attributable to members for the period of approximately $14.40 million.

Net Tangible Assets per Security

Net Tangible Asset/(Liabilities) per share	30 June 2019	30 June 2018
Net tangible assets/ (liabilities) (cents per share)	1.96	(1.89)

Controlled entities

The Company did not gain or lose control over any entities during the financial period. The Company's controlled entities as at 30 June 2019 are outlined below.

Controlled entities	Country of Incorporation	Date of incorporation / acquisition
Family Zone Inc.	USA	9 September 2016
Family Zone Cyber Safety Pte. Ltd.	Singapore	2 June 2017
Family Zone NZ Cyber Safety Ltd (formerly Linewize Services Ltd)	New Zealand	29 November 2017

The Group did not have any associates or joint ventures during the period.

Earnings/(loss) per Share

Loss per share	30 June 2019	30 June 2018
Basic and diluted loss per share (cents per share)	(9.07)	(17.35)

Audit

This Appendix 4E is based on the audited financial statements for the year ended 30 June 2019.

[1] Excluding gain on contingent consideration revaluation

The Independent Audit Report included an emphasis of matter highlighting matters that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Attachments

The Company's audited Annual Financial Report for the year ended 30 June 2019 ('Annual Report') is attached.

Additional Appendix 4E disclosure requirements can be found in the Annual Report which contains a Review of Operations, the Directors Report and the 30 June 2019 Financial Statements and accompanying notes including segment information in Note 24, events occurring after the reporting period Note 30 and the Independent Auditor's Report on page 74 of the Annual Report.

family zone

ACN 167 509 177

ANNUAL REPORT

for the year ended 30 June 2019

CONTENTS

CORPORATE INFORMATION

Directors

Tim Levy	Managing Director
John Sims	Non-executive Chairman
Crispin Swan	Executive Director - Sales
Phil Warren	Non-executive Director
Sir Peter Westmacott	Non-executive Director

Company secretary
Emma Wates

Registered and principal administrative office:
945 Wellington Street
WEST PERTH WA 6005
Telephone: +61 8 9322 7600

Principal place of business
Level 15, 207 Murray Street
WEST PERTH WA 6000
Telephone: 1300 398 326

Share register
Automic Registry Services
Level 5
126 Phillip Street
Sydney NSW 2000

Solicitors
GTP Legal
68 Aberdeen Street
NORTHBRIDGE WA 6003
Telephone: +61 8 6555 1866

Bankers:
Westpac Banking Corporation
Level 14, 109 St Georges Terrace
Perth WA 6000

Auditors:
Pitcher Partners BA&A Pty Ltd
Level 11, 12-14 The Esplanade
PERTH WA 6000
Telephone: +61 8 9322 2022

Securities Exchange Listing
Family Zone Cyber Safety Limited is listed on the Australian Securities Exchange (ASX Code: FZO)

CHAIRMAN'S MESSAGE

Dear Fellow Shareholders,

I am pleased to present the 2019 Annual Report for Family Zone Cyber Safety Limited (ASX: FZO) ('the Company') and its wholly owned subsidiaries ('Family Zone' or 'the Group'), looking back on a year that has seen us deliver strong growth in revenues, exciting product developments and new distribution partnerships with major telcos and retailers.

We achieved an 80 per cent increase in operating revenue from customers in FY2019 compared to the previous year, and total revenue and other income of $8.0 million[1]. During the year, we surpassed the 100,000 user milestone, and at the end of the year had 134,000 customers on our books. We have achieved this growth across all of our sales channels which supports and validates our product offerings and distribution strategies.

The education business has continued to be a key contributor to the Group's revenue growth with the launch of our expanded School Zone product during the year gaining immediate traction in the US and resulting in 270 US schools being signed up during FY2019. We are excited about the opportunity presented by the US education market, given the results achieved in a relatively short period, the large market size presented and the relatively low customer acquisition costs.

During the year we launched a world first cyber safety phone the FZ ONE, a fully featured smartphone with built in cyber safety. This product is now being distributed directly online and through major retails partnerships with Woolworths in Australia and Noel Leeming in New Zealand. Another exciting product we launched in late FY2019 was SpotShield, which Family Zone has developed to address hotspotting.This one of the key IT challenges facing schools today, that sees children bypassing school filtering systems. We have received an extremely positive response to this product which is already live in a number of Australian schools.

We have continued to work closely with a number of our global telco partners on developing our mass customer acquisition tool, "Insights". Family Zone Insights is a free service leveraging the power of the Family Zone Platform to provide valuable reporting, location tracking and alert services to parents. This product is now in the final stages of product delivery and will be launched initially through our partnership with Telkomsel in Indonesia, before being rolled out to our other telco partners globally.

I would like to thank and acknowledge the efforts and management and staff who have been committed to the execution and delivery of our business strategy during what has been a productive 12 months.

We expect 2020 to be another dynamic and successful year, with a number of exciting opportunities for the Group including the expansion of our education business into the US and the roll out of Insights across all our distribution channels. We continue to target overhead reduction with our resources and investment focussed on scalability, deployment and support arrangement in the large market of USA and Asia.

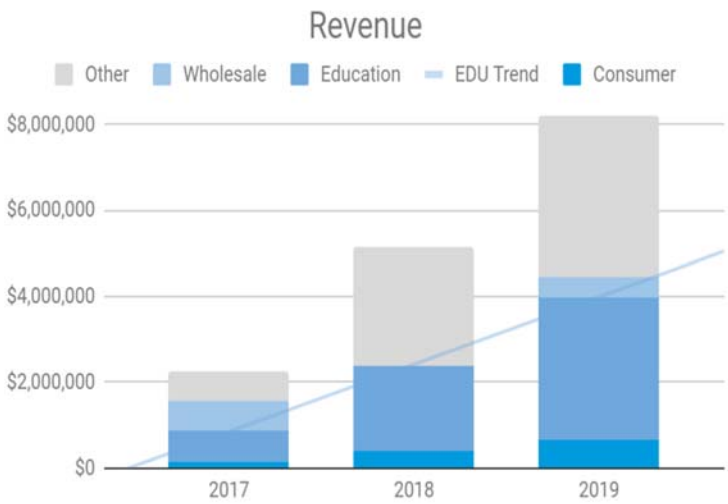
On behalf of the Board, I would like to thank shareholders for their continued support of the Group as we continue to execute our commercialisation strategy for our globally scalable cyber safety ecosystem.

John J Sims
Chairman

[1] Excludes gain on revaluation of contingent consideration

REVIEW OF OPERATIONS

Family Zone's revenue continued to grow strongly this financial year with material contributions from each of its three sales channels (education, wholesale and consumer). The Group reported sales revenue from customers of $4.18 million for the year ended 30 June 2019, representing an 80% increase from the prior financial year.



Excludes any gain on the revaluation of contingent consideration

The Group also generated $3.83 million in R&D grant funding (other income/revenue) during the financial year as a result of its continued investment in the development of new products as well as major upgrades to its existing products.

Family Zone's customer revenue is largely generated through recurring customer contracts particularly with schools and parents. During the year the Group signed more than $4.50 million of contracted revenue which is amortised and recognised as accounting revenue over the service delivery period.

Key operational highlights and achievements during the year ended 30 June 2019 included:

- Education
  - reached 220 partner schools and 839 school clients globally at year end (including 402 schools in the US);
  - launched School Manager in the US creating immediate sales traction and a strong sales pipeline; and
  - new product, SpotShield launched in late FY2019 to address "hotspotting" in schools.
- Wholesale
  - signed a reseller agreement with Woolworths Mobile;
  - signed agreements with India's largest two telcos, Vodafone India and Bharti Airtel, to resell Family Zone in India; and
  - successful trials undertaken with Telkomsel in Indonesia resulting in 65,000 subscribers being signed in approximately 6 months.
- Consumer
  - grew direct customers by 106% year on year;
  - Launch of the FZ ONE cyber safe mobile phone, a world-first initiative that has Family Zone's cyber safety controls embedded in a high-spec Android device; and
  - signed a distribution deal with iconic retailer chain Woolworths in Australia and NZ leading retailer Noel Leeming to distribute the FZ ONE.

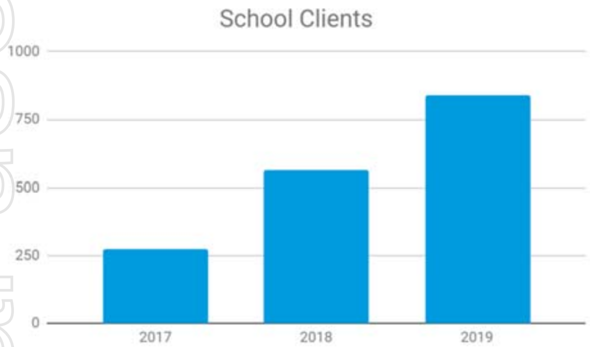
REVIEW OF OPERATIONS

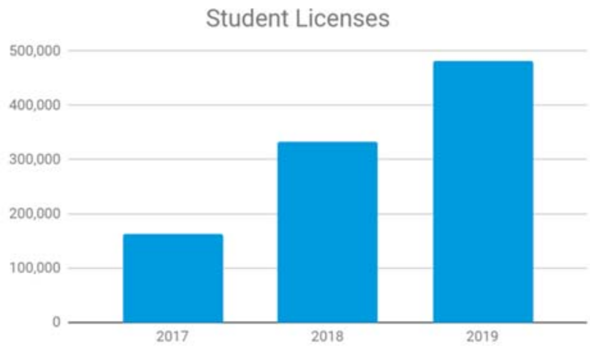
Education

Family Zone's education business continued to contribute strongly to revenue growth during the financial year, with

- school clients increasing 49% to 839 schools (from 563 schools in the prior year); and
- student licences growing by 45% to 482,000 (from 332,000 in the prior year)

at the end of the current financial year.





Family Zone rebranded and expanded its School Zone Platform during the year with the Group rolling out this significantly improved product to its existing and new customers in late 2018. This expanded offering provides schools with an innovative firewall, filtering platform and classroom management tools. There was a rapid take up (270 US schools being signed up during FY2019) of the new School Zone in US schools confirming product market fit and saleability.

The US market was a strong contributor to the growth in the Group's education business during the year, with 402 of its school clients being in the USA. The strong growth in the US education market this financial year has resulted from the Group's investment in and establishment of an experienced sales and delivery team in the second half of 2018 calendar year. This team has driven the rapid growth in US school sign ups while building a strong pipeline of opportunities with a number of new proof of concepts deployments live and performing well.

The US education market is large and strategically important for the Group. It is 10 times the size of the Australian market with approximately 70,000 schools across 14,000 Public School Districts plus 30,000 independent private schools and 55 million K-12 students.

Family Zone is confident that there will be continued and accelerating growth from its US education business.

Family Zone also entered the UK education market in March 2019 following an inbound inquiry from a UK based edu-tech reseller. The Group has 5 schools in the UK operating through a reseller at commercial rates. Significantly this was achieved with no incremental marketing spend and no requirement for the Group to employ resources or establish a physical in-market presence.

New Product Launched - SpotShield

In June 2019, the Group launched a new innovative product called SpotShield targeted at managing "Hot Spotting" in schools. Hotspotting is one of the key IT challenges in schools as it permits students to readily bypass school filters risking school duty of care.

REVIEW OF OPERATIONS

Family Zone SpotShield puts schools back in control by ensuring all devices at school and during school time are subject to a school's Acceptable Use Policy. School policy applies whether the device is connected to school Wi-Fi, cellular networks or any 3rd party Wi-Fi services.

The Group has received an extremely positive response to this new product with SpotShield already live in a number of Australian schools. SpotShield is providing new engagement and up-sale opportunities for the sales team and is expected continue to drive growth in the education market.

Wholesale

Family Zone has secured multiple strategic partnerships with top tier telocs across Asia including:

- Telkomsel in Indonesia which has in excess of 160m subscribers and is one of the largest mobile carriers in the world. It is estimated to have over 10m child users;
- Maxis Communications in Malaysia– with over 12m subscribers and an estimated 2m child users;
- PLDT and Smart Communications in the Philippines - PLDT is Philippines main long-distance provider and primarily a provider of business services. Smart is a leading mobile provider in the Philippines with over 60m subscribers and is estimated to have in excess of 8m child users;
- Vodafone in India is India's largest telecommunications company with circa 42% customer market share and more than 430m subscribers; and
- Bharti Airtel –in November 2018 Family Zone signed a Letter of Intent with Bharti Airtel India's second-largest telco, for the resale of Family Zone's services in India. Bharti Airtel ranks within the top three telcos globally and operates in 16 countries.

During the year Family Zone continued to work with its telco partners to develop and trial strategies to deliver to customer and monetise cyber safety services. The Group has been working particularly closely with Telkomsel in Indonesia to test alternative services, on boarding, marketing and sales strategies. These trials have achieved significant take-up and are validating the strategies being developed.

The Group's agreed strategy with its Asian telco partners is to implements its freemium, "Insights" led acquisition strategy. Family Zone Insights is a free service leveraging the Family Zone platform to provide valuable reporting, location tracking and alert services to parents. Under this go-to-market model "Insights" will be offered free for telcos to re-brand and bundle with their customer offerings. This will allow the Group to cost-effectively identify, connect and inform those parents who are the best candidates to up-sell the Family Zone premium service.

REVIEW OF OPERATIONS

Consumer

Family Zone's direct to consumer business operates with a fixed marketing spend oriented to 'back-to-school' periods. The channel is growing consistently as Family Zone's brand and reputation builds and offering develops.

World First Cyber Safety Mobile Phone

During the year, the Group launched the FZ ONE its own fully features smartphone with built in cyber safety. The FZ ONE was built in consultation with major retailers and cyber safety experts to suit the needs and desires of parents, schools and children.

- For children: The FZ ONE has Android (Oreo) and is a high specification, high quality and great looking device. There are no functional compromises or limitations on features, apps, social networks or gaming.
- For parents: The FZ ONE has Family Zone deeply embedded into the operating system - it is incredibly simple to set up, highly secure and cyber safe. As a fully featured Android device, parents can also add family, social and gaming apps and can leverage all of Google's services and functions.
- For schools: The FZ ONE supports Family Zone's innovative School Community features. Schools can have confidence that FZ ONE devices are compliant with school policy.

The FZ ONE is distributed online through Family Zone direct and through partnerships signed during the year with major retailers, Woolworths in Australia and Noel Leeming in New Zealand..

Soon after the launch of the FZ ONE in October 2018 the Company announced a landmark partnership for the FZ One to be retailed through Woolworth supermarket locations nationwide and through Woolworths online. This presented a significant milestone and validation of the market opportunity of the FZ ONE.

The partnership with Woolworths was extended in February 2019 with Woolworth's Mobile also signing on as a reseller of Family Zone's subscription services to its customers and employees.

Noel Leeming is New Zealand's leading consumer electronics retailer with 77 stores. Noel Leeming agreed to retail the FZ ONE both in store and online from June 2019. The FZONE is the first child-friendly device in Noel Leeming's product range, which further validates the product fit and complex challenges Family Zone seeks to solve in the "tech savvy" New Zealand market.

Other Operational Achievements

The Group continued its development of new products as well as major product advancements including:

- Continued investment in the Group's education solutions including significant upgrades of School Manager (formerly Linewize platform);
- Comprehensive upgrade of the user interface of Family Zone's consumer solutions; and
- Continued build-out of Family Zone's client (i.e. installed) technologies, now supporting iOS, Android, PC, MAC and Chromebook plus supporting man-in-the middle and full packet level inspection.

