



Family Zone Cyber Safety Limited
(ACN 167 509 177)

and controlled entities

HALF YEAR FINANCIAL REPORT

for the half year ended 31 December 2020



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**Family Zone Cyber Safety Limited
and controlled entities
Half Year Report 31 December 2020**

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CORPORATE INFORMATION

Directors

Tim Levy	Managing Director
Peter Pawlowitsch	Non-Executive Chairman
Crispin Swan	Executive Director - Sales
Phil Warren	Non-Executive Director
Matthew Stepka	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 17, 37 St Georges Terrace
PERTH WA 6000

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

BDO Audit (WA) Pty Ltd
38 Station St
SUBIACO WA 6008
Telephone: +61 8 6382 4600

Securities Exchange Listing

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



APPENDIX 4D INFORMATION

Reporting period

Current period: Half year ended 31 December 2020

Previous corresponding period: Half year ended 31 December 2019

Results for announcement to market

	% increase/ (decrease)	31 December 2020	31 December 2019
Revenue from ordinary activities	85.0%	\$4,388,743	\$2,372,556
Profit/(loss) from ordinary activities after tax attributable to members	12.4%	(\$9,332,409)	(\$8,303,050)
Net profit/(loss) for the period attributable to members	12.4%	(\$9,332,409)	(\$8,303,050)

Dividends

No dividends have been declared or paid during the period ended 31 December 2020. The Directors do not recommend the payments of a dividend in respect of the period ended 31 December 2020.

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

Explanation of results

Please refer to Results and Review of Operations within the Directors Report for an explanation of the results.

Net tangible assets per security

Net tangible assets/(liabilities) per share	31 December 2020 cents per share	30 June 2020 cents per share
Net tangible assets/(liabilities) per share	5.77	1.07

Other

The Group has gained control of Cyber Education Pty Ltd on 1 July 2020. Please refer to Note 3 of the Financial Report for further details.

There are no associates or joint ventures held by the Group.

Audit

The Independent Auditor's Review Report included an unmodified opinion.



DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the condensed consolidated financial statements of Family Zone Cyber Safety Limited (**Company**) and its controlled entities (**Family Zone** or **Group**) for the half year ended 31 December 2020. 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 period and until the date of this report are as follows:

Mr Tim Levy	Managing Director
My Peter Pawlowitsch	Non-Executive Chairman
Mr Crispin Swan	Executive Director – Sales
Mr Phil Warren	Non-Executive Director
Mr Matthew Stepka	Non-Executive Director

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

PRINCIPAL ACTIVITIES

Family Zone is a technology group focused 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 could be delivered across any network and any device - offering a universal approach to cyber safety at home, at school and anywhere in between. Family Zone's patented cyber safety ecosystem enables collaboration between schools, parents and cyber safety educators. The Group's offers a wide range products and services to the education sector to support student well being and provide powerful insights and analytics as well as premium parental controls which it sells direct to consumers and through its school communities and districts.

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

RESULTS

The net loss attributable to members of the Group for the half year ended 31 December 2020 amounted to \$9,332,409 (31 December 2019: net loss attributable to members \$8,303,050).

The net loss attributable to members for the current period included share based payment expenses of \$1,279,729 and depreciation and amortisation charges of \$1,655,571. The net loss from operations for the period ended 31 December 2020 excluding these non-cash items was \$6,397,109.

The Group's cash at bank was \$25,879,861 as at 31 December 2020.



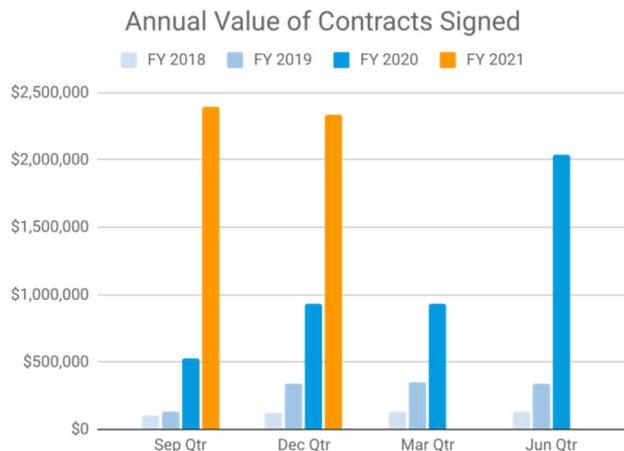
REVIEW OF OPERATIONS

Highlights

In the half year ended 31 December 2020 the Group continued to achieve solid growth across all key metrics including:

- Revenue from ordinary activities up 85% to \$4.4 million;
- Customer collections up 165% to \$7.1 million (from \$2.67million);
- Contracted schools, up 145% to 2,861 schools with a further 271 schools completing trials; and
- Contracted student licences, up 144% to 1.5 million contracted students and 1.67 million on the platform;
- Ended the period fully funded for its current growth plans with \$25.9 million cash.

Family Zone's education sales pipeline, inclusive of proof-of-concept trials, also remains strong at the end of the period. The Group is planning a soft launch of its consumer business into the US market in early 2021 through the significant Family Zone Community network associated with the US schools it currently services. The Company has also continued to grow its contracted review with approximately \$8 million of total contracted revenue signed in the period.

