

# FAMILY ZONE CYBER SAFETY LIMITED

ACN 167 509 177



## ANNUAL REPORT

for the year ended 30 June 2022

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## CORPORATE INFORMATION

### Directors

Tim Levy	Managing Director
Peter Pawlowitsch	Non-Executive Chairman
Crispin Swan	Executive Director
Phil Warren	Non-Executive Director
Matthew Stepka	Non-Executive Director
Georg Ell	Non-Executive Director (Appointed 21 January 2022)
Dr Jane Watts	Non-Executive Director (Appointed 2 June 2022)

### Company secretary

Dan Robinson and Arron Canicais (Appointed 30 August 2022)

### 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 George Terrace  
PERTH WA 6000  
Telephone: 1300 398 326

### Share register

Computershare Investor Services Pty Limited  
Level 11, 172 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)

## CHAIRMAN'S MESSAGE

Dear shareholders

I am pleased to report on the activities of Family Zone Cyber Safety Limited (Company) and its controlled entities (Family Zone or the Group) for the financial year ended 30 June 2022. The year was one of significant growth as we achieved scale and operating leverage. Pleasingly this growth has been through a combination of organic and inorganic growth.

Following the acquisition of NetRef at the end for FY21, the Group then finalised the acquisition of Smoothwall in August 2021, CipaFilter in March 2022 and following the end of the financial year completed the acquisition of Qustodio in August 2022. These acquisitions bring complimentary technology offerings to Family Zone's existing product suite and provide additional scale in key target markets of the United Kingdom, United States of America and Europe.

Reported revenue has grown 399% from \$8.96 million in FY21 to \$44.72 million in FY22, of this \$29.96 million was delivered through acquisition and \$5.80 million in organic growth, representing organic growth of 70%.

A number of regulatory, funding and industry tailwinds are present in the industry which positions the Group well to deliver further growth over the coming years. The Department of Education's Keeping Children Safe in Education legislation has been in place since 2014, however recently has been amended to include what schools must do to comply with the legislation.

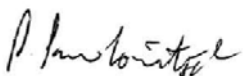
While in the US over \$125 billion of residual funding will be apportioned over time with a portion likely to relevant to Family Zone's online safety product offering in US schools. In addition, cyber security and children's online safety is an ever-growing area of focus with more of our daily lives spent online, the Group provides services whose core purpose is to create a safer environment for children.

Family Zone is now firmly established as a world leader in online safety tools and advice, supporting educators so that children can thrive. The group now has over 500 employees across Australia, the UK, US and Europe, serving more than 24,000 schools and 12 million students.

The Group is well positioned to continue to grow through key markets, plus the cross sell of additional products within education and of the Qustodio consumer product to our existing 12 million students.

I would like to thank our staff and executives for their contribution to the business in FY22 which was a highly successful and transformative year for the Group.

I would also like to thank our shareholders and my fellow board members for their support over the last year.



Peter Pawlowitsch  
Chairman

## REVIEW OF OPERATIONS

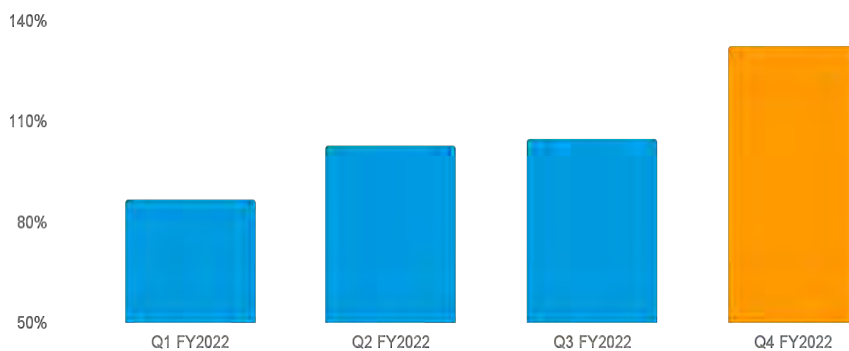
### Operational results

#### Review of operations

The Group derives its operating revenue from its education business through the sale of its cyber safety services to schools through contracted student licences (B2B) and its consumer business through the sale of its parental control service subscriptions to parents directly (B2C) and through its school networks (B2B2C).

The Group reported operating revenues of \$44.72 million for the current financial year representing a 399% increase from the prior year. The growth in revenue was driven by the acquisition of Smoothwall and Cipafilter during the year as well as organic growth in annual recurring revenue (ARR).

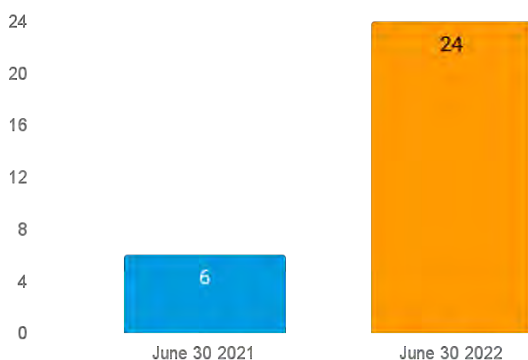
Group Net Revenue Retention



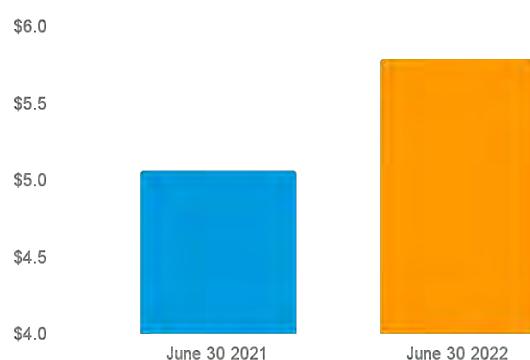
In FY2022 we achieved scale, we:

- Grew the number of schools serviced by 316%, from 6,000 to 24,000
- Grew the number of students serviced by 300% from 3 million to 12 million
- Reached 16% of US school districts (up from 10% in FY2021)

School Clients (Thousands)



Revenue/ Student (\$s)



Employee benefits were a key expenditure item for the financial year being approximately \$48.90 million. As a technology business, employee wages and salaries are a key business cost. During the year the Group significantly expanded its team, largely due to acquisition of new businesses, increasing to have approximately 420 employees at 30 June 2022. Acquisition related expenses were \$3.10 million during the year.

Non-cash share-based payments to employees and consultants during the period were approximately \$19.49 million. These equity incentives are designed to ensure employee interests were closely aligned with the achievement of the Group's operational and financial targets and also to reduce cash payments as part of the Group's commitment to reduce cash overheads. Another

## REVIEW OF OPERATIONS

significant non-cash expenditure item was the depreciation and amortisation charge for the financial year of approximately \$10.53 million.

The Group reported a net loss attributable to members for the period of approximately \$75.38 million, for ongoing cash operating expenses it is \$27.4 million after the removal of share based payments (\$19.49m), depreciation and amortisation (\$10.5m), acquisition related expenses (\$3.10m), one-off costs such as legal fees on an arbitration dispute that was found in the Company's favour (\$1.90m) and foreign exchange movement (\$11.36m).

During the year the Group raised approximately \$188.47 million through share placements to sophisticated and professional investors as well as a share purchase plan to existing investors.

The Group ended the year with \$32.75 million cash at 30 June 2022.

### *Subsequent to 30 June 2022*

On 1 August 2022 Family Zone acquired Qustodio, the market leader in the parental controls category. Qustodio was founded in 2012 and has over 280,000 subscribers across 132 countries, functioning in a variety of languages. Consideration for Qustodio comprised of:

- US\$12.62 million in cash consideration (including US\$2.6 million held in escrow as a provision for warranty and indemnity claims)
- US\$7.49 million of Convertible Notes have been issued (at a face value of US\$1,000)
- US\$4.08 million of shares have been issued (at US\$0.320 per share)
- US\$18.86 million deferred consideration payable in shares with US\$18 million also subject to the satisfaction of performance milestones.

The acquisition offers Family Zone expertise, capability, scale, new markets and operational efficiencies including:

- Cross-sell into the K-12 market. Qustodio has a highly resolved product, well suited to offer through Family Zone's 24,000 school footprint.
- Global footprint and language skills. Qustodio operates globally with a strong presence in key countries. These are hubs for K-12 expansion.
- Talent and talent pools. Qustodio is an outstanding outfit and Spain has a strong and cost effective talent pool in an attractive time zone.
- Dedicated consumer capability. The merger allows pooling of consumer capability and dedication of resources to direct and B2B2C channels.
- Expanded features. The merger will create an opportunity to bring together our consumer feature sets.
- Operating efficiencies. The merger will allow realisation of efficiencies through scale and duplication of effort.
- For full details regarding the acquisition, please refer to Note 30 of the financial statements.

## EXECUTIVE APPOINTMENT

Ben Jenkins was appointed chief financial officer (CFO) and commenced in the role in August 2022. Mr Ben Jenkins has over 12 years' experience in senior finance roles with businesses actively investing in emerging technologies. He also has extensive experience in financial and management reporting, treasury, process improvement and internal controls.

Mr Jenkins joins the Company from Australian Finance Group Ltd. where he has held the role of CFO since December 2015. Prior to this he was financial controller and company secretary of iiNet. He was also a senior manager with Ernst and Young.

Mr Jenkins is a Chartered Accountant, holds a Bachelor of Commerce Degree, and is a graduate of the Australian Institute of Company Directors. He is an experienced finance executive with a strong operational background in a listed-company environment.

Mr Jenkins replaced Mr Todd Morcombe, who left the Company in early August 2022.

## NON-EXECUTIVE DIRECTOR APPOINTMENT – Mr Georg Ell (Appointed 21 January 2022)

Mr Georg Ell was appointed as a Non-executive Director on 21 January 2022. Georg has been the CEO of the recently acquired Smoothwall business in the UK since May 2018. As part of the organisational integration of the Smoothwall and Family Zone

## REVIEW OF OPERATIONS

businesses Georg is stepping down from his role as Smoothwall CEO and has accepted an appointment as Non-executive Director role with the Company.

As the UK now represents a key market for the Company, currently generating approximately 60% of the business' annual recurring revenue, the Board considers it important to have a Director based in, and with a strong understanding of, the UK cyber safety market. During his time as CEO of Smoothwall, Georg focused on growth through developing a strong culture, innovating with new product lines and a transition to a SaaS business model, a high degree of customer orientation and implementation of customer success principles, and M&A. Under his leadership, Smoothwall has twice been a Top 100 UK employer and won Two and Three Stars in the annual Sunday Times' Best Companies awards for employee engagement.

Prior to joining Smoothwall, Georg was Director for Western Europe at Tesla, for more than four years leading a team of >330 people across the UK, Ireland, Netherlands, Belgium and Luxembourg on a mission to accelerate the world's adoption of sustainable energy. Prior to that he was General Manager, EMEA for the enterprise social networking service Yammer, acquired by Microsoft for \$1.2bn, where he grew the team from 0 to 85 staff in 18 months, and won a Three Star Award and Top 10 national employer award in the Sunday Times' Best Companies process.

Georg started his career at Microsoft where he was the first quota-carrying salesperson for Microsoft's enterprise Cloud business in Europe.

He is a Venture Partner and Senderwood Fellow with LocalGlobe, a Venture Partner with Craft Ventures, and an Advisory Board Member at AccelerateHer.

### **NON-EXECUTIVE INDEPENDENT DIRECTOR APPOINTMENT – Dr Jane Watts (Appointed 2 June 2022)**

Jane has over 30 years' experience across banking and financial services in Australia, holding senior executive positions in Westpac, (including BT Financial Group), Macquarie and Lendlease. Throughout her career Jane has led large customer-facing businesses through a range of business cycles and in different market segments including Private Banking, Financial Advice, Wealth Management, Consumer Banking and Business Banking. Most recently Jane was the Chief Customer Engagement Officer for the Business Bank of Westpac, before she embarked on a non-executive director board career.

Jane has sat on a variety of internal company boards over many years as well as not-for-profit enterprises. She is currently on the Orygen Youth Mental Health Foundation as well as the Westpac Foundation. Jane was previously a non-executive director on the financial advisory and accounting boards of Findex and Lachlan Partners.

Jane has a Ph.D. in Organisational Psychology and is a Graduate of the Australian Institute of Company Directors.

## DIRECTOR'S REPORT

Your Directors have pleasure in submitting their report together with the financial statements of Family Zone Cyber Safety Limited ('Company') and its wholly owned subsidiaries (the 'Group' or 'Family Zone') for the financial year ended 30 June 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

### DIRECTORS

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

Mr Tim Levy	Managing Director
Mr Peter Pawlowitsch	Non-Executive Independent Chairman
Mr Crispin Swan	Executive Director – Sales
Mr Phil Warren	Non-Executive Independent Director
Mr Matthew Stepka	Non-Executive Independent Director
Mr Georg Ell	Non-Executive Director (appointed 21 January 2022)
Dr Jane Watts	Non-Executive Independent Director (appointed 2 June 2022)

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

### COMPANY SECRETARY

Emma Wates held the position of Company Secretary at the end of the financial year, until 30 August 2022

On 30 August 2022, Dan Robinson and Arron Canicais were appointed as Joint Company Secretary.

