Family Zone Cyber Safety Limited
(ACN 167 509 177)

and controlled entities

HALF YEAR FINANCIAL REPORT

for the half year ended 31 December 2021

CONTENTS

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
Georg Ell	Non-Executive Director – appointed 21 January 2022

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 3, 45 St Georges Terrace
PERTH WA 6000

Share register

Automic Registry Services
Level 5
191 St Georges Terrace
Perth WA 6000

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
Level 9, Mia Yellagonga Tower 2
5 Spring Street
PERTH WA 6000
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 2021
Previous corresponding period: Half year ended 31 December 2020

Results for announcement to market

	% increase/ (decrease)	31 December 2021	31 December 2020
Revenue from ordinary activities	308.51%	$17,928,259	$4,388,743
Profit/(loss) from ordinary activities after tax attributable to members	(235.18%)	($31,280,424)	($9,332,409)
Net profit/(loss) for the period attributable to members	(235.18%)	($31,280,424)	($9,332,409)

Dividends

No dividends have been declared or paid during the period ended 31 December 2021. The Directors do not recommend the payments of a dividend in respect of the period ended 31 December 2021.

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 / (Liabilities) per security

	31 December 2021 cents per share	30 June 2020 cents per share
Net tangible assets / (liabilities) per share	(5.45)	6.34

Other

The Group has gained control of the Smoothwall group of companies on 16 August 2021. 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 2021. 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
Mr Georg Ell	Non-Executive Director (appointed 21 January 2022)

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 unique and innovative cloud-based solutions which combines Australian innovation with leading global technology. 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 offers a wide range of 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 2021 amounted to $31,280,424 (31 December 2020: net loss attributable to members $9,332,409).

The net loss attributable to members for the current period included share-based payment expenses of $8,820,619 and depreciation and amortisation charges of $5,005,160. The net loss from operations for the period ended 31 December 2021 excluding these non-cash items was $17,454,643.

The Group's cash at bank was $16,032,087 as at 31 December 2021.

REVIEW OF OPERATIONS

Highlights

The half year ended 31 December 2021 was transformative for the Group with the acquisition of Smoothwall and growth across all key metrics resulting in Family Zone becoming one of the leading providers of K-12 online safety solutions globally. Key highlighted included:

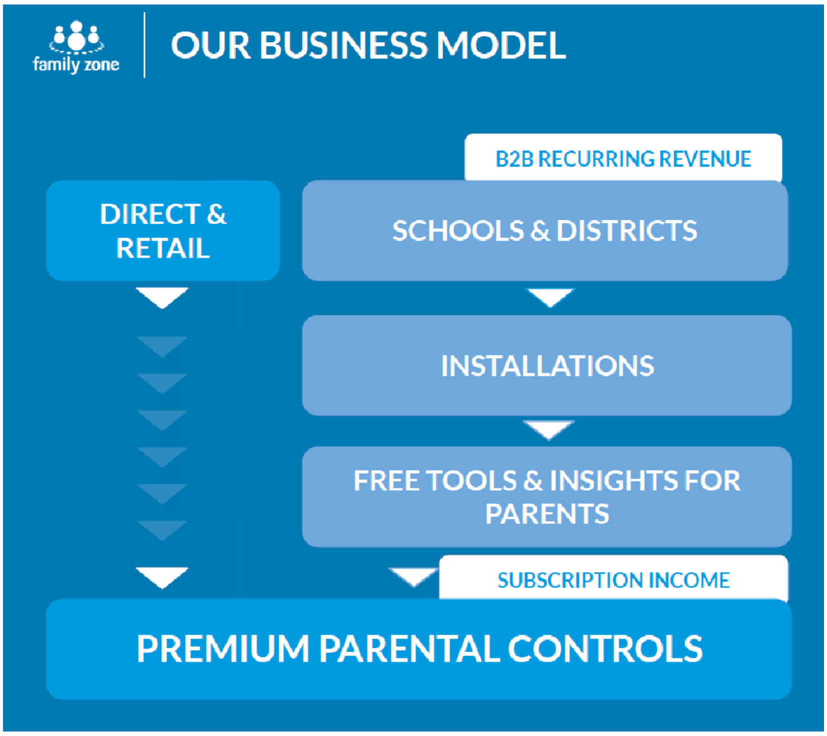
- Significant increase in B2B business scale through acquisition of Smoothwall with:
    - 113 employees,
    - 6.1 million students and
    - 12,400 schools across the UK and US.
- Revenue from ordinary activities up 309% to $17.9 million;
- Customer collections up 213% to $20.1 million (from $6.4 million);
- Contracted schools, up 517% to 17,642 schools with over 18,000 schools on the Platform; and
- Contracted student licences, up 527% to 9.4 million with a further 781,256 students in proof of concept (POC) trials;
- Soft launch of the consumer business into the US market;
- Ended the period with $16.0 million cash.

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.

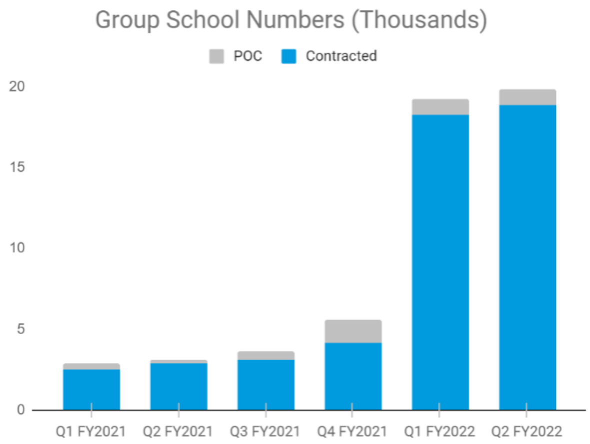


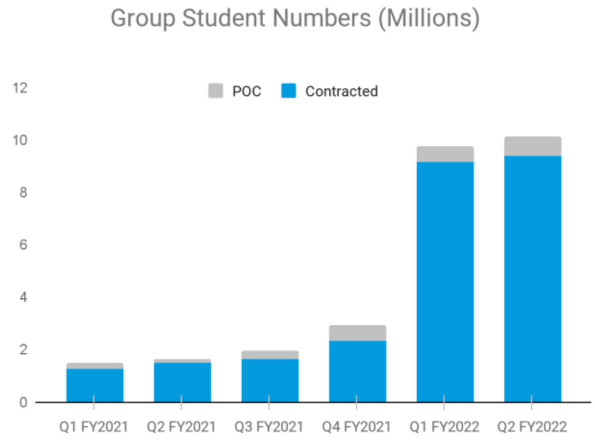
In 2021, the Group achieved a significant expansion its product offerings as a result of both acquisition and new product launches. Ongoing product improvements and development are key to meeting our customers needs to keep our kids safe online and also providing additional revenue streams for the Group.