Cashflow breakeven acceleration plan

During the period, Family Zone initiated a program to bring forward the achievement of a cashflow breakeven position. This program is targeting annualised cash cost savings of circa $4 million by 31 December 2019 through

REVIEW OF OPERATIONS

reductions in the Group's overheads and costs of sale. This program is progressing and expected to be achieved.

This cash flow enhancement program has been strongly supported by the Board and senior executives who agreed to receive securities in lieu of all, or part, of their cash salaries for 2019 calendar year.

Launch of Family Zone Insights

Family Zone's focus for the next financial year is on scalability. The Group will deliver this through a significantly streamlined approach to sales, deployment and support.

Key to this strategy is the introduction of Family Zone Insights, which will ultimately be a free monitoring tool:

- Available for parents to download on their children's devices;
- Included free when schools install Family Zone technology on student devices;
- Included free for telcos and device manufacturers to re-brand and bundle with their offerings; and
- Included free for parents purchasing Family Zone hardware (i.e. the FZ ONE and Family Zone Box).

Under this go-to-market model, schools, telcos and device manufacturers become Family Zone's distribution partners, driving cyber safety messages and introducing the Group's premium paid services to their constituents. This strategy allows the Group to more cost-effectively identify, connect and inform those parents who are the best candidates for the up-sell of the Family Zone premium services.

Family Zone's telco partners are excited about introducing this "Insights-led" model, with several already working with the Group to bundle the Family Zone Insights service (i.e. free to the customer) into their premium service model.

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of Family Zone Cyber Safety Limited ('Company') and its wholly owned subsidiaries (the 'Group' or 'Family Zone') for the financial year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

DIRECTORS

The Directors in office at any time during the financial year and until the date of this report are as follows:

Mr Tim Levy	Managing Director	
Mr John Sims	Non-executive Independent Chairman	
Mr Crispin Swan	Executive Director – Sales	
Mr Phil Warren	Non-executive Independent Director	
Sir Peter Westmacott	Non-executive Independent Director	Appointed 8 October 2018

The Directors have been in office since the start of the year to the date of this report unless otherwise stated.

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

Family Zone is a technology group focussed on cyber safety. Meeting a growing demand to keep kids safe online and manage digital lifestyles, Family Zone has developed a unique ecosystem-based approach to cyber safety. The Family Zone ecosystem is a platform from which cyber safety settings, advice, and support can be delivered across any network and any device – offering a universal approach to cyber safety at home, at school and anywhere in between. The innovation of the Family Zone ecosystem is that it not only supports the needs of schools and parents but also that it also permits telos and device manufacturers to embed world's-best practice cyber safety into their offerings.

The principal activities of the Group during the period have been continued sales and distribution, marketing and customer support of its suite of cyber safety products and services.

There have been no other significant changes in the nature of these activities during the financial year.

RESULTS

The Group reported total revenue and other income for the year ended 30 June 2019 of $9,199,917 (2018: $5,047,879) with revenue from operations being $4,184,323 (2018: $2,329,780).

The net loss attributable to members of the Group for the year ended 30 June 2019 amounted to $14,401,137 (2018: loss $18,206,211).

REVIEW OF OPERATIONS

The operations of the Group during the financial period have focussed on the sales and marketing of its suite of cyber safety products through its key distribution channels as well as the provision of ongoing customer support services and continual improvement and upgrade of its services.
A review of the Group's operations over the past financial year is outlined on pages 5 to 9 of the Annual Report.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the financial statements.

LIKELY DEVELOPMENTS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental Commonwealth or State regulations or laws.

DIVIDENDS

There were no dividends paid or declared or recommended since the start of the financial year.

EVENTS AFTER BALANCE DATE

On 23 July 2019, the Group announced that it had received advice from the US Patent & Trademark Office of the award of a Patent in relation to the Group's "Device Management System" under application 15/286434.

On 25 July 2019, the Group announced a new strategic partner, Check Point Software Technologies Ltd, to bring a unique, best of breed cyber safety and security solution to the education sector.

Apart from the events discussed above, no other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

DIRECTORS

Mr Tim Levy
B. Com, CA

Experience and expertise

Mr Levy is a successful telecommunications and technology entrepreneur. He is the founder of Vodafone's largest Australian retail partner Mo's Mobiles and was the former CEO/COO of listed Optus reseller B Digital Limited. Prior to working in commerce Mr. Levy was a management consultant at Andersen's working in technology and change projects across Australia, South Africa, Zambia, Jordan and Saudi Arabia.

Mr. Levy is a graduate of the University of Western Australia and was a practising Chartered Accountant prior to his move into commerce.

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr John Sims
B. Acc (Glasgow)

Experience and expertise

Mr Sims is a successful technology and telecommunications executive with over 35 years' experience. Based in San Francisco his former roles include:

- President, Global Sales, BlackBerry Limited
- Global Head of Telecom & President, SAP Mobile Services, SAP AG
- Board Member, Mobixell Networks
- CEO, 724 Solutions Inc
- Founder and CEO, TANTAU Software Inc
- COO, SCC Communications (now Intrado, part of West Corp)
- Vice President, Telecommunications, Tandem Computers

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr Crispin Swan
B. Arts (Hons) (UK/Germany)
European Business Programme

Experience and expertise

Mr Swan is an experienced sales executive and general manager working across a range of global enterprises. His expertise is in international business development, executive and IT & T sales. Mr Swan's former roles have included:

- Vice President Sales Asia Pacific, Mavenir Systems
- Regional Sales Director and General Manager, Airwide Solutions
- Network Infrastructure Solutions IS Manager for Australia & Papua New Guinea
- Sales Manager, Sema
- Account Manager, Cisco Systems
- Account Manager, Alcatel-Lucent
- Sales Executive, Cable & Wireless Communications

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

DIRECTORS' REPORT

Mr Phil Warren
B. Com, CA

Experience and expertise

Mr Warren is a Chartered Accountant and managing director of West Perth based corporate advisory firm Grange Consulting. Mr. Warren has over 20 years of experience in finance and corporate roles in Australia and Europe. He has specialised in company valuations, mergers and acquisitions, capital raisings, debt financing, financial management, corporate governance and company secretarial services for a number of public and private companies.

Mr Warren has established a number of ASX listed companies from initial unlisted shell seed raisings through to asset acquisitions leading to ASX listings and continues to act as corporate advisor to some of these companies. Mr. Warren is a non-executive director of Cassini Resources Limited and Rent.com.au Limited and also sits on a number of unlisted company boards in his capacity as finance director.

Other current directorships of ASX listed companies

Cassini Resources Limited, Rent.com.au Limited, Jupiter Energy Limited

Other directorships held in ASX listed companies in the last three years – Nil

Sir Peter Westmacott

Experience and expertise

Sir Peter is a distinguished senior British diplomat, who has been British Ambassador to Turkey, France and the United States of America. Sir Peter has been honoured with numerous awards and appointments in the UK and France. He was appointed Companion of the Order of St Michael and St George in 2000, promoted to Knight Commander (KCMG) in 2003 and Knight Grand Cross (GCMG) in 2016. He was also made a Lieutenant of the Victorian Order by HM The Queen in 1993.

Other current directorships of ASX listed companies

None

Other directorships held in ASX listed company in the last three years

None

MEETINGS OF DIRECTORS

The number of Directors' meetings held, and the number of meetings attended by each of the Directors, for the year ended 30 June 2019:

Director	Number of Board meetings eligible to attend	Number of Board meetings attended
Tim Levy	7	7
John Sims	7	7
Crispin Swan	7	6
Phil Warren	7	7
Sir Peter Westmacott	5	5

DIRECTORS' REPORT

The number of audit committee meetings held, and the number of meetings attended by each of the Directors, for the year ended 30 June 2019.

Director	Number of audit committee meetings eligible to attend	Number of audit committee meetings attended
John Sims	2	2
Phil Warren (Chairman)	2	2

No remuneration committee meetings were held for the year ended 30 June 2019.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in fully paid ordinary shares (**Shares**), unlisted options, performance shares and performance rights of the Group were:

			Performance Shares		Performance Rights			
Director	**Shares**	**Unlisted Options**	**Class B**	**Class C**	**Class D**	**Class E**	**Class F**	**Class G**
Tim Levy	10,939,729	181,351	3,878,610	3,878,610	-	-	-	977,998
John Sims	322,222	-	-	-	-	-	-	-
Crispin Swan	4,196,574	197,838	2,205,383	2,205,383	333,340	333,330	333,330	213,333
Phil Warren	293,088	1,500,000	-	-	-	-	-	-
Sir Peter Westmacott	283,052	75,000	-	-	-	-	-	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group paid an insurance premium of $92,085 for Directors and Officers Liability Insurance cover with an indemnity limit of $10,000,000 during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Group.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2019 is provided in this report.

DIRECTORS' REPORT

NON-AUDIT SERVICES

Pitcher Partners BA&A Pty Ltd consented to and was appointed as the Group's auditors on 20 May 2016.

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Non-audit services were provided by the Group's current auditors, Pitcher Partners BA&A Pty Ltd as detailed below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

	30 June 2019 $	30 June 2018 $
Amounts paid/ payable to Pitcher Partners BA&A Pty Ltd or related entities for non-audit services		
Pitcher Partner BA&A Pty Ltd – Other assurance engagements	3,000	6,250
Pitcher Partners (WA) Pty Ltd - Taxation	10,600	8,500
Total auditor's remuneration for non-audit services	**13,600**	**14,750**

UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares, or interests of the Company under option, are:

Date Option Granted	Expiry Date of Option	Exercise Price of Option	Number of shares under Option
29/08/2016	29/08/2019	$0.25	5,888,438
19/09/2016 to 31/08/2017	19/09/2019	$0.33	4,321,340
16/12/2016	15/12/2019	$0.30	5,335,000
05/05/2017	05/05/2020	$0.30	1,750,000
04/12/2017	04/12/2020	$0.50	850,000
04/12/2017	04/12/2020	$0.60	850,000
09/04/2018	09/04/2021	$0.75	516,765
09/04/2018	09/04/2021	$0.90	516,765
29/08/2018	29/08/2020	$0.60	500,000
11/03/2019	11/03/2022	$0.25	250,000
18/03/2019	18/03/2022	$0.18	2,147,647
21/05/2019	21/05/2022	$0.235	898,692
Total			**23,824,647**

DIRECTORS' REPORT

SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE

During the year, and as at the date of this report, details of ordinary shares issued by the Company are as a result of the exercise of Options are:

Tranche	Date Option Granted	Number of Shares issued	Amount paid for Shares
1	20/05/2016	300,000	$75,000
3	19/09/2016 to 31/08/2017	72,297	$23,858
Total		**372,297**	**$98,858**

ROUNDING OF AMOUNTS

The Company has applied the relief available to it in ASIC Legislative Instrument 2016/191, and accordingly certain amounts included in this report and in the financial report have been rounded off to the nearest $1 (where rounding is applicable), under the option available to the Company under ASIC Corporations.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for the year ended 30 June 2019. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*. 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.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group, and includes the following specified executives in the Group:

A. Details of Key Management Personnel

Name	Position	Period of Responsibility
Mr Tim Levy	Managing Director	Appointed 1 April 2014
Mr John Sims	Non-Executive Chairman	Appointed 13 May 2016
Mr Crispin Swan	Executive Director - Sales	Appointed 3 September 2015
Mr Phil Warren	Non-Executive Director	Appointed 13 May 2016
Sir Peter Westmacott	Non-Executive Director	Appointed 8 October 2018

B. Remuneration Policies

Remuneration levels for Directors, secretaries and senior executives of the Group ("the Directors and senior executives") will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Group's remuneration strategy. No such advice was obtained during the current year.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and senior executives;
- the Directors' and senior executives' ability to control the relevant performance;
- the Group's performance; and
- the amount of incentives within each Directors and senior executives remuneration.

Remuneration packages include a mix of fixed remuneration and variable remuneration and short and long-term performance-based incentives.

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds.

Remuneration levels will be, if necessary, reviewed annually by the Board through a process that considers the overall performance of the Group. If required, external consultants provide analysis and advice to ensure the Directors' and senior executives' remuneration is competitive in the market place.

The remuneration policy will be tailored to increase goal congruence between shareholders and Directors and key management personnel. This will be facilitated through the issue of options and performance shares to key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

Service Agreements

The Group has services agreements with each of its executive Directors and key management personnel. The Group has also entered into Non-Executive Director appointment letters outlining the policies and terms of this appointment including compensation.

The principal terms of the executive service agreements existing at reporting date are set out below:

Mr Tim Levy – Managing Director

The Company has an executive services agreement with Mr Tim Levy for his role as Managing Director of the Group which commenced 29 August 2016 (the date the Company was admitted to the Official List of ASX) and continues until terminated under the termination provisions outlined below. The principal terms of this agreement (as varied) are as follows:

a) a base salary of $220,000 per annum plus statutory superannuation. During the year Mr Levy agreed to forgo 100% of his cash salary and opted to receive 977,778 performance rights for the service provided during 2019 calendar year. Refer to Section E for details on these performance rights including the vesting conditions.
b) the agreement may be terminated;
   (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
   (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Levy is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 12 month period;
   (iii) by either party with 12 months written notice if the role of Managing Director becomes redundant. If the Company terminates the employment of Mr Levy within 12 months of a Change of Control, it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy it shall be obliged to pay Mr Levy for any notice period worked. In addition, it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary (less tax) and any accumulated entitlements;
   (iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law; and
   (v) by Mr Levy immediately, by giving notice, if the Company is in breach of a material term of this agreement.

Mr Crispin Swan– Executive Director – Sales

The Company has an executive services agreement with Mr Crispin Swan for his role as Executive Director - Sales of the Company which commenced on 29 August 2016 (the date the Company was admitted to the Official List of ASX) and continues until terminated under the termination provisions outlined below. The principal terms of the agreement (as varied) are as follows:

a) a base salary of $240,000 per annum plus statutory superannuation. During the year Mr Swan agreed to forgo 20% of his cash salary and opted to instead receive 213,333 performance rights for the service provided during 2019 calendar year. Refer to Section E for details on these performance rights including the vesting conditions;
b) the agreement may be terminated;
   (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
   (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Swan is

unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 12 month period;

(iii) by either party with 12 months written notice if Mr Swan's role becomes redundant. If the Company terminates the employment of Mr Swan within 12 months of a Change of Control, it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy it shall be obliged to pay Mr Swan for any notice period worked. In addition, it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary and any accumulated entitlements;

(iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law; and

(v) by Mr Swan immediately, by giving notice, if the Company is in breach of a material term of this agreement.

Non-Executive Directors and Chairman

Non-executive Director fees are set based on fees paid to other Non-Executive Directors of comparable companies. The aggregate remuneration for Non-Executive Directors has been set by the Board at an amount not to exceed $500,000 per annum. The Board has resolved that the Non-Executive Directors' fees will be $50,000 per annum for the Chairman and $40,000 per annum for non-executive Directors (plus statutory superannuation).

The key terms of the Non-Executive Director service agreements are as follows:

Non-Executive Director Appointment – John Sims

The Company has entered into an agreement with Mr John Sims in respect of his appointment as a Non-Executive Director and Chairman of the Company.