### PRINCIPAL ACTIVITIES

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

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

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

### RESULTS

The Group reported total revenue and other income for the year ended 30 June 2022 of \$45,180,652 (2021: \$13,217,746) with revenue from operations being \$44,725,569 (2021: \$8,962,485).

The net loss attributable to members of the Group for the year ended 30 June 2022 amounted to \$64,015,461 (2021: \$21,930,396)

### REVIEW OF OPERATIONS

The operations of the Group during the financial year have focussed on the sales and marketing of its suite of cyber safety products and services through its key distribution channels as well as the provision of ongoing customer support services and continual improvement and upgrade of its services.



## **DIRECTOR'S REPORT**

### **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.

The Group also acquired the Cipafilter business during the period. This acquisition has increased the business' operations in the US region.

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.

### **LIKELY DEVELOPMENTS**

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

### **ENVIRONMENTAL REGULATION**

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

### **DIVIDENDS**

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

### **EVENTS AFTER BALANCE DATE**

#### **Qustodio Acquisition**

On 2 May 2022, The Group announced an agreement to acquire Qustodio LLC ("Qustodio") and its controlled entities, a leading global parental controls provider. The acquisition was subject to a number of pre-completion conditions including Spanish Foreign District Investment approval which was subsequently obtained on 21 July 2022. The acquisition was to be funded by a fully underwritten institutional placement of \$42 million before transaction costs.

The acquisition offers Family Zone the opportunity to cross-sell into the K-12 market, increase its global presence, expand consumer offerings and realise operating efficiencies across the Group.

A total of 123,529,412 ordinary shares were issued under Equity Raising at a price of \$0.34 per Share across two tranches on 12 May 2022 and 1 July 2022.

The company completed the acquisition of the Qustodio business on 1 August 2022. The total purchase consideration was USD\$43 million (AUD\$61 million) with USD\$24.2 million payable upfront in the form of cash (USD\$12.6 million), issue of shares (USD\$4.1 million) and issue of notes (USD\$7.5 million). The remaining USD\$18.9 million is deferred consideration payable in Family Zone shares with USD\$18 million of that also subject to the satisfaction of performance milestones. Refer to Note 30 for further details.

#### **Other subsequent events**

Effective on 25 July 2022, Family Zone changed share registrar from Automic Registry Services to Computershare Investor Services Pty Ltd.

On 2 August 2022 the Company issued 2,000,000 Options (\$0.60, 31 Jan 2026) as part of a Facility Fee pursuant to a Working Capital Facility Agreement.

On 8 August 2022 and 16 August 2022, the Company issued 3,000,000 and 1,542,735 Shares respectively to employees under its Employee Securities Incentive Scheme.

On 26 August the Company issued 3,082,260 Shares to employees under its Employee Securities Incentive Scheme, 29,444,452 Employee Performance Rights and 240,000 Options (\$0.00, 30 June 2025).

## DIRECTOR'S REPORT

On 30 August 2022, Emma Wates resigned as Company Secretary. Messrs Dan Robinson and Arron Canicais were appointed as Joint Secretary effective 30 August 2022.

On 9 September 2022 the Company issued 1,649,596 Shares to employees under its Employee Securities Incentive Scheme.

Since the end of the financial year a total of 3,000,000 Shares have been issued following the exercise of 3,000,000 options with a total of \$630,000 funds received from the exercise of these Options. In addition, 1,500,015 Performance Rights have been exercised for nil consideration under the Company's Employee Securities Incentive Scheme.

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

### INFORMATION ON DIRECTORS

DIRECTORS	
<p><b>Mr Tim Levy</b>  B. Com, CA</p>	<p><b>Experience and expertise</b></p> <p>Mr Levy is a successful telecommunications and technology entrepreneur. He is the founder of Vodafone's largest Australian retail partner Mo's Mobiles and was the former CEO/COO of listed Optus reseller B Digital Limited. Prior to working in commerce Mr. Levy was a management consultant at Andersen's working in technology and change projects across Australia, South Africa, Zambia, Jordan and Saudi Arabia.</p> <p>Mr. Levy is a graduate of the University of Western Australia and was a practising Chartered Accountant prior to his move into commerce.</p> <p><b>Other current directorships of ASX listed companies</b></p> <p>Nil</p> <p><b>Other directorships held in ASX listed companies in the last three years</b></p> <p>Nil</p>
<p><b>Mr Peter Pawlowitsch</b> B. Comm, CPA MBA, FGIA</p>	<p><b>Experience and expertise</b></p> <p>Mr Pawlowitsch is an experienced ASX company director. Mr Pawlowitsch specialises in technology businesses and the transition from startup to sustainability.</p> <p>Mr Pawlowitsch is also a Fellow of the Governance Institute of Australia and holds a Master of Business Administration from Curtin University. These qualifications have underpinned more than 15 years' experience in the accounting profession and more recently in business management and the evaluation of businesses and projects.</p> <p><b>Other current directorships of ASX listed companies</b></p> <ul style="list-style-type: none"> <li>• Dubber Corporation Limited (September 2011 – present)</li> <li>• VRX Silica Limited (February 2010 – present)</li> <li>• Knosys Limited (March 2015 – December 2021)</li> <li>• Novatti Group Limited (June 2015 – present)</li> </ul> <p><b>Other directorships held in ASX listed companies in the last three years</b></p> <ul style="list-style-type: none"> <li>• Nil</li> </ul>
<p><b>Mr Crispin Swan</b>  B. Arts (Hons) (UK/Germany)  European Business Programme</p>	<p><b>Experience and expertise</b></p> <p>Mr Swan is an experienced sales executive and general manager working across a range of global enterprises. His expertise is in international business development, executive and IT &amp; T sales. Mr Swan's former roles have included:</p> <ul style="list-style-type: none"> <li>• Vice President Sales Asia Pacific, Mavenir Systems</li> <li>• Regional Sales Director and General Manager, Airwide Solutions</li> <li>• Network Infrastructure Solutions IS Manager for Australia &amp; Papua New Guinea</li> <li>• Sales Manager, Sema</li> </ul>

## DIRECTOR'S REPORT

<p><b>Mr Crispin Swan</b> B. Arts (Hons) (UK/Germany) European Business Programme (continued)</p>	<ul style="list-style-type: none"> <li>• Account Manager, Cisco Systems</li> <li>• Account Manager, Alcatel-Lucent</li> <li>• Sales Executive, Cable &amp; Wireless Communications</li> </ul> <p><b>Other current directorships of ASX listed companies</b> Nil</p> <p><b>Other directorships held in ASX listed companies in the last three years</b> Nil</p>
<p><b>Mr Phil Warren</b>  B. Com, CA</p>	<p><b>Experience and expertise</b></p> <p>Mr Warren is a Chartered Accountant and managing director of West Perth based corporate advisory firm Grange Consulting. Mr. Warren has over 20 years of experience in finance and corporate roles in Australia and Europe. He has specialised in company valuations, mergers and acquisitions, capital raisings, debt financing, financial management, corporate governance and company secretarial services for a number of public and private companies.</p> <p>Mr Warren has established a number of ASX listed companies and continues to act as corporate advisor to some of these companies. Mr. Warren is a non-executive director of Rent.com.au Limited and also sits on a number of unlisted company boards in his capacity as finance and governance director.</p> <p><b>Other current directorships of ASX listed companies</b></p> <ul style="list-style-type: none"> <li>• Rent.com.au Limited (September 2014 – present)</li> <li>• Narryer Metals Limited (July 2021 – present)</li> <li>• Killi Resources Limited (August 2021 – present)</li> <li>• Anax Metals Limited (April 2021 – present)</li> </ul> <p><b>Other directorships held in ASX listed companies in the last three years</b></p> <ul style="list-style-type: none"> <li>• Cassini Resources Limited (March 2011- September 2020)</li> <li>• Jupiter Energy Limited (April 2018 – November 2020)</li> </ul>
<p><b>Mr Matthew Stepka</b></p>	<p><b>Experience and expertise</b></p> <p>Mr Stepka is Managing Partner of Machina Ventures, an investment firm focused on early stage, artificial intelligence and data science enabled companies. He is also a Lecturer at UC Berkeley, Haas School of Business. Previously, Mr. Stepka was Vice President, Business Operations and Strategy at Google, where he led and incubated strategic initiatives including expanding internet access, deploying renewable energy, strengthening freedom of expression and democracy, innovating in robotics, establishing novel pricing strategies and extending Google's footprint in emerging markets, especially Africa.</p> <p>Prior to joining Google, Mr. Stepka held positions including Vice President at drugstore.com, Chief Operating Officer at WorldRes (a leading online hotel reservation network) and Management Consultant with McKinsey &amp; Company.</p> <p>Mr. Stepka holds a Juris Doctorate from UCLA School of Law, and is a member of the California State Bar. In addition, he holds Bachelor of Science degrees in Computer Engineering and Management from Case Western Reserve University.</p> <p><b>Other current directorships of ASX listed companies</b> None</p> <p><b>Other directorships held in ASX listed company in the last three years</b>  None</p>

## DIRECTOR'S REPORT

<b>Mr Georg Ell</b>	<p><b>Experience and expertise</b></p> <p>Georg Ell was the chief executive of Smoothwall business in the UK from May 2018 until its acquisition by Family Zone in January 2022. He stepped down from the CEO role and became a non-executive director of Family Zone.</p> <p>Mr Ell started his career at Microsoft where he was the first quota-carrying salesperson for Microsoft's enterprise Cloud business in Europe. During his time as chief executive of Smoothwall, he focused on growth through developing a strong culture, innovating with new product lines, and a transition to a SaaS business model, a high degree of customer orientation and implementation of customer success principles, and M&amp;A. Under his leadership, Smoothwall has twice been a Top 100 UK employer and won Two and Three Stars in the annual Sunday Times' Best Companies awards for employee engagement.</p> <p>Prior to joining Smoothwall, Mr Ell was a director for Western Europe at Tesla for more than four years where he led a team of &gt;330 people across the UK, Ireland, Netherlands, Belgium and Luxembourg on a mission to accelerate the world's adoption of sustainable energy. He was also the general manager of EMEA for the enterprise social networking service Yammer which was acquired by Microsoft.</p> <p>Mr Ell is a venture partner and Senderwood Fellow with LocalGlobe, a venture partner with Craft Ventures, and an advisory board member of AccelerateHer.</p> <p><b>Other current directorships of ASX listed companies</b></p> <p>None</p> <p><b>Other directorships held in ASX listed company in the last three years</b></p> <p>None</p>
<b>Dr Jane Watts</b>	<p><b>Experience and expertise</b></p> <p>Dr Jane Watts has over 30 years of experience across the banking and financial services sectors within Australia. She has led large customer-facing businesses through a range of business cycles and in different market segments including private banking, financial advice, wealth management, consumer banking and business banking.</p> <p>Dr Watts held senior executive positions at Westpac, BT Financial Group, Macquarie and Lendlease. She spent over 10 years with Westpac and was the chief customer engagement officer before embarking on a company board director's career.</p> <p>Dr Watts has a PhD in Organisational Psychology and is a graduate of the Australian Institute of Company Directors.</p> <p><b>Other current directorships of ASX listed companies</b></p> <p>Liberty Financial Group</p> <p><b>Other directorships held in ASX listed company in the last three years</b></p> <p>None</p>

## MEETINGS OF DIRECTORS

The number of Directors' meetings held, and the number of meetings attended by each of the Directors, for the year ended 30 June 2022:

Director	Number of Board meetings eligible to attend	Number of Board meetings attended
Mr Tim Levy	14	14
Mr Peter Pawlowitsch	15	15
Mr Crispin Swan	14	14
Mr Phil Warren	15	15
Mr Matthew Stepka	15	14
Mr Georg Ell	5	5
Dr Jane Watts	1	1

## DIRECTOR'S REPORT

The number of audit committee meetings held, and the number of meetings attended by each of the Directors, for the year ended 30 June 2022.

Director	Number of audit committee meetings eligible to attend	Number of audit committee meetings attended
Phil Warren (Chairman)	2	2
Mr Peter Pawlowitsch	2	2

### DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

Director	Shares	Options	Performance Rights <sup>1</sup>
Tim Levy	13,464,406	2,500,000	4,800,000
Crispin Swan	4,633,240	1,000,000	4,614,286
Phil Warren	491,688	1,000,000	-
Peter Pawlowitsch	14,405,038	3,000,000	-
Matthew Stepka	2,500,000	-	-
Georg Ell	1,329,568	2,100,000	2,095,210
Dr Jane Watts	-	2,100,000	-

<sup>1</sup>Refer to the table below for breakdown of various classes of Performance Rights held by Directors.