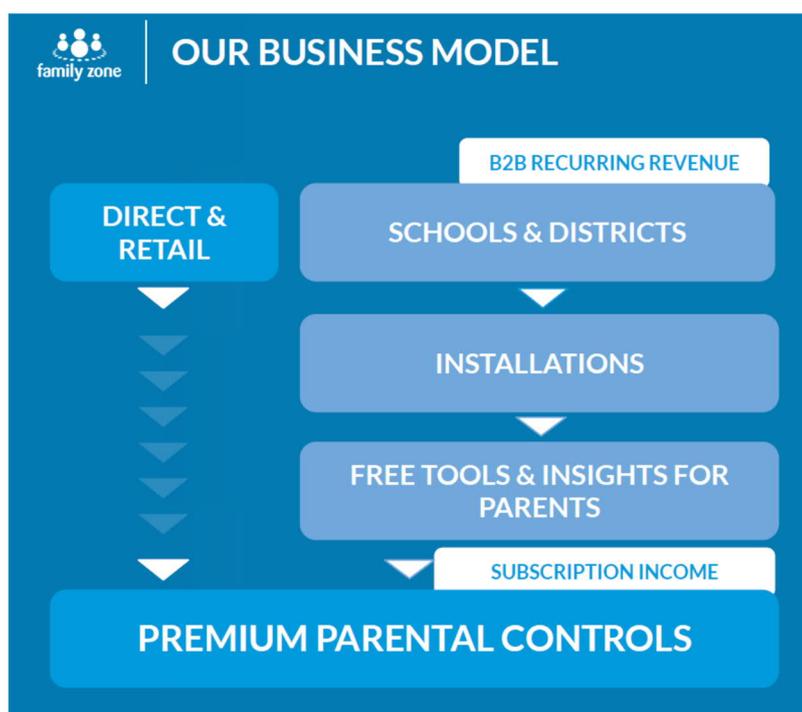


Business Model

The Group's Business model comprises two key channels being its Direct Consumer Business (B2C) and its Education Business (comprising B2B and B2B2C).

The Education Business provides the Company with access to a number of revenues streams including:

- **School Compliance** – Family Zone provides content filtering, device and user management features to support school compliance, pastoral care and classroom control
- **School Community-** Family Zone's school platform can be used for free by parents as a monitoring tool called Insights. It also offers schools and parents with access to educational content, cyber safety advice and tools.
- **Premium Parental Controls** – school community parents can upgrade to premium parental control accounts to enforce their rules after school.





Strong sales growth driven by US Education Business

During the period the Group has seen rapid growth in its US education business, with 2,367 USA schools and 1.2 million US licensed students as at 31 December 2020. Revenues from US schools increased 371% to \$2.4 million for the period and accounted for over 50% of the Company's revenue from ordinary activities.



The strong performance of the US education market has driven solid growth in the Group's revenues from ordinary activities which pleasingly increased 85% to \$4.4 million for the period. Other revenues comprise predominantly R&D and other government grant income. The Group's commitment to investment in the development of new products and ongoing upgrades to existing products has resulted in a continued growth in R&D revenues which increased 37% to \$1.4 million for the period.

Revenue	6 months 31 Dec 2020	6 months 31 Dec 2019	Increase/(Decrease)
Revenue from Ordinary Activities	\$4,388,743	\$2,372,556	85%
Other Revenue	\$2,455,001	\$1,058,379	132%
Total	\$6,843,744	\$3,430,935	100%

Continued investment to drive growth and improve efficiency

The following table shows the Group's costs for the current and prior period excluding non-cash cost items (which include depreciation and amortisation and share based payment expense).

Expenses	6 months 31 Dec 2020	6 months 31 Dec 2019	Increase/(Decrease)
Employee benefits	\$7,437,258	\$4,901,520	52%
Direct costs	\$3,726,671	\$1,698,180	120%
Administration and corporate costs	\$1,572,602	\$1,584,729	(1%)
Finance costs	\$25,069	\$33,293	(25%)
Other	\$479,253	\$500,895	(4%)
Total	\$13,240,853	\$8,718,617	52%

As outlined above the Group's costs (excluding non-cash items) for the period increased 52% as the Company has been investing in growth with this driving revenue growth, increasing by 100% over the period.

Family Zone is focussed on investment in its people and the expansion and integration of its team, to drive growth with employee costs being its key expense item. The employee benefits expense reflected the expansion in the Family Zone team from 85 to 140 full time employees at the end of the period. Recruitment has focussed on:

- Engineering capacity and capability to deliver scale, new features and innovation;



- Delivery capacity to ensure exceptional experiences for customers; and
- Management team and capability.

The significant increase in direct costs during the period has resulted from the once off Google Cloud Platform (**GCP**) migration project undertaken during the period, which the Company believes will result in a long term reduction in its direct costs and improved services and features providing added value to the Company's customers. This has been a complex project with the entire Group's data and hosting services being migrated from Amazon Web Services (**AWS**) to GCP. The migration meant the Group has been running, AWS and GCP in parallel since August 2020 and therefore paying data and hosting costs for both services, which resulted in a doubling of these costs during period. This project is due for completion during the second half of the 2021 financial year.

Reflecting the scale of Family Zone's platforms and deepening partnership with Google, the Company became one of few Australian companies that have signed an Enterprise Agreement with the global giant.

Placement and SPP

During the period, the Company raised \$22 million through a \$20 million Placement (before costs) to sophisticated and professional investors and a \$2 million share purchase plan (**SPP**) offer to retail investors.

Family Zone's current growth plans are now fully funded with the proceeds from the Placement and SPP being used to fund the acceleration of the Company's growth strategy in existing markets as well as expansion into new markets. This includes expanding the Company's engineering teams, back office systems, structures and personnel to ensure a world class product and delivery.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

AFTER BALANCE DATE EVENTS

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Subsequent to year end, two new lease agreements were entered into by the Company for premises in Australia. The first lease is for a term of 2 years, commencing 1 January 2021 relating to a premises in Victoria and the second lease is for the head office in Perth with a term of 5 years commencing 1 September 2021.

No 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.

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.



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ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

DIVIDENDS

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

Signed in accordance with a resolution of the Directors.