Mr Sims will be paid a fee of $50,000 per annum (exclusive of statutory superannuation) for his services as Non-Executive Director and Chairman from 29 August 2016 (the date of the Company's admission to the Official List of ASX) and will be reimbursed for all reasonable expenses incurred in performing his duties. During the year Mr Sims agreed to forgo his cash salary and opted to receive 222,222 ordinary shares for the service provided during 2019 calendar year. As there are no vesting conditions attached to these ordinary shares, the full amount has been expensed during the financial year. The appointment of Mr Sims as Non-Executive Chairman is otherwise on terms that are customary for an appointment of this nature.

Non-Executive Director Appointment – Phil Warren

The Company has entered into an agreement with Mr Phil Warren in respect of his appointment as a Non-Executive Director of the Company.

Mr Warren will be paid a fee of $40,000 per annum (exclusive of statutory superannuation) for his services as Non-Executive Director from 29 August 2016 (the date of the Company's admission to the Official List of ASX) and will be reimbursed for all reasonable expenses incurred in performing his duties. During the year Mr Warren agreed to forgo his cash salary and opted to receive 177,778 ordinary shares for the service provided during 2019 calendar year. As there are no vesting conditions attached to these ordinary shares, the full amount has been expensed during the financial year.

Non-Executive Director Appointment – Sir Peter Westmacott

The Company has entered into an agreement with Sir Peter Westmacott in respect of his appointment as a Non-Executive Director of the Company, which commenced 8 October 2018. Sir Peter Westmacott will be paid a fee of

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

$40,000 per annum (exclusive of statutory superannuation) for his services as Non-Executive Director from 8 October 2018 and will be reimbursed for all reasonable expenses incurred in performing his duties. During the year the Sir Peter agreed to forgo his cash salary and opted to receive 177,778 ordinary shares for the service provided during 2019 calendar year. As there are no vesting conditions attached to these ordinary shares, the full amount has been expensed during the financial year.

The Company does not have a Director's Retirement Scheme in place at present.

C. Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the Group for the year ended 30 June 2019 are set out in the following table.

Directors and Key Management Personnel	Short -term			Post employment			Long term		Share-based payments	TOTAL	Performance based % of remuneration	
30 June 2019	**Salary fees $**	**Cash bonus $**	**Other $**	**Super-annuation $**	**Retire-ment benefits $**	**Termination benefits $**	**Incentive Plans $**	**Long Service Leave $**	**Ordinary Shares/ Options/ Performance Rights (PR) $**	**$**	**Fixed based %**	**Performance based %**
Mr Tim Levy	128,333	-	-	20,900	-	-	-	-	151,243	**300,476**	86%	14%
Mr Crispin Swan	220,000	-	5,600	22,800	-	-	-	-	200,283	**448,683**	90%	10%
Mr John Sims	25,000	-	-	-	-	-	-	-	50,000	**75,000**	100%	0%
Mr Phil Warren	23,333	-	-	3,800	-	-	-	-	40,000	**67,133**	100%	0%
Sir Peter Westmacott[1]	6,667	-	-	-	-	-	-	-	40,000	**46,667**	100%	0%
Total Directors	**403,333**	**-**	**5,600**	**47,500**	**-**	**-**	**-**	**-**	**481,526**[2]	**937,959**	**91%**	**9%**

[1] Sir Peter Westmacott was appointed as Non-Executive Director on 8 October 2018.
[2] During the year, the Directors were issued ordinary shares and performance rights in the Company in lieu of cash salaries for the 2019 calendar year. Share-based payments to Messrs Sims, Warren and Westmacott which pertain to their services to be provided over the 2019 calendar year have been expensed in full.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the Group for the year ended 30 June 2018 are set out in the following table.

Directors and Key Management Personnel	Short -term			Post employment			Long term		Share-based payments	TOTAL	Performance based % of remuneration	
30 June 2018	**Salary fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Retire-ment benefits $**	**Termination benefits $**	**Incentive Plans $**	**Long Service Leave $**	**Options/ Performance Rights (PR) $**	**$**	**Fixed based %**	**Performance based %**
Mr Tim Levy	206,667	-	-	19,633	-	-	-	-	-	**226,300**	100%	0%
Mr Crispin Swan	234,067	-	-	21,533	-	-	-	-	293,989	**549,589**	47%	53%
Mr John Sims	50,000	-	-	-	-	-	-	-	-	**50,000**	100%	0%
Mr Phil Warren	40,000	-	-	3,800	-	-	-	-	-	**43,800**	100%	0%
Total Directors	**530,734**	**-**	**-**	**44,966**	**-**	**-**	**-**	**-**	**293,989**	**869,689**	**66%**	**34%**

D. Relationship between remuneration and company performance

The Directors assess performance of the Group with regard to the achievement of both operational and financial targets with a current focus on subscriber numbers, sales revenues and share price. Directors and executives are issued options and, in some cases, performance shares or performance rights, to encourage the alignment of personal and shareholder interests.

Options issued to Directors and executives may be subject to market-based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Board believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee share and option arrangements.

Performance shares and rights vest on the achievement of operational and financial milestones, providing those Directors and executives holding performance shares and performance rights an incentive to meet the operational and financial milestones prior to the expiry date of the performance shares and performance rights.

On the resignation of Directors and executives any vested options issued as remuneration are retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value.

The following table shows gross income, profits/(losses) and dividends for the last four years for the listed entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in gross income which has been reflected in the increase of the Group's share price. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall upwards trend in shareholder wealth over the past two years.

	2019 $	**2018 $**	**2017 $**	**2016 $**
Gross revenue and other income	9,199,917	5,047,879	2,290,721	444,122
Net profit/(loss)	(14,401,137)	(18,206,211)	(8,834,735)	(2,815,607)
Share price at year-end	0.150	0.475	0.33	0.20
Dividends paid	0.00	0.00	0.00	0.00

E. Key management personnel's equity holding

a) Number of Options held by Key Management Personnel

The number of the options of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2019 are as follows:

Directors and Executives	Held at 1 July 2018	Options exercised	Options expired	Other changes	Held at 30 June 2019	Vested and exercisable at 30 June 2019
Mr Tim Levy	750,000	(300,000)	(450,000)	181,351[1]	181,351	60,450
Mr Crispin Swan	750,000	-	(750,000)	197,838[2]	197,838	65,946
Mr John Sims	1,500,000	-	(1,500,000)	-	-	-
Mr Phil Warren	2,000,000	-	(500,000)	-	1,500,000	1,500,000
Sir Peter Westmacott	-	-	-	75,000[3]	75,000	75,000
Total	**5,000,000**	**(300,000)**	**(3,200,000)**	**454,189**	**1,954,189**	**1,701,396**

1. *181,351 options were issued under ESOP with exercise price of $0.18 and expire date of 18 March 2022.*
2. *197,838 options were issued under ESOP with exercise price of $0.18 and expire date of 18 March 2022.*
3. *These options were acquired prior to Sir Peter Westmacott's appointment as a Director of Family Zone Cyber Safety Limited on 8 October 2018.*

Employee Share Option Plan (**ESOP**) options were considered to represent the value of the services received over the vesting period, the Group has determined the most appropriate values for these options using the Black-Scholes option pricing model for those issued in the year, applying the following inputs.

	2,147,647
Underlying share price	$0.525
Exercise price	$0.64[1]
Expected volatility	106%
Expiry date (years)	3.0
Expected dividends	Nil
Risk free rate	1.93%
Value per option	$0.322

1. These options have been valued under accounting standards based on the expected exercise price of the options on the grant date being $0.64. At the grant date the options to be issued were to have an exercise price being the lower of

- *$0.64 being 10% above the 10 day vwap from establishment of the option plan; or*
- *20% below the 10 day vwap from the issue of the options.*

ESOP options have 3 year terms and an exercise price of $0.18 per option. One third of the options vested immediately, one third vest in 1 year and one third vest in 2 years.

b) Number of Shares held by Key Management Personnel

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

The number of ordinary shares of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities as at the date of this report is as follows:

Directors and Executives	Held at 1 July 2018	Received as remuneration	Shares issued for cash subscription	Other changes	Held at 30 June 2019
Mr Tim Levy	10,179,729	-	460,000[1]	300,000[1]	10,939,729
Mr Crispin Swan	4,196,574	-	-	-	4,196,574
Mr John Sims	100,000	222,222[2]	-	-	322,222
Mr Phil Warren	115,310	177,778[3]	-	-	293,088
Sir Peter Westmacott	-	177,778[3]	-	105,274[4]	283,052
Total	**14,591,613**	**577,778**	**460,000**	**405,274**	**16,034,665**

1. *350,000 shares in the Company were acquired under the Placement, 110,000 shares were acquired on market, and 300,000 shares were acquired on the exercise of 300,000 Incentive Options.*
2. *222,222 shares were issued to John Sims in lieu of cash remuneration.*
3. *177,778 shares were issued to Phil Warren and Sir Peter Westmacott in lieu of cash remuneration.*
4. *These shares were acquired prior to Sir Peter Westmacott's appointment as a Director of Family Zone Cyber Safety Limited on 8 October 2018.*

c) Number of Employee Options issued during the year under the Employee Share Option Plan

During the year, 181,351 options were issued to Mr Tim Levy under ESOP with exercise price of $0.18 and expire date of 18 March 2022 and 197,838 options were issued to Mr Crispin Swan under ESOP with exercise price of $0.18 and expire date of 18 March 2022.

d) Performance Share Holdings of Key Management Personnel

The number of Performance Shares of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2019 are as follows:

	Held at 1 July 2018			Held at 30 June 2019		
Directors and Executives	**Class A Performance Shares[1]**	**Class B Performance Shares**	**Class C Performance Shares**	**Class A Performance Shares[1]**	**Class B Performance Shares**	**Class C Performance Shares**
Mr Tim Levy	-	3,878,610	3,878,610	-	3,878,610	3,878,610
Mr Crispin Swan	-	2,205,383	2,205,383	-	2,205,383	2,205,383
Mr John Sims	-	-	-	-	-	-
Mr Phil Warren	-	-	-	-	-	-
Sir Peter Westmacott	-	-	-	-	-	-
Total	**-**	**6,083,993**	**6,083,993**	**-**	**6,083,993**	**6,083,993**

1. Class A Performance Shares converted into Shares during the prior financial period following achievement of performance milestone being 15,000 paying subscribers of the Group generating at least $100,000 revenue per month over 3 consecutive months (as confirmed by the Group's auditor) by 29 August 2018.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT CONTINUED (AUDITED)

The Performance Shares convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- Class B Performance Shares convert on achievement of $10,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income (as confirmed by the Group's auditor) by 29 August 2019.
- Class C Performance Shares convert on achievement of $20,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income (as confirmed by the Group's auditor) by 29 August 2020.

As at 30 June 2019 the Class B and C Performance Milestones have not been achieved.

The Performance Shares held by the Directors outlined above were not granted as part of their remuneration but issued to the Directors in consideration for cancellation of ordinary shares they held in the Company prior to the Company's listing of ASX.

e) Performance Rights Holdings of Key Management Personnel

The number of Performance Rights of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2019 are as follows:

Directors and Executives	Performance Rights held at 1 July 2018	Received as remuneration	Other changes	Performance Rights held at 30 June 2019
Mr Tim Levy	-	977,778[2]	-	977,778
Mr Crispin Swan	1,000,000[1]	213,333[2]	-	1,213,333
Mr John Sims	-	-	-	-
Mr Phil Warren	-	-	-	-
Sir Peter Westmacott	-	-	-	-
Total	**1,000,000**	**1,191,111**	**-**	**2,191,111**

1. *Comprising 333,340 Class D Performance Rights, 333,330, Class E Performance Rights and 333,330 Class F Performance Rights*
2. *1,191,111 Class G Performance Rights were issued to Directors in lieu of cash remuneration*

The Performance Rights are subject to the following performance based vesting milestones:

Class of Performance Right	Vesting Condition	Milestone Date	Number of Performance Rights vesting	Expiry Date
Class D Performance Rights	On achievement of 15,000 paying subscribers of the Company generating at least $100,000 revenue per month over 3 consecutive months	29 August 2018	33,334 for each Tier 1 partnering deal that goes live before the Expiry Date	4 Dec 2020
Class E Performance Rights	On achievement of $10,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income	29 August 2019	33,333 for each Tier 1 partnering deal that goes live before the Expiry Date	4 Dec 2020

Class F Performance Rights	On achievement of $20,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income	29 August 2020	33,333 for each Tier 1 partnering deal that goes live before the Expiry Date	4 Dec 2020
Class G Performance Rights	Continuous 12 months service condition up to 1 January 2020	1 January 2020	1,191,111	1 Jan 2020
Once the applicable Vesting Condition has been satisfied, the number of Performance Rights specified in the table above will vest for each Tier 1 partnering deal that goes live between the date of grant and the Expiry Date.				

Class D, E, and F Performance Rights issued to Mr Swan in the prior year, have been valued at $0.675 using the Black-Scholes option pricing model applying the following inputs: share price at grant date of $0.675 per share; expected volatility of 100%; expected dividends of nil; and a risk free rate of 2.28%.. The total value of the Performance Rights issued to Mr Swan when granted is $675,000 with the share-based payment expense recognised over the vesting period of the Performance Rights. No expense has been recognised for the Class E Performance Rights as the vesting condition was not expected to be achieved.

Class G Performance Rights issued to Mr Swan and to Mr Levy during the year, have been valued based on the relevant amount of cash remuneration originally due to Messrs Swan and Levy under their Executive Service Agreements which they agreed to forgo and receive in Performance Rights. The number of Performance Rights was determined with reference of the most recent capital raising share issue price of the Company at the date of approval of the issue of the Performance Rights being $0.225 per Share. The total value of the Performance Rights issued to Mr Swan and Mr Levy when granted is $268,000 with the share-based payment expense recognised over the vesting period of the Performance Rights.

F. Key Management Personnel Loans

No loans were provided to, made, guaranteed or secured directly or indirectly to any KMP or their related entities during the financial year.

G. Other Transactions with Key Management Personnel

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

a) Grange Consulting

Mr Phil Warren, a Director of the Company, is also a director of Grange Consulting and an entity related to him is a shareholder of Grange Consulting.

Grange Consulting is engaged to provide financial management and company secretarial services to the Group. Pursuant to this engagement Grange Consulting will receive $7,500 (plus GST) per month for these services. An administration fee of 5% is also payable on each invoice. This engagement can be terminated by either party giving 60 days' notice in writing.

A summary of the total fees paid to Grange Consulting and Grange Capital Partners for the year ended 30 June 2019 and 30 June 2018 is as follows:

	30 June 2019 $	30 June 2018 $
Company secretarial services	94,500	94,500
Total	**94,500**	**94,500**
1. Amounts payable to Grange Consulting and Grange Capital Partners as at 30 June 2019 were $25,987 (incl. GST), as at 30 June 2018 were $17,586 (incl. GST).		

b) Tellus Matrix LLP

Sir Peter Westmacott, a Director of the Company, is also Vice Chairman and Partner of Tellus Matrix LLP.

$387,503 was paid to Tellus Matrix LLP for the year end 30 June 2019 in relation to capital raising and corporate advisory fees. There were no amounts outstanding and payable to Tellus Matrix LLP as at 30 June 2019. 101,825 fully paid ordinary shares were also issued to a nominee of Tellus Matrix LLP for corporate advisory services. In addition, 500,000 options for a 2 year term with an exercise price $0.60 per option were issued to a nominee of Tellus Matrix LLP for capital raising services. These options were valued using the Black-Scholes option pricing model on 29 August 2018, applying the following inputs.