Business scale transformed following acquisition of Smoothwall

The acquisition of Smoothwall, together with the strong growth of the Group's US operations, has resulted in a material increase in the scale of the Family Zone's operations and transformed the business into one of the world's leading K-12 online safety providers.

The Group ended the period with 9.4 million contracted students representing 527% increase from 1.5 million contracted students at 31 December 2020, with an additional 781,256 students completing trials. The Group currently services 18,864 schools globally representing greater than 10.6% of US school districts and 38% of UK schools. This significant increase has been driven by the Smoothwall acquisition with 6.1 million students and 12,400 schools and organic growth of 2,061 schools.





Revenue from operations increased by 308%

The Group's revenues from ordinary activities increased 308% to $17.9 million for the period, which was driven by the Smoothwall acquisition and also strong growth in US education sales. Education sales from the US and UK accounted for approximately 89% of revenues from ordinary activities during the period. Family Zone also renewed its focus on its consumer B2B2C (or Community) sales model during the period with the soft launch of the consumer offering into a number of its school districts. Whilst The US consumer business did not contribute significantly to revenues for the period confidence remains high with 20% uptake of Community programs.

Other revenues comprise predominantly R&D and other government grant income. The decrease in other revenue during the period has resulted from no R&D income being earned as the Company is no longer eligible to claim a refund on R&D expenditures as it has exceeded the total sales revenue threshold criteria for eligibility for the R&D refund.

Revenue	**6 months 31 Dec 2021**	**6 months 31 Dec 2020**	***Increase / (Decrease)***
Revenue from Ordinary Activities	$17,928,259	$4,388,743	*308%*
Other Revenue	$890	$2,455,001	*(100%)*
Total	**$17,929,149**	**$6,843,744**	***162%***

Continued focus on cost efficiencies to improve operating leverage

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) and once off costs associated with the Smoothwall acquisition.

Expenses	**6 months 31 Dec 2021**	**6 months 31 Dec 2020**	***Increase / (Decrease)***
Employee benefits	$20,777,769	$7,437,258	*179%*
Direct costs	$6,133,936	$3,726,671	*65%*
Administration and corporate costs	$4,306,850	$1,572,602	*174%*
Finance costs	$188,733	$25,069	*653%*
Other	$1,582,273	$479,253	*230%*
Total	**$32,989,561**[1]	**$13,240,853**	***149%***

[1]*Statutory net loss before tax of $31,790,546 can be calculated when adding back total revenue ($17,929,149) less share-based payments expense ($8,820,619), depreciation and amortisation ($5,005,160), acquisition related expenses ($2,286,270) and NetRef IT fees ($798,085).*

As outlined above the Group's costs (excluding non-cash items of $13,825,779, one off acquisition costs of $2,286,270 and NetRef IT fees of $798,085) for the period increased 149% with revenue increasing by 308% over the same period.

As a technology services company, Family Zone continues to focus on investment in its people and the expansion and integration of its team, with employee costs being its key expense item. The employee benefits expense for the period increased 179% reflecting the expansion in the Family Zone team from 140 to 331 full time employees at the end of the period and the competitive labour market. The Group welcomed 113 new employees during the period as part of the Smoothwall acquisition who have now been fully integrated into the Group structure.

Direct costs (which include data and hosting costs, IT expenses and channelling and selling costs) increased by only 65% during the period. This relatively low increase in direct costs relative to the increase the scale of the business, revenue and student numbers reflects the Company's continued focus on reducing its data and hosting costs through its strong partnership with Google Cloud. This partnership has seen data and hosting costs decrease from over $4.0per student per annum in December 2020 to less than $0.80 per student per annum at the end of the current period. Direct costs as a percentage of revenue from ordinary activities decreased from 85% for the period ended 31 December 2020 to 34% for the period ended 31 December 2021 reflecting a strong improvement in operating leverage, with further improvement anticipated for the remainder of the year.

Other costs comprise predominantly recruitment costs, insurance, foreign exchange losses and other sundry items.

Employee Securities Incentive Plan

In order to continue to attract and retain staff in an increasingly tight labour market the Group has an extensive employee securities incentive offering which is provided to all employees across the Group. The key objectives of the plans are to reward staff commitment to the Group, incentivise executives to achieve of key operational objectives, align employees reward with shareholders through security ownership and to conserve cash reserves.

Share based payments for the period increased significantly to approximately $8.8 million. This increase reflected an increase in the value of the Company's securities, the increase in employee numbers during the period and the tighter employment market requiring higher employee incentives being offered to attract and retain key executives within the Group.

Expenses	**6 months 31 Dec 2021**	**6 months 31 Dec 2020**	***Increase / (Decrease)***
Share based payments	$8,820,618	$1,279,729	*589%*

Acquisition of Smoothwall

On 16 August 2021 the Company completed the acquisition of Smoothwall, the UK's leading K-12 digital safety solutions provider, for £75.5 million cash consideration. Family Zone secured the acquisition following a competitive process managed by Smoothwall's advisers.

The acquisition was funded via a fully underwritten $146.4 million capital raising comprising a $71.0 million institutional placement and $75.4 million pro-rata accelerated non-renounceable entitlement offer. Once off costs associated with the Smoothwall acquisition totalled approximately $2.3 million and included corporate, financial, tax and legal advisory costs, insurance and stamp duty paid on the acquisition.

Smoothwall is one of the world's leading providers of digital and safeguarding services with a strong market position in the UK and operations in the US. At the time of the acquisition, Smoothwall serviced in excess of 12,400 schools and protected more than 6.1 million students across its platforms and regions. In the UK it serviced approximately 38% of the market, and had long term relationships with most of its clients with average contract lengths of ~ 3 years.

The organisational integration of Smoothwall was completed during the period, with globally integrated teams formed across technology, sales and support. Family Zone is now focussed on the next phase of the integration being the development of a single brand identify and further integration of the Group's products.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period, the Group acquired the Smoothwall business. With the acquisition of this business, the Group has expanded into the UK region and has significantly increased the size of its operations.

There have been no other 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 2021, 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.

On 7 January 2022, the Company issued 1,241,968 Shares following the exercise of 1,200,751 performance rights and 41,217 Options.