As at the date of this report, the interests of the Directors the various classes of performance rights of the Group were:

Director	Performance Rights						
	Remuneration PRs	Employee/Executive PRs	SP PRs	STI 2022 PRs	STI 2023 PRs	LTI 2023 PRs	Total
Tim Levy	-	300,000	1,000,000	1,000,000	1,000,000	1,500,000	<b>4,800,000</b>
Crispin Swan	814,286	300,000	-	1,000,000	1,000,000	1,500,000	<b>4,614,286</b>
Phil Warren	-	-	-	-	-	-	-
Peter Pawlowitsch	-	-	-	-	-	-	-
Matthew Stepka	-	-	-	-	-	-	-
Georg Ell	-	2,095,210	-	-	-	-	<b>2,095,210</b>
Dr Jane Watts	-	-	-	-	-	-	-

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies the directors and officers of the Company for costs incurred, in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a market rate premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. For confidentiality purposes the insurer has recommended not to disclose the nature of the liability and the amount of the premium.

### PROCEEDINGS ON BEHALF OF THE COMPANY

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

## DIRECTOR'S REPORT

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2022 is provided in this report.

### NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics or Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

### UNISSUED SHARES UNDER OPTION

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

Options	Granted	Exercise Price	Expiry Date	Number
Selling/Advisor Options	8/11/2019	\$0.21	8/11/2022	1,537,500
Employee Options	29/05/2020	\$0.21	29/05/2023	500,000
Director Options	30/06/2020	\$0.21	7/07/2023	1,000,000
Advisor Options	30/06/2020	\$0.24	13/07/2023	700,000
Advisor Options	28/08/2020	\$0.18	13/07/2023	500,000
Director Options	30/06/2021	\$0.50	30/06/2025	4,500,000
Executive Options	1/09/2021	\$0.55	30/06/2025	500,000
Director Options	2/12/2021	\$0.00	31/12/2025	2,000,000
Director Options	4/02/2022	\$0.60	31/12/2025	2,100,000
Director Options	1/06/2022	\$0.60	31/12/2025	2,100,000
Executive ZEPOs	31/08/2022	\$0.00	30/06/2025	240,000
Working capital Options	18/01/2022	\$0.60	31/01/2026	3,000,000
Working capital Options	01/08/2022	\$0.60	31/01/2026	2,000,000
Co Sec Options	01/06/2022 and 06/09/2022	\$0.60	30/06/2025	350,000
Performance Shares	29/11/2017	Nil	29/11/2022	3,000,000
Performance Rights	25/02/2019 to 09/09/2022	Nil	31/12/2022 to 30/06/2025	73,305,659
<b>Total</b>				<b>97,333,159</b>

## DIRECTOR'S REPORT

### SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE OF OPTIONS & RIGHTS

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

Options	Date Granted	Exercise Price	Number of Shares issued	Amount paid for Shares
Employee Options	28/02/2019	\$0.18	1,502,697	\$270,485
Selling/Advisor	8/11/2019	\$0.21	1,057,500	\$222,075
Broker Options	7/07/2020	\$0.18	450,000	\$81,000
Director Options	24/01/2022	\$0.00	686,753	\$0.00
Director Options	08/11/2019	\$0.21	3,000,000	\$630,000
Performance / Remuneration Rights	25/02/2019 to 02/05/2022	Nil	7,123,149	-
<b>Total</b>			<b>13,820,099</b>	<b>\$1,203,560</b>

### ROUNDING OF AMOUNTS

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

## DIRECTOR'S REPORT REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for the year ended 30 June 2022. The information contained in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

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

### A. Details of Key Management Personnel

Name	Position	Period of Responsibility
Mr Tim Levy	Managing Director	Appointed 1 April 2014
Mr Peter Pawlowitsch	Non-Executive Chairman	Appointed 24 September 2019
Mr Crispin Swan	Executive Director - Sales	Appointed 3 September 2015
Mr Phil Warren	Non-Executive Director	Appointed 13 May 2016
Mr Matthew Stepka	Non-Executive Director	Appointed 1 May 2020
Mr Georg Ell	Non-Executive Director	Appointed 21 January 2022
Dr Jane Watts	Non-Executive Director	Appointed 2 June 2022

#### ● Remuneration Policies

Remuneration levels for Directors, secretaries and senior executives of the Group ("the Directors and senior executives") will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Group's remuneration strategy.

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

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

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

Fixed remuneration consists of base remuneration, employer contributions to superannuation funds as well as securities issued under the Staff Incentive Plan as part of the Group's cashflow conservation strategy. These securities are considered fixed remuneration when they are not at risk as a result of performance.

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

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

During the 2021 financial year, the Group implemented a Staff Incentive Plan with the following core objectives:

- Conserving cash by converting cash-based remuneration to security based remuneration;



## **DIRECTOR'S REPORT REMUNERATION REPORT (AUDITED)**

- Attract and retain staff;
- Align executives incentives to the Group's annual recurring revenue targets; and
- Align remuneration with shareholders through employees having an equity interest in the Company.

The Staff Incentive Plan, first introduced in 2021, comprises:

### *Remuneration in Securities*

The Executive Directors and a number of senior staff agreed to convert part of their cash based remuneration into security based remuneration. Shares and Remuneration Performance Rights were issued in lieu of salaries with the objective of conserving cash and aligning the employee remuneration with shareholders through employees having an equity interest in the Company. This continued for the financial year ended 30 June 2022.

### *Employee Incentive Scheme*

The Group also continued its Employee Incentive Scheme across all staff, including Executive Directors, with the objective of attracting and retaining staff within the business through the issue of Employee Performance Rights. The Employee Performance Rights were issued under the Company's Performance Rights Plan in three equal tranches which vest subject to continued employment over a 3 year period. This continued for the financial year ended 30 June 2022.

### *Executive Incentive Scheme*

The Group also maintains the Executive Incentive Scheme for senior executives, including Executive Directors, focused on growing annual recurring revenue (ARR). The continued growth of the Group's ARR has been identified as a key strategic objective of the Group.

Executive Performance Rights issued under the Company's Performance Rights Plan include vesting conditions which originally focused on the achievement of \$16 million of ARR by 30 June 2021. This was revised to a quarterly recurring revenue target (QRR Target) of \$4 million for the June 2021 quarter following approval at a Shareholder Meeting on 9 June 2021.

Since this time, the Board has set short term and long term performance targets. Short term (including STI 2022 and 2023 performance rights) incentives include 100% growth in recurring revenue each financial year and a positive personal scorecard (scorecard as determined by the Board each year). Long term incentives were set in 2021 for the following 2 years and are linked to delivery of the Group's key strategic objectives under its business plan as well as growth in Shareholder value over the current term of the Remuneration Incentive Scheme (i.e. by 30 June 2023). Key longer term strategic objectives include:

- Expand Markets – global market expansion and growth in annual recurring revenues outside the United States of America, Australia and New Zealand;
- Expand Products – development and launch of additional product offerings;
- Launch Consumer Products – growth of the Company's consumer products outside Australia;
- Make Sustainable – improve efficiency and reduce data and hosting costs to improve gross product margins; and;
- Improve Revenue per Subscriber – increase the revenues generated per student through providing additional product offerings.

Personal scorecard and other milestones in relation to the STI 2022 performance rights were assessed in July 2022 by the Board and accordingly these rights vested in full.

### ***Executive Service Agreements***

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

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

## DIRECTOR'S REPORT REMUNERATION REPORT (AUDITED)

### *Mr Tim Levy – Managing Director*

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

- a) a base salary of \$375,000 per annum (2021: \$375,000) plus statutory superannuation, effective 1 July 2021
- b) the agreement may be terminated;
  - (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;
  - (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Levy is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 12 month period;
  - (iii) by either party with 12 months written notice if the role of Managing Director becomes redundant. If the Company terminates the employment of Mr Levy within 12 months of a Change of Control, it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy, it shall be obliged to pay Mr Levy for any notice period worked. In addition, it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary (less tax) and any accumulated entitlements;
  - (iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law; and
  - (v) by Mr Levy immediately, by giving notice, if the Company is in breach of a material term of this agreement.

Under the Company's 2022-2023 Staff Incentive Plan, Mr Levy was issued 1,000,000 STI 2022 Performance Rights, 1,000,000 STI 2023 Performance Rights, 1,500,000 LTI Performance Rights and 1,500,000 New Director Options (\$0.50, 30 June 2025) on 30 June 2021 (granted in year ended 30 June 2021) as a security-based incentive component of his remuneration package. Refer to Note 19: Reserves and Note 21: Share based payments for details on these incentive securities including the vesting conditions.

Of the above, 1,000,000 STI 2022 Performance Rights have vested as on 30 June 2022. 1,000,000 STI 2023 Performance Rights and 1,500,000 LTI Performance Rights continue to vest until 30 June 2023 based on the achievement of the following:

1. Individual job performance / scorecard for FY2023 STI 2023 rights)
2. Company ARR growth for FY2023 (STI 2023 rights)
3. Achievement across 5 business objectives by 30 June 2023. Please refer to Note 19 for detailed vesting conditions (LTI 2023 rights)

Mr Levy was also issued 1,000,000 Director Zero Priced Options expiring 30 November 2024 as incentive-based remuneration approved at shareholders meeting held on 19 November 2021. Please refer Section D for details.

### *Mr Crispin Swan – Executive Director – Sales*

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

- a) a base salary of \$375,000 per annum (2021: \$300,000) plus statutory superannuation, effective 1 July 2021
- b) the agreement may be terminated;
  - (i) by either party without cause with 12 months written notice or if the Company elects to with payment in lieu of notice;

## DIRECTOR'S REPORT REMUNERATION REPORT (AUDITED)

- (ii) by the Company with one month's notice, or immediately with payment in lieu of notice if Mr Swan is unable to perform his duties under the agreement for three consecutive months or a period aggregating to three months in a 12 month period;
- (iii) by either party with 12 months written notice if Mr Swan's role becomes redundant. If the Company terminates the employment of Mr Swan within 12 months of a Change of Control, it will be deemed to be a termination by reason of redundancy. If the Company terminates for reason of redundancy it shall be obliged to pay Mr Swan for any notice period worked. In addition, it will be required to pay any redundancy amount payable under applicable laws, an amount equal to 12 months base salary and any accumulated entitlements;
- (iv) by the Company, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Company a right of summary dismissal at common law; and
- (v) by Mr Swan immediately, by giving notice, if the Company is in breach of a material term of this agreement.

Under the Company's 2022-2023 Staff Incentive Plan, Mr Swan was granted 1,000,000 STI 2022 Performance Rights, 1,000,000 STI 2023 Performance Rights and 1,500,000 LTI Performance Rights during the year ended 30 June 2021 (granted in year ended 30 June 2021) as a security based incentive component of his remuneration package. Refer to Note 19: Reserves and Note 21: Share based payments for details on these incentive securities including the vesting conditions.

Of the above, 1,000,000 STI 2022 Performance Rights have vested as on 30 June 2022. 1,000,000 STI 2023 Performance Rights and 1,500,000 LTI Performance Rights continue to vest until 30 June 2023 based on the achievement of the following:

1. Individual job performance / scorecard for FY2023 STI 2023 rights)
2. Company ARR growth for FY2023 (STI 2023 rights)
3. Achievement across 5 business objectives by 30 June 2023. Please refer to Note 19 for detailed vesting conditions (LTI 2023 rights)

Mr Swan was also issued 1,000,000 Director Zero Priced Options expiring 30 November 2024 as incentive based remuneration approved at shareholders meeting held on 19 November 2021. Please refer Section D for details.

### *Non-Executive Directors and Chairman Fees*

Non-executive Director fees are set based on fees paid to other Non-Executive Directors of comparable companies. The aggregate remuneration for Non-Executive Directors has been set by the Board at an amount not to exceed \$500,000 per annum.

Non-Executive Chairman, Mr Peter Pawlowitsch receives a base cash fee of \$100,000 per annum (plus statutory superannuation).

From 1 July 2022, Non-Executive Director Mr Phil Warren receives a base cash fee of \$50,000 per annum (previously \$40,000) plus statutory superannuation.

Non-Executive Director Mr Matthew Stepka receive a base cash fee of \$60,000 per annum.

Non-Executive Director Mr Georg Ell receives a base cash fee of GBP30,000 per annum.

Non-Executive Director Dr Jane Watts receives a base cash fee of \$50,000 plus statutory superannuation per annum.

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

### **B. Remuneration of Key Management Personnel**

Details of the remuneration of the Directors and the key management personnel (**KMP**) (as defined in AASB 124 *Related Party Disclosures*) of the Group for the year ended 30 June 2022 are set out in the following table.