No of Options	**500,000**
Underlying share price	$0.35
Exercise price	$0.60
Expected volatility	113%
Expiry date (years)	2.00
Expected dividends	Nil
Risk free rate	2.00%
Value per option	$0.164
Total expense recognised 30 June 2019	**$81,859**

************** END OF AUDITED REMUNERATION REPORT **************

Signed in accordance with a resolution of the Directors.

Mr Tim Levy
Managing Director
30 August 2019

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FAMILY ZONE CYBER SAFETY LIMITED

In relation to the independent audit for the year ended 30 June 2019, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Family Zone Cyber Safety Limited and the entities it controlled during the year.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

Paul Mulligan

PAUL MULLIGAN
Executive Director
Perth, 30 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	4	4,184,323	2,329,780
Cost of sales		(2,033,080)	(1,213,262)
Gross profit		2,151,243	1,116,520
Administration costs	5(a)	(3,425,160)	(4,199,771)
Employee and director benefits costs	5(b)	(6,127,582)	(6,562,179)
Marketing costs	6	(1,005,088)	(1,232,543)
Other income	4	5,015,594	2,791,736
Other costs	5(c)	(10,909,873)	(10,085,058)
Operating loss		**(14,300,866)**	**(18,171,295)**
Finance costs		(100,271)	(34,915)
Loss before income tax		**(14,401,137)**	**(18,206,211)**
Income tax benefit/(expense)	7	-	-
Loss after tax for the period attributable to the members of Family Zone Cyber Safety Limited		**(14,401,137)**	**(18,206,211)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(14,973)	11,663
Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety Limited		**(14,416,110)**	**(18,194,548)**
Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety Limited	8	(9.07)	(17.35)

The above 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 2019

	Note	2019 $	2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	5,116,523	2,461,222
Trade and other receivables	10	3,228,710	1,006,509
Prepayments	11	805,604	143,373
Inventory	12	157,152	149,929
Total Current Assets		**9,307,989**	**3,761,033**
Non-Current Assets			
Intangibles	13	4,826,403	9,025,186
Trade and other receivables	10	80,112	321,928
Plant and equipment	14	682,757	257,682
Total Non-current Assets		**5,589,272**	**9,604,796**
TOTAL ASSETS		**14,897,261**	**13,365,829**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	4,123,740	3,372,409
Provisions	16	491,728	461,028
Contingent consideration	17	629,440	-
Borrowings	18	1,469,535	-
Total Current Liabilities		**6,714,443**	**3,833,437**
Non-current Liabilities			
Trade and other payables	15	200,754	243,883
Contingent consideration	17	47,595	2,245,505
Total Non-current Liabilities		**248,349**	**2,489,388**
TOTAL LIABILITIES		**6,962,792**	**6,322,825**
NET ASSETS		**7,934,469**	**7,043,004**
EQUITY			
Issued capital	19	45,567,979	30,873,178
Reserves	20	7,451,587	6,853,786
Accumulated losses	21	(45,085,097)	(30,683,960)
TOTAL EQUITY		**7,934,469**	**7,043,004**

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2017	12,582,677	2,506,406	(12,477,749)	-	2,611,334
Loss for the year	-	-	(18,206,211)	-	(18,206,211)
Total other comprehensive income	-	-	-	11,663	11,663
Total comprehensive loss for the year	**-**	**-**	**(18,206,211)**	**11,663**	**(18,194,458)**
Transaction with owners, directly recorded in equity:					
Issue of Ordinary Shares, net of transaction costs	18,290,501	-	-	-	18,290,501
Issue of Options, Performance Rights & Performance Shares	-	4,335,717	-	-	4,335,717
Total transactions with owners	18,290,501	4,335,717	-	-	22,626,218
Balance at 30 June 2018	**30,873,178**	**6,842,123**	**(30,683,960)**	**11,663**	**7,043,004**

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2018	30,873,178	6,842,123	(30,683,960)	11,663	7,043,004
Loss for the year	-	-	(14,401,137)	-	(14,401,137)
Total other comprehensive income	-	-	-	(14,973)	(14,973)
Total comprehensive loss for the year	**-**	**-**	**(14,401,137)**	**(14,973)**	**(14,416,110)**
Transaction with owners, directly recorded in equity:					
Issue of Ordinary Shares, net of transaction costs	14,694,801	-	-	-	14,694,801
Issue of Options, Performance Rights & Performance Shares	-	612,774	-	-	612,774
Total transactions with owners	**14,694,801**	**612,774**	**-**	**-**	**15,307,575**
Balance at 30 June 2019	**45,567,979**	**7,454,897**	**(45,085,097)**	**(3,310)**	**7,934,469**

The above 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 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipt from customers		4,181,121	2,880,833
Government grants received		1,882,977	2,655,859
Payments to suppliers and employees		(16,257,044)	(16,088,385)
Interest (paid)/received		(16,509)	4,949
Net cash flows (used in) operating activities	23	**(10,209,455)**	**(10,556,642)**
Cash flows from investing activities			
Purchase of plant & equipment		(614,487)	(112,540)
Payments for intangible assets		(52,094)	(49,764)
Non-related party loans		-	(45,208)
Net cash paid for acquisition of business		-	(167,039)
Net cash flows (used in) investing activities		**(666,581)**	**(374,550)**
Cash flows from financing activities			
Proceeds from issue of shares, net of issue costs		12,135,673	11,993,175
Proceeds from borrowings		1,401,937	-
Net cash flows from financing activities		**13,537,610**	**11,993,175**
Net increase in cash and cash equivalents		2,661,574	1,061,982
Cash and cash equivalents at beginning year		2,461,222	1,387,577
Effects of foreign exchange rates		(6,273)	11,663
Cash and cash equivalents at end year	9	**5,116,523**	**2,461,222**

The above 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 2019

NOTE 1: REPORTING ENTITY

Family Zone Cyber Safety Limited is the listed public company incorporated and domiciled in Australia and head of the Group. The financial statements of the Group are as at, and for the year ended, 30 June 2019.

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report which does not form part of this financial report.

The financial statements were authorised by the Board of Directors on the date of signing the Directors' Declaration.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) (**AASB**) and the *Corporations Act 2001*.

The Financial Statements and Notes of the Group comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the Financial Statements and Notes comply with International Financial Reporting Standards.

Family Zone Cyber Safety Limited is a company limited by shares. The financial report is presented in Australian currency. Family Zone Cyber Safety Limited is a for-profit entity.

(a) Going Concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income shows that the Group incurred a net loss of $14,401,137 during the year ended 30 June 2019 (2018: loss of $18,206,211), and net cash outflows of $10,209,455 from the operating activities (2018: $10,556,642). The Consolidated Statement of Financial Position shows that the Group had cash and cash equivalents of $5,116,523 as at 30 June 2019 (2018: $2,461,222). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on the following:

- The Group being able to successfully raise further debt or capital funding within the next six months;
- The Group achieving the growth targets approved by the Board across Australia, New Zealand and the US markets;
- The receipt of $1.8 million from the ATO in respect of Research & Development expenditure arising from 2020 financial year; and
- The pursuit of the identified annualised cashflow savings of $4 million by 31 December 2019 under the Group's established "Cashflow breakeven acceleration plan" as described in the Directors' Report.

Management believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report.

In the event that the matters above do not eventuate, then the Group may be unable to continue as a going concern, and may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

(b) Adoption of new and revised accounting standards

The Group have adopted the new accounting standards during the year ended 30 June 2019 as outlined below.

AASB 9 Financial Instruments

AASB 9 supersedes pronouncement AASB 139 'Financial Instruments: Recognition and Measurement' and was adopted by the Group from 1 July 2018. This, and the related amendments to other accounting standards, introduced three significant areas of change from AASB 139 Financial Instruments: Classification and Measurement:

- A new model for classification and measurement of financial assets and liabilities;
- A new expected loss impairment model for determining impairment allowances; and
- A redesigned approach to hedge accounting.

With the exception of hedge accounting which is not applicable to the Group as the Group has not entered in to any such arrangements, the Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. The redesigned approach to hedge accounting will apply prospectively if the Group enters in to any such arrangements.

At the date of initial application, the Group has determined that it will:

- Apply the simplified approach for trade receivables in the calculation of the expected credit loss (ECL) rather than the general approach.

As a result of the adoption of the above, as at the date of initial application, there is no material impact on the transactions and balances recognised in the financial statements.

The Group's accounting policy for financial instruments is detailed as follows:

Financial Assets
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit and loss.

The classification of financial instruments at initial recognition depends on the financial asset's contractual cashflow characteristics and the Group's business model for managing them. With the exception of the Group's trade receivables that do not contain a significant financing component, the Group initially measures the financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the Group's accounting policy for revenue recognition.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. In determining the provision required, the Group utilises its historical credit loss experience, adjusted only where appropriate for forward-looking factors specific to the debtors and economic environment.

Financial Liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities through fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables.

AASB 15 Revenue from contracts with Customers

AASB 15 was adopted by the Group from 1 July 2018. AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations and it applies with limited exceptions, to all revenue arising from contracts with its customers.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, a company recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 in accordance with the transition requirements in AASB 15, which permits companies to transition to AASB 15 by applying the Standard:

- retrospectively to each prior reporting period presented; or
- retrospectively with the cumulative effect of initially applying the Standard recognised as at the date of initial application (i.e., at the beginning of the annual reporting period in which the entity first applies the Standard).

The Group adopted AASB 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. However, the impact on the current period is immaterial. The Group did not apply any of the other available optional practical expedients.

At the initial date of application, the effect of adopting AASB 15 did not have a material impact on the transactions and balances recognised in the financial statements, including comparatives.

The Group's revenue accounting policy is detailed below:

The principal activities of the Group are the sale and distribution, marketing and customer support of its suite of cyber safety products and services.

<u>Sales of Hardware</u>
Revenue from the sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group

considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

<u>Subscription revenues</u>
Subscription/service revenue is recognised over time over the life of the service contract as the Groups service obligations under the contract are satisfied.

<u>Contract balances</u>

Contract Assets:
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under AASB 9: Financial Instruments above.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

<u>Capitalised Contract Cost</u>
Incremental costs of obtaining a contract and certain costs to fulfil a contract are recognised as an asset if the following criteria are met:

- the costs relate directly to a customer contract;
- the costs generate or enhance resources of the entity that will be used in satisfying performance obligations attaching to the customer contracts; and
- the costs are recoverable from the customer.

Any capitalised contract costs assets are amortised on a systematic basis that is consistent with the Group's transfer of the related goods or services to the customer.

<u>Government grants</u>
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as reducing the carrying amount of the asset.

(c) Standards Issued but not yet effective

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the Consolidated Statement of Financial Position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the Consolidated Statement of Cash Flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019. The Company is yet to make and assessment of the impact of this standard.

(d) Use of Estimates and Judgements

Significant Judgements and Key Assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

(i) Share-Based Payments

The Company measures the cost of equity-settled transactions with suppliers and employees by reference to the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted. The fair value of the equity instruments granted is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(ii) Research and Development Assets

The Group's accounting policy for capitalised development expenditure is set out in Note 3(h). The application of this policy necessarily requires management to make certain estimates and assumptions as to the future events and circumstances of the Group. Any such estimate and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the expenditures relate to aspects of the asset no longer utilised, or it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit or loss.

(iii) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset specific discount rates and the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(iv) Contingent Consideration

When the fair values of financial assets and financial liabilities recorded in the Consolidated Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (**DCF**) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on a probability weighted payout approach. The probability weighted value of the contingent consideration was then discounted to determine the net present value of the contingent consideration. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer to note 17 for details).

In the prior year, as part of the accounting for the acquisition of Linewize, contingent consideration with an estimated fair value of $2,238,275 was recognised at the acquisition date and remeasured to $677,035 as at the current reporting date. Future events may require further revisions to the estimate. $629,440 of the value of the contingent consideration has been classified as current as consideration is expected within the next 12 months.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(a) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(b) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(c) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the Group. A financial liability is removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires. Financial assets not measured at fair value comprise loans and receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

All financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.

(d) Trade and Other Receivables

Trade accounts and other receivables represent the principal amounts due at reporting date less, where applicable, any allowances for expected credit losses.

(e) Inventories

Finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Intangible Assets

Expenditure on the research phase of projects to develop new customised software for IT and billing systems is recognised as expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets provided they meet the following recognition requirements;

- Development costs can be reliably measured
- The project is technically and commercially feasible
- The Group intends to and has sufficient resources to complete the project
- The Group has the ability to use or sell the software.

Additionally, as part of its asset acquisitions the group has committed to the development of projects which are expected to bring substantial economic benefits over the next 12-36 months. Costs relating to the acquisition and development of the products have been capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

All intangible assets are amortised on a straight-line basis over 3 years.

(g) Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount values exceeds the estimated recoverable amount the assets are written down to the recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10% - 40%

(h) Research & Development Expense

The Group expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Group has received formal notification that a patent has been granted. The Group believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Group will only record a development asset in accordance with the policy set out in Note 2(f).

During the period of development, the asset is tested for impairment annually.

(i) Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets should be impaired. If such indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

(j) Trade and Other Payables

Trade accounts and other payables and accrued liabilities represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest.

(k) Cash and Cash Equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Employee Benefits

(i) Short-term employee benefit obligations
Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations
Liabilities arising in respect of long service leave and annual leave which is not expected to be settled wholly within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Contributions are made by the Group to employee's superannuation funds. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

(m) Share-Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, including performance shares, performance rights and options, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

(n) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per Share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

(p) Segment Reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group), whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Group has three operating segments being information technology (and more specifically the provision of cyber safety services) in Australia, United States of America and New Zealand which is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. In the year ended 30 June 2018 the Group operated under two operating segments being information technology (and more specifically the provision of cyber safety services) Australia and New Zealand.

(q) Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(r) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(s) Foreign Currency Translation

(i) *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 functional currency of the parent is Australian Dollars. The consolidated financial statements are presented in Australian Dollars.

(ii) *Transactions and Balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of 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 transition of monetary items are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise, except where deferred in equity as a qualifying cash flow.

(iii) *Group Companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:
- Assets and liabilities are translated at period-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 on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which the operation is disposed. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(t) Business Combinations

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(u) Rounding

The Company has applied the relief available to it in ASIC Legislative Instrument 2016/191 and accordingly, certain amounts included in the Directors' report and in the financial report have been rounded off to the nearest $1 (where rounding is applicable), under the option available to the Company under ASIC Corporations.

(v) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, transfer to the Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the profit or loss on a straight-line basis over the lease term.