Mr Tim Levy
Managing Director
25 February 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF FAMILY ZONE CYBER SAFETY LIMITED

As lead auditor for the review of Family Zone Cyber Safety Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2021



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
Revenue			
Revenue from ordinary activities	4	4,388,743	2,372,556
Other revenue	4	2,455,001	1,058,379
Expenses			
Employee benefits		(7,437,258)	(4,901,520)
Share based payments	5	(1,279,729)	(679,582)
Direct costs		(3,726,671)	(1,698,180)
Administration and corporate costs		(1,572,602)	(1,584,729)
Finance costs		(25,069)	(33,293)
Depreciation and amortisation		(1,655,571)	(2,335,785)
Other expenses		(479,253)	(500,895)
Loss before income tax		(9,332,409)	(8,303,050)
Income tax benefit/(expense)		-	-
Loss after tax for the period attributable to the members of Family Zone Cyber Safety		(9,332,409)	(8,303,050)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations, net of tax		(70,968)	(5,002)
Total comprehensive loss for the period attributable to the members of Family Zone Cyber Safety		(9,403,377)	(8,308,052)
Basic and diluted loss per share (cents per share) for the period attributed to the members of Family Zone Cyber Safety			
		(2.93)	(7.38)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		25,879,861	5,807,193
Trade and other receivables	6	3,228,736	4,739,118
Inventory		321,312	249,993
Prepayments		318,472	188,611
Total Current Assets		29,748,381	10,984,915
Non-Current Assets			
Intangibles	7	13,120	1,251,177
Trade and other receivables	6	135,102	53,156
Plant and equipment	8	2,112,140	1,540,565
Lease assets	9	477,713	365,740
Total Non-current Assets		2,738,075	3,210,638
TOTAL ASSETS		32,486,456	14,195,553
LIABILITIES			
Current Liabilities			
Trade and other payables	10	3,459,473	3,121,307
Contract liabilities		3,353,267	2,314,320
Provisions		644,575	655,028
Borrowings	11	-	1,272,510
Lease Liability	9	246,404	225,642
Total Current Liabilities		7,703,719	7,588,807
Non- Current Liabilities			
Contract liabilities		2,136,732	1,917,795
Contingent consideration		45,369	22,117
Provisions		103,563	103,563
Lease Liability	9	253,830	156,625
Total Non-Current Liabilities		2,539,494	2,200,100
TOTAL LIABILITIES		10,243,213	9,788,907
NET ASSETS		22,243,243	4,406,646
EQUITY			
Issued capital	12	82,794,879	56,673,575
Reserves	13	11,482,990	10,435,288
Accumulated losses	14	(72,034,626)	(62,702,217)
TOTAL EQUITY		22,243,243	4,406,646

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2020

	Issued Capital	Reserves	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	45,567,979	7,454,897	(45,085,097)	(3,310)	7,934,469
Loss for the period	-	-	(8,303,050)	-	(8,303,050)
Total other comprehensive income	-	-	-	(5,002)	(5,002)
Total comprehensive loss for the period	-	-	(8,303,050)	(5,002)	(8,308,052)
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of ordinary shares	5,508,308	-	-	-	5,508,308
Transaction costs	(525,200)	-	-	-	(525,200)
Issue of Options, Performance Rights and Performance Shares	-	976,576	-	-	976,576
Reversal of Performance Rights	-	(20,833)	-	-	(20,833)
Reversal of Employee Options	-	(27,492)	-	-	(27,492)
Total transactions with owners	4,983,108	928,251	-	-	5,911,359
Balance at 31 December 2019	50,551,087	8,383,148	(53,388,148)	(8,312)	5,537,775
	Issued Capital	Reserves	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	56,673,575	10,448,193	(62,702,217)	(12,905)	4,406,646
Loss for the period	-	-	(9,332,409)	-	(9,332,409)
Total other comprehensive income	-	-	-	(70,968)	(70,968)
Total comprehensive loss for the period	-	-	(9,332,409)	(70,968)	(9,403,377)
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of ordinary shares	27,528,977	-	-	-	27,528,977
Transaction costs	(1,407,673)	-	-	-	(1,407,673)
Issue of Options, Performance Rights and Performance Shares	-	2,293,226	-	-	2,293,226
Reversal of Performance Rights	-	(1,103,428)	-	-	(1,103,428)
Reversal of Employee Options	-	(71,128)	-	-	(71,128)
Total transactions with owners	26,121,304	1,118,670	-	-	27,239,974
Balance at 31 December 2020	82,794,879	11,566,863	(72,034,626)	(83,873)	22,243,243

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



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CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2020

	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities		
Receipt from customers	6,425,773	2,669,148
Government grants received	2,094,471	1,943,696
Payments to suppliers and employees	(12,141,954)	(8,656,086)
Interest received/(paid)	116,810	(30,582)
Net cash flows used in operating activities	(3,504,900)	(4,073,824)
Cash flows from investing activities		
Purchase of plant & equipment	(845,951)	(396,479)
Net cash flows used in investing activities	(845,951)	(396,479)
Cash flows from financing activities		
Proceeds from issue of shares, net of share issue costs	25,960,245	4,489,277
Proceeds received for shares not yet issued	-	-
Payment of principal portion of lease liabilities	(143,139)	-
Repayments of borrowings	(1,328,615)	(616,034)
Net cash flows from financing activities	24,488,491	3,873,243
Net (decrease)/increase in cash and cash equivalents	20,137,641	(597,060)
Net foreign currency exchange differences	(64,973)	3,220
Cash and cash equivalents at beginning period	5,807,193	5,116,523
Cash and cash equivalents at end period	25,879,861	4,522,682

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



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NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2020

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Family Zone Cyber Safety Limited (**Company**) is a listed public company incorporated and domiciled in Australia and is the head of the Group. The half-year financial statements of the Group are as at and for the period ended 31 December 2020.

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.

a) Basis of Preparation

The half-year financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, including AASB 134 *Interim Financial Reporting*.

The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year condensed financial statements, the half-year has been treated as a discrete reporting period.

These condensed interim 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.

It is recommended that this half-year report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Family Zone Cyber Safety Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Family Zone Cyber Safety Limited is a company limited by shares. The half-year report is presented in Australian currency and all amounts noted are in Australian dollars unless otherwise noted. Family Zone Cyber Safety Limited is a for-profit entity.