On 18 January 2022, the Company entered into a Working Capital Debt Facility Agreement. The key terms of the Facility include:

- The Company may draw up to a maximum of $10 million over the 5 Year life of the facility. Each drawdown is for a minimum of $1 million with no maximum;
- The Company is not obligated to draw down funds and may terminate the facility at any time;
- Interest rate is 10% pa on drawn funds and 1% pa on undrawn funds;
- No debt covenants are applicable. Negative pledges are included regards incurring any additional indebtedness, granting security, making distributions, disposing of assets that are material in nature. Security is to be provided through a first ranking registered security over all present and future assets of the Company. Initial drawdown is subject to execution of security agreements in customary form; and
- A facility fee of 2.0% of the Facility Amount is payable along with 3m options with an exercise price of $0.60 expiring on 31 January 2026 on signing. Thereafter a Facility maintenance fee of up to 7 million 60c options subject to shareholder approval (or $500,000 in cash if not) payable in three instalments dated 31 Jul 2022, 31 Jan 2022 ad 31 July 2023 unless the facility is terminated by the Company.

On 19 January 2022, the Company issued 1,248,084 Shares to employees in lieu of cash consideration under the Company's Employee Securities Incentive Plan and also issued 28,862 Shares following the exercise of 28,862 Options.

On 21 January 2022, Mr Georg Ell was appointed as Non-Executive Director of Family Zone Cyber Safety Limited. The material terms of Mr Ell's appointment include the following:

- Annual cash remuneration of £30,000 per annum
- Security based remuneration of 2,786,753 Options to be issued under the Company's Employee Securities Incentive Plans on the key terms outlined below

Number of Options	Vesting	Exercise Price	Expiry
686,753	None	$0.00	31 December 2025
700,000	Continued service as a director, employee or consultant until 31 December 2022	$0.60	31 December 2025
700,000	Continued service as a director, employee or consultant until 31 December 2023	$0.60	31 December 2025
700,000	Continued service as a director, employee or consultant until 31 December 2024	$0.60	31 December 2025

On 28 January 2022, the Company issued 452,655 Shares following the exercise of 39,509 Options and 413,146 Performance Rights.

On 31 January 2022, the Company issued 401,545 Shares being the tranche 3 deferred share based consideration payable and paid $214,792 (US$152,335) in deferred consideration under the NetRef Business Acquisition Agreement.

On 4 February 2022, the Company issued 58,740 Shares, 4,421,556 Performance Rights, 1,107,891 Employee Options ($0.535, 30 June 2025), 686,753 Director ZEPOs ($0.00, 31 Dec 2025) and 2,100,000 Director Options ($0.60, 31 Dec 2025) to employees under the Company's Employee Securities Incentive Plan.

On 10 February 2022, the Company issued 940,031 Shares following the exercise of 171,121 Performance Rights and 222,910 Options.

On 22 February 2022, the Company issued 56,130 shares on exercise of 45,130 options.

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.

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
28 February 2022

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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 2021, 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, 28 February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2021

	Note	31 December 2021 $	31 December 2020 $
Revenue			
Revenue from ordinary activities	4	17,928,259	4,388,743
Other revenue	4	890	2,455,001
Expenses			
Employee benefits		(20,777,769)	(7,437,258)
Share based payments	5	(8,820,619)	(1,279,729)
Direct costs		(6,133,936)	(3,726,671)
Administration and corporate costs		(5,104,935)	(1,572,602)
Depreciation and amortisation		(5,005,160)	(1,655,571)
Acquisition related expenses	3	(2,286,270)	-
Other expenses		(1,582,273)	(479,253)
Finance costs		(188,733)	(25,069)
Loss before income tax		**(31,970,546)**	**(9,332,409)**
Income tax benefit/(expense)		690,122	-
Loss after tax for the period attributable to the members of Family Zone Cyber Safety		**(31,280,424)**	**(9,332,409)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		(1,803,552)	(70,968)
Total comprehensive loss for the period attributable to the members of Family Zone Cyber Safety		**(33,083,976)**	**(9,403,377)**
Basic and diluted loss per share (cents per share) for the period attributed to the members of Family Zone Cyber Safety	18	(4.89)	(2.93)

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 31 December 2021

	Note	31 December 2021 $	30 June 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents		16,032,087	34,933,166
Trade and other receivables	6	10,752,391	8,812,572
Prepayments		2,851,931	1,944,985
Inventory		293,126	372,927
Total Current Assets		**29,929,535**	**46,063,650**
Non-Current Assets			
Intangibles	7	184,838,096	5,973,314
Trade and other receivables	6	193,306	158,833
Plant and equipment	8	3,443,190	2,764,399
Lease assets	9	3,544,761	2,552,116
Total Non-current Assets		**192,019,353**	**11,448,662**
TOTAL ASSETS		**221,948,888**	**57,512,312**
LIABILITIES			
Current Liabilities			
Trade and other payables	10	13,070,461	10,851,035
Contract liabilities	4	21,164,086	5,567,461
Provisions		1,709,525	1,201,546
Borrowings	11	3,327,984	284,406
Lease Liability	9	1,136,192	590,186
Total Current Liabilities		**40,408,248**	**18,494,634**
Non- Current Liabilities			
Contract liabilities	4	15,000,490	2,937,026
Deferred tax liability	19	13,630,416	-
Contingent consideration		68,307	68,307
Provisions		301,499	237,762
Borrowings	11	-	157,889
Lease Liability	9	2,816,434	2,278,972
Total Non-Current Liabilities		**31,817,146**	**5,679,956**
TOTAL LIABILITIES		**72,225,394**	**24,174,590**
NET ASSETS		**149,723,493**	**33,337,722**
EQUITY			
Issued capital	12	247,931,459	106,052,956
Reserves	13	17,705,070	11,917,378
Accumulated losses	14	(115,913,036)	(84,632,612)
TOTAL EQUITY		**149,723,493**	**33,337,722**

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 2021

	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)**
Transaction with owners, directly recorded in equity:					
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**

	Issued Capital	Reserves	Accumulated Losses	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2021	**106,052,956**	**11,983,960**	**(84,632,613)**	**(66,581)**	**33,337,722**
Loss for the period	-	-	(31,280,424)	-	(31,280,424)
Total other comprehensive income / (loss)	-	-	-	(1,803,552)	(1,803,552)
Total comprehensive loss for the period	**-**	**-**	**(31,280,424)**	**(1,803,552)**	**(33,083,976)**
Transaction with owners, directly recorded in equity:					
Issue of ordinary shares	147,851,023	-	-	-	147,851,023
Transaction costs	(7,201,895)	-	-	-	(7,201,895)
Grant of Options, Performance Rights and Performance Shares	1,229,375	7,591,244	-	-	8,820,619
Total transactions with owners	**141,878,503**	**7,591,244**	**-**	**-**	**149,469,747**
Balance at 31 December 2021	**247,931,459**	**19,575,204**	**(115,913,036)**	**(1,870,133)**	**149,723,493**

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 half year ended 31 December 2021