NOTE 4: REVENUE AND OTHER INCOME

	2019 $	2018 $
Operating Revenue		
Service revenue[(1)]	3,584,539	2,064,367
Hardware revenue[(2)]	599,784	265,413
	4,184,323	**2,329,780**
Other Income		
Interest revenue	9,132	19,282
Other	7,032	42,958
Research and development grant	3,830,960	2,583,700
Export assistance grant	-	72,159
Gain on contingent consideration revaluation	1,168,470	-
	5,015,594	**2,718,099**

(1) Service revenue is recognised over the life of the service contract as the service obligations under the contract are satisfied.
(2) Hardware revenue is recognised at the point in time when control of the asset is transferred to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 5: EXPENSES ITEMS

	2019 $	2018 $
5(a) Administration costs		
Administration costs	1,866,391	1,720,924
Information technology and infrastructure costs	433,996	1,014,444
Other costs	1,124,773	1,464,403
Total administration costs	**3,425,160**	**4,199,771**
5(b) Employee and director benefits costs		
Directors' fees	346,589	530,734
Employee wages and superannuation	5,780,993	6,031,445
Total employee and director benefits costs	**6,127,582**	**6,562,179**
5(c) Other costs		
Share-based payment expenses	1,933,070	4,306,427
Depreciation and amortisation expenses	4,498,680	3,269,831
Research and development expenses	4,478,123	2,508,800
Total other costs	**10,909,873**	**10,085,058**

NOTE 6: MARKETING COSTS

	2019 $	2018 $
Marketing costs		
Advertising	515,953	698,020
Call centre charges	36,037	148,280
Domain licenses	1,083	5,805
Marketing and marketing staff costs	452,015	380,437
Total marketing costs	**1,005,088**	**1,232,543**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 7: INCOME TAX

		2019 $	2018 $
(a)	**The major components of income tax expense / (benefit) comprise of:**		
	Current tax benefit	-	-
	Deferred tax benefit	-	-
		-	-
(b)	**Reconciliation of prima facie tax on continuing operations to income tax expense / (benefit):**		
	Profit / (loss) before tax for the year	(14,401,137)	(18,206,211)
	Prima facie income tax payable on profit before income tax at:		
	- 27.50% (Australia)	(2,210,745)	(4,458,576)
	- 28.00% (New Zealand)	(476,975)	(318,462)
	- 21.00% (US)	(328,425)	(237,754)
	- 17.00% (Singapore)	(20,731)	(645)
	Adjustments for:		
	Entertainment	4,700	4,639
	Share-based payments	431,115	1,184,267
	R&D tax incentive classified as income	(1,375,932)	710,518
	Non-deductible expenditure	1,235,089	1,185,860
	Offset against DTL/DTA not recognised	2,741,904	1,930,153
	Tax losses not recognised	-	-
	Income tax expense attributable to profit	**-**	**-**

		2019 $	2018 $
(c)	**Deferred taxes**		
	Deferred tax asset balance comprises:		
	Tax losses	3,995,130	2,589,970
	Plant & Equipment	-	-
	Provisions & Accruals	192,295	191,542
	Capital & Business related costs	318,206	303,083
	Offset against deferred tax liability / not recognised	(4,505,631)	(3,084,595)
	Deferred tax liability balances comprises:		
	PPE and Intangible assets	(63,340)	(395,108)
	Offset against deferred tax assets / not recognised	63,340	395,108
	Net deferred tax asset / (liability)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

	2019 $	2018 $
(d) Deferred tax assets / liabilities included in income tax expense		
Decrease / (increase) in deferred tax assets	(1,723,820)	(1,221,059)
(Decrease) / increase in deferred tax liabilities	(318,086)	(336,614)
Adjust for recognition/offset of DTA/DTL	2,041,906	1,557,673
	-	-
(e) Deferred income tax related to items charged or credited directly to equity		
Decrease / (increase) in deferred tax assets	-	-
(Decrease) / increase in deferred tax liabilities	-	-
Adjust for derecognition / offset of DTA/DTL	-	-
	-	-

	2019 $	2018 $
(f) Deferred tax assets / liabilities not brought to account		
Temporary differences	447,161	99,518
Operating tax losses – Australia	5,218,515	2,589,970
Operating tax losses – Other jurisdictions	4,222,526	833,165
	9,888,202	**3,522,653**

The tax benefits of the above deferred tax assets will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

NOTE 8: LOSS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income or loss and share data used in the total operations basic and diluted earnings per share computations:

	2019 $	2018 $
Loss used in the calculation of basic and diluted loss per share	(14,401,137)	(18,206,211)
Basic and diluted (loss) per share attributable to equity holders (cents Per Share)	(9.07)	(17.35)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Number	Number
Weighted average number of ordinary shares outstanding	158,819,942	104,927,965
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	**158,819,942**	**104,927,965**

Options and other potentially dilutive ordinary shares outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTE 9: CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank	5,116,523	2,461,222
Total Cash and Cash Equivalents	**5,116,523**	**2,461,222**

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 24 on financial instruments for details on the Company's exposure to risk in respect of its cash balance.

NOTE 10: TRADE AND OTHER RECEIVABLES

		2019 $	2018 $
Current:			
Trade receivable		988,647	264,180
Less provision for expected credit losses		(64,042)	(47,129)
GST receivable		42,868	53,078
Capitalised contract costs		313,254	736,380
R&D Grant receivable (secured)	18	1,947,983	-
Total Current Trade and Other Receivable		**3,228,710**	**1,006,509**
Non-Current:			
Capitalised contract costs		23,702	304,000
Bonds and deposits		56,410	17,928
Total Non-Current Trade and Other Receivable		**80,112**	**321,928**
Total Trade and Other Receivable		**3,308,822**	**1,328,437**

NOTE 11: PREPAYMENTS

	2019 $	2018 $
Prepayments	**805,604**	**143,373**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 12: INVENTORY

	2019 $	2018 $
Current:		
At cost:		
Finished goods	157,152	149,929
Total Inventory	**157,152**	**149,929**

a) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2019 amounted to $615,974 (2018: $258,935). These were included in cost of sales.

NOTE 13: INTANGIBLES

	2019 $	2018 $
Intellectual Property at cost (1)	13,759,986	13,707,892
Less: Accumulated amortisation and impairment	(9,093,652)	(4,955,835)
Customer Contracts at cost (2)	339,181	339,181
Less: Accumulated amortisation and impairment	(179,112)	(66,052)
	4,826,403	**9,025,186**

*(1) Intellectual Property (**IP**) includes $8,470,986 acquired in the prior year as part of the Linewize acquisition (refer to note 17 for further detail), the remaining amortisation period for this IP is 17 months. The remaining amortisation period on other IP is 5 months*

(2) The remaining amortisation period for customer contracts is 17 months.

a) Reconciliation of movements in intangible assets

Intangible Assets	$
Balance at 1 July 2017	**3,325,003**
Additions	8,859,931
Impairment expense	-
Amortisation expense	(3,159,748)
Balance at 30 June 2018	**9,025,186**
Additions	52,094
Impairment expense	-
Amortisation expense	(4,250,877)
Balance at 30 June 2019	**4,826,403**

NOTE 14: PROPERTY PLANT & EQUIPMENT

	2019 $	2018 $
Property plant & equipment – at cost	1,072,904	405,152
Less: Accumulated amortisation and impairment	(390,147)	(147,470)
	682,757	**257,682**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

a) Reconciliation of movements in fixed assets

Property Plant and Equipment

	$
Balance at 1 July 2017	**217,421**
Additions	172,540
Depreciation expense	(132,280)
Balance at 30 June 2018	**257,681**
Additions	616,096
Reclassification of inventory	58,392
Depreciation expense	(249,412)
Balance at 30 June 2019	**682,757**

NOTE 15: TRADE AND OTHER PAYABLES

	2019 $	2018 $
Current:		
Trade payables[1]	1,143,101	500,277
Customer contract liabilities[2]	1,903,181	1,645,500
Accruals & other payables	1,077,458	1,226,632
Total Current Trade and Other Payables	**4,123,740**	**3,372,409**
Non-Current:		
Customer contract liabilities [2]	200,754	243,883
Total Non-Current Trade and Other Payable	**200,754**	**243,883**
Total Trade and Other Payables	**4,324,494**	**3,616,292**

(1) Current trade payables are non-interest bearing and are normally settled on 30-day terms

(2) Revenue is recognised when services are rendered to the customer. The amount received at the time of the transaction is recognised as a customer contract liability until delivery takes place and control passes.

NOTE 16: PROVISIONS

	2019 $	2018 $
Current:		
Provision for annual leave	491,728	461,028
Total Current Provisions	**491,728**	**461,028**

NOTE 17: BUSINESS COMBINATION (PRIOR YEAR)

On 29 November 2017, Family Zone acquired 100% of the share capital in Linewize Services Limited and Linewize Limited (**Linewize**) which own and operate an innovative cloud-managed firewall service, specifically developed for the needs of the education sector. Its services covers user authentication, content filtering, network appliances, telecoms services, BYOD support, network access management and an award winning suite of classroom tools.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Linewize is the leading provider of cyber security and safety services in New Zealand with its technology represented in a network of 260 schools and 130,000 students at the time of the acquisition.

The key drivers and benefits of this acquisition included providing the Group access to a rapidly expanding network of schools and parents plus access to world leading technology for schools and experienced executives as well as strategic opportunities for Family Zone to build out features, transform service levels and achieve order of magnitude reductions in service costs through Linewize's innovative and world class cloud technology.

a) Details of the consideration paid to Vendors:

	$
Cash deposit paid	179,578
Ordinary shares issued	6,326,616
Contingent consideration (Performance Shares issued)	2,238,275
Total purchase consideration	**8,744,469**

The value of the ordinary shares issued as part of the consideration was assessed at a price of $0.665 per Share which was based on the quoted price at the date of the business combination.

b) Contingent consideration

The contingent consideration comprised 9,500,000 Performance Shares (Classes D to H Performance Shares) which convert into Shares subject to the achievement of various revenue and customer targets over a 5 year period as outlined in the table below:

Class of Performance Share	Number of Consideration Performance Shares	Performance Milestones	Range of Contingent Consideration
D	1,000,000	NZ$1,250,000 of Recurring Revenue; or 310 LW School Deploys; or 5,000 FZO NZ Accounts.	$0 - $665,000
E	1,000,000	NZ$1,750,000 of Recurring Revenue; or 360 LW School Deploys; or 10,000 FZO NZ Accounts.	$0 - $665,000
F	2,000,000	NZ$3,750,000 of Recurring Revenue; or 460 LW School Deploys; or 20,000 FZO NZ Accounts.	$0 - $1,330,000
G	2,500,000	NZ$6,250,000 of Recurring Revenue; or 585 LW School Deploys; or 32,500 FZO NZ Accounts.	$0 - $1,662,500
H	3,000,000	NZ$9,250,000 of Recurring Revenue and FZO NZ Group Revenue	$0 - $1,995,000
Total	**9,500,000**		**$0 - $6,317,500**
LW School Deploys means the total school deployments of the core technology of Linewize in any country.			

The value of the contingent consideration has been assessed based on a probability weighted payout approach. The probability weighted value of the contingent consideration was then discounted to determine the net present value of the contingent consideration.

As at 30 June 2019, the contingent consideration has been revalued at $677,035 resulting in a gain on revaluation recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of $1,168,470. $629,440 of the value of the contingent consideration has been classified as a current liability, as consideration is expected within the next 12 months.

c) Assets and liabilities acquired

Assets and liabilities held by Linewize at the acquisition date recognised on acquisition at fair value:

	$
Cash	12,539
Accounts receivable	35,671
Inventory	10,937
Property plant and equipment	37,803
Accounts payable and accruals	(45,277)
Loans payable	(45,208)
Intangible asset - Contracted customers	339,181
Intangible asset - Linewize IP/Platform	8,470,986
Net identifiable assets acquired	**8,816,632**
Less: Gain on bargain purchase	(72,163)
Total purchase consideration	**8,744,469**

The gain on bargain purchase arose when the Group's share of the fair value of identifiable net assets of Linewize acquired exceeded the cost of the acquisition paid by the Group. The excess is recognised as income within the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

NOTE 18: BORROWINGS

	2019 $	2018 $
Current:		
R&D Loan Facility	1,404,244	-
Interest Payable	65,291	-
Total Current Borrowings	**1,469,535**	**-**

During the period, the Company received advance funding on its expected FY2019 R&D rebate from Radium Capital. Refer to below for key terms of this funding.

Key Facility Terms:

- Counterparty: Innovation Structured Finance Co LLC facilitated by Radium Capital
- Amount: 80% of the expected R&D tax offset resulting from each period's eligible R&D expenditures, with principal and interest repaid from the actual tax offsets at the end of the financial year
- Final Maturity Date: 30 September 2019
    - o Family Zone has the option to repay earlier without penalties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

- Interest Rate: 14% per annum
- Security: Secured against the R&D refund receivable from the ATO
- Conditions: R&D expenditure has to be reviewed by R&D Tax Consultants
- Purpose of Loan as per agreement: Wholly or predominantly for working capital or research and development expenditure.

NOTE 19: ISSUED CAPITAL

	2019 Number of Shares	2018 Number of Shares
Issued Ordinary Shares - no par value (fully paid)	200,627,835	134,610,852
Total	**200,627,835**	**134,610,852**

	Number of Shares	Value $
Opening balance – 1 July 2017	**81,795,928**	**12,582,677**
Closing balance – 30 June 2018	**134,610,852**	**30,873,178**
Shares issued on exercise of Performance Rights on 4 Jul 2018	266,667	-
Shares issued on exercise of options during the period on 20 Jul 2018	72,297	10,658
Shares issued to sophisticated investor on 29 Aug 2018	9,650,000	4,825,000
Shares issued to Tellus Matrix LLP for advisory services on 29 Aug 2018	101,825	45,981
Shares issued to Netsweeper for services on 19 Oct 2018	2,087,436	1,000,000
Shares issued to Fidelio on 28 Nov 2018	2,788,997	725,139
Shares issued to Tim Levy on 28 Nov 2018 (following shareholder approval)	350,000	175,000
Shares issued to sophisticated investor on 11 Jan 2019	11,095,556	2,496,500
Shares issued to sophisticated investor on 18 Jan 2019	133,333	30,000
Shares issued to consultant on 26 Feb 2019	216,000	48,600
Shares issued to the Linewize Vendors on conversion of performance shares on 18 Mar 2019	2,000,000	400,000
Shares issued to executives on the exercise of Class A performance rights on 18 Mar 2019	83,333	-
Shares issued in respect to Brand Ambassadorial Agreement on 8 Apr 2019	500,000	100,000
Shares issued to Fidelio on 18 Apr 2019	309,889	61,979
Shares issued to Non-executive Directors in lieu of cash salaries for the 2019 calendar year on 18 Apr 2019	577,778	130,000
Shares issued to sophisticated investors on 29 Apr 2019	35,483,872	5,500,000
Shares issued to Tim Levy on exercise of options on 15 May 2019	300,000	75,000
Less: share issue costs		(929,056)
Closing balance – 30 June 2019	**200,627,835**	**45,567,979**

Capital Management

When managing capital, the Board's objective is to ensure the Group continues as a going concern as well as to maximise the returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The Board is constantly reviewing the capital structure to take advantage of favourable costs of capital or high

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

returns on assets. As the market is constantly changing, the Board may issue new shares, return capital to shareholders or sell assets to reduce debt. The Group was not subject to any externally imposed capital requirements during the year.

NOTE 20: RESERVES

Nature and Purpose of Share-Based Payment Reserve

The share-based payment reserve records the value of options, performance rights and performance shares issued to the Group's directors, employees, and third parties. The value of the amount disclosed during the year reflects the value of options and performance shares issued by the Group.

	2019 $	2018 $
Performance Shares	1,587,603	1,657,455
Performance Rights	2,120,938	1,830,128
Options	3,746,356	3,354,540
Total Share-Based Payment Reserves	**7,454,897**	**6,842,123**

Nature and Purpose of Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiaries.