Except as disclosed in note 1(c), the accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

b) Adoption of new and revised accounting standards

This half-year report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2020, except for the impact of the new and amended standards and interpretations issued by the Australian Accounting Standards Board ('AASB').

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and



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- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the impact of these new accounting standards and amendments and does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

- IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

c) Changes to critical accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liabilities affected in future periods.

Please refer to the Group's 30 June 2020 financial statements for information on the Group's judgements, estimates and assumptions.

NOTE 2: SEGMENT REPORTING

The chief operating decision maker has been identified as the Board of Directors.

The Group has three main operating segments being, 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. This is consistent with the internal reporting provided to the chief operating decision maker.

31 December 2020	Australia	New Zealand	USA	Corporate	Total
	\$	\$	\$	\$	\$
Segment Income					
Sales revenue	1,398,048	580,689	2,409,781	225	4,388,743
Other income	2,169,012	2,058	283,927	4	2,455,001
Total Income	3,567,060	582,747	2,693,708	229	6,843,744



31 December 2020	Australia	New Zealand	USA	Corporate	Total
Segment Expenses	\$	\$	\$	\$	\$
Direct Costs	(3,264,048)	(89,535)	(373,088)	-	(3,726,671)
Operating expenses	(6,110,234)	(517,225)	(2,536,363)	120,136	(9,043,686)
Research and Development	(369,319)	(17,554)	(83,622)	-	(470,495)
Share-based payments	-	-	-	(1,279,729)	(1,279,729)
Loss before depreciation and amortisation	(6,176,541)	(41,567)	(299,365)	(1,159,364)	(7,676,837)
Depreciation and amortisation	(203,017)	(1,272,156)	(180,398)	-	(1,655,571)
Loss before Income Tax	(6,379,558)	(1,313,723)	(479,763)	(1,159,364)	(9,332,408)
31 December 2019	Australia	New Zealand	USA	Corporate	Total
Segment Income	\$	\$	\$	\$	\$
Sales revenue	1,382,917	445,165	511,774	32,701	2,372,556
Other income	1,058,358	-	9	12	1,058,379
Total Income	2,441,275	445,165	511,783	32,713	3,430,935
Segment Expenses	Australia	New Zealand	USA	Corporate	Total
	\$	\$	\$	\$	\$
Direct Costs	(1,544,942)	(83,157)	(58,362)	(11,719)	(1,698,180)
Operating expenses	(4,669,567)	(713,703)	(1,234,183)	(7,229)	(6,624,682)
Research and Development	(278,992)	(52,817)	(63,947)	-	(395,756)
Share-based payments	-	-	-	(679,582)	(679,582)
Loss before depreciation and amortisation	(4,052,226)	(404,512)	(844,709)	(665,817)	(5,967,266)
Depreciation and amortisation	(735,232)	(52,267)	(79,924)	(1,468,362)	(2,335,785)
Loss before Income Tax	(4,787,458)	(456,780)	(924,635)	(2,134,180)	(8,303,050)
31 December 2020	Australia	New Zealand	USA	Other	Total
Segment Assets	\$	\$	\$	\$	\$
Segment Assets	28,865,259	373,567	3,202,477	45,153	32,486,456
Segment Liabilities	(5,310,445)	(226,896)	(4,688,050)	(17,823)	(10,243,214)
30 June 2020	Australia	New Zealand	USA	Other	Total
Segment Assets	\$	\$	\$	\$	\$
Segment Assets	8,839,090	1,618,708	3,598,089	139,664	14,195,551
Segment Liabilities	(5,215,037)	(549,167)	(4,005,739)	(18,964)	(9,788,907)



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NOTE 3: BUSINESS COMBINATIONS

On 1 July 2020, the Company acquired 100% of the issued fully paid capital of Cyber Education Pty Ltd, a privately owned company operating within the cyber security sphere, for cash consideration of \$100. The key driver for the acquisition was to grow and strengthen the Company cyber safety content and ensure it is able to continue to offer independent expertise and cyber safety solutions to its customers as part of its cyber safety platform.

Since the acquisition the entity has contributed a profit after tax of \$38,115 which is included within the profit of the Group.

NOTE 4: REVENUE AND OTHER INCOME

	31 December 2020 \$	31 December 2019 \$
Operating Revenue		
Service revenue ¹	4,245,945	2,172,590
Hardware revenue ²	142,798	199,966
	4,388,743	2,372,556
Interest and other income		
Interest revenue	60,705	2,711
Other	949,117	-
Research and Development Grant	1,445,179	1,055,668
	2,455,001	1,058,379

(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.

NOTE 5: SHARE BASED PAYMENTS

Share based payments made during the period ended 31 December 2020 are summarised below.

(a) Recognised Share Based Payment Expense	31 December 2020 \$	31 December 2019 \$
Options issued to employees as incentive based remuneration ^(b)	35,521	92,133
Performance Rights issued to employees as incentive and for services ^(c)	1,254,517	395,545
Performance Rights issued to Directors as incentive and for services ^(c)	616,687	-
Performance Shares issued to employees as incentive and for services ^(d)	-	31,537
Options issued to Directors as incentive based remuneration ^(e)	164,074	100,438
Advisor options issued for services provided ^(f)	111,213	92,447
Shares issued to an advisor in settlement of outstanding invoices	272,272	15,807
Reversal of SBP expenses as vesting conditions were not met ^{(b), (c)}	(1,174,555)	(48,325)
	1,279,729	679,582

(b) Options granted to employees for services

The Group's ESOP is designed to provide medium and long term incentives for all employees (including 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. The following amounts were expensed in relation to Employee Options during the reporting period. No new Employee Options were granted during the reporting period.

Tranche	Valuation Date	Expiry Date	Exercise Price	Granted during the period	Vested during the period	Total Share-Based Payment Expense for the period (\$)
6	18/03/2019	18/03/2022	\$0.18	-	-	35,521
Total				-	-	35,521

As disclosed in the 30 June 2020 Annual Report, the Group has determined the most appropriate values for these employee options using the Black Scholes Model applying the following inputs.