## DIRECTOR'S REPORT REMUNERATION REPORT (AUDITED)

Directors and KMP	Short -term			Post employment			Long term		Share-based payments	TOTAL	Performance based % of remuneration		
	Salary fees (\$)	Annual Leave (\$)	Other (\$)	Super-annuation (\$)	Retirement benefits (\$)	Termination benefits (\$)	Incentive Plans (\$)	Long Service Leave (\$)	Shares/Options/Performance Rights (\$)		\$	Fixed based (%)	Performance based (%)
30-Jun-22													
Mr Tim Levy <sup>1</sup>	375,000	28,847	50,000	36,048	-	-	-	32,823	1,870,065	<b>2,392,783</b>	37%	63%	
Mr Crispin Swan	375,000	28,847	-	31,048	-	-	-	33,182	1,620,381	<b>2,088,458</b>	40%	60%	
Mr Peter Pawlowitsch	100,000	-	-	10,042	-	-	-	-	466,580	<b>576,622</b>	19%	81%	
Mr Phil Warren	40,000	-	-	4,017	-	-	-	-	-	<b>44,017</b>	100%	0%	
Matthew Stepka	60,000	-	-	-	-	-	-	-	14,000	<b>74,000</b>	81%	19%	
Mr Georg Ell <sup>2</sup>	205,363	-	18,697	20,776	-	-	-	-	2,183,754	<b>2,428,590</b>	54%	46%	
Dr Jane Watts <sup>3</sup>	3,977	-	-	418	-	-	-	-	21,388	<b>25,783</b>	100%	0%	
<b>Total Directors</b>	<b>1,159,340</b>	<b>57,694</b>	<b>68,697</b>	<b>102,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,005</b>	<b>6,176,168</b>	<b>7,650,253</b>	<b>29%</b>	<b>71%</b>	

<sup>1</sup>Mr Levy received each \$50,000 in additional remuneration due to additional services performed during the period, as approved by the Board.

<sup>2</sup>Mr Georg Ell was appointed as Non-Executive Director on 21 January 2022. Prior to this Mr Georg Ell was the CEO of Smoothwall. The fees set out in the above table reflect this.

<sup>3</sup>Dr Jane Watts was appointed as Non-Executive Director on 2 June 2022

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group for the year ended 30 June 2021 are set out in the following table.

Directors and KMP	Short -term				Post employment			Long term	Share-based payments	TOTAL	Performance based % of remuneration		
	Salary fees (\$)	Cash bonus (\$)	Other (\$)	Super-annuation (\$)	Retirement benefits (\$)	Termination benefits (\$)	Incentive Plans (\$)	Long Service Leave (\$)	Shares/Options/Performance Rights (\$)		\$	Fixed based (%)	Performance based (%)
30-Jun-21													
Mr Tim Levy <sup>1</sup>	212,500	-	-	20,188	-	-	-	12,481	236,668	<b>481,837</b>	80%	20%	
Mr Crispin Swan <sup>2</sup>	233,500	-	-	22,183	-	-	-	15,284	141,841	<b>412,808</b>	83%	17%	
Mr Peter Pawlowitsch <sup>3</sup>	50,000	-	-	12,391	-	-	-	-	141,664	<b>204,055</b>	31%	69%	
Mr Phil Warren	40,000	-	-	3,800	-	-	-	-	54,500	<b>98,300</b>	45%	55%	
Matthew Stepka <sup>4</sup>	10,000	-	-	-	-	-	-	-	257,071	<b>267,071</b>	29%	71%	
<b>Total Directors</b>	<b>546,000</b>	<b>-</b>	<b>-</b>	<b>58,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,765</b>	<b>831,744</b>	<b>1,464,071</b>	<b>53%</b>	<b>47%</b>	

<sup>1</sup>Mr Levy received 50% of his cash salary fees as equity based remuneration for the 12 month period 1 February 2020 to 31 January 2021.

<sup>2</sup>Mr Swan received 38% of his cash salary fees as equity based remuneration for the 12 month period 1 February 2020 to 31 January 2021

<sup>3</sup>Mr Pawlowitsch received 100% of the cash salary fees as equity based remuneration for the 12 month period 1 January 2020 to 31 December 2020.

<sup>4</sup>Mr Stepka received 100% of his cash salary fees as equity based remuneration for the 12 month period from his appointment on 1 May 2020 to 30 April 2021.

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED)

#### C. Relationship between remuneration and company performance

The Directors assess performance of the Group with regard to the achievement of both operational and financial targets with a current focus on subscriber numbers, recurring (contracted) sales revenues and share price. Directors and employees are issued options and/or performance rights, to encourage the alignment of personal and shareholder interests.

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

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

On the resignation of Directors and employees any vested options and performance rights issued as remuneration are generally retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options and performance rights. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value, to also encourage employee commitment to the Group and to align staff and shareholders' interests.

The following table shows Group's operating revenue, profits/(losses) and dividends for the last five financial years, as well as the Company's share prices at the end of the respective financial years. The Group has continued to grow its operating revenue over the last financial year. As outlined in the operating and financial review growth in revenue in particular contracted recurring revenues from the education business is a key focus of the Group. The Board has been issued equity based incentives during the financial year as a reward for the operational performance of the Group but also as an incentive with performance based vesting conditions linked to the Group's key strategic objectives being recurring revenue growth and share price appreciation, therefore aligning the interests of Directors with shareholders.

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Operating revenue	44,725,569	8,962,485	5,090,173	4,184,323	2,329,780
Net profit/(loss)	(65,429,554)	(21,930,396)	(17,617,120)	(14,401,137)	(18,206,211)
Share price at year-end	0.300	0.600	0.195	0.150	0.475
Dividends paid	-	-	-	-	-

#### D. Key management personnel's equity holding

##### a) Number of Options held by Key Management Personnel

The number of the options of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally related entities for the year ended 30 June 2022 are as follows:

Directors and Executives	Held at 1-Jul-21	Options exercised	Options expired	Options issued as remuneration	Held at 30-Jun-22	Vested and exercisable at 30-Jun-22
Mr Tim Levy <sup>1</sup>	1,681,351	(181,351)	-	1,000,000	2,500,000	-
Mr Crispin Swan <sup>1</sup>	197,838	(197,838)	-	1,000,000	1,000,000	-
Mr Peter Pawlowitsch	6,000,000	-	-	-	6,000,000	3,000,000
Mr Phil Warren	1,000,000	-	-	-	1,000,000	1,000,000
Mr Matthew Stepka	-	-	-	-	-	-
Mr Georg Ell <sup>2</sup>	-	(686,753)	-	2,786,753	2,100,000	-
Dr Jane Watts <sup>3</sup>	-	-	-	2,100,000	2,100,000	-
<b>Total</b>	<b>8,879,189</b>	<b>(1,065,942)</b>	<b>-</b>	<b>6,886,753</b>	<b>14,700,000</b>	<b>4,000,000</b>

## DIRECTOR'S REPORT REMUNERATION REPORT (AUDITED)

<sup>1</sup>1,000,000 Director options (\$0.00, 30 Nov 2024) issued to Mr Tim Levy and Mr Crispin Swan as incentive-based remuneration. These options were approved by shareholders at the Annual General Meeting on 19 November 2021 in accordance with ASX Listing Ruling 10.14. Mr Tim Levy exercised 181,351 Employee Options (\$0.18, 18 March 2022) and Mr Crispin Swan exercised 197,838 Employee Options (\$0.18, 18 March 2022) to acquire shares. The intrinsic value on the date of exercise was \$0.22 per option exercised.

<sup>2</sup>686,753 options (\$0.00, 30 June 2025) and 2,100,000 (\$0.60, 31 December 2025) options were issued to Mr Georg Ell on 24 January 2022. These options were issued on appointment under the Employee Securities Incentive Plan. He exercised the above 686,753 options to acquire shares for nil cash consideration. The intrinsic value on the date of exercise was \$0.505 per option exercised.

<sup>3</sup>2,100,000 (\$0.60, 31 December 2025) options were issued to Dr Jane Watts on 1 June 2022. These options were issued on appointment under the Employee Securities Incentive Plan.

During the year ended 30 June 2020, 3,000,000 options (\$0.21, 3 years) were granted to Non-Executive Chairman, Peter Pawlowitsch pursuant to the terms of his appointment for services to be provided. Shareholder approval was obtained 4 November 2019 and the options were issued 8 November 2019. These options (excluding those fully vested prior to the commencement of the current year) are subject to various vesting conditions as outlined below:

Tranche	Vesting Condition	Number	Value Per Option (\$)	Total Value (\$)	Total Share-Based Payment Expense for the year (\$)
5	The 30 day VWAP of the Company's Shares being greater than \$0.60	500,000	0.0754	37,700	17,061
<b>Total</b>		<b>500,000</b>		<b>37,700</b>	<b>17,061</b>

These options have vested as of 30 June 2022 as the vesting conditions are achieved.

Further, New Director Options were granted during the year ended 30 June 2021. 3,000,000 options were granted to non-executive Director Peter Pawlowitsch and 1,500,000 options for Managing Director for services to be provided, expiring 30 June 2025. Shareholder approval was obtained 9 June 2021, options were issued 30 June 2021. These options are subject to various vesting conditions, the details of which have been outlined below.

Peter Pawlowitsch	Vesting Condition <sup>1</sup>	Number	Value Per Option	Total Value	Total Share-Based Payment Expense for the year (\$)
<b>Tranche 1</b>	The 20 day VWAP of the Company's Shares being greater than \$0.90	750,000	0.348	261,225	126,960
<b>Tranche 2</b>	The 20 day VWAP of the Company's Shares being greater than \$1.45	750,000	0.314	235,725	114,567
<b>Tranche 3</b>	The 20 day VWAP of the Company's Shares being greater than \$1.90	1,500,000	0.285	427,950	207,992
<b>Total</b>		<b>3,000,000</b>		<b>924,900</b>	<b>449,519</b>

<sup>1</sup>The holder must also be continuously employed by the Company on 30 June 2023.

Tim Levy	Vesting Condition <sup>1</sup>	Number	Value Per Option	Total Value	Total Share-Based Payment Expense for the year (\$)
<b>Tranche 1</b>	The 20 day VWAP of the Company's Shares being greater than \$0.90	500,000	0.348	174,150	84,640
<b>Tranche 2</b>	The 20 day VWAP of the Company's Shares being greater than \$1.45	500,000	0.314	157,150	76,378
<b>Tranche 3</b>	The 20 day VWAP of the Company's Shares being greater than \$1.90	500,000	0.285	142,650	69,331
<b>Total</b>		<b>1,500,000</b>		<b>473,950</b>	<b>230,349</b>

<sup>1</sup>The holder must also be continuously employed by the Company on 30 June 2023.

The fair value of the Director Options have been determined using a Monte Carlo simulation model and the inputs are outlined below:

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED)

New Director Options	Tranche 1	Tranche 2	Tranche 3
Underlying share price	\$0.58	\$0.58	\$0.58
Exercise price	\$0.50	\$0.50	\$0.50
Target price	\$0.90	\$1.45	\$1.90
Expiry date (years)	4	4	4
Expected Volatility	80%	80%	80%
Risk free rate	0.1051%	0.1051%	0.1051%
Value per option	\$0.348	\$0.314	\$0.285

New Director Options were granted during the year ended 30 June 2022. 2,786,753 options were granted to non-executive Director Georg Ell on appointment, expiring 31 December 2025. The options were granted on the date of common understanding of terms, 24 January 2022. These options are subject to various vesting conditions, the details of which have been outlined below.

Number of Options	Vesting Conditions	Exercise Price	Expiry Date
686,753	None	A\$0.00	31-Dec-25
700,000	Continued service as a director, consultant or employee until 31 December 2022	A\$0.60	31-Dec-25
700,000	Continued service as a director, consultant or employee until 31 December 2023	A\$0.60	31-Dec-25
700,000	Continued service as a director, consultant or employee until 31 December 2024	A\$0.60	31-Dec-25

The fair value of Georg Ell's Options (excluding ZEPOs) have been determined using a Black Scholes model and the inputs are outlined below:

Grant Date	24-Jan-22
No of Options	2,100,000
Underlying share price	\$0.51
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	3.9
Expected dividends	Nil
Risk free rate	1.24%
Value per option (rounded)	\$0.33
Total Share-Based Payment Expense for the year (\$)	194,319
Total Share-Based Payment Expense for Georg Ell including 686,753 ZEPOs (\$)	541,129

ZEPOs were valued based on the share price on grant date, being \$0.51 and the total value of \$346,810.

On 19 November 2021, 1,000,000 Zero Priced Director Options were issued to each of Mr Tim Levy and Mr Crispin Swan. These ZEPOs expire on 30 November 2024 and vest on 12 months of continuous service to the Company by the holder. These options are valued based on share price of \$0.59 on the grant date of 19 November 2021 and valued at \$1,170,000. Share based payment expense recognised during the period is \$714,822.