	2019 $	2018 $
Foreign Currency Translation Reserve	(3,310)	11,663
Total Reserve	**(3,310)**	**11,663**

Options outstanding at 30 June 2019

The following options over ordinary shares of the Company existed at reporting date:

Grant Date	Expiry Date	Exercise Price	Balance at start of Year (number)	Granted During the Year (number)	Exercised during the year (number)	Forfeited during the year (number)	Balance at year end 30/06/2019 (number)	Vested and exercisable at year end (number)
20/05/2016	20/05/2019	$0.25	4,000,000	-	(300,000)	(3,700,000)	-	-
29/08/2016	29/08/2019	$0.25	5,888,438	-	-	-	5,888,438	5,888,438
19/09/2016 - 31/08/2017	19/09/2019	$0.33	5,304,866	-	(72,297)	(911,229)	4,321,340	1,996,083
16/12/2016	15/12/2019	$0.30	5,335,000	-	-	-	5,335,000	5,335,000
5/05/2017	5/05/2020	$0.30	1,750,000	-	-	-	1,750,000	1,750,000
4/12/2017	4/12/2020	$0.50	850,000	-	-	-	850,000	850,000
4/12/2017	4/12/2020	$0.60	850,000	-	-	-	850,000	850,000
9/04/2018	9/04/2021	$0.75	516,765	-	-	-	516,765	516,765
9/04/2018	9/04/2021	$0.90	516,765	-	-	-	516,765	516,765
29/08/2018	29/08/2020	$0.60	-	500,000	-	-	500,000	500,000
11/03/2019	11/03/2022	$0.25	-	250,000	-	-	250,000	250,000
18/03/2019	18/03/2022	$0.18	-	2,209,859	-	(62,212)	2,147,647	715,885
21/05/2019	21/05/2022	$0.235	-	898,692	-	-	898,692	898,692
Total			**25,011,834**	**3,858,551**	**(372,297)**	**(4,673,441)**	**23,824,647**	**20,067,628**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Reconciliation of movement in option reserve:

	Number of Options	Value $
Opening Balance - 1 July 2018	25,011,834	3,354,540
Options issued for corporate advisory and capital raising services	1,648,692	170,224
Share-based payment expense in respect to employee options on issue as at 1 July 2018 and granted during the year	2,209,859	221,592
Exercised during the year	(372,297)	-
Forfeited during the year	(4,673,441)	-
Closing Balance – 30 June 2019	**23,824,647**	**3,746,356**

On 29 August 2018, 500,000 options were issued for capital raising services to a nominee of Tellus Matrix LLP (refer Note 26: Related Party Transactions). These options had a 2 year terms and exercise price of $0.60 per option vesting immediately.

On 11 March 2019, 250,000 options were issued for strategic advisory services to be provided to the Company. These options had a 3 year terms and exercise price of $0.25 per option vesting immediately.

On 18 March 2019, 2,209,859 options were issued under the Company's Employee Share Option Plan. These options had a 3 year terms and exercise price of $0.18 per option with one third of the options vesting immediately, one third vesting in 1 year and one third vesting in 2 years.

On 21 May 2019, 898,692 options were issued for capital raising services provided by Blue Ocean Equities. These options had a 3 year terms and exercise price of $0.235 per option vesting immediately.

These options were valued using the Black-Scholes option pricing model applying the following inputs.

Date	**29/08/2018**	**11/03/2019**	**18/03/2019**	**21/05/2019**
No of Options at 30 June 2019	**500,000**	**250,000**	**2,147,647**[1]	**898,692**
Underlying share price	$0.35	$0.215	$0.525	$0.125
Exercise price	$0.60	$0.25	$0.640[1]	$0.235
Expected volatility	113%	101%	106%	101%
Expiry date (years)	2.00	3.00	3.0	3.00
Expected dividends	Nil	Nil	Nil	Nil
Risk free rate	2.00%	1.53%	1.93%	1.21%
Value per option	$0.164	$0.129	$0.323	$0.063

1. These options have been valued under accounting standards based on the expected exercise price of the options on the grant date being $0.64. At the grant date the options to be issued were to have an exercise price being the lower of

- *$0.64 being 10% above the 10 day vwap from establishment of the option plan; or*
- *20% below the 10 day vwap from the issue of the options.*

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Performances shares outstanding at 30 June 2019

The following performance shares of the Company existed at reporting date. On achievement of the performance milestones attaching to the class of performance shares, the performance shares automatically convert into fully paid ordinary shares for nil consideration.

Class	Grant Date	Expiry Date	Balance at start of Year (number)	Granted During the Year* (number)	Converted during the year (number)	Forfeited during the year (number)	Balance at year end (number)
B	16/6/16 - 16/12/16	29/08/2019	10,499,999	-	-	-	10,499,999
C	16/6/16 - 16/12/16	29/08/2020	10,499,998	-	-	-	10,499,998
D	29/11/2017	29/11/2022	1,000,000	-	(1,000,000)	-	-
E	29/11/2017	29/11/2022	1,000,000	-	(1,000,000)	-	-
F	29/11/2017	29/11/2022	2,000,000	-	-	-	2,000,000
G	29/11/2017	29/11/2022	2,500,000	-	-	-	2,500,000
H	29/11/2017	29/11/2022	3,000,000		-	-	3,000,000
			30,499,997	**-**	**(2,000,000)**	**-**	**28,499,997**

The Performance Shares convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- Class B Performance Shares convert on achievement of $10,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income (as confirmed by the Group's auditor) by 29 August 2019.
- Class C Performance Shares convert on achievement of $20,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income (as confirmed by the Group's auditor) by 29 August 2020.
- Vesting conditions for Class D-H Performance Shares are disclosed within Note 17.

As at 30 June 2019 the Class B and C Performance Milestones have not been achieved. The Class B Performance Shares are not expected to meet their vesting conditions as at 30 June 2019 and the share-based payment expensed to date in respect to the Class B Performance Shares has been reversed.

The Performance Shares held by the Directors outlined above were not granted as part of their remuneration but issued to the Directors in consideration for cancellation of ordinary shares they held in the Company prior to the Company's listing of ASX.

Reconciliation of movement in performance share reserve:

	Number of Performance Shares	Value $
Opening Balance - 1 July 2018	30,499,997	1,657,455
Share-based payment expense for the year in respect to Performance Shares on issue as at 1 July 2018	-	(69,852)
Performance Shares converted into ordinary shares on achievement of performance milestone	(2,000,000)	-
Closing Balance – 30 June 2019	**28,499,997**	**1,587,603**

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Performance Rights at 30 June 2019

The following Performance Rights of the Company existed at reporting date:

Grant Date	Expiry Date	Exercise Price	Balance at start of Year (number)	Granted During the Year (number)	Exercised during the year (number)	Forfeited during the year (number)	Balance at year end (number)	Vested and exercisable at year end (number)
04/12/2017	04/12/2020	Nil	4,316,667	2,055,196[1]	(350,000)[2]	(666,666)[3]	5,355,197	5,355,197

1. *125,000 Class B Performance Rights and 125,000 Class C Performance Rights have been issued to a senior executive under the Company's Performance Rights Plan. In addition, 1,191,111 Class G Performance Rights and 614,085 Class G Performance Rights have been issued to Executive Directors in lieu of cash salaries for the 2019 calendar year.*
2. *350,000 Class A Performance Rights were exercised during the period.*
3. *333,333 Class B Performance Rights and 333,333 Class C Performance Rights have lapsed and been cancelled during the period.*

Reconciliation on movement in performance right reserve:

	Number of Performance Rights	Value $
Opening Balance - 1 July 2018	**4,316,667**	1,830,128
Share-based payment expense for the year in respect to Performance Rights on issue as at 1 July 2018 and granted during the year	2,055,196	290,810
Performance Rights exercised during the year following achievement of performance milestone	(350,000)	-
Performance Rights lapsed and cancelled during the year	(666,666)	-
Closing Balance - 30 June 2019	**5,355,197**	**2,120,938**

These Performance Rights have been valued at grant date and each Class are being expensed over the vesting period.

Performance Rights	Valuation Date	Vesting Date	Fair Value at Grant Date	Number Issued
Class B	04/12/2017	29/08/2019	$0.675	1,274,998
Class C	04/12/2017	29/08/2020	$0.675	1,275,003
Class D	04/12/2017	29/08/2018	$0.675	333,340
Class E	04/12/2017	29/08/2019	$0.675	333,330
Class F	04/12/2017	29/08/2020	$0.675	333,330
Class G	01/01/2019	01/01/2020	$0.225	1,805,196
Total				**5,355,197**

The Performance Rights convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- Class B Performance Rights convert on achievement of $10,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income by 29 August 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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- Class C Performance Shares convert on achievement of $20,000,000 revenue by the Group over a 12 month rolling period of which 30% is subscription income by 29 August 2020.
- 33,334 Class D Performance Rights vest for each Tier 1 partnering deal that goes live before 4 December 2020 following the achievement of 15,000 paying subscribers of the Company generating at least $100,000 revenue per month over 3 consecutive months by 29 August 2018;
- 33,334 Class E Performance Rights vest for each Tier 1 partnering deal that goes live before 4 December 2020 following the achievement of $10,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income by 29 August 2019;
- 33,334 Class E Performance Rights vest for each Tier 1 partnering deal that goes live before 4 December 2020 following the achievement of $10,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income by 29 August 2020; and
- Class G Performance Rights vest subject to continued employment with the Company in existing roles until 1 January 2020.

The Class B-F Performance Rights have been valued using the Black-Scholes option pricing model applying the following inputs: share price at grant date of $0.675 per share; expected volatility of 100%; expected dividends of nil; and a risk free rate of 2.28%.

Class G Performance Rights were issued to Mr Swan, Mr Levy and other senior executives during the year. These have been valued based on the relevant amount of cash remuneration originally due to these executives under their Executive Service Agreements which they have agreed to forgo and receive in Performance Rights. The number of Performance Rights was determined with reference of the most recent capital raising issue price of the Company at the date of approval of the issue of the Performance Rights being $0.225 per Share. The total value of the Performance Rights issued to these executives when granted is $406,169 with the share-based payment expense recognised over the vesting period of the Performance Rights.

The Class B and Class E Performance Rights are not expected to meet their vesting conditions as at 30 June 2019 and the share-based payment expensed to date in respect to the Class B and Class E Performance Rights has been reversed.

NOTE 21: ACCUMULATED LOSSES

	2019 $	2018 $
Accumulated Losses	(45,567,979)	(30,683,960)
Opening balance	(30,683,960)	(12,477,749)
Net loss for the financial year	(14,401,137)	(18,206,211)
Total Accumulated Losses	**(45,085,097)**	**(30,683,960)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 22: SHARE-BASED PAYMENTS

Share-based payments made during the year ended 30 June 2019 are summarised below:

(a) Recognised Share-Based Payment Expense

	2019 $	2018 $
Advisor Options issued for advisory services provided	170,224	-
Shares issued to consultants in lieu of services provided	1,347,076	1,045,874
Options issued to employees as incentive	221,592	1,122,952
Shares issued to employees as incentive	130,000	-
Performance Rights issued to employees as incentive and for services	272,097	1,830,128
Performance Share issued to employees as incentive and for services	(69,852)	307,473
Less amounts recognised within equity	(138,067)	-
	1,933,070	**4,306,427**

(b) Options Granted During the Year

The Group's current Employee Share Option Plan (**ESOP**) was approved by the board of directors on 7 July 2016. The ESOP is designed to provide medium and long term incentives for all employees (including non-executive and executive directors) and to attract and retain experienced employees, board members and executive officers and provide motivation to make the group more successful.

Under the ESOP, participants have been granted options which only vest if certain performance milestones are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefit.

Any option may only be exercised after the option has vested and other conditions imposed by the board have been satisfied. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, shares allotted pursuant to the exercise of options will be allotted following receipt of relevant documentation and payments will rank equally with all other shares.

During the year, the following Employee Options were granted and vested:

Tranche	Valuation Date	Expiry Date	Exercise Price	Issued during the year	Vested during the year	Total Share-Based Payment Expense for the year
1	19/09/2016	19/09/2019	$0.33	-	-	($225,219)
2	02/12/2016	19/09/2019	$0.33	-	-	($69,131)
3	20/02/2017	19/09/2019	$0.33	-	-	($20,835)
4	31/08/2017	19/09/2019	$0.33	-	-	($231,425)
5	16/12/2016	15/12/2019	$0.30	-	1,500,000	$77,465
6	18/03/2019	15/03/2022	$0.18	2,209,859	715,885	$528,128
Total				**2,209,859**	**2,215,885**	**$58,983**

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Employee Options were considered to represent the value of the services received over the vesting period, the Group has determined the most appropriate values for these Employee Options using the Black-Scholes option pricing model applying the following inputs.

	Tranche 5	Tranche 6
Underlying share price	$0.20	$0.525
Exercise price	$0.30	$0.64[1]
Expected volatility	100%	106%
Expiry date (years)	3.00	3.00
Expected dividends	Nil	Nil
Risk free rate	2.28%	1.93%
Value per option	$0.106	$0.322

1. These options have been valued under accounting standards based on the expected exercise price of the options on the grant date being $0.64. At the grant date the options to be issued were to have an exercise price being the lower of

- *$0.64 being 10% above the 10 day vwap from establishment of the option plan; or*
- *20% below the 10 day vwap from the issue of the options.*

During the year, the third Vesting Condition, as set out below, of the Tranche 1-4 Employee Options was not met as at 30 June 2019. The share-based payment expensed to date in respect to these options has been reversed.

Vesting Date	Vesting condition
31/12/2017	25% of the Options will vest and become exercisable upon the Company having 20,000 paying subscribers registered by 31 December 2017. ("First Vesting Condition") Vested as at 30 June 2018.
31/12/2017	25% of the Options vest and become exercisable upon the Company having 30,000 paying subscribers registered by 31 December 2017. ("Second Vesting Condition") Vested as at 30 June 2018.
30/06/2019	50% of the Options will vest and become exercisable upon the Company achieving $10,000,000 of customer revenue in any of the financial years ended 30 June 2017, 30 June 2018 or 30 June 2019. ("Third Vesting Condition")

The vesting conditions attaching to the Tranche 5 Employee Options are as follows:

Vesting Date	Vesting condition
15/12/2019	25% vest on Family Zone achieving $2.0m Cumulative Revenue in 24 months from engagement or 20,000 Paying Zones. Vested as at 30 June 2018.
15/12/2019	25% vest on Family Zone achieving $4.0m Cumulative Revenue in 24 months from engagement or 30,000 Paying Zones. Vested as at 30 June 2018.
15/12/2019	25% vest on Family Zone achieving $8.0m Cumulative Revenue in 24 months from engagement or 40,000 Paying Zones. Vested as ay 30 June 2018.
15/12/2019	25% vest on Family Zone achieving $10.0m Cumulative Revenue in 24 months from engagement or 50,000 Paying Zones. Vested as at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The vesting conditions attaching to the Tranche 6 Employee Options are as follows:

Vesting Date	Vesting condition
18/03/2019	33.3% vested on issue
18/03/2020	33.3% vest one year following the Issue Date
18/03/2021	33.3% vest on two years following the Issue Date

c) Performance Rights

During the year, 125,000 Class B Performance Rights and 125,000 Class C Performance Rights have been issued to a senior executive under the Company's Performance Rights Plan. In addition, 1,191,111 Class G Performance Rights and 614,085 Class G Performance Rights have been issued to Executive Directors in lieu of cash salaries for the 2019 calendar year. The Performance Rights issued convert into ordinary shares on a one-for-one basis subject to the achievement of a series of vesting conditions.