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

During the period, 12,357 of these options have lapsed as vesting conditions were not met. A total of \$71,128 was reversed out of the Options reserves.

(c) Performance Rights

During the period 1,592,857 Performance Rights were granted to a US based senior executive under the Company's Performance Rights Plan, comprising 350,000 US Performance Rights which vests upon meeting the performance milestone per the table and 1,242,857 Employee Performance Rights which are subject to the service conditions as disclosed in the table below. The Performance Rights granted convert into ordinary shares on a one for one basis.

Class of Performance Rights	Number of Performance Rights	Performance Milestones	Expected Milestone achievement date	Expense recognised during the period (\$)
US Performance Rights	350,000	Vest upon a minimum of US\$5million invoices are raised by FZO across Education and Direct customers in the US during the year ending 30 June 2021	30/06/2021	34,405
Class A Employee Performance Rights	414,286	Continued employment with the Company in existing role from issue date until Milestone Date	02/03/2021	61,001
Class B Employee Performance Rights	414,286	Continued employment with the Company in existing role from issue date until Milestone Date	02/03/2022	24,501



Class of Performance Rights	Number of Performance Rights	Performance Milestones	Expected Milestone achievement date	Expense recognised during the period (\$)
Class C Employee Performance Rights	414,285	Continued employment with the Company in existing role from issue date until Milestone Date	02/03/2023	15,329
TOTAL	1,592,857			135,236

Existing Performance Rights on issue have continued to be expensed and recognised for the half-year ended 31 December 2020.

During the period 64,000 Remuneration Performance Rights and 96,000 Employee Performance Rights were granted to new employees under the Company's Performance Rights Plan. These 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. These Performance Rights convert into ordinary shares on a one for one basis subject to the achievement of the vesting conditions as disclosed in the 30 June 2020 Annual Report. The Company issued 4,500,000 Incentive Performance Rights to new executives under the Company's Performance Rights Plan as an incentive and for services rendered.

The Incentive Performance Rights were issued with vesting conditions as outlined below:

Class of Incentive Performance Rights	Number of Incentive Performance Rights	Performance Milestones	Expected Milestone achievement date	Expense recognised during the period (\$)
1	2,050,000	Cyber Education Pty Ltd achieving \$200,000 of revenue by 30 June 2022	31/01/2021	484,720
2	1,500,000	Cyber Education Pty Ltd achieving \$400,000 of revenue by 30 June 2022	31/08/2021	178,169
3	950,000	Cyber Education Pty Ltd achieving \$600,000 of revenue by 30 June 2022	31/03/2022	75,227
Total	4,500,000			738,116

Performance Rights previously issued to Directors continue to vest during the period and as such, the Company recognised a total of \$616,687 share based payment expense while the expense for the period in respect to all the employee Performance Rights granted and on issue was \$1,254,517.

Further, Class C and F Performance Rights lapsed on 29 August 2020 as vesting conditions were not met. A total of \$1,103,428 was reversed out of the performance rights reserves. Refer Note 13.

(d) Performance Shares

The Performance Shares issued convert into ordinary shares on a one for one basis subject to the achievement of a series of vesting conditions.

The Performance Shares issued to employees for services provided were considered to represent the value of the services received over the vesting period. These Performance Shares have been valued based on the share price of the Company at the date of approval of the issue of the Performance Shares.

There were no Performance Shares granted during the period.



(e) Director Options

No new Director Options were granted during the reporting period. The existing Director Options are subject to various vesting conditions, the details of which have been outlined below:

(i) Options previously issued to Peter Pawlowitsch (Chairman)

Tranche	Vesting Condition	Number	Value Per Option	Total Value	Total Share-Based Payment Expense for the period (\$)
2	The 30 day VWAP of the Company's Shares being greater than \$0.25	500,000	0.0917	45,855	36,023
3	The 30 day VWAP of the Company's Shares being greater than \$0.35	500,000	0.0882	44,090	34,636
4	The 30 day VWAP of the Company's Shares being greater than \$0.45	500,000	0.0830	41,480	32,586
5	The 30 day VWAP of the Company's Shares being greater than \$0.60	500,000	0.0754	37,700	6,329
Total		2,000,000		169,125	109,574

(ii) Options previously issued to Phil Warren (Director)

Tranche	Vesting Condition	Number	Value Per Option	Total Value	Total Share-Based Payment Expense for the period (\$)
2	The 30 day VWAP of the Company's Shares being greater than \$0.25	500,000	0.109	54,500	54,500
Total		500,000		54,500	54,500

Vesting conditions relating to Tranches 2-4 were met during the period, therefore the Company recognised a total expense of \$164,074.

(f) Advisor Options

During the period 500,000 Advisor Options were granted to corporate advisors in relation to services provided. The fair value of the service could not be reliably measured and therefore, a Black Scholes model was used to determine the value of the options. The inputs have been detailed below:

	Input
Underlying share price	\$0.55
Exercise price	\$0.18
Expected volatility	106%
Expiry date (years)	2.88
Expected dividends	Nil
Risk free rate	0.29%
Value per option	\$0.044
Total fair value of the options	\$222,426



Of the total fair value of the options, \$112,213 was recognised as expense in the Profit or Loss in respect of advisory services received by the Group. The remaining amount represents consideration for services received in relation to the capital placement occurring during the period and, as such, has been capitalised against equity as cost of capital.