	Note	31 December 2021 $	31 December 2020 $
Cash flows from operating activities			
Receipts from customers		20,091,190	6,425,773
Government grants received		-	2,094,471
Payments to suppliers and employees		(38,819,152)	(12,141,953)
Interest received/(paid)		(60,754)	116,810
Net cash flows used in operating activities		**(18,788,716)**	**(3,504,899)**
Cash flows from investing activities			
Cash acquired from business combination - Smoothwall	3	2,464,696	-
Consideration paid for acquisition - Smoothwall	3	(141,405,011)	-
Payment of deferred consideration - NetRef		(2,386,849)	-
Purchase of plant & equipment		(877,020)	(845,951)
Net cash flows used in investing activities		**(142,204,184)**	**(845,951)**
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		139,506,349	25,960,245
Payment of principal portion of lease liabilities		(419,714)	(143,139)
Proceeds from borrowings		2,767,205	-
Repayments of borrowings		(154,236)	(1,328,615)
Net cash flows from financing activities		**141,699,604**	**24,488,491**
Net (decrease)/increase in cash and cash equivalents		(19,293,296)	20,137,641
Net foreign currency exchange differences		392,217	(64,973)
Cash and cash equivalents at beginning period		34,933,166	5,807,193
Cash and cash equivalents at end period		**16,032,087**	**25,879,861**

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2021

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 2021.

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 2021 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 2021, except for the impact of the new and amended standards and interpretations issued by the Australian Accounting Standards Board ('AASB').

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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 2021 financial statements for information on the Group's judgements, estimates and assumptions, with the exception of new key judgements and estimates disclosed below.

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units are determined based on either value-in-use or fair-value-less-costs-to-sell calculations. These calculations require the use of various judgements and assumptions.

d) Going concern

The financial statements for the period ended 31 December 2021 have been prepared on the basis that the entity is a going concern and therefore, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. During the period the entity recorded a loss of $31,280,424 (31 December 2020: $9,403,377) and incurred net cash outflows from operating activities of $18,788,716 (31 December 2020: $3,504,900).

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from its business operations. If this is not achieved, it would indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The availability of the $10m working capital facility to support future expenditure;
- The Directors expect the business will trade profitably and generate positive future operating cash flow;
- The entity has historically demonstrated its ability to raise funds to satisfy its cash requirements, including the completion of a $146.4 million share issue during the current financial period. Management have considered the future capital requirements of the entity and will consider all funding options as required; and
- The Group is undertaking an efficiency drive to extract more value from existing resources rather than adding extra cost and has the ability to scale back certain activities that are non-essential so as to conserve cash.

Should the entity not be able to continue as a going concern it 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. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

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 (ANZ), the United Kingdom (UK) and United States of America (US). This is consistent with the internal reporting provided to the chief operating decision maker.

31 December 2021	ANZ $	UK $	USA $	Total $
Sales revenue	1,883,144	9,943,076	6,102,039	17,928,259
Other income	874	1	15	890
Total Income	**1,884,018**	**9,943,077**	**6,102,054**	**17,929,149**
Direct costs	(662,356)	(1,840,996)	(3,630,584)	(6,133,936)
Contribution Margin	**1,221,662**	**8,102,081**	**2,471,470**	**11,795,213**
Operating expenses	(6,626,362)	(6,715,979)	(14,122,636)	(27,464,977)
Sub-total	**(5,404,700)**	**1,386,102**	**(11,651,166)**	**(15,669,764)**
Share-based payments expenses	(6,051,933)	(1,734,535)	(1,034,151)	(8,820,619)
Net Finance Costs	(116,470)	4,299	(76,562)	(188,733)
Depreciation and amortisation	(1,513,213)	(2,781,143)	(710,804)	(5,005,160)
Acquisition related expenses	-	(1,932,250)	(354,020)	(2,286,270)
Profit/(Loss) before Income Tax	**(13,086,316)**	**(5,057,527)**	**(13,826,703)**	**(31,970,546)**

31 December 2020	ANZ $	UK $	USA $	Total $
Sales revenue	1,978,962	-	2,409,781	4,388,743
Other income	2,171,074	-	283,927	2,455,001
Total Income	**4,150,036**	**-**	**2,693,708**	**6,843,744**
Direct Costs	(847,322)	-	(2,879,349)	(3,726,671)
Contribution Margin	**3,302,714**	**-**	**(185,641)**	**3,117,073**
Operating expenses	(4,264,779)	-	(5,224,334)	(9,489,113)
Sub-total	**(962,065)**	**-**	**(5,409,975)**	**(6,372,040)**
Share-based payments expenses	(871,395)	-	(408,334)	(1,279,729)
Net Finance Costs	(25,069)	-	-	(25,069)
Depreciation and amortisation	(1,475,173)	-	(180,398)	(1,655,571)
Acquisition related expenses	-	-	-	-
Profit/(Loss) before Income Tax	**(3,333,702)**	**-**	**(5,998,707)**	**(9,332,409)**

31 December 2021	ANZ $	UK $	USA $	Total $
Segment Assets	27,427,524	163,537,863	30,983,501	**221,948,888**
Segment Liabilities	(14,986,172)	(40,456,575)	(16,782,648)	**(72,225,395)**
30 June 2021				
Segment Assets	49,614,180	-	7,898,132	**57,512,312**
Segment Liabilities	(20,753,922)	-	(8,155,158)	**(28,909,080)**

NOTE 3: BUSINESS COMBINATIONS

On 16 August 2021, the Company acquired 100% of the issued fully paid capital of the Smoothwall group of companies comprising Topco Oasis Limited and its wholly owned subsidiaries Bidco Oasis Limited, Oval (2304) Limited, Smoothwall Limited, Rubicon Bidco Limited, Smoothwall Inc, Safeguard Software Limited, Ensco 1227 Limited and eSafe Global Limited (**Smoothwall**).

Smoothwall, is one of the world's leading providers of digital and safeguarding serviced with a strong market position in the UK and operations in the US. The acquisition creates the world's most compelling K-12 digital safety solution incorporating Family Zone's fast growing Linewize K-12 solutions, FZO' parental controls and Smoothwall's scale and world-leading solutions.

Since the acquisition the entity has contributed a profit after tax of $324,392 ($1,938,541 profit before depreciation, amortisation and tax) which is included within the Consolidated Statement of Profit and Loss and other Comprehensive Income of the Group for the period from 16 August to 31 December 2021. If the acquisition occurred on 1 July 2021, the full half-year contributions would have been revenues of $15,301,627 and profit after tax of $433,312 (calculated as an extrapolation of the current result to 1 July 2021).