New Director Options were granted during the year ended 30 June 2022. 2,100,000 options were granted to non-executive Director Dr Jane Watts on appointment, expiring 31 December 2025. The options were granted on the date of appointment, 1 June 2022. These options are subject to various vesting conditions, the details of which have been outlined below.



## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED)

Number of Options	Vesting Conditions	Exercise Price	Expiry Date
700,000	Continued service as a director until 30 June 2023	A\$0.60	31-Dec-25
700,000	Continued service as a director until 30 June 2024	A\$0.60	31-Dec-25
700,000	Continued service as a director until 30 June 2025	A\$0.60	31-Dec-25

The fair value of Dr Jane Watts' Options have been determined using a Black Scholes model and the inputs are outlined below:

Grant Date	1-Jun-22
No of Options	2,100,000
Underlying share price	\$0.38
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	3.6
Expected dividends	Nil
Risk free rate	2.92%
Value per option (rounded)	\$0.22
Total Share-Based Payment Expense for the year (\$)	21,388

#### b) Number of Shares held by Key Management Personnel

The number of ordinary shares of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally related entities for the year ended 30 June 2022 is as follows:

Directors and Executives	Held at 1-Jul-21	Received as remuneration	Shares issued for cash subscription	Share issued on exercise of Options, Performance Rights	Other changes	Held at 30-Jun-22
Mr Tim Levy <sup>1</sup>	10,939,730	-	-	1,159,129	-	12,098,859
Mr Crispin Swan <sup>2</sup>	4,163,245	-	-	411,171	-	4,574,416
Mr Peter Pawlowitsch <sup>3</sup>	8,298,085	-	1,636,364	-	-	9,934,449
Mr Phil Warren <sup>4</sup>	388,542	-	103,146	-	-	491,688
Mr Matthew Stepka <sup>5</sup>	2,000,000	-	-	1,000,000	(500,000)	2,500,000
Mr Georg Ell <sup>6</sup>	-	95,210	-	1,234,358	-	1,329,568
Dr Jane Watts	-	-	-	-	-	-
<b>Total</b>	<b>25,789,602</b>	<b>95,210</b>	<b>1,739,510</b>	<b>3,804,658</b>	<b>(500,000)</b>	<b>30,928,980</b>

<sup>1</sup>Mr Tim Levy exercised 977,778 Class G Performance Rights on 7 January 2022 and 181,351 Employee Options (\$0.18, 18 March 2022) on 10 Feb 2022 to acquire fully paid ordinary shares.

<sup>2</sup>Mr Crispin Swan exercised 213,333 Class G Performance Rights on 28 January 2022 and 197,838 Employee Options on 18 March 2022 to acquire fully paid ordinary shares.

<sup>3</sup>Mr Peter Pawlowitsch participated in accelerated component of the Entitlement issue announced to ASX on 6 Aug 2021 at \$0.55 per share and bought 1,636,364 shares.

<sup>4</sup>Mr Phil Warren participated in Retail Entitlement Offer at \$0.55 per share to buy 103,146 shares.

<sup>5</sup>Mr Matthew Stepka exercised 1,000,000 Performance Rights on 1 Nov 2021 to acquire shares and on 5 Nov 2021 sold 5,00,000 shares.

<sup>6</sup>Mr Georg Ell exercised 686,753 ZEPs, 500,000 Remuneration Performance Rights and 47,605 Employee Performance Rights to acquire fully paid shares on 24 March 2022.

95,210 remuneration shares were issued to Mr Georg upon his appointment as CEO of Smoothwall in September 2021. These shares represent 20% of his base pay issued at a 15% discount to the AUD\$0.68 share price on grant date. The fair value on grant date has been vested over the period in which the services relate to, from appointment to 31 December 2021.



## DIRECTOR'S REPORT REMUNERATION REPORT (AUDITED)

### c) Performance Rights Holdings of Key Management Personnel

The number of Performance Rights of the Company held, directly, indirectly or beneficially, by each Director and key management personnel, including their related entities for the year ended 30 June 2022 are as follows:

Directors and Executives	Performance Rights held at 1-Jul-21	Received as remuneration	Exercised	Performance Rights held at 30-Jun-22
Mr Tim Levy <sup>1</sup>	6,849,207	-	(977,778)	5,871,429
Mr Crispin Swan <sup>2</sup>	4,827,619	-	(213,333)	4,614,286
Mr Peter Pawlowitsch	-	-	-	-
Mr Phil Warren	-	-	-	-
Mr Matthew Stepka <sup>3</sup>	1,000,000	-	(1,000,000)	-
Mr Georg Ell <sup>4</sup>	-	2,642,815	(547,605)	2,095,210
Dr Jane Watts	-	-	-	-
<b>Total</b>	<b>12,676,826</b>	<b>2,642,815</b>	<b>(2,738,716)</b>	<b>12,580,925</b>

<sup>1</sup>Tim Levy was issued 1,000,000 STI 2022 Performance Rights, 1,000,000 STI 2023 Performance Rights and 1,500,000 LTI Performance Rights on 30 June 2021. These were approved at the shareholder meeting on 9 June 2021. Of these, 500,000 STI 2022 Performance Rights, 500,000 STI 2023 Performance Rights and 1,350,000 LTI Performance Rights have vested as on 30 June 2022. Mr Tim Levy exercised 977,778 Class G Performance Rights to acquire 977,778 ordinary shares.

<sup>2</sup>Mr Crispin Swan was issued 1,000,000 STI 2022 Performance Rights, 1,000,000 STI 2023 Performance Rights and 1,500,000 LTI Performance Rights on 30 June 2021. These were approved at the shareholder meeting on 9 June 2021. Of these, 500,000 STI 2022 Performance Rights, 500,000 STI 2023 Performance Rights and 1,350,000 LTI Performance Rights have vested as on 30 June 2022. Mr Crispin Swan exercised 213,333 Class G Performance Rights to acquire ordinary shares on 28 January 2022. Mr Matthew Stepka exercised 1,000,000 SP Performance Rights to acquire ordinary shares in the current year.

<sup>3</sup>Mr Georg Ell was issued 142,815 Employee Performance Rights (time-based vesting milestones) on 24 Sep 2022, 2,000,000 Executive Performance Rights (performance based vesting milestone) on 7 Sep 2022 and 500,000 Remuneration Performance Rights (time-based vesting milestone) on 7 Sep 2022. Mr Georg exercised 500,000 Remuneration Performance Rights and 47,605 Employee Performance rights to acquire ordinary shares.

Securities issued to Mr Georg Ell upon formalisation of the terms and conditions of his position as CEO of Smoothwall (which occurred in September 2021) were valued as below:

142,815 Employee Performance Rights granted to Mr Georg Ell were issued under Employee Share Scheme and were valued based on share price at \$0.72 and a grant date of 24 September 2022. These were issued in three tranches vesting on continued employment on 30 June 2022, 30 June 2023, and 30 June 2024. Share based payment on these rights for the year is \$58,593.

500,000 Sign on rights to acquire fully paid ordinary shares were allocated subject to a milestone of continued employment at 31 December 2021. These rights were valued at \$390,000 based on share price on grant date (7 September 2021) of \$0.78. Share based payment expense of \$390,000 was recognised during the year ended 30 June 2022.

1,000,000 STI rights with 500,000 vesting upon the achievement of each of the Smoothwall UK (STI 2022 UKARR) and Smoothwall (STI 2022 SMARR) annual recurring revenue (ARR) targets for the year ended 30 June 2022, as disclosed in the table below. The STI rights also require continued employment to 30 June 2022 with a grant date of 7 September 2022.

1,000,000 STI rights with 500,000 vesting upon the achievement of each of the Smoothwall UK (STI 2023 UKARR) and Smoothwall (STI 2023 SMARR) annual recurring revenue (ARR) targets for the year ended 30 June 2023, as disclosed in the table below. The STI rights also require continued employment to 30 June 2023.

The STI 2022 and 2023 rights were valued based on the share price on grant date (7 September 2021) of \$0.78 and have been vested over the above service hurdle periods.

The 1,000,000 STI rights vested as of 30 June 2022. A 100% probability assessment has been applied to the LTI rights.

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED)

Smoothwall ARR Targets			
Area	Measure	FY Ended 30 June 2022 (£)	FY ended 30 June 2023 (£)
UK	Smoothwall	13,300,000	15,694,000
UK	eSafe	1,625,000	1,625,000
UK	<b>Smoothwall UK ARR</b>	<b>14,925,000</b>	<b>17,319,000</b>
US	Smoothwall	2,677,000	3,271,000
All	<b>Smoothwall ARR</b>	<b>17,602,000</b>	<b>20,590,000</b>

Management have assessed the probability of achieving the vesting conditions, as at reporting date. If it was assessed that the

The Performance Rights that were granted in the prior financial years which continue to vest are subject to the following vesting milestones:

Performance Rights	Vesting Condition	Milestone Date
Class B Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	4 May 2022
Class C Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	4 May 2023
Class A TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than \$0.25 prior to the Milestone Date	3 years from issue date
Class B TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than \$0.35 prior to the Milestone Date	3 years from issue date
Class C TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than \$0.45 prior to the Milestone Date	3 years from issue date
Class D TL SP Performance Rights	The 30 day VWAP of the Company's Shares being greater than \$0.60 prior to the Milestone Date	3 years from issue date
Class E MS SP Performance Rights	The 30 day VWAP of the Company's Shares being greater \$0.60 prior to the Milestone Date	2 years from issue date.
STI 2022 Performance Rights	a. <u>Continued employment</u> until 30 June 2022; b. Receive a positive <u>Personal Scorecard</u> for the financial year ended 30 June 2022 from the Board for performance over the previous 12 months, 50% of the STI 2022 Performance Rights shall vest; c. <u>QRR Growth</u> - If the Company achieves 50% growth in Quarterly Recurring Revenue (QRR) from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year, 60% of the remaining 50% of the STI 2022 Performance Rights shall vest, with straight line pro-rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year.	30-Jun-22
STI 2023 Performance Rights	a. <u>Continued employment</u> until 30 June 2023; b. Receive a positive <u>Personal Scorecard</u> for the financial year ended 30 June 2023 from the Board for performance over the previous 12 months, 50% of the STI 2023 Performance Rights shall vest; c. <u>QRR Growth</u> - If the Company achieves 40% growth in Quarterly Recurring Revenue (QRR) from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year, 50% of the remaining 50% of the STI 2023 Performance Rights shall vest, with straight line pro-rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year.	30-Jun-23
LTI 2023 Performance Rights	150,000 LTI Performance Rights (per holder) shall vest subject to the achievement of each of the Operational Milestone outlined below, which are linked to the following key business Objectives: a. Expand Markets; b. Expand Products; c. Launch Community; d. Make Sustainable; e. Improve Revenue per Student. A maximum of 450,000 LTI Performance rights (per holder) can vest per business objective.	30-Jun-23

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED)

Objective	Operational Milestones
Expand Markets	Achieving revenue of greater than \$500,000 in total prior to 30 June 2023 in a market other than USA, Australia or New Zealand.
Expand Products	Launch of a new product which generates revenue of greater than \$500,000 in total prior to 30 June 2023.
	Launch of a new product which achieves 2.5% take-up by School Clients in a particular country.
Launch Community	Launch of Community in a market outside of Australian and achieve greater than 20% take-up by School Clients.
	Launch of Community in a market outside of Australian and achieve greater than 30% take-up by School Clients.
	Launch of Community in a market outside of Australia and achieve 2% of parents within all participating School Clients activating a Consumer Account.
	Launch of Community in a country outside of Australia and achieve 5% of parents within all participating School Clients activating a Consumer Account
Make Sustainable	Achieve quarterly average data and hosting costs per student below targets set by the Board
	Achieve quarterly Service Margin above targets set by the Board.
Improve Revenues per Student	Achieve Average Revenue Per Student targets set by the Board.