NOTE 6: TRADE AND OTHER RECEIVABLES

	31 December 2020	30 June 2020
	\$	\$
Current:		
Trade receivable	1,350,988	2,240,758
GST receivable	96,814	11,378
Capitalised contract costs	23,703	23,702
R&D Grant Receivable	1,754,287	2,403,579
Other receivables	2,944	59,701
Total Current Trade and Other Receivables	3,228,736	4,739,118
Non-Current:		
Bonds and deposits	135,102	53,156
Total Non-Current Trade and Other Receivables	135,102	53,156
Total Trade and Other Receivables	3,363,838	4,792,274

NOTE 7: INTANGIBLES

	31 December 2020	30 June 2020
	\$	\$
Intellectual Property at cost	13,759,986	13,759,986
Less: Accumulated amortisation	(13,746,866)	(12,555,816)
Customer Contracts at cost	339,181	339,181
Less: Accumulated amortisation	(339,181)	(292,172)
	13,120	1,251,177

Reconciliation of movements in intangible assets

	\$
Balance at 1 July 2020	1,251,177
Additions	-
Amortisation expense	(1,238,057)
Balance at 31 December 2020	13,120
Balance at 1 July 2019	4,826,403
Additions	-
Amortisation expense	(3,575,226)
Balance as at 30 June 2020	1,251,177



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NOTE 8: PLANT & EQUIPMENT

	31 December 2020 \$	30 June 2020 \$
Plant & equipment – at cost	3,147,266	2,327,301
Less: Accumulated depreciation	(1,035,126)	(786,736)
	2,112,140	1,540,565

a) Reconciliation of movements in fixed assets

Plant and Equipment

	\$
Balance at 1 July 2019	682,757
Additions	1,261,159
Depreciation expense	(403,351)
Balance at 30 June 2020	1,540,565
Additions	845,951
Depreciation expense	(274,375)
Balance at 31 December 2020	2,112,141

NOTE 9: LEASE ASSETS AND LEASE LIABILITIES

LEASE ASSETS

	31 December 2020 \$	30 June 2020 \$
Land and Building – right of use assets	795,198	551,411
Less: Accumulated Amortisation	(317,485)	(185,671)
	477,713	365,740

LEASE LIABILITIES

	31 December 2020 \$	30 June 2020 \$
Current		
Lease Liability	246,404	225,642
Total Current Lease Liability	246,404	225,642
Non- Current		
Lease Liability	253,830	156,625
Total Non-Current Lease Liability	253,830	156,625
Total Lease Liabilities	500,234	382,267



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NOTE 10: TRADE AND OTHER PAYABLES

Current:	31 December 2020	30 June 2020
	\$	\$
Trade payables	1,897,404	1,243,818
Accruals & other payables	1,562,069	1,377,489
Share monies received in advance	-	500,000
Total Current Trade and Other Payables	3,459,473	3,121,307
Total Trade and Other Payables	3,459,473	3,121,307

NOTE 11: BORROWINGS

Current:	31 December 2020	30 June 2020
	\$	\$
R&D Loan Facility	-	1,141,322
Interest Payable	-	131,188
Total Current Borrowings	-	1,272,510

During the period, the Company repaid the full loan amount to Radium Capital including interest accrued up to the date of maturity for a total amount of \$1,328,615.

NOTE 12: ISSUED CAPITAL

	Number of Shares	Value \$
Opening balance – 1 July 2019	200,627,835	45,567,979
Shares issued to the Linewize vendors on conversion of Performance Shares on 4 September 2019 ¹	4,500,000	742,500
Placement to sophisticated investors - Tranche 1 on 3 October 2019	4,903,426	686,480
Placement to sophisticated investors - Tranche 2 on 8 November 2019	29,025,146	4,063,520
Shares issued on conversion of Class B Performance Shares 15 Nov 2019	7	-
Shares issued to advisor on 15 November 2019	70,255	15,807
Shares issued to employees in lieu of cash salary on 2 March 2020	1,856,507	233,920
Shares issued to Director in lieu of cash salary on 4 May 2020	559,991	80,000
Placement to sophisticated investors - Tranche 1 on 6 May 2020	53,500,002	6,420,072
Shares issued to consultants for services provided on 27 May 2020	500,000	100,000
Less: share issue costs	-	(1,236,704)
Closing balance – 30 June 2020	295,543,169	56,673,574
Issue of Tranche 2 Placement Shares on 7 July 2020	30,833,333	3,700,440
Shares issued on exercise of Performance Rights	772,940	-
Shares issued on exercise of Broker and Advisor Options	7,005,792	1,426,184
Shares issued on exercise of Employee Options	425,429	76,577
Issue of Placement Shares - Oct/Nov 2020	45,454,545	20,000,000
Issue of Share Purchase Plan Shares on 25 Nov 2020	4,679,466	2,053,505
Issue of Shares to Netsweeper for services rendered on 3 Dec 2020	680,680	272,272
Less: share issue costs	-	(1,407,673)
Closing Balance – 31 December 2020	385,395,354	82,794,879



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Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTE 13: RESERVES

Nature and Purpose of 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 period reflects the value of options, performance rights and performance shares issued by the Group.

	31 December 2020	30 June 2020
	\$	\$
Share Based Payment Reserve		
Options	5,497,711	5,146,818
Performance Shares	1,660,671	1,660,671
Performance Rights	4,408,481	3,640,704
Total Share Based Payment Reserve	<u>11,566,863</u>	<u>10,448,193</u>
Foreign Currency Translation Reserve	(83,873)	(12,905)
Total Reserves	<u>11,482,990</u>	<u>10,435,288</u>

Options outstanding at 31 December 2020

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

Grant Date	Expiry Date	Exercise Price	Balance at start of Period (number)	Granted During the Period (number)	Exercised during the Period (number)	Forfeited/lapsed during the Period (number)	Balance at Period end (number)	Vested and exercisable at Period end (number)
4/12/2017	4/12/2020	\$0.50	850,000	-	-	(850,000)	-	-
4/12/2017	4/12/2020	\$0.60	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)	-	-
11/03/2019	11/03/2022	\$0.25	250,000	-	-	-	250,000	250,000
18/03/2019	18/03/2022	\$0.18	1,972,889	25,399	(425,429)	(12,357)	1,560,502	902,835
21/05/2019	21/05/2022	\$0.24	898,692	-	(898,692)	-	-	-
8/11/2019	8/11/2022	\$0.21	3,852,100	-	(1,257,100)	-	2,595,000	2,595,000
8/11/2019	8/11/2022	\$0.21	3,000,000	-	-	-	3,000,000	2,500,000
29/04/2020	29/04/2023	\$0.21	500,000	-	-	-	500,000	500,000
30/06/2020	7/07/2023	\$0.21	1,000,000	-	-	-	1,000,000	1,000,000
30/06/2020	7/07/2023	\$0.18	2,000,000	-	(1,550,000)	-	450,000	450,000
30/06/2020	13/07/2023	\$0.18	2,000,000	500,000	(2,000,000)	-	500,000	500,000
30/06/2020	13/07/2023	\$0.24	2,000,000	-	(1,300,000)	-	700,000	700,000
Total			20,707,211	525,399	(7,431,221)	(2,212,357)	11,589,032	10,431,365