Provisional accounting
The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB 3 *Business Combinations*. At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Smoothwall. In particular the fair values of the assets and liabilities disclosed below have only been determined provisionally as the independent valuations have not been finalised.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

Purchase consideration

Cash consideration - GBP	£74,723,466
GBP:AUD exchange rate applied	1.8924
Cash consideration - AUD	141,405,011
Total purchase consideration	**141,405,011**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair values $
Assets acquired	
Cash and cash equivalents	2,464,696
Trade and other receivables	5,238,697
Prepayments	2,572,089
Right of use assets	1,199,780
Plant and equipment	316,598
Customer relationships	13,293,952
Software	42,215,159
Branding	7,546,802
Total assets acquired	**74,847,773**

NOTE 3: BUSINESS COMBINATIONS (CONTINUED)

Liabilities assumed	
Trade and other payables	(11,930,623)
Contract liabilities	(28,128,677)
Lease liability	(1,199,780)
Borrowings	(94,619)
Deferred tax liabilities	(14,297,619)
Total liabilities assumed	**(55,651,319)**
Net identifiable assets acquired	**19,196,454**
Add: Goodwill[1]	122,208,557
Acquisition date fair value of total consideration	**141,405,011**

[1] The goodwill of $122,208,557 (see Note 7) is attributable to the know-how and the expected synergies from merging this business acquired from Family Zone's current operations.

Cash used to acquire business, net of cash	**$**
Acquisition-date fair value of the total consideration transferred	141,405,011
Less: cash and cash equivalents acquired	(2,464,696)
Net cash used	**138,940,315**

Acquisition related costs of $2,286,270 were included in the statement of profit or loss in the reporting period ending 31 December 2021 in relation to the Smoothwall acquisition.

NOTE 4: REVENUE AND OTHER INCOME

	31 December 2021 $	**31 December 2020 $**
Operating Revenue		
Service revenue[1]	15,969,468	4,245,945
Hardware revenue[2]	1,958,791	142,798
	17,928,259	**4,388,743**
Interest and other income		
Interest revenue	890	60,705
Other	-	949,117
Research and Development Grant	-	1,445,179
	890	**2,455,001**

(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 and over the life of the service as the supply obligations under the contract are satisified.

NOTE 4: REVENUE AND OTHER INCOME (CONTINUED)

Disaggregation of revenue from contracts with Customers

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled over time and at a point in time. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

	Service Revenue: Education $	Service Revenue: Consumer $	Hardware Revenue $
Timing of revenue recognition – 31 December 2021			
At a point in time	-	-	146,669
Over time	15,774,264	195,204	1,812,122
Total	**15,774,264**	**195,204**	**1,958,791**
Geographical Regions – 31 December 2021			
Australia & New Zealand	1,547,975	188,655	146,512
USA	5,783,417	6,549	312,074
United Kingdom	8,442,872	-	1,500,205
Total	**15,774,264**	**195,204**	**1,958,791**
Timing of revenue recognition – 31 December 2020			
At a point in time	-	-	142,798
Over time	4,083,308	162,637	-
Total	**4,083,308**	**162,637**	**142,798**
Geographical Regions – 31 December 2020			
Australia & New Zealand	1,683,175	152,764	142,798
USA	2,399,908	9,873	-
United Kingdom	-	-	-
Rest of the world	225	-	-
Total	**4,083,308**	**162,637**	**142,798**

NOTE 4: REVENUE AND OTHER INCOME (CONTINUED)

Contract liabilities

Contract liabilities recognised relate to amounts invoiced in advance of the transfer of services to customers for its subscription service offerings. Revenue is recognised for these amounts over the life of the service contract, as the Group's service performance obligations are satisfied.

Reconciliation of movements in contract liabilities

	$
Balance at 1 July 2020	**4,232,115**
Additions	12,970,966
Recognised within service revenue	(1,903,181)
Balance at 30 June 2021	**8,504,487**
Additions – Smoothwall (Refer to Note 3)	28,128,677
Additions	17,313,002
Recognised within service revenue	(17,781,590)
Balance at 31 December 2021	**36,164,576**

As at 31 December 2021 $21,164,086 (June 2021: $5,567,461) has been recognised as current contract liabilities representing services to be provided within the next 12 months. A further $15,000,490 (June 2021: $2,937,026) represents contracts signed for services to be delivered in the next 2-5 years.

Critical judgement in allocating transaction price Subscription services fixed-price contracts have a number of performance obligations, and the transaction price was allocated to the performance obligations based on the stand-alone selling prices.

NOTE 5: SHARE BASED PAYMENTS

Share based payments made during the period ended 31 December 2021 are summarised below.

Recognised Share Based Payment Expense	**31 December 2021**	**31 December 2020**
	$	**$**
Expense recognised relating to Options [a]	1,317,462	310,808
Expense recognised relating to Performance Rights [b]	6,295,320	1,871,204
Expense recognised relating to Shares issued during the period [c]	1,229,375	272,272
Reversal of SBP for vesting conditions not met	(21,538)	(1,174,555)
	8,820,619	**1,279,729**

NOTE 5: SHARE BASED PAYMENTS (CONTINUED)

(a) Options

Details of the Options granted as at 31 December 2021 is detailed below:

Options Granted	Exercise Price ($)	Number on issue as at 31 December 2021	Total Expense for the period $
Director Options[(6)]	0.21	3,000,000	17,061
Director Options	0.21	1,000,000	-
Director Options[(6)]	0.50	4,500,000	342,728
Director Options (ZEPO's) [(1)]	-	2,000,000	134,630
Advisor Options	0.25	250,000	-
Advisor Options	0.18	500,000	-
Advisor Options	0.21	1,537,500	-
Advisor Options	0.24	700,000	-
Company Secretary Options	0.21	500,000	-
Company Secretary Options [(2)]	0.55	500,000	266,452
Employee Options	0.18	1,322,628	-
Employee Options – Exec LTI [(3)]	0.60	2,600,000	233,962
Employee Options [(4)]	0.60	1,017,738	112,157
Employee Options [(4)]	0.68	670,136	66,166
Employee Options – granted but not yet issued [(5)]	-	-	144,306
Closing Balance – 31 December 2021		**20,098,002**	**1,317,462**

(1) Refer Director Zero-priced Options note (i) below

(2) Refer Company Secretary Options note (ii) below

(3) Employee Options – Executive LTI granted to certain non-KMP during the period, valued using Black Scholes option pricing models at grant date (total value of grants of $1,055,349) and include various non-market vesting conditions, in addition to a service condition to remain employed by the Group at 30 June 2023.The value of the options has been vested accordingly from grant date over the applicable service period. Management have applied a 100% achievement probability to the other non-market vesting hurdles in determining the expense for the current period.

(4) Employee Options granted to certain non-KMP during the period, valued using Black Scholes option pricing models at grant date (total value of grants of $662,903). Options were granted across 3 equal tranches with attaching service conditions to remain employed by the Group at 30 June 2022, 2023, and 2024 respectively. The value of the options has been vested from grant date over each applicable service period.