The number of rights held by each key management personnel at 30 June 2022 has been outlined below:

Performance Rights		Tim Levy	Crispin Swan	Phil Warren	Peter Pawlowitsch	Matthew Stepka	Georg Ell	Dr Jane Watts
Remuneration PRs	Number	1,071,429	814,286	-	-	-	-	-
	Grant Date	4/05/2020	4/05/2020	-	-	-	-	-
Employee Class B & C /Executive PRs	Number	300,000	300,000	-	-	-	95,210	-
	Grant Date	1/05/2020	1/05/2020	-	-	-	7/09/2021	-
STI 2023 PRSMARR	Number	-	-	-	-	-	500,000	-
	Grant Date	-	-	-	-	-	7/09/2021	-
STI 2023 PRUKARR	Number	-	-	-	-	-	500,000	-
	Grant Date	-	-	-	-	-	7/09/2021	-
STI 2022 SMARR	Number	-	-	-	-	-	500,000	-
	Grant Date	-	-	-	-	-	7/09/2021	-
STI UK 2022 ARR	Number	-	-	-	-	-	500,000	-
	Grant Date	-	-	-	-	-	7/09/2021	-
SP PRs	Number	1,000,000	-	-	-	-	-	-
	Grant Date	1/05/2020	-	-	-	-	-	-
STI 2022 PRs	Number	1,000,000	1,000,000	-	-	-	-	-
	Grant Date	30/06/2021	30/06/2021	-	-	-	-	-
STI 2023 PRs	Number	1,000,000	1,000,000	-	-	-	-	-
	Grant Date	30/06/2021	30/06/2021	-	-	-	-	-
LTI 2023 PRs	Number	1,500,000	1,500,000	-	-	-	-	-
	Grant Date	30/06/2021	30/06/2021	-	-	-	-	-
<b>Total</b>		<b>5,871,429</b>	<b>4,614,286</b>	-	-	-	<b>2,095,210</b>	-

Management have assessed the probability of achieving the vesting conditions, as at reporting date. If it was assessed that the hurdle was likely to be met prior to the expiry date the share-based payment expense has been adjusted to reflect a shorter vesting period. Management have applied a 100% probability of achievement for all hurdles listed above.

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED)

- (i) During previous financial year, the Company issued the following Performance Rights to Tim Levy and Crispin Swan as an incentive and as remuneration for services provided. The issue of these Performance Rights was approved by Shareholders on 9 June 2021 and the Performance Rights were issued on 30 June 2021.

Performance Rights	Tim Levy	Crispin Swan	Total Number	Total Expense for Current Year (\$)
STI 2022 Performance Rights	1,000,000	1,000,000	2,000,000	1,096,891
STI 2023 Performance Rights	1,000,000	1,000,000	2,000,000	563,782
LTI 2023 Performance Rights	1,500,000	1,500,000	3,000,000	845,672
<b>Total</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>7,000,000</b>	<b>2,506,345</b>

The STI 2022 Performance Rights, STI 2023 Performance Rights and LTI Performance Rights issued to Tim Levy and Crispin Swan have been value using the Black & Scholes Option Pricing Model based on the following key assumptions:

Tim Levy	STI 2022 Performance Rights	STI 2023 Performance Rights	LTI 2023 Performance Rights	Total
	<i>Vested</i>	<i>Unvested</i>	<i>Unvested</i>	
Vesting Date	30-Jun-22	30-Jun-23	30-Jun-23	
Number of PR issued	1,000,000	1,000,000	1,500,000	<b>3,500,000</b>
Share price at grant date	\$0.58	\$0.58	\$0.58	
Exercise Price	nil	nil	nil	
Volatility	80.00%	80.00%	80.00%	
Risk Free Rate	0.11%	0.11%	0.11%	
<b>Fair value per Performance Right</b>	<b>\$0.58</b>	<b>\$0.58</b>	<b>\$0.58</b>	
<b>Total Value of PR</b>	<b>\$580,000</b>	<b>\$580,000</b>	<b>\$870,000</b>	<b>\$2,030,000</b>
<b>Total Expense for Period</b>	<b>\$548,446</b>	<b>\$281,891</b>	<b>\$422,836</b>	<b>\$1,253,173</b>

Crispin Swan	STI 2022 Performance Rights	STI 2023 Performance Rights	LTI 2023 Performance Rights	Total
	<i>Vested</i>	<i>Unvested</i>	<i>Unvested</i>	
Vesting Date	30-Jun-22	30-Jun-23	30-Jun-23	
Number of PR issued	1,000,000	1,000,000	1,500,000	<b>3,500,000</b>
Share price at grant date	\$0.58	\$0.58	\$0.58	
Exercise Price	nil	nil	nil	
Volatility	80.00%	80.00%	80.00%	
Risk Free Rate	0.11%	0.11%	0.11%	
<b>Fair value per Performance Right</b>	<b>\$0.58</b>	<b>\$0.58</b>	<b>\$0.58</b>	
<b>Total Value of PR</b>	<b>\$580,000</b>	<b>\$580,000</b>	<b>\$870,000</b>	<b>\$2,030,000</b>
<b>Total Expense for Period</b>	<b>\$548,446</b>	<b>\$281,891</b>	<b>\$422,836</b>	<b>\$1,253,173</b>

- c) Key Management Personnel Loans

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

- d) Other Transactions with Key Management Personnel

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

## DIRECTOR'S REPORT REMUNERATION REPORT (AUDITED)

### *Grange Consulting*

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

Grange Consulting is engaged to provide financial management and company secretarial services to the Group. Pursuant to this engagement during the year ended 30 June 2022 Grange Consulting was entitled to receive \$6,000 (plus GST) per month for these services for the period 1 July 2021 until 30 June 2022. Additional amounts were also paid for consultancy services provided to the group outside of this agreement. An administration fee of 5% is also payable on each invoice. This engagement can be terminated by either party giving 60 days' notice in writing.

A summary of the fees paid to Grange Consulting for the year ended 30 June 2022 and 30 June 2021 is as follows:

	30-Jun-22	30-Jun-21
	\$	\$
Company secretarial and financial management services	142,488	90,403
<b>Total</b>	<b>142,488</b>	<b>90,403</b>

\$142,488 was paid to Grange for financial management and company secretarial services for the year ended 30 June 2022. \$6,656 was outstanding and payable to Grange as at 30 June 2022.

### *Gyoen Pty Ltd*

During the financial year, advisory services of \$50,000 were provided by Mr Peter Pawlowitsch's consultancy company, Gyoen Pty Ltd for services outside his usual Board duties.

A summary of the fees paid to Gyoen Pty Ltd for the year ended 30 June 2022 and 30 June 2021 is as follows:

	30-Jun-22	30-Jun-21
	\$	\$
Consulting services	50,000	-
<b>Total</b>	<b>50,000</b>	<b>-</b>

\$50,000 was paid to Gyoen Pty Ltd for consulting services for the year ended 30 June 2022. Nil was outstanding and payable to Gyoen Pty Ltd as at 30 June 2022.

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

Signed in accordance with a resolution of the Directors.



**Mr Tim Levy**  
Managing Director  
30 September 2022



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

As lead auditor of Family Zone Cyber Safety Limited for the year ended 30 June 2022, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light blue circular stamp.

Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth  
30 September 2022

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
<b>Revenue</b>			
Revenue from ordinary activities	4	44,725,569	8,962,485
Other income		455,083	4,255,261
<b>Expenses</b>			
Direct costs	5	(14,603,965)	(7,039,159)
Share-based payments	21	(19,488,977)	(1,729,387)
Employee benefits costs	5	(48,899,090)	(19,019,042)
Administration costs	5	(11,890,154)	(4,658,072)
Finance costs		(2,093,952)	(96,960)
Depreciation and amortisation		(10,532,162)	(2,605,522)
Acquisition related expenses	25	(3,101,906)	-
<b>Loss before income tax</b>		<b>(65,429,554)</b>	<b>(21,930,396)</b>
Income tax benefit	6	1,414,093	-
<b>Loss after tax for the period attributable to the members of Family Zone Cyber Safety Limited</b>		<b>(64,015,461)</b>	<b>(21,930,396)</b>
<b>Other comprehensive (loss)</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Exchange differences on translating foreign operations, net of tax		(11,362,718)	(53,676)
<b>Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety Limited</b>		<b>(75,378,179)</b>	<b>(21,984,072)</b>
Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety Limited	7	(9.23)	(6.00)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022 \$	2021 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	32,746,157	34,933,166
Trade and other receivables	9	12,012,607	8,812,572
Prepayments		2,063,394	1,944,984
Inventory	10	1,118,019	372,927
Capitalised contract costs		3,381,735	1,124,120
<b>Total Current Assets</b>		<b>51,321,912</b>	<b>47,187,769</b>
<b>Non-Current Assets</b>			
Intangible assets	11	182,208,713	5,973,314
Financial assets		189,740	158,833
Plant and equipment	12	3,161,989	2,764,399
Right-of-use assets	13	3,249,322	2,552,116
Capitalised contract costs		1,143,106	-
<b>Total Non-current Assets</b>		<b>189,952,870</b>	<b>11,448,662</b>
<b>TOTAL ASSETS</b>		<b>241,274,782</b>	<b>58,636,431</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	10,957,788	7,351,561
Contract liabilities	4	29,312,838	6,691,581
Deferred consideration	17	1,731,101	3,499,474
Provisions	15	2,943,041	1,201,546
Borrowings	16	662,199	284,406
Lease liability	13	1,315,393	590,186
<b>Total Current Liabilities</b>		<b>46,922,360</b>	<b>19,618,754</b>
<b>Non-current Liabilities</b>			
Contract liabilities	4	12,289,822	2,937,026
Deferred consideration	17	1,836,071	68,307
Provisions	15	374,179	237,762
Borrowings	16	203,339	157,889
Lease Liability	13	2,336,868	2,278,972
Deferred tax liability	6	12,002,697	-
<b>Total Non-current Liabilities</b>		<b>29,042,976</b>	<b>5,679,956</b>
<b>TOTAL LIABILITIES</b>		<b>75,965,336</b>	<b>25,298,710</b>
<b>NET ASSETS</b>		<b>165,309,446</b>	<b>33,337,721</b>
<b>EQUITY</b>			
Issued capital	18	294,524,795	106,052,956
Reserves	19	19,432,725	11,917,378
Accumulated losses	20	(148,648,074)	(84,632,613)
<b>TOTAL EQUITY</b>		<b>165,309,446</b>	<b>33,337,721</b>

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 year ended 30 June 2022

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	106,052,956	11,983,960	(84,632,613)	(66,581)	33,337,722
Loss for the year	-	-	(64,015,461)	-	(64,015,461)
Total other comprehensive loss	-	-	-	(11,362,718)	(11,362,718)
<b>Total comprehensive loss for the year</b>	-	-	<b>(64,015,461)</b>	<b>(11,362,718)</b>	<b>(75,378,179)</b>
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of Ordinary Shares, net of transaction costs	18	188,471,839	-	-	188,471,839
Issue of Options, Performance Rights & Performance Shares	19	-	20,744,061	-	20,744,061
Reversal of performance rights	19	-	(1,865,997)	-	(1,865,997)
Total transactions with owners		<b>188,471,839</b>	<b>18,878,064</b>	-	<b>207,349,903</b>
<b>Balance at 30 June 2022</b>	<b>294,524,795</b>	<b>30,862,024</b>	<b>(148,648,074)</b>	<b>(11,429,299)</b>	<b>165,309,446</b>

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2020</b>	56,673,575	10,448,193	(62,702,217)	(12,905)	4,406,646
Loss for the year	-	-	(21,930,396)	-	(21,930,396)
Total other comprehensive loss	-	-	-	(53,676)	(53,676)
<b>Total comprehensive loss for the year</b>	-	-	<b>(21,930,396)</b>	<b>(53,676)</b>	<b>(21,984,072)</b>
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of Ordinary Shares, net of transaction costs	49,379,381	-	-	-	49,379,381
Issue of Options, Performance Rights & Performance Shares	-	3,497,434	-	-	3,497,434
Reversal of performance rights	-	(1,884,679)	-	-	(1,884,679)
Reversal of employee options	-	(76,988)	-	-	(76,988)
Total transactions with owners	<b>49,379,381</b>	<b>1,535,767</b>	-	-	<b>50,915,148</b>
<b>Balance at 30 June 2021</b>	<b>106,052,956</b>	<b>11,983,960</b>	<b>(84,632,613)</b>	<b>(66,581)</b>	<b>33,337,722</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		41,337,361	10,406,436
Government grants received		3,475,816	2,094,471
Payments to suppliers and employees		(81,739,482)	(27,889,077)
Interest received		49,447	62,179
Interest paid		(390,574)	(151,655)
<b>Net cash flows (used in) operating activities</b>	22	<b>(37,267,432)</b>	<b>(15,477,646)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment		(1,327,742)	(2,008,981)
Payment for acquisition of subsidiary, net of cash acquired		(142,361,068)	31,399
<b>Net cash flows (used in) investing activities</b>		<b>(143,688,810)</b>	<b>(1,977,582)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of costs)		179,729,455	47,783,224
Payment of principle portion of lease liabilities		(1,135,965)	(573,002)
Proceeds from borrowings		3,518,016	442,295
Repayments of borrowings		(3,243,061)	(1,206,711)
<b>Net cash flows from financing activities</b>		<b>178,868,445</b>	<b>46,445,806</b>
Net increase / (decrease) in cash and cash equivalents		(2,087,797)	28,990,578
Cash and cash equivalents at beginning year		34,933,166	5,807,193
Effects of foreign exchange rates		(99,212)	135,395
<b>Cash and cash equivalents at end year</b>	8	<b>32,746,157</b>	<b>34,933,166</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 1: REPORTING ENTITY

Family Zone Cyber Safety Limited is the listed public company incorporated and domiciled in Australia and head of the Group. The financial statements of the Group are as at, and for the year ended, 30 June 2022.