Reconciliation of movement in option reserve:

	Number of Options	Value \$
Opening Balance - 1 July 2020	20,707,211	5,146,817
Options issued for capital raising services and strategic advisory services ^(a)	500,000	222,426
Options re-issued due to administrative error ^(b)	25,399	-
Share based payment expense for employee options on issue as at 1 July 2020	-	35,521
Share based payment expense in respect to Director options on issue as at 1 July 2020	-	164,075
Exercised during the period	(7,431,221)	
Lapsed/forfeited during the period	(2,212,357)	(71,128)
Closing Balance – 31 December 2020	11,589,032	5,497,711

- (a) On 8 August 2020, 500,000 options were issued to a corporate advisor in relation to services provided. These options expire on 13 July 2023 and exercise price of \$0.18 per option vesting immediately (**Advisor Options**).

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

	Advisor Options
Grant Date	28 August 2020
No of Options at 31 December 2020	500,000
Underlying share price	\$0.550
Exercise price	\$0.180
Expected volatility	106%
Expiry date (years)	2.88
Expected dividends	Nil
Risk free rate	0.29%
Value per option (rounded)	\$0.445

- (b) On 26 November 2020, 25,399 options (\$0.18, 15 March 2022) were re-issued to replace the 25,399 options which were incorrectly cancelled due to an administrative error in FY20.

Performances shares outstanding at 31 December 2020

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 convert into fully paid ordinary shares for nil consideration.

Class	Grant Date	Expiry Date	Balance at start of Period (number)	Granted During the Period (number)	Converted during the Period (number)	Forfeited during the Period (number)	Balance at Period end (number)
H	29/11/2017	29/11/2022	3,000,000	-	-	-	3,000,000
			3,000,000	-	-	-	3,000,000

Class H Performance Shares were issued in part consideration for the Linewize acquisition. The Performance Shares convert into Shares subject to the achievement of various performance targets and have been reported as contingent consideration for the acquisition, consistent with the disclosure in the 30 June 2020 Annual Report.



Reconciliation of movement in performance share reserve:

	Number of Performance Shares	Value \$
Opening Balance - 1 July 2020	3,000,000	1,660,672
Performance shares issued during the period	-	-
Performance shares lapsed during the period	-	-
Performance Shares converted into ordinary shares on achievement of performance milestone	-	-
Closing Balance – 31 December 2020	3,000,000	1,660,672

Performance Rights at 31 December 2020

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

Grant Date	Expiry Date	Exercise Price	Balance at start of Period (number)	Granted During the Period (number) ¹	Exercised during the Period (number) ²	Forfeited during the Period (number) ³	Balance at Period end (number)	Vested and exercisable at Period end (number)
4/12/2017	4/12/2020	Nil	1,775,007	-	(166,670)	(1,608,337)	-	-
17/04/2019	17/04/2022	Nil	1,805,196	-	(195,556)	-	1,609,640	1,609,640
9/09/2019	09/09/2022	Nil	700,000	-	-	-	700,000	700,000
2/03/2020	2/03/2024	Nil	3,125,000	-	-	-	3,125,000	-
2/03/2020	2/03/2023	Nil	2,049,428	64,000	(410,714)	-	1,702,714	1,702,714
2/03/2020	2/03/2024	Nil	3,936,541	1,338,857	-	(126,071)	5,149,327	-
1/05/2020	2/03/2024	Nil	2,500,000	-	-	-	2,500,000	-
1/05/2020	1/05/2024	Nil	1,000,000	-	-	-	1,000,000	600,000
1/05/2020	4/05/2024	Nil	600,000	-	-	-	600,000	-
1/05/2020	7/07/2023	Nil	500,000	-	-	-	500,000	500,000
4/05/2020	04/05/2023	Nil	1,885,715	-	-	-	1,885,715	1,885,715
30/06/2020	7/07/2023	Nil	5,000,000	-	-	-	5,000,000	4,000,000
30/06/2020	7/07/2023	Nil	-	350,000	-	-	350,000	-
1/07/2020	13/07/2023	Nil	-	4,500,000	-	-	4,500,000	-
Total			24,876,887	6,252,857	(772,940)	(1,734,408)	28,622,396	10,998,069

(1) The following Performance Rights were granted during the period under the Company's Performance Rights Plan:

- 64,000 Remuneration Performance Rights were issued to employees as security based remuneration.
- 1,338,857 Employee Performance Rights were issued to employees as security based remuneration.
- 350,000 US Performance Rights were issued to employees as security based remuneration.
- 4,500,000 Incentive Performance Rights were issued to the new executives as security based remuneration.



- (2) The following Performance Rights were exercised during the period under the Company's Performance Rights Plan:
- a. 166,670 Class D Performance Rights.
 - b. 195,556 Class G Performance Rights.
 - c. 410,714 Remuneration Performance Rights.
- (3) Comprising 1,108,337 Class C Performance Rights, 166,670 Class D Performance Rights, 333,330 Class F Performance Rights, 42,024 Class A Employee Performance rights, 42,024 Class B Employee Performance rights, and 42,023 Class Employee Performance rights have lapsed and been cancelled during the period.