These Performance Rights were considered to represent the value of the services received over the vesting period. The Performance Rights have been valued based on the share price of the Company at the date of approval of the issue of the Performance Rights with a share-based payment expense recognised over the vesting period of the Performance Rights.

The total share-based payment expense for the year in respect to the Performance Rights on issue was $1,434,155.

d) Performance Shares

The total share-based payment expense for the year in respect to the 28,499,997 Performance Shares that had been issued to employees in lieu of services in the prior period was $148,287.

NOTE 23: OPERATING CASH FLOW INFORMATION

	2019 $	2018 $
Reconciliation of cash flow from operations with loss after income tax		
Loss for the year	(14,401,137)	(18,206,211)
Non-cash items		
Share-based payments	2,021,783	4,306,427
Advertising and other expenses settled in equity	73,511	-
Depreciation and amortisation	4,498,680	3,269,831
Revaluation of contingent consideration	(1,168,470)	139,192
Changes in Assets and Liabilities		
Increase / (Decrease) in Trade and Other Payables	762,424	742,355
(Increase)/ Decrease in Inventory	(65,614)	(30,995)
(Increase)/ Decrease in Trade and Other Receivables	(1,914,204)	(532,526)
Increase)/ (Decrease) in Provisions	(16,429)	(112,953)
Cash flows used in operations	**(10,209,455)**	**(10,556,642)**

Non-cash investing and financing activities disclosed in other notes are:

- Options and shares issued to employees and advisors, per note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 24: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, receivables, and payables.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

The Group manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the Company's risk management policy. The primary objective of the policy is to reduce the volatility of cash flows and asset values arising from such movements.

The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rate risk, ageing analysis and monitoring of credit allowances to manage credit risk and the use of future cash flow forecasts to monitor liquidity risk.

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(c) Categorisation of Financial Instruments

Details of each category in accordance with Australian Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, are disclosed either on the face of the Consolidated Statement of Financial Position or in the notes.

(d) Credit Risk

(i) Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2019 $	2018 $
Financial Assets - Current		
Cash and cash equivalents	5,116,523	2,461,222
Trade receivables	3,228,710	264,181
Total Financial Assets	**8,345,233**	**2,725,403**

Financial assets as at 30 June 2019 are neither past due nor impaired.
The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Refer to Note 2(b) for the Group's adoption of AASB 9.

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(ii) Interest Rate Risk

The Group's maximum exposure to interest rates at the reporting date was:

			Interest Rate Exposure			
	Range of Effective Interest Rate	Carrying Amount	Variable Interest Rate	Non Interest Bearing	Fixed Interest Rate	Total
2019	(%)	$	$	$	$	$
Financial Assets - Current						
Cash and cash equivalents	0-4	5,116,523	4,923,111	193,412	-	**5,116,523**
Financial Liabilities - Current						
Borrowings	14	1,469,535	-	-	1,469,535	**1,469,535**
2018						
Financial Assets - Current						
Cash and cash equivalents	0-1	2,461,222	-	-	2,461,222	**2,461,222**

(e) Fair value of Financial Instruments

The directors consider the carrying amount of the Group's financial instruments to be a reasonable approximation of their fair value on account of their short maturity cycle.

(f) Liquidity Risk

(i) Exposure to Liquidity Risk

The carrying amount of the Group's financial liabilities represents the maximum liquidity risk. The Group's maximum exposure to liquidity risk at the reporting date was:

	2019 $	2018 $
Financial Liabilities - Current		
Trade and other payables	1,143,101	500,277
Borrowings	1,469,535	-
Total financial liabilities	**2,612,636**	**500,277**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

(ii) Contractual Maturity Risk

The following table discloses the contractual maturity analysis at the reporting date:

2019 Financial Instrument	0-6 months $	6-12 months $	Over 1 to 5 years $	More than 5 years $	Total $
Financial Assets					
Cash	5,116,523	-	-	-	5,116,523
Trade and other receivables	3,228,710	-	-	-	3,228,710
Total financial assets	**8,345,233**	**-**	**-**	**-**	**8,345,233**
Financial Liabilities					
Trade and other payables	1,143,101	-	-	-	1,143,101
Borrowings	1,469,535	-	-	-	1,469,535
Total financial liabilities	**2,612,636**	**-**	**-**	**-**	**2,612,636**

2018 Financial Instrument	0-6 months $	6-12 months $	Over 1 to 5 years $	More than 5 years $	Total $
Financial Assets					
Cash	2,461,222	-	-	-	2,461,222
Trade and other receivables	264,181	-	-	-	264,181
Total financial assets	**2,725,403**	**-**	**-**	**-**	**2,725,403**
Financial Liabilities					
Trade and other payables	500,277	-	-	-	500,277
Total financial liabilities	**500,277**	**-**	**-**	**-**	**500,277**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

(g) Market Risk

(i) Foreign exchange risk

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follow:

	Value of NZD exposure expressed in AUD		Value of USD exposure expressed in AUD	
	2019	**2018**	**2019**	**2018**
Net assets (liabilities)	(239,029)	(245,905)	221,165	37,996
Net profit (Loss)	(1,703,487)	(1,135,000)	(1,563,928)	(852,164)

Foreign Currency sensitivity:

Based on the net liability position of the foreign subsidiaries at 30 June 2019, had the Australian dollar weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, the Group's post-tax loss for the year would have been $170,349 higher/$170,349 lower (2018: $113,500 higher/$113,500 lower), and the effect on equity would have been $23,902 higher/$23,902 lower (2018: $24,591 higher/$24,591 lower).

In addition, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been $156,393 higher/$156,393 lower (2018: $85,216higher/$85,216 lower), and the effect on equity would have been $22,117 higher/$22,117 lower (2018: $3,800 higher/$3,800 lower).

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

(ii) Interest Rate Risk

The Group's only exposure to interest rate risk is on balances held as cash and R&D Loan Facility as set out in Note 24(d)(ii).

(iii) Other Price Risk

By virtue of the nature and classification of the financial instruments held by the Group, it is not exposed to significant other price risk.

(iv) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations and economic forecasts, the Group believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Reserve Bank of Australia).

It is considered that 100 basis points is a 'reasonably possible' estimate of potential variations in the interest rate.

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Company at year end as presented to key management personnel, if changes in the relevant risk occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

		Interest Rate Risk			
	Carrying	+1%		-1%	
	Amount	Profit	Equity	Profit	Equity
2019	$	$	$	$	$
Financial Assets - Current					
Cash and cash equivalents	4,923,111	49,231	49,231	(49,231)	(49,231)
Trade Receivables	3,228,710	-	-	-	-
Financial Liabilities - Current					
Trade and other payable	1,143,101	-	-	-	-
Borrowings	1,469,535	(14,695)	(14,695)	14,695	14,695
2018					
Financial Assets - Current					
Cash and cash equivalents	2,461,222	24,612	24,612	(24,612)	(24,612)
Trade Receivables	264,181	-	-	-	-
Financial Liabilities - Current					
Trade and other payable	500,277	-	-	-	-

NOTE 25: SEGMENT INFORMATION

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In the prior year, the Group operated in two segments being cyber security services in Australia and in New Zealand. During the financial year, the Group has continued to expand into the United States of America (USA). As a result of the growth, the Group now has three operating segments which are consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The three main operating segments in which the group operates are information technology (and more specifically the provision of cyber safety services) in Australia, New Zealand and United States of America. The Group also operates in Asia, however this is in the early stages of development, and has been allocated to other. Other also includes head office & corporate expenditure.

30 June 2019	**Australia** $	**New Zealand** $	**USA** $	**Other** $	**Total** $
Segment Income					
Sales revenue	3,209,354	790,384	193,846	(9,262)	4,184,322
Other income	3,840,053	7,015	49	8	3,847,125
Contingent consideration	1,168,470	-	-	-	1,168,470
Total Income	**8,217,877**	**797,399**	**193,895**	**(9,254)**	**9,199,917**

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For the year ended 30 June 2019

Segment Expenses	Australia $	New Zealand $	USA $	Other $	Total $
Cost of sales	(1,675,055)	(163,721)	(131,582)	(62,722)	(2,033,080)
Administration costs	(2,088,252)	(840,922)	(409,086)	(86,870)	(3,425,160)
Finance costs	(93,862)	(1,009)	(5,350)	(50)	(100,271)
Employee and director benefits	(3,607,180)	(1,372,474)	(1,147,928)	-	(6,127,582)
Marketing costs	(921,340)	(68,121)	(15,627)	-	(1,005,088)
Research and Development	(4,478,123)	-	-	-	(4,478,123)
Share-based payments	-	-	-	(1,933,070)	(1,933,070)
Loss before depreciation and amortisation	**(4,645,965)**	**(1,648,848)**	**(1,515,678)**	**(2,091,966)**	**(9,902,457)**
Depreciation and amortisation	(1,459,069)	(2,991,362)	(48,249)	-	(4,498,680)
Loss before Income Tax	**(6,105,034)**	**(4,640,210)**	**(1,563,927)**	**(2,091,966)**	**(14,401,137)**

30 June 2019	Australia $	New Zealand $	USA $	Other $	Total $
Segment Assets and Liabilities					
Cash	4,990,392	44,555	35,160	46,416	5,116,523
Trade and other receivables	2,570,177	153,916	579,916	4,813	3,308.822
Prepayments	763,212	16,581	25,811	-	805,604
Inventory	146,205	28,152	10,924	(28,130)	157,151
Plant and equipment	274,563	106,013	302,181	-	682,757
Intangible assets	668,647	4,157,756	-	-	4,826,403
Trade and other payables	(3,068,531)	(514,838)	(556,624)	(184,500)	(4,324,493)
Provisions	(418,319)	(73,409)	-	-	(491,728)
Borrowings	(1,469,535)	-	-	-	(1,469,535)
Contingent consideration	(677,035)	-	-	-	(677,035)
Net Assets	**3,779,776**	**(3,918,726)**	**397,368**	**(161,401)**	**7,934,469**

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30 June 2018	Australia $	New Zealand $	Other $	Total $
Segment Income				
Sales revenue	2,068,772	239,517	21,492	2,329,780
Other income	2,779,284	12,445	7	2,791,736
Total Income	**4,848,056**	**251,962**	**21,499**	**5,121,516**
Segment Expenses				
Cost of sales	(1,145,401)	(50,150)	(17,710)	(1,213,262)
Administration costs	(3,432,731)	(363,976)	(403,064)	(4,199,771)
Finance costs	(20,803)	(844)	(13,269)	(34,916)
Employee and director benefits	(5,289,451)	(788,386)	(484,342)	(6,562,179)
Marketing costs	(1,162,949)	(45,741)	(23,852)	(1,232,543)
Research and Development	(2,385,566)	(116,385)	(6,848)	(2,508,800)
Share-based payments	-	-	(4,306,427)	(4,306,427)
Loss before depreciation and amortisation	**(8,588,485)**	**(1,113,521)**	**(5,234,013)**	**(14,936,380)**
Depreciation and amortisation	(1,540,024)	(1,729,806)	-	(3,269,831)
Loss before Income Tax	**(10,128,869)**	**(2,843,327)**	**(5,234,013)**	**(18,206,211)**

30 June 2018	Australia $	New Zealand $	Other $	Total $
Segment Assets and Liabilities				
Cash	2,366,182	53,342	41,698	2,461,222
Trade and other receivables	1,181,902	111,764	34,771	1,328,437
Prepayments	136,956	6,417	-	143,373
Inventory	92,423	57,506	-	149,929
Plant and equipment	218,390	39,290	-	257,682
Intangible assets	1,930,708	7,094,478	-	9,025,186
Trade and other payables	(3,108,858)	(498,205)	(9,229)	(3,616,292)
Provisions	(404,671)	(56,357)	-	(461,028)
Contingent consideration	(2,245,505)	-	-	(2,245,505)
Net Assets	**167,527**	**6,808,235**	**67,240**	**7,043,004**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 26: RELATED PARTY TRANSACTIONS

(a) Parent and Subsidiaries

The parent entity and ultimate parent entity of the Group is Family Zone Cyber Safety Limited, a company listed on the Australian Securities Exchange. The components of the Group are:

	Incorporation	Extent of control 2019	Extent of control 2018
Parent			
Family Zone Cyber Safety Limited	Australia	-	-
Controlled entities			
Family Zone Inc.	USA	100%	100%
Family Zone Cyber Safety Pte. Ltd.	Singapore	100%	100%
Family Zone NZ Cyber Safety Ltd (formerly Linewize Service Ltd)[1]	New Zealand	100%	100%

1. On 1 April 2019 Linewize Services Ltd amalgamated with Linewize Ltd (acquiring all its assets and liabilities). Linewize Services Ltd was renamed Family Zone NZ Cyber Safety Ltd and Linewize Ltd was deregistered.

(b) Key Management Personnel Compensation

Information on remuneration of all Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report. The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows:

	2019 $	2018 $
Short-term employee benefits	408,933	530,734
Post-employment benefits	47,500	-
Share-based payment	481,526	293,989
Total	**937,959**	**824,723**

(c) Loans with Key Management Personnel

(Mr Tim Levy – Managing Director)

A loan balance has arisen between Family Zone Cyber Safety Limited and Mr Tim Levy as a result of funds loaned to the Company and payments made on behalf of the Company by the Mr Levy in the prior year. Movements in the loan account during the year are as follows:

	2019 $	2018 $
Opening balance payable by the Company	-	(20,483)
Loans received from director	-	-
Cash repayments	-	20,483
Total Payable to the Company	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

(c) Other Transactions with Key Management Personnel

a) Grange Consulting

Mr Phil Warren, a Director of the Company, is also a Managing Director of Grange Consulting and an entity related to him is shareholder of Grange Consulting.

A summary of the total fees paid to Grange Consulting and Grange Capital Partners for the year ended 30 June 2019 and 30 June 2018 is as follows:

	30 June 2019	30 June 2018
	$	$
Company secretarial and financial management services	94,500	94,500
Total	**94,500**	**94,500**

Amounts payable to Grange Consulting/Grange Capital Partners as at 30 June 2019 were $25,987 (Including GST), as at 30 June 2018 were $17,586 (incl GST).

b) Tellus Matrix LLP

Sir Peter Westmacott, a Director of the Company, is also Vice Chairman and Partner of Tellus Matrix LLP.

$387,503 was paid to Tellus Matrix LLP for the year end 30 June 2019 in relation to capital raising and corporate advisory fees. There were no amounts outstanding and payable to Tellus Matrix LLP as at 30 June 2019. In addition, 500,000 options for a 2 year term with an exercise price $0.60 per option were issued to a nominee of Tellus Matrix LLP for capital raising services. 101,825 fully paid ordinary shares were also issued to a nominee of Tellus Matrix LLP for corporate advisory services.