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report which does not form part of this financial report. The financial statements were authorised by the Board of Directors on the date of signing the Directors' Declaration.

### NOTE 2: BASIS OF PREPARATION

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

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

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

#### a. *Going concern*

The financial statements for the year ended 30 June 2022 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 \$75,378,179 (30 June 2021: \$21,984,072 loss) and incurred net cash outflows from operating activities of \$37,267,432 (30 June 2021: \$15,477,646).

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 \$188,471,839 worth shares issue during the current financial year (net of costs);
- 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.

#### b. *Adoption of new and revised accounting standards*

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

### *b. Standards Issued but not yet effective*

The following new/amended accounting standards and interpretations have been issued but are not mandatory for financial years ended 30 June 2022. They have not been adopted in preparing the financial statements for the year ended 30 June 2022 and are not expected to impact the entity in the period of initial application.

For annual reporting periods beginning on or after 1 January 2022, amendments to the following standards will be applicable:

- AASB2021-2 (issued March 2021) - Business Combination
- AASB9 Financial Instruments
- AASB116 - Property, Plant and Equipment
- AASB 2020-3 - Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (issued June 2020)
- AASB137 – Provisions, Contingent Liabilities and Contingent Assets

The amendments to AASB137 only apply to contracts with unfulfilled obligations at the beginning of the first annual reporting period to which this amendment applies, i.e. annual periods beginning on or after 1 July 2022. The cumulative effect of initially applying the amendments will be recognised as an adjustment to opening balances of retained earnings on 1 July 2022.

For annual reporting periods beginning on or after 1 January 2023, amendments to the following standards will be applicable:

- AASB 2020-1 (issued March 2020) - Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 (issued March 2021)- Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-6 (issued December 2021) - Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards
- AASB 2021-5 (issued June 2021) - Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to AASB 2021-5, which narrow the scope of the initial recognition under AASB 112, so that it no longer applies to transactions that give rise to equal, taxable and deductible temporary differences. Although the Group has not fully assessed the impact of the amendments, they are unlikely to have a material impact on the Group.

### *c. Use of Estimates and Judgements*

#### Significant Judgements and Key Assumptions

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

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

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

#### *(i) Revenue from contracts with customers*

The Company considers contracts for the provision of services which are bundled with hardware or other goods and judges whether or not these contain separately identifiable performance obligations. Where hardware and software are interdependent on one another and cannot be separated, they are bundled together to form one bundled performance obligation.

In determining the transaction price for contracts with customers the Company considers the existence of significant financing components for long term contracts. Where a significant discount is provided for upfront payment of the contract value, the value of the contract is adjusted to account for any financing expenses which may be implicit within the contract. The Company also considers whether it is a principle or an agent with regard to any contracts in which it deals with third parties in order to

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

determine the contract value. In doing so, it makes an assessment surrounding the control of goods as well as the risks and responsibilities associated with the contract.

The Company considers the treatment of costs associated with obtaining contracts, as well as costs incurred at the commencement of a contract. The costs of obtaining a contract are then recognised in line with the pattern of revenue recognition for that contract. A portion of revenue is recognised at the time that any costs to commence a contract are incurred, in line with the value of those costs, without recognising any profit margin in line with the requirements of AASB 15.

The Company has judged whether any contracts with customers are exclude, or partially excluded, from the scope of AASB 15 and applied other standards where applicable.

### *(ii) Share-Based Payments*

The Company measures the cost of equity-settled transactions with suppliers by reference to the fair value of the goods or services received provided this can be estimated reliably. For equity-settled transactions with employees, the fair value is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of the equity instruments granted is determined using an appropriate option pricing model taking into account the terms and conditions upon which the instruments were granted. The Company also made an assessment on the probability of the achievement of non-market based vesting hurdles in assessing the ongoing vesting of the value of the equity instruments granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Please refer to Note 21 for further details.

### *(iii) Impairment of non-financial assets other than goodwill*

The consolidated entity assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *(iv) Business combinations*

As discussed in Note 25, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

The fair value of intangible assets acquired have been determined using the Income Approach, including Excess Earnings Method and Relief from Royalty Method. Significant judgement is required in determination of the inputs applied in these models (including discount rate and growth rate).

### *(v) Deferred Consideration*

Deferred consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the deferred consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date, including a present-value adjustment for any long term deferred consideration payable.

### *(vi) Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

### *(vii) Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at balance date. The actual credit losses in future years may be higher or lower.

### *(viii) Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *(ix) 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, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 11 for further information.

### *(x) Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### *(xi) Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### *(xii) Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 23 for further information

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

### *a. Government Grants*

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

### *b. Income Tax*

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

### *c. Financial Assets and Financial Liabilities*

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

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

The classification of financial instruments at initial recognition depends on the financial asset's contractual cashflow characteristics and the Group's business model for managing them. With the exception of the Group's trade receivables that do not contain a significant financing component, the Group initially measures the financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the Group's accounting policy for revenue recognition. A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the Group.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, contingent consideration and lease liabilities. All financial liabilities are measured at either amortised cost using the effective interest rate method, or at fair value. The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability. A financial liability is removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

### *d. Trade and Other Receivables*

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

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

### *e. Inventories*

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### *f. Intangible Assets*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### *Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably.

#### *Customer contracts and relationships*

Customer contracts and relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-10 years.

#### *Software*

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 - 7 years.

#### *Brand names*

Brand names acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 15 years.

### *g. Plant and Equipment*

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

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

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

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and Equipment	10% - 40%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### *h. Research & Development Expense*

The Group expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Group has received formal notification that a patent has been granted. The Group believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Group will only record a development asset in accordance with the policy set out in Note 3(f).

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

### *i. Impairment of Non-Financial Assets*

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

### *j. Trade and Other Payables*

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

### *k. Deferred Consideration*

Deferred consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the deferred consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date, including a present-value adjustment for any long term deferred consideration payable.

### *j. Borrowings*

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### *k. Cash and Cash Equivalents*

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

### *l. Employee Benefits*

#### *(i) Short-term employee benefit obligations*

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

#### *(ii) Long-term employee benefit obligations*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

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

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

### *m. Share-Based Payment Arrangements*

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

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

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model for options and performance rights with non-marked based vesting conditions and the Monte Carlo simulation model for options and performance rights with market based vesting conditions. The fair value of shares issued is based on the closing market price of the Company's share on the grant date.

### *n. Issued Capital*

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

### *o. Revenue*

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

#### Subscription revenues

Subscription service revenue is recognised over time over the life of the service contract as and when the Group's service obligations under the contract are satisfied.

#### Bundle revenues

Revenues from the provision of subscription services which are bundle with interrelated hardware are recognised over time over the life of the contract as and when the Group's service obligations under the contract are satisfied. Services are considered to be bundled with hardware when the entity would not be able to fulfil its contractual obligations by transferring each of the goods or services independently.

#### Significant financing components

In determining the transaction price for contracts with customers the Company considers the existence of significant financing components for long term contracts. Where a significant discount is provided for upfront payment of the contract value, the value of the contract is adjusted to account for any financing expenses which may be implicit within the contract.

#### Sales of Hardware

Revenue from the sale of standalone equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Group considers whether there are other promises in the contract that are

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

### Contract balances

#### *Contract Assets*

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

#### *Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under *Financial Assets and Financial Liabilities* above.

#### *Contract liabilities*

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

### Capitalised Contract Cost

Incremental costs of obtaining a contract and certain costs to fulfil a contract are recognised as an asset if the following criteria are met:

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

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

#### *Prepaid Commissions*

Commissions owing to resellers and internal sales staff are paid at the inception of the contract and recognised as a contract asset, amortised to direct costs in the consolidated statement of profit or loss and other comprehensive income over the term of the contract. The contract liability balance in the consolidated statement of financial position is shown net of prepaid commissions.

### *p. Earnings per Share*

#### *(i) Basic earnings per share*

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

#### *(ii) Diluted earnings per share*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

### *q. Segment Reporting*

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

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

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

The Group has three main operating segments being the provision of educational technology services in Australia & New Zealand ("ANZ"), the United Kingdom ("UK") and the United States of America ("USA"). Previously, during the year ended 30 June 2021, the group operated within three main operating segments being Australia, New Zealand and the United States of America along with Corporate which includes head office & corporate expenditure. This is consistent with the internal reporting provided to the chief operating decision maker.

### *r. Current and non-current classification*

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

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

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

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

### *s. Value added taxes (including GST, VAT, Sales Tax and similar)*

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

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

Cash flows are presented on a gross basis. The value added tax components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of value added tax recoverable from, or payable to, the tax authority.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

### *t. Foreign Currency Translation*

#### *(i) Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the parent is Australian Dollars. The consolidated financial statements are presented in Australian Dollars.

#### *(ii) Transactions and Balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the transition of monetary items are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise, except where deferred in equity as a qualifying cash flow.

#### *(iii) Group Companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

### *u. Business Combinations*

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

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### *v. Right-of-use-assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities. The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### *w. Lease Liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under -residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### *x. Basis of Consolidation*

The Financial Statements are those of the Group, comprising the financial statements of the Company, and of all entities which the Company controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are eliminated from the date on which control is established and are de-recognised from the date that control ceases.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 4: REVENUE

Operating Revenue	2022	2021
	\$	\$
Service revenue <sup>1</sup>	44,377,054	8,698,594
Hardware revenue <sup>2</sup>	348,515	263,891
	<b>44,725,569</b>	<b>8,962,485</b>

<sup>1</sup> Service revenue is recognised over the life of the service contract as the service obligations under the contract are satisfied. Service revenue includes bundled hardware and software contracts.

<sup>2</sup> 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 satisfied.

#### 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.

Timing of revenue recognition – 30 June 2022	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue	Total
At a point in time	-	-	348,515	348,515
Over time	43,813,658	563,396	-	44,377,054
<b>Total</b>	<b>43,813,658</b>	<b>563,396</b>	<b>348,515</b>	<b>44,725,569</b>

Geographical Regions - 30 June 2022	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue	Total
Australia	1,765,861	563,396	71,635	2,400,892
New Zealand	1,099,567	-	58	1,099,625
UK	24,439,321	-	7,256	24,446,577
USA	15,799,453	-	269,566	16,069,019
Europe	370,198	-	-	370,198
Canada	7,142	-	-	7,142
Asia	220,454	-	-	220,454
Rest of the world	111,662	-	-	111,662
<b>Total</b>	<b>43,813,658</b>	<b>563,396</b>	<b>348,515</b>	<b>44,725,569</b>

Timing of revenue recognition – 30 June 2021	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue	Total
At a point in time	-	-	263,891	263,891
Over time	8,221,918	476,676	-	8,698,594
<b>Total</b>	<b>8,221,918</b>	<b>476,676</b>	<b>263,891</b>	<b>8,962,485</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 4: REVENUE (CONTINUED)

Geographical Regions - 30 June 2021	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue	Total
Australia	2,277,162	476,488	266,693	3,020,343
New Zealand	988,093	-	-	988,093
USA	4,956,663	(32)	(2,802)	4,953,829
Rest of the world	-	220	-	220
<b>Total</b>	<b>8,221,918</b>	<b>476,676</b>	<b>263,891</b>	<b>8,962,485</b>

#### 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 time, over the life of the service contract, as the Group's service performance obligations are satisfied.

#### Reconciliation of movements in contract liabilities

Contract Liabilities	\$
Balance at 1 July 2020	4,232,115
Additions	14,095,086
Recognised within service revenue	(8,698,594)
<b>Balance at 30 June 2021</b>	<b>9,628,607</b>
Additions arising from business combination – Smoothwall <sup>1</sup>	33,577,266
Additions arising from business combination – Cipafilter <sup>1</sup>	1,904,082
Additions	38,646,162
Recognised within service revenue	(44,377,054)
Other including foreign exchange movements	2,223,597
<b>Balance at 30 June 2022</b>	<b>41,602,660</b>

<sup>1</sup> Refer to Note 25 – Business Combinations

As at 30 June 2022 \$29,312,838 (2021: \$6,691,581) has been recognised as current contract liabilities representing services to be provided within the next 12 months. A further \$12,289,822 (2021: \$2,937,026) represents contracts signed for services to be delivered in the next 2-5 years.