(5) Employee Options granted to certain non-KMP during the period but not yet issued. Fair value determined based on a fixed agreed dollar value at grant date (total value of grants of $725,266), with the number of securities issued to be determined based on the underlying value of the options at issue date. Options were granted across 3 equal tranches with attaching service conditions to remain employed by the Group at 31 December 2022, 2023, and 2024 respectively. The value of the options has been vested from grant date over each applicable service period.

(6) Continued vesting expense for options granted during previous financial periods.

NOTE 5: SHARE BASED PAYMENTS (CONTINUED)

(i) Director Options granted during the period

These options were issued to Tim Levy and Crispin Swan and have been valued using the share price on grant date. Key details of the options granted are noted below:

	Zero-priced Options
Grant Date	19 November 2021
No of Options at 31 December 2021	2,000,000
Value per option (rounded)	$0.59
Exercise price	$nil
Total valuation	$1,170,000
Expense recognised in the period	$134,630
Vesting condition	12 months continued service of the holder are a director, consultant or employee of the Company from grant of the option
Vesting date	19 November 2022
Expiry date	30 November 2024

(ii) Company Secretary Options granted during the period

These options were issued to the Company Secretary and have been valued using the Black-Scholes option pricing model applying the following inputs:

	Company Secretary Options
Grant Date	1 September 2021
Vesting Date	Immediate
No of Options at 31 December 2021	500,000
Underlying share price	$0.740
Exercise price	$0.55
Expected volatility	100%
Expense recognised in the period	$266,452
Expiry date	30 June 2025
Expected dividends	Nil
Risk free rate	0.19%
Value per option (rounded)	$0.53

NOTE 5: SHARE BASED PAYMENTS (CONTINUED)

(b) Performance Rights

Details of the Performance Rights granted as at 31 December 2021 is detailed below:

Performance Rights	Number at 31 Dec 2021	Total Expense for the period ($)	Current Period Grants – Fair Value Per Right
Class G Performance Rights	1,609,640	-	N/A
SP Performance Rights – Tim Levy(10)	1,000,000	33,335	N/A
Employee Performance Rights - Employees(10)	2,710,440	84,381	N/A
Employee Performance Rights- Directors(10)	600,000	10,922	N/A
Remuneration Performance Rights	1,353,510	-	N/A
Remuneration Performance Rights (1)	500,000	390,000	$0.78
Remuneration Performance Rights - TL and CS	1,885,715	-	N/A
Incentive Performance Rights - ySafe(10)	4,500,000	73,231	N/A
Class A2, B2 & C2 Employee Performance Rights(10)	936,572	144,903	N/A
Employee Performance Rights – Employees (2)	3,012,750	430,935	$0.57 - $0.72
Remuneration Performance Rights – T3 & T4	365,784	-	N/A
Remuneration Performance Rights - T6 (3)	303,924	143,944	$0.58 - $0.69
STI 2022 Performance Rights(10)	2,000,000	552,953	N/A
STI 2023 Performance Rights(10)	2,000,000	284,208	N/A
2022 Executive Performance Rights (4)	7,210,000	2,013,987	$0.57 - $0.78
2023 Executive Performance Rights (5)	3,950,000	525,811	$0.57 - $0.78
LTI Performance Rights(10)	3,000,000	426,312	N/A
2023 LTI Performance Rights (6)	1,500,000	192,772	$0.59 - $0.66
Class A, B Employee Performance Rights - US(10)	1,242,857	39,614	N/A
Employee Rights Class (7)	299,599	60,244	$0.56
Executive Performance Rights (8)	2,750,000	275,438	$0.56
Performance Rights granted but not yet issued (9)	-	590,792	$0.60
Total	**42,730,791**	**6,273,782**	

(1) Employee Performance Rights issued to certain non-KMP as a sign on bonus during the period, valued using the share price at grant date, which vested 31 December 2021 on satisfaction of the underlying service condition.

(2) Employee Performance Rights issued to certain non-KMP during the period, valued using the share price at grant date. Granted across 3 equal tranches with attaching service conditions to remain employed by the Group at 30 June 2022, 30 June 2023 and 30 June 2024.The fair value at grant date has been vested accordingly from grant date over each respective service hurdle.

(3) Employee Performance Rights issued to certain non-KMP during the period, valued using the share price at grant date and vests on achievement of a service condition to remain employed by the Group at 1 March 2022.The fair value at grant date has been vested accordingly from grant date over the respective service hurdle.

(4) Executive STI Employee Performance Rights granted to certain non-KMP during the period, valued using the share price at grant date and includes various non-market vesting conditions, in addition to a service condition to remain employed by the Group at 30 June 2022.The value of the rights has been vested from grant date over the applicable service period. Management have applied a 100% achievement probability to the other non-market vesting hurdles in determining the expense for the current period.

(5) Executive STI Employee Performance Rights granted to certain non-KMP during the period, valued using the share price at grant date and includes various non-market vesting conditions, in addition to a service condition to remain employed by the Group at 30 June 2023.The value of the rights has been vested from grant date over the applicable service period. Management have applied a 100% achievement probability to the other non-market vesting hurdles in determining the expense for the current period.

NOTE 5: SHARE BASED PAYMENTS (CONTINUED)

(6) Executive LTI Employee Performance Rights granted to certain non-KMP during the period, valued using the share price at grant date and includes various non-market vesting conditions, in addition to a service condition to remain employed by the Group at 30 June 2023.The value of the rights has been vested from grant date over the applicable service period. Management have applied a 100% achievement probability to the other non-market vesting hurdles in determining the expense for the current period.

(7) Employee Performance Rights issued to certain non-KMP as a sign on bonus during the period, valued using the share price at grant date, which vest on 30 September 2022 subject to satisfaction of the underlying service condition to remain employed at vesting date. The fair value at grant date has been vested accordingly from grant date over the respective service hurdle.

(8) Employee Performance Rights issued to non-KMP during the period, valued using the share price at grant date and vests subject to achievement of an underlying service condition to remain employed by the Group at 30 June 2022.The fair value at grant date has been vested accordingly from grant date over the respective service hurdle.

(9) Employee Performance Rights granted to non-KMP during the period but not yet issued, valued based on a fixed agreed dollar value at grant date. Granted across 3 equal tranches with attaching service conditions to remain employed by the Group at 31 December 2022, 31 December 2023 and 31 December 2024.The fair value at grant date has been vested accordingly from grant date over each respective service hurdle.

(10) Continued vesting expense in relation to performance rights granted in previous financial periods.

(c) Shares granted in lieu of cash remuneration or as an incentive

Detailed of the shares granted during the period are detailed in the table below.