Reconciliation of movement in performance right reserve:

	Number of Performance Rights	Value \$
Opening Balance - 1 July 2020	24,876,887	3,640,704
Performance Rights granted during the year	6,252,857	891,641
Performance Rights expense recognised for the current period	-	979,564
Performance rights exercised during the period	(772,940)	-
Reversal of share based payment expense as vesting conditions are not met	(1,734,408)	(1,103,428)
Closing Balance – 31 December 2020	28,622,396	4,408,481

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 (Expected)	Fair Value at Grant Date	Number at 31 Dec 2020	Total Expense for the period
Class C Performance Rights	4/12/2017	29/08/2020	\$0.68	-	(\$893,070)
Class F Performance Rights	4/12/2017	29/08/2020	\$0.68	-	(\$210,358)
Class G Performance Rights	17/04/2019	17/04/2020	\$0.23	1,609,640	\$0
Executive Performance Rights - Executive	02/03/2020	30/06/2021	\$0.11	3,125,000	\$130,412
Executive Performance Rights - Directors	01/05/2020	30/06/2021	\$0.13	2,500,000	\$141,706
SP Performance Rights - TL					
Class A	1/05/2020	1/05/2023	\$0.11	100,000	\$8,398
Class B	1/05/2020	1/05/2023	\$0.10	200,000	\$15,270
Class C	1/05/2020	1/05/2023	\$0.09	300,000	\$25,264
Class D	1/05/2020	1/05/2023	\$0.08	400,000	\$8,714
SP Performance Rights - MS					
Class A	30/06/2020	30/06/2020	\$0.19	1,000,000	\$0
Class B	30/06/2020	30/06/2020	\$0.16	1,000,000	\$0
Class C	30/06/2020	31/12/2020	\$0.10	1,000,000	\$101,000
Class D	30/06/2020	31/12/2020	\$0.06	1,000,000	\$64,000
Class E	30/06/2020	30/06/2022	\$0.03	1,000,000	\$7,087
Employee Performance Rights - Employees ¹	2/03/2020	Note 1	\$0.11	6,199,327	\$138,632
Employee Performance Rights - Directors ¹	1/05/2020	Note 1	\$0.13	600,000	\$24,029
Remuneration Performance Rights	2/03/2020	2/09/2020	\$0.11	1,702,714	\$247,358
Remuneration Performance Rights - TL and CS	4/05/2020	4/11/2020	\$0.13	1,885,715	\$180,783



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Performance Rights (continued)	Valuation Date	Vesting Date (Expected)	Fair Value at Grant Date	Number at 31 Dec 2020	Total Expense for the period
Remuneration Performance Rights - MS	30/06/2020	30/06/2021	\$0.12	500,000	\$40,435
Incentive Performance Rights ²	1/07/2020	Note 2	\$0.28	4,500,000	\$738,115
Total				28,622,396	\$767,775

- (1) One third of the Employee Performance Rights vest one year from issue date (Class A), one third of the Employee Performance Rights vest two years from issue date (Class B) and one third of the Employee Performance Rights vest three years from issue date (Class C).
(2) The Incentive Performance Rights have various vesting dates. Refer to Note 5(c) for further details.

NOTE 14: ACCUMULATED LOSSES

	31 December 2020	30 June 2020
	\$	\$
Accumulated Losses	<u>(72,034,626)</u>	<u>(62,702,217)</u>
Opening balance	(62,702,217)	(45,085,097)
Net loss for the financial period	(9,332,409)	(17,617,120)
Total Accumulated Losses	<u>(72,034,626)</u>	<u>(62,702,217)</u>

NOTE 15: RELATED PARTY TRANSACTIONS

Other than as presented below, there were no material changes to the Group's related party transactions to those disclosed in the 30 June 2020 Annual Report.

Other Transactions with Key Management Personnel

Grange Consulting

Mr Phil Warren, a Director of the Company is also the Managing Director of Grange Consulting Group Pty Ltd (**Grange**).

\$62,483 was paid to Grange for financial management and company secretarial services for the period ended 31 December 2020. \$4,620 was outstanding and payable to Grange as at 31 December 2020.

NOTE 16: COMMITMENTS AND CONTINGENT LIABILITIES & ASSETS

As part of the business combination during the period, the Company is committed to pay commissions to the Sellers of the entity acquired which are dependent on the entity achieving future revenue targets. In addition, profits earned by the acquired entity over a period of 2 years from the date of acquisition will be shared on a 50:50 split between the Company and the Sellers.

The Company has recently received a demand for arbitration from a service provider in respect to claims of a breach of a technology license agreement between the parties and a failure to fully pay royalties under the technology license agreement. It is currently not practical to estimate the potential effect of the claims. The Board believes that the claims do not have merit and that it is not probable that a significant liability will arise. Accordingly, the Directors have not raised a provision in the half year accounts.

The Directors are not aware of any other commitment, contingent liabilities and contingent assets that may arise from the Group's operations as at 31 December 2020 other than those disclosed above.



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**Family Zone Cyber Safety Limited
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Half Year Report 31 December 2020**

NOTE 17: EVENTS OCCURRING AFTER THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Subsequent to year end, two new lease agreements were entered into by the Company for premises in Australia. The first lease is for a term of 2 years, commencing 1 January 2021 relating to a premises in Victoria and the second lease is for the head office in Perth with a term of 5 years commencing 1 September 2021.

No 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.



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Half Year Report 31 December 2020**

DIRECTORS' DECLARATION

The directors of the Group declare that:

- (a) the condensed half-year financial report comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - i. comply with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the Group's financial position as at 31 December 2020
 - iii. and of its performance of the half year ended on that date
- (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.

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

On behalf of the Directors

Tim Levy
25 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Family Zone Cyber Safety Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Family Zone Cyber Safety Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.



Other matter

The financial report of Family Zone Cyber Safety Limited, for the year ended 30 June 2020 was audited by another auditor who expressed an unmodified opinion on that report on 30 September 2020.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO
A handwritten signature in black ink that reads 'J Prue'.

Jarrad Prue

Director

Perth, 25 February 2021