NOTE 27: AUDITOR'S REMUNERATION

	2019	2018
	$	$
The auditor of Family Zone Cyber Safety Limited		
Amounts received or due and receivable by Pitcher Partners for:		
Pitcher Partners BA&A Pty Ltd		
- Audit and review services	47,000	41,000
- Non-audit services – Other assurance engagements	3,000	6,250
Pitcher Partners (WA) Pty Ltd – Taxation	10,600	8,500
Total remuneration of Pitcher Partners BA&A Pty Ltd and related firms	**60,600**	**55,750**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 28: COMMITMENTS AND CONTINGENT LIABILITIES

Operating Lease Commitments – Group as Lessee:

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	30 June 2019 $	30 June 2018 $
Within one year	160,780	66,298
Later than one year but not later than five years	158,442	-
Later than five years	-	-
Total	**319,222**	**66,298**

The Directors are not aware of any other commitments or any contingent liabilities that may arise from the Group's operations as at 30 June 2019.

NOTE 29: PARENT ENTITY DISCLOSURE

	30 June 2019 $	30 June 2018 $
Assets		
Current assets	8,454,204	3,508,483
Non-current assets	5,135,615	9,322,390
Total Assets	**13,589,819**	**12,830,873**
Liabilities		
Current liabilities	5,583,205	3,298,480
Non-current liabilities	72,145	2,489,389
Total Liabilities	**5,655,350**	**5,787,869**
Net Assets/(Deficiency)	**7,934,469**	**7,043,004**
Equity		
Issued Capital	45,567,979	30,871,193
Reserves	7,454,897	6,842,123
Accumulated losses	(45,088,407)	(30,670,312)
Total Equity	**7,934,469**	**7,043,004**

NOTE 30: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 23 July 2019, the Company announced that it had received advice from the US Patent & Trademark Office of the award of a Patent in relation to the Company's "Device Management System" under application 15/286434.

On 25 July 2019, the Company announced a new strategic partner, Check Point Software Technologies Ltd, to bring a unique, best of breed cyber safety and security solution to the education sector.

Apart from the events discussed above, no other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the accompanying financial statements set out on pages 30 to 72 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and

   ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2019.

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

On behalf of the Directors

Tim Levy
Managing Director

30 August 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FAMILY ZONE CYBER SAFETY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Family Zone Cyber Safety Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2019, 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 a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 Group 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2(a) to the financial report which indicates that the Group incurred a net loss of $14,410,138 during the year ended 30 June 2019 (2017: loss of $18,206,211), net cash outflows of $10,209,455 from operating activities (2018: 10,556,642) and had cash and cash equivalents of $5,116,523 (2018: $2,461,222). These conditions, along with other matters as set forth in Note 2(a), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in 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.

Pitcher Partners BA&A Pty Ltd

An independent Western Australian Company ABN 76 601 361 095.
Level 11, 12-14 The Esplanade, Perth WA 6000
Registered Audit Company Number 467435.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FAMILY ZONE CYBER SAFETY LIMITED

Key Audit Matter	How our audit addressed the key audit matter
Valuation of intangible assets *Refer to Note 11 of the financial report*	
At 30 June 2019, the consolidated statement of financial position of the Group includes intangible assets of $4,826,403. This amount represents 32% of total assets. Due to the significance to the Group's financial report and the level of management's judgment involved in assessing whether there are impairment indicators present, we consider this to be a key audit matter.	Our procedures included, amongst others: Assessing management's determination of the appropriate Cash Generating Unit ("CGU") based on our understanding of the nature of the Group's business and the economic environment in which it operates. Also reviewing the internal reporting of the Group to assess how earnings streams and groups of assets are monitored and reported Evaluating management's relevant controls and processes regarding valuation of the CGU to determine any potential impairment including the procedures around the preparation and review of the associated cash flow forecasts Assessing the appropriateness of management's judgment and conclusion that there were no impairment indicators present as at 30 June 2019. In doing so considering internal and external impairment factors and assessing the appropriateness of the amortisation period of the capitalised expenditure pursuant to the requirements of Australian Accounting Standards. Assessing, agreeing and checking the data within the cash flow forecasts associated with the CGU. Considering the adequacy of the disclosures included within the financial report.
Revenue Recognition *Refer to Note 2(b) & 4 of the Financial Report*	
For the year ended 30 June 2019, the Group has revenue of $4,184,323 from the sale of hardware and/or for contracts to provide subscription services. The determination of revenue recognition requires management judgements in accounting for revenue, discounts and credit notes in accordance with the Group's identified performance obligations as part of the transaction.	Our procedures included, amongst others: Obtaining an understanding of the relevant controls associated with the treatment of revenue, including, but not limited to, those relating to identification of performance obligations, discounts, incentives and rebates. Considering the appropriateness of the Group's revenue recognition accounting policies including those relating to identifying performance obligations, determining the transaction price and allocating the transaction price to the performance obligations in contract. Testing a sample of transactions by sighting evidence of signed contracts, related invoices and comparing the revenue amount recognised to the timing of when the Group satisfies performance obligations associated with the transaction. Considering the adequacy of the disclosures included within the financial report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FAMILY ZONE CYBER SAFETY LIMITED

Share Based Payments *Refer to Note 3(m), 16 and 23 of the Financial Report*	
At 30 June 2019, share based payments of $1,933,070 represent a significant portion of the Group's expenditure. Share based payments must be recorded at fair value of the service provided, or in the absence of such, at the fair value of the underlying equity instrument granted. In calculating the fair value there are a number of management judgements including but not limited to: • Assessing the probability of achieving key performance milestones in relation to vesting conditions; and • Assessing the fair value of the share price on grant date, estimate of expected future share price volatility, expected dividend yield and risk-free rate of interest.	Our procedures included, amongst others: Obtaining an understanding of the relevant controls associated with the preparation of the valuation model used to assess the fair value of share based payments, including those relating to volatility of the underlying security and the appropriateness of the model used for valuation. Critically evaluating and challenging the methodology and assumptions of management in their preparation of valuation model, agreeing inputs to internal and external sources of information. Assessing the appropriateness of share based payments expensed during the year pursuant to the requirements of Australian Accounting Standards. Assessing the Group's accounting policy as set out within Note 3(m) for compliance with the requirements of AASB 2 *Share-based Payment*.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors report, which was obtained as at the date of our audit report, and any additional other information included in the Company's annual report for the year ended 30 June 2019, 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 above 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 Company 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Pitcher Partners

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FAMILY ZONE CYBER SAFETY LIMITED

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 Group'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 Group'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 Group 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 Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FAMILY ZONE CYBER SAFETY LIMITED

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

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Family Zone Cyber Safety Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

PAUL MULLIGAN
Executive Director
Perth, 30 August 2019

ASX ADDITIONAL INFORMATION

Additional information required by the Listing Rules not disclosed elsewhere in this Annual Report is set out below.

1. Number of holders and voting rights of each class of equity securities

The issued capital of the Company as at 22 August 2019 includes the following securities:

Equity Class	Number of holders	Total on issue
Fully paid ordinary shares	1,614	200,627,835
Unlisted Options ($0.25, 29 Aug 2019)	24	5,888,438
Unlisted Employee Options ($0.33, 19 Sept 2019)	27	4,321,340
Unlisted Employee Options ($0.30, 15 Dec 2019)	2	5,335,000
Broker Options ($0.30, 5 May 2020)	1	1,750,000
Broker Options ($0.50, 4 Dec 2020)	1	850,000
Broker Options ($0.60, 4 Dec 2020)	1	850,000
Broker Options ($0.75, 9 Apr 2021)	1	516,765
Broker Options ($0.90, 9 Apr 2021)	1	516,765
TM Options ($0.60, 29 Aug 2020)	1	500,000
Advisor Options (($0.25, 11 Mar 2022)	1	250,000
Employee Options ($0.18, 18 Mar 2022)	44	2,147,647
Broker Options ($0.235, 21 May 2022)	1	898,692
Performance Shares (Class B-H)	14	28,499,997
Performance Rights (Class B-G)	15	5,355,197

All issued fully paid ordinary shares (**Shares**) carry one vote per share. Options, Performance Share and Performance Rights do not entitle the holder to vote on any resolution proposed at a general meeting of Shareholders.

2. Substantial holders in the Company

Substantial Shareholder	Number of Shares held	% of Total Shares
Timothy Nominees Pty Ltd	10,479,729	5.22%
Herald Investment Trust plc	10,458,510	5.22%

3. Distribution of equity securities as at 22 August 2019

a) Fully paid ordinary shares

Holding Ranges	Holders	Total Shares	% Total Shares
1 - 1,000	109	69,367	0.03%
1,001 - 5,000	367	1,047,988	0.52%
5,001 - 10,000	239	1,914,911	0.95%
10,001 - 100,000	682	28,121,134	14.02%
100,001 - 9,999,999,999	217	169,474,435	85.47%
Totals	**1,614**	**200,627,835**	**100.00%**

There were 311 holders with less than a marketable parcel of Shares based on the closing share price of $0.17 on 22 August 2019.

ASX ADDITIONAL INFORMATION (CONTINUED)

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b) Unlisted Options ($0.25, 29 Aug 2019)

Holding Ranges	Holders	Total Options	% Total Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	1	7,813	0.13%
10,001 - 100,000	12	706,250	11.99%
100,001 - 9,999,999,999	11	5,174,375	87.87%
Totals	**24**	**5,888,438**	**100.00%**

c) Employee Options ($0.33, 19 Sept 2019)

Holding Ranges	Holders	Total Employee Options	% Total Employee Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	8	603,523	13.97%
100,001 - 9,999,999,999	19	3,717,817	86.03%
Totals	**27**	**4,321,340**	**100.00%**

d) Employee Options ($0.30, 15 Dec 2019)

Holding Ranges	Holders	Total Employee Options	% Total Employee Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	2	5,335,000	100.00%
Totals	**2**	**5,335,000**	**100.00%**

e) Broker Options ($0.30-$0.90, 5 May 2020 to 9 Apr 2021)

Holding Ranges	Holders	Total Broker Options	% Total Broker Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	4,483,530	100.00%
Totals	**1**	**4,483,530**	**100.00%**

ASX ADDITIONAL INFORMATION (CONTINUED)

f) TM Options ($0.60,29 Aug 2020)

Holding Ranges	Holders	Total TM Options	% Total TM Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	500,000	100.00%
Totals	**1**	**500,000**	**100.00%**

g) Advisor Options (($0.25, 11 Mar 2022)

Holding Ranges	Holders	Total Advisor Options	% Total Advisor Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	250,000	100.00%
Totals	**1**	**250,000**	**100.00%**

h) Employee Options ($0.18, 18 Mar 2022)

Holding Ranges	Holders	Total Employee Options	% Total Employee Options
1 - 1,000	-	-	-
1,001 - 5,000	4	8,170	0.38%
5,001 - 10,000	5	37,370	1.77%
10,001 - 100,000	27	741,235	34.51%
100,001 - 9,999,999,999	8	1,360,272	63.34%
Totals	**44**	**2,147,647**	**100.00%**

i) Broker Options ($0.235, 21 May 2022)

Holding Ranges	Holders	Total Advisor Options	% Total Advisor Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-

ASX ADDITIONAL INFORMATION (CONTINUED)

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100,001 - 9,999,999,999	1	898,692	100.00%
Totals	**1**	**898,692**	**100.00%**

j) Performance Shares (Class A-H)

Holding Ranges	Holders	Total Performance Shares	% Total Performance Shares
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	14	28,499,997	100.00%
Totals	**14**	**28,499,997**	**100.00%**

k) Performance Rights (Class B-G)

Holding Ranges	Holders	Total Performance Rights	% Total Performance Rights
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	1	100,000	-
100,001 - 9,999,999,999	14	5,255,197	100.00%
Totals	**15**	**5,355,197**	**100.00%**

ASX ADDITIONAL INFORMATION (CONTINUED)

4. Top 20 Shareholder as at 22 August 2019

Position	Holder Name	Holding	% IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,789,924	6.37%
2	TIMOTHY NOMINEES PTY LTD <TIMOTHY FAMILY A/C>	10,479,729	5.22%
3	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	8,445,544	4.21%
4	GASMERE PTY LTD	6,808,888	3.39%
5	VIDACOS NOMINEES LIMITED	5,751,825	2.87%
6	MCCUSKER HOLDINGS PTY LTD	5,640,000	2.81%
7	SISU INTERNATIONAL PTY LTD	5,165,149	2.57%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,008,786	2.50%
9	BIG PROPERTY INVESTMENTS P/L	4,444,445	2.22%
10	CARLO CHIODO/CHIODO TRADING	4,410,686	2.20%
11	CITICORP NOMINEES PTY LIMITED	4,274,710	2.13%
12	FRESHIE PTY LTD <THE SWAN FAMILY A/C>	4,196,574	2.09%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,160,612	2.07%
14	TRIGGER ASSETS PTY LTD <THE TRIGGER INVESTMENT A/C>	3,885,986	1.94%
15	SCOTT ROBERT NOAKES	3,680,000	1.83%
15	MICHAEL OLIVER LAWSON	3,680,000	1.83%
16	1001 PTY LTD <D COLBRAN SUPER FUND A/C>	3,550,000	1.77%
17	NOVALANE COM PTY LTD <ROBINSON FAMILY A/C>	3,472,680	1.73%
18	BROWN BRICKS PTY LTD	2,355,938	1.17%
19	FIDELIO	2,315,271	1.15%
20	GOONET PTY LTD	2,222,222	1.11%
	Total	**106,738,969**	**53.20%**
	Total issued capital - selected security class(es)	**200,627,835**	**100.00%**

5. Restricted Securities

The following securities as classified as restricted securities and are subject to escrow periods as outlined below

Security	Escrowed to 29 Nov 2019	Escrowed to 1 Jan 2020	Escrowed to 8 Apr 2020
Shares	6,080,000	793,778	500,000

6. Unquoted Securities

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

ASX ADDITIONAL INFORMATION (CONTINUED)

a) Broker Options ($0.30-$0.90, 5 May 2020 to 9 Apr 2021)

Holder Name	Holding	% Total Options
TR Nominees Pty Ltd	4,483,530	100.00%
Total Broker Options	**4,483,530**	**100.00%**

b) Performance Shares

Holder Name	Holding	% Total Performance Shares
Timothy Nominees Pty Ltd <Timothy Family A/C>	7,757,220	25.43%
Total	**30,499,997**	**100.00%**

c) TM Options ($0.60, 29 Aug 2020)

Holder Name	Holding	% Total Options
Vidacos Nominees Limited	500,000	100.00%
Total Broker Options	**500,000**	**100.00%**

d) Advisor Options ($0.25, 11 Mar 2022)

Holder Name	Holding	% Total Options
Idea X Partners Pte Ltd	250,000	100.00%
Total Broker Options	**250,000**	**100.00%**

e) Broker Options ($0.25, 11 Mar 2022)

Holder Name	Holding	% Total Options
L39 Pty Ltd <No 12 A/C>	898,692	100.00%
Total Broker Options	**898,692**	**100.00%**

7. On-market buy back

There is currently no on-market buyback program for any of the Company's listed securities and no securities were purchased on market during the financial period.

8. Use of Funds

In accordance with ASX Listing Rule 4.10.19, Family Zone confirms it has used the cash and assets in a form readily convertible into cash, that it had at the time of its admission to ASX, for the year ended 30 June 2019 in a way that is consistent with its business objectives and strategy.

CORPORATE GOVERNANCE

In accordance with ASX Listing Rule 4.10.3 the Company's corporate governance statement can be found at the following URL:

https://cdn2.hubspot.net/hubfs/416543/Corporate%20Governance%20Statement%20-Family%20Zone%2030%20June%202019.pdf

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of Shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main corporate governance practises in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3rd edition unless otherwise stated.