Shares granted in lieu of cash remuneration or as an incentive	Number issued at 31 Dec 2021	Total Expense for the period ($)
Shares issued in lieu of cash remuneration or as an incentive (1)	1,850,273	1,107,411
Shares granted in lieu of cash remuneration or as an incentive but not yet issued (2)	-	121,964
Total	**1,850,273**	**1,229,375**

(1) Shares issued to certain employees, valued using share price at grant date and fully expensed.

(2) Shares granted to certain employees but not yet issued initially valued based on a fixed agreed dollar value at grant date and fully expensed.

NOTE 6: TRADE AND OTHER RECEIVABLES

	31 December 2021 $	30 June 2021 $
Current:		
Trade receivable	6,661,600	4,419,657
Less provision for expected credit losses	(447,174)	(95,877)
	6,214,426	**4,323,780**
Other current receivables		
GST receivable	428,218	308,954
Capitalised contract costs	23,703	23,703
R&D Grant Receivable	3,767,899	3,754,287
Other receivables	318,145	401,848
Total Current Trade and Other Receivables	**10,752,391**	**8,812,572**
Non-Current:		
Bonds and deposits	193,306	158,833
Total Non-Current Trade and Other Receivables	**193,306**	**158,833**
Total Trade and Other Receivables	**10,945,697**	**8,971,405**

NOTE 7: INTANGIBLES

	31 December 2021 $	30 June 2021 $
Goodwill at cost	120,745,329	-
Intellectual Property at cost	67,714,679	18,795,242
Less: Accumulated amortisation and impairment	(17,047,826)	(13,756,182)
Customer Relationships at cost	14,419,781	1,273,434
Less: Accumulated amortisation and impairment	(993,867)	(339,180)
	184,838,096	**5,973,314**

Reconciliation of movements in intangible assets

	$
Balance at 1 July 2020	**1,251,177**
Additions arising from business combinations – Customer lists	934,253
Additions arising from business combinations – Software	5,035,257
Impairment expense	-
Amortisation expense	(1,247,373)
Balance as at 30 June 2021	**5,973,314**
Additions arising from business combinations – Goodwill(i)	122,208,557
Additions arising from business combinations – Software(i)	42,215,159
Additions arising from business combinations – Customer Relationships(i)	13,293,952
Additions arising from business combinations – Branding(i)	7,546,802
Amortisation expense	(3,946,332)
Other including foreign exchange movements	(2,453,356)
Balance at 31 December 2021	**184,838,096**

(i) Additions arising via the acquisition of Smoothwall during the current period, as disclosed in Note 3.

NOTE 8: PLANT & EQUIPMENT

	31 December 2021 $	30 June 2021 $
Plant & equipment – at cost	8,986,496	4,339,440
Less: Accumulated depreciation	(5,543,306)	(1,575,041)
	3,443,190	**2,764,399**

NOTE 8: PLANT & EQUIPMENT (CONTINUED)

Reconciliation of movements in Plant and Equipment

	$
Balance at 1 July 2020	**1,540,565**
Additions	2,012,139
Depreciation expense	(788,305)
Balance at 30 June 2021	**2,764,399**
Additions arising from business combination (Refer to Note 3)	316,599
Additions	877,019
Depreciation expense	(514,827)
Balance at 31 December 2021	**3,443,190**

NOTE 9: RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of Use Assets

	31 December 2021 $	30 June 2021 $
Land and Building – right of use assets	4,923,106	3,386,241
Less: Accumulated Amortisation	(1,378,345)	(834,124)
	3,544,761	**2,552,117**

Reconciliation of movements in right of use assets:

	$
Balance at 1 July 2021	**2,552,117**
Additions – Smoothwall (Refer to Note 3)	1,199,780
Additions - other	336,868
Depreciation expense	(544,003)
Balance at 31 December 2021	**3,544,761**

Lease Liabilities

	31 December 2021 $	30 June 2021 $
Current Lease Liability		
Lease Liability	1,136,192	590,186
Total Current Lease Liability	**1,136,192**	**590,186**
Non-Current Lease Liability		
Lease Liability	2,816,434	2,278,972
Total Non-Current Lease Liability	**2,816,434**	**2,278,972**
Total Lease Liabilities	**3,952,626**	**2,869,158**

NOTE 9: RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Reconciliation of movements in lease liabilities:

	$
Balance at 1 July 2021	**2,869,158**
Additions – Smoothwall (Refer to Note 3)	1,199,780
Additions - other	336,867
Interest on lease liabilities	115,315
Repayment of lease liabilities	(568,494)
Balance at 31 December 2021	**3,952,626**

NOTE 10: TRADE AND OTHER PAYABLES

	31 December 2021 $	30 June 2021 $
Current Trade and Other Payables		
Trade payables	4,206,024	2,029,646
Accruals & other payables	7,659,828	4,086,897
Consideration payable	-	1,235,018
Deferred Consideration payable	1,204,609	3,499,474
Total Current Trade and Other Payables	**13,070,461**	**10,851,035**
Total Trade and Other Payables	**13,070,461**	**10,851,035**

NOTE 11: BORROWINGS

	31 December 2021 $	30 June 2021 $
Current Borrowings		
R&D loan facility[1]	2,779,869	-
Oracle loan financing	292,790	284,406
Attvest insurance premium funding	165,438	-
Other	89,887	-
Total Current Borrowings	**3,327,984**	**284,406**
Non-Current		
Oracle Loan financing	-	157,889
Total Non-Current Borrowings	**-**	**157,889**

[1] Loan includes the following key terms:
- Maturity date of 31 January 2022
- Interest rate of 14% per annum
- Default rate of 18%
- Secured against research and development grant income

NOTE 12: ISSUED CAPITAL

	Number of Shares	Value $
Opening balance – 1 July 2020	295,543,169	56,673,575
Issue of Tranche 2 Placement Shares on 7 July 2020	30,833,333	3,700,440
Shares issued on exercise of Performance Rights	6,218,074	-
Shares issued on exercise of Broker and Advisor Options	7,005,792	1,426,184
Shares issued on exercise of Employee Options	435,034	78,306
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
Shares issued in lieu of cash remuneration or as incentive	416,511	200,080
Shares to be issued – Placement shares May 2021	-	23,000,000
Shares to be issued – NetRef Tranche 1 share consideration	-	1,235,019
Less: share issue costs	-	(2,586,425)
Closing balance – 30 June 2021	**391,266,604**	**106,052,956**
Issue of Placement Shares May 2021	42,990,654	-
Issue of NetRef Tranche 1 Shares	2,155,354	-
Issue of NetRef Tranche 2 Shares	1,658,607	1,142,780
Shares issued on exercise of Performance rights	1,986,898	-
Shares issued on exercise of Broker and Advisor options	1,000,000	210,000
Shares issued on exercise of employee options	715,814	130,572
Issue of Institutional Entitlement Offer Shares Aug 2021	78,288,384	43,058,611
Issue of Retail Entitlement Offer Shares Aug 2021	44,561,551	24,508,853
Issue of Shortfall Shares Aug 2021	14,136,291	7,774,960
Issue of Placement Shares Aug 2021	129,136,813	71,025,247
Shares issued in lieu of cash remuneration or as incentive	1,850,273	1,107,411
Shares granted in lieu of cash remuneration or as incentive but not yet issued	-	121,964
Less: share issue costs	-	(7,201,895)
Closing Balance – 31 December 2021	**709,747,243**	**247,931,459**

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

	31 December 2021 $	30 June 2021 $
Options	6,865,664	5,548,201
Performance Shares	1,660,671	1,660,671
Performance Rights	11,048,869	4,775,087
Total Share-Based Payment Reserve	**19,575,204**	**11,983,959**

Nature and Purpose of Foreign Currency Translation Reserve

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

Foreign Currency Translation Reserve	(1,870,133)	(66,581)
Total Foreign Currency Translation Reserve	**(1,870,133)**	**(66,581)**

NOTE 14: ACCUMULATED LOSSES

	31 December 2021 $	30 June 2021 $
Accumulated Losses	**(115,913,036)**	**(84,632,612)**
Opening balance	**(84,632,612)**	**(62,702,216)**
Net loss for the financial period	(31,280,424)	(21,930,396)
Total Accumulated Losses	**(115,913,036)**	**(84,632,612)**

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 2021 Annual Report.

Other Transactions with Key Management Personnel

Mr Tim Levy and Mr Crispin Swan

On 19 November 2021, 2,000,000 Director Options were granted to the Directors Mr Tim Levy and Mr Crispin Swan. Refer note 5 for further details.

Grange Consulting

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

$93,508 was paid to Grange for company secretarial services for the period ended 31 December 2021. $nil was outstanding and payable to Grange as at 31 December 2021.

NOTE 16: COMMITMENTS AND CONTINGENT LIABILITIES & ASSETS

The Group has been engaged since January 2021 in arbitration with a service provider in respect to claims of a breach of a technology license. This action is expected to be finalised in Financial Year 2022. It is currently not practical to estimate the potential effect of the claims. The Board believes the claims are without merit and that it is not probable that a significant liability will arise. Accordingly, the Directors have not raised a provision in the financial report.

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 2021 other than those disclosed above.

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 2021, 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.

On 7 January 2022, the Company issued 1,241,968 Shares following the exercise of 1,200,751 performance rights and 41,217 Options.

On 18 January 2022, the Company entered into a Working Capital Debt Facility Agreement. The key terms of the Facility include:

- The Company may draw up to a maximum of $10 million over the 5 Year life of the facility. Each drawdown is for a minimum of $1 million with no maximum;
- The Company is not obligated to draw down funds and may terminate the facility at any time;
- Interest rate is 10% pa on drawn funds and 1% pa on undrawn funds;
- No debt covenants are applicable. Negative pledges are included regards incurring any additional indebtedness, granting security, making distributions, disposing of assets that are material in nature. Security is to be provided through a first ranking registered security over all present and future assets of the Company. Initial drawdown is subject to execution of security agreements in customary form; and
- A facility fee of 2.0% of the Facility Amount is payable along with 3m options with an exercise price of $0.60 expiring on 31 January 2026 on signing. Thereafter a Facility maintenance fee of up to 7 million 60c options subject to shareholder approval (or $500,000 in cash if not) payable in three instalments dated 31 Jul 2022, 31 Jan 2022 and 31 July 2023 unless the facility is terminated by the Company.

On 19 January 2022, the Company issued 1,248,084 Shares to employees in lieu of cash consideration under the Company's Employee Securities Incentive Plan and also issued 28,862 Shares following the exercise of 28,862 Options.

On 21 January 2022, Mr Georg Ell was appointed as Non-Executive Director of Family Zone Cyber Safety Limited. The material terms of Mr Ell's appointment include the following:

- Annual cash remuneration of £30,000 per annum
- Security based remuneration of 2,786,753 Options to be issued under the Company's Employee Securities Incentive Plans on the key terms outlined below

Number of Options	Vesting	Exercise Price	Expiry
686,753	None	$0.00	31 December 2025
700,000	Continued service as a director, employee or consultant until 31 December 2022	$0.60	31 December 2025
700,000	Continued service as a director, employee or consultant until 31 December 2023	$0.60	31 December 2025
700,000	Continued service as a director, employee or consultant until 31 December 2024	$0.60	31 December 2025

On 28 January 2022, the Company issued 452,655 Shares following the exercise of 39,509 Options and 413,146 Performance Rights.

On 31 January 2022, the Company issued 401,545 Shares being the tranche 3 deferred share based consideration payable and paid $214,792 (US$152,335) in deferred consideration under the NetRef Business Acquisition Agreement.

On 4 February 2022, the Company issued 58,740 Shares, 4,421,556 Performance Rights, 1,107,891 Employee Options ($0.535, 30 June 2025), 686,753 Director ZEPOs ($0.00, 31 Dec 2025) and 2,100,000 Director Options ($0.60, 31 Dec 2025) to employees under the Company's Employee Securities Incentive Plan.

On 10 February 2022, the Company issued 940,031 Shares following the exercise of 171,121 Performance Rights and 222,910 Options.

On 22 February 2022, the Company issued 56,130 shares on exercise of 45,130 options.

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.

NOTE 18: CALCULATION OF LOSS PER SHARE

	31 December 2021 $	31 December 2020 $
Loss after income tax attributable to the members of Family Zone Cyber Safety Ltd	31,280,424	9,332,409
Weighted average number of ordinary shares used in calculation basis loss per share	709,747,243	318,250,024
Basic and diluted (loss) per share attributable to equity holders (cents per share)	(4.89)	(2.93)

NOTE 19: DEFERRED TAX LIABILITIES

	31 December 2021 $	30 June 2021 $
Deferred tax liabilities	13,630,416	-
Total deferred tax liabilities	**13,630,416**	**-**

Reconciliation of deferred tax liabilities balances

	$
Balance at 1 July 2020	**-**
Balance at 30 June 2021	**-**
Balance arising from business combination fair value adjustments (Refer to Note 3)	14,297,619
Movements through income tax benefits	(667,203)
Balance at 31 December 2021	**13,630,416**

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 2021

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
28 February 2022

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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 2021, 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 2021 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.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1(d) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 2021 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

Jarrad Prue

Director

Perth, 28 February 2022