The group recognises a contract asset or liability in relation to the Services fixed-price contracts whereby the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. \$6,691,581 revenue was recognised in the current reporting period relating to carried-forward contract liabilities or performance obligations satisfied in a prior year. \$41,602,660 (2021: \$8,504,487) of transaction price relates to unsatisfied performance obligations that will be satisfied in the future financial periods.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 5: EXPENSES

	2022	2021
	\$	\$
<b>Direct Costs</b>		
Service costs	3,670,857	1,033,077
Hardware costs	2,933,764	258,133
Data and hosting costs	6,849,919	5,747,949
Other cost of sales	1,149,425	-
	<b>14,603,965</b>	<b>7,039,159</b>
<b>Employee and director benefits cost</b>		
Director fees	135,000	5,000
Employee wages and superannuation	39,187,780	15,034,086
Staff and Contractor commissions	3,184,471	1,300,694
Other employee costs	6,391,839	2,679,262
	<b>48,899,090</b>	<b>19,019,042</b>
<b>Administration</b>		
Marketing	2,141,307	1,058,729
Legal costs	2,388,060	368,498
IT costs	2,445,999	1,173,522
Corporate and compliance costs	1,830,759	699,992
General administrative costs	3,084,029	1,357,331
	<b>11,890,154</b>	<b>4,658,072</b>

### NOTE 6: INCOME TAX

	2022	2021
	\$	\$
(a) <b>The major components of income tax expense / (benefit) comprise of:</b>		
Current tax benefit	43,609	-
Deferred tax benefit	(1,457,702)	-
Under/ (over) provision in prior years	-	-
<b>Total income tax expense from continuing operations</b>	<b>(1,414,093)</b>	<b>-</b>
	-	-
<b>Deferred income tax expense/ (revenue) included in income tax expense comprises:</b>		
Decrease/ (increase) in deferred tax assets	-	-
(Decrease)/ increase in deferred tax liabilities	(1,457,702)	-
	<b>(1,457,702)</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 6: INCOME TAX (CONTINUED)

(b) **The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:**

Loss before tax for the year	(65,429,554)	(21,930,396)
Prima facie income tax payable on profit before income tax at:		
- 25.00% (Australia) (2021: 26.00%)	(10,994,761)	(1,333,814)
- 28.00% (New Zealand)	(114,519)	(1,245,024)
- 19.00% (UK)	(1,635,016)	
- 21.00% (US)	(3,707,212)	(3,058,814)
- 17.00% (Singapore)	712	(64,250)
<i>Adjustments for:</i>		
Entertainment	23,326	6,750
Share-based payments	3,325,781	493,195
Change in Corporate Tax Rate	-	23
R&D tax incentive classified as income	-	(895,747)
Non-deductible expenditure	182,300	17,739
Foreign Tax Rate Differential	339,283	514,703
Tax losses and temporary differences not recognised	11,166,013	5,565,239
<b>Income tax expense attributable to profit</b>	<b>(1,414,093)</b>	<b>-</b>

(c) **Unrecognised deferred tax assets**

*Deferred tax asset balance comprises:*

Tax losses	24,522,788	12,738,245
Plant & Equipment	1,492,919	1,306,232
Provisions & Accruals	699,192	651,674
Other	204,576	-
Capital & Business related costs	2,318,706	689,509
<b>Total unrecognised deferred tax assets</b>	<b>29,238,181</b>	<b>15,385,660</b>

*Deferred tax liability balances comprises:*

PPE and Intangible assets	(1,267,051)	(1,300,961)
Business Combination	(12,002,697)	-
Offset against deferred tax assets / not recognised	1,267,051	1,300,961
<b>Net deferred tax asset / (liability)</b>	<b>(12,002,697)</b>	<b>-</b>

(d) **Deferred tax liability arising from business combination**

Initial recognition from acquisitions	(14,330,048)	-
Unwind of deferred tax liabilities during the period	2,327,351	-
<b>Deferred tax liability from business combinations</b>	<b>(12,002,697)</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 6: INCOME TAX (CONTINUED)

<b>(e) Deferred income tax related to items charged or credited directly to equity</b>		
Decrease / (increase) in deferred tax assets	2,302,944	646,606
Adjust for derecognition / offset of DTA/DTL	(2,302,944)	(646,606)
	-	-
<b>(f) Deferred tax assets / liabilities not brought to account</b>		
Temporary differences	3,448,342	1,346,454
Operating tax losses – Australia	14,911,973	6,830,090
Operating tax losses – Other jurisdictions	9,610,815	5,908,155
	<b>27,971,130</b>	<b>14,084,699</b>

Total tax losses (tax effected) of \$24,479,179 (2021: \$12,738,245) have not been brought to account for the year ended 30 June 2022.

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

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

### NOTE 7: LOSS PER SHARE

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

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loss used in the calculation of basic and diluted loss per share	(64,015,461)	(21,930,396)
Basic and diluted (loss) per share attributable to equity holders (cents Per Share)	(9.23)	(6.00)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding	693,575,436	365,463,540
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	<b>693,575,436</b>	<b>365,463,540</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 8: CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash at bank	32,746,157	34,933,166
<b>Total Cash and Cash Equivalents</b>	<b>32,746,157</b>	<b>34,933,166</b>

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 23 on financial instruments for details on the Company's exposure to risk in respect of its cash balance.

### NOTE 9: TRADE AND OTHER RECEIVABLES

	2022	2021
	\$	\$
<b>Current:</b>		
Trade receivable	10,465,928	4,419,657
Less provision for expected credit losses	(268,375)	(95,877)
	<b>10,197,553</b>	<b>4,323,780</b>
<b>Other current receivables:</b>		
GST receivable	780,905	308,954
R&D Grant receivable	-	3,754,287
Other receivables	1,034,149	425,551
<b>Total Current Trade and Other Receivables</b>	<b>12,012,607</b>	<b>8,812,572</b>

### NOTE 10: INVENTORY

	2022	2021
	\$	\$
<b>Current:</b>		
At cost:		
Finished goods	1,118,019	372,927
<b>Total Inventory</b>	<b>1,118,019</b>	<b>372,927</b>

a. Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2022 amounted to \$2,933,764 (2021: \$258,133). These were included in direct costs.

### NOTE 11: INTANGIBLE ASSETS

	2022	2021
	\$	\$
Goodwill at cost	130,698,211	-
Software at cost <sup>1</sup>	50,738,191	18,795,242
Less: Accumulated amortisation and impairment	(19,531,378)	(13,756,182)
Customer lists and relationships at cost <sup>2</sup>	15,545,349	1,273,434
Less: Accumulated amortisation and impairment	(1,166,278)	(339,180)
Branding at cost <sup>3</sup>	6,163,109	-
Less: Accumulated amortisation and impairment	(238,491)	-
	<b>182,208,713</b>	<b>5,973,314</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 11: INTANGIBLE ASSETS (CONTINUED)

<sup>1</sup>Software is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 - 7 years. The useful life was determined using the following judgements: life cycles of related products, expected technical or commercial obsolescence and economic life of other related assets.

<sup>2</sup>Customer lists and relationships are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-10 years. The useful life was determined using the following judgements: life cycles of related products, expected technical or commercial obsolescence and economic life of other related assets.

<sup>3</sup>Branding is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 15 years. The useful life was determined using the following judgements: life cycles of related products, expected technical or commercial obsolescence and economic life of other related assets.

#### a. Reconciliation of movements in intangible assets

Intangible Assets	\$
Balance at 1 July 2020	1,251,177
Additions arising from business combinations – Customer lists <sup>1</sup>	934,253
Additions arising from business combinations – Software <sup>1</sup>	5,035,257
Amortisation expense	(1,247,373)
<b>Balance at 30 June 2021</b>	<b>5,973,314</b>
Additions arising from business combinations – Goodwill <sup>1</sup> - Smoothwall	129,436,090
Additions arising from business combinations – Customer lists <sup>1</sup> - Smoothwall	13,785,971
Additions arising from business combinations – Software <sup>1</sup> - Smoothwall	34,657,003
Additions arising from business combinations – Branding <sup>1</sup> - Smoothwall	6,619,537
Additions arising from business combinations – Goodwill <sup>1</sup> - Cipafilter	9,719,326
Additions arising from business combinations – Customer lists <sup>1</sup> - Cipafilter	1,370,568
Additions arising from business combinations – Software <sup>1</sup> - Cipafilter	263,575
Amortisation expense	(7,670,969)
Other including foreign exchange movements	(11,945,702)
<b>Balance at 30 June 2022</b>	<b>182,208,713</b>

<sup>1</sup>Refer to Note 25 – Business Combinations

#### Impairment of intangible assets

Goodwill is not amortised; instead, it is tested at least annually for impairment. Goodwill is carried at cost less accumulated impairment.

For the purposes of impairment testing, goodwill acquired<sup>1</sup> in a business combination is allocated to groups of cash generating units (CGUs) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those groups of CGUs.

Impairment is determined by assessing the recoverable amount of the groups of CGUs to which the goodwill relates. The recoverable value of each CGU is estimated based on its value in use. When the recoverable amount of the groups of CGUs is less than the carrying amount, an impairment loss is recognised. Where certain assets cease to be a part of a CGU (including but not limited to rights of use assets), they are tested for impairment individually and where required are written down to their recoverable value.

Impairment losses recognised for goodwill are not subsequently reversed. Impairment losses recognised for right of use assets can be subsequently reversed where it is supported by the recoverable value amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 11: INTANGIBLE ASSETS (CONTINUED)

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Management has assessed that the lowest level at which Goodwill is monitored is the three operating regions reporting to the Managing Director being Australia & New Zealand (ANZ), USA and UK. As required by AASB 136, Management has allocated Goodwill in relation to the Smoothwall acquisition as at 30 June 2022 by attributing the relative forecast improvement in performance of each CGU as a result of the expected synergies obtained. Goodwill in relation to the Cipafilter acquisition is allocated to the USA CGU.

Impairment testing value in use calculations use cash flow projections based on financial forecasts of how the business is expected to perform consistent with current and historical experience and external data. The estimation of future cash flows requires assumptions to be made regarding future uncertain events. Our strategy considers the industry we operate in, our current operating structure and market growth. These trends have been considered in the market data utilized to assess each CGU's growth rate for impairment testing.

#### Key estimates & assumptions

The goodwill allocated to the material CGUs and the key assumptions used for the value in use model for impairment testing are as follows:

Balance	USA	UK	ANZ
Carrying amount	87,041,463	81,742,822	20,359,443
Board approved CGU budget	Year 1 (FY2023)	Year 1 (FY2023)	Year 1 (FY2023)
Pre-tax discount rate	10.37%	9.40%	9.28%
Long term growth rate	2.00%	2.00%	3.00%
Growth rate	18.16%	18.16%	18.16%

- Board approved CGU budget – management has prepared a forecast based on the Board approved budget for the financial year FY2023 and makes assumptions relating to market growth rates, renewal rates and operating cost structure.
- Pre-tax discount rate – In determining the fair value of the CGU, the future cash flows were discounted based on the Group's estimated weighted average cost of capital associated in each operating region;
- Long-term growth rate – Represent the long-term inflation outlook for each region and used as a basis to calculate the terminal value in the model;
- Growth rate – Is the expected rate that each regions revenue will grow year-on-year. The rate is based on available market consensus research for the industry the Group operates in.

#### Forecast cash flows

Forecast cash flows have been based on a combination of factors including the group's past experience and the assessment of economic and regulatory factors affecting the markets within which the Group operates. The Group's operating structure and recent business acquisitions provides the structural framework for growth and increased distribution channels which will ensure growth strategy objectives are met. The Group is seeing opportunities accelerate across all regions and is well positioned to capture these opportunities with both potential and existing customers.

#### Sensitivity analysis

The combined recoverable values of all CGUs (\$253.23 million) exceeds the carrying value of \$189.14 million. Management recognises that the cash flow projections, discount and growth rates used to calculate the value in use may vary from what has been estimated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 11: INTANGIBLE ASSETS (CONTINUED)

The value in use estimate is particularly sensitive to the achievement of long-term growth rates, discount rates and forecast performance. The Group's position is that a reasonable possible change of 1% fluctuation in these key inputs would be free of impairment at reporting date.

Changes in any of the aforementioned assumptions may be accompanied by changes in other assumptions, which may have an offsetting impact.

### NOTE 12: PLANT & EQUIPMENT

	2022	2021
	\$	\$
Plant & equipment – at cost	6,482,846	4,339,440
Less: Accumulated depreciation	(3,320,857)	(1,575,041)
	<b>3,161,989</b>	<b>2,764,399</b>

a. Reconciliation of movements in fixed assets

#### Plant and Equipment

	\$
Balance at 1 July 2020	1,540,565
Additions	2,012,139
Depreciation expense	(788,305)
<b>Balance at 30 June 2021</b>	<b>2,764,399</b>
Additions arising from business combination – Smoothwall <sup>1</sup>	235,868
Additions arising from business combination – Cipafilter <sup>1</sup>	135,858
Additions	1,559,039
Depreciation expense	(1,653,271)
Other including foreign exchange movements	120,096
<b>Balance at 30 June 2022</b>	<b>3,161,989</b>

<sup>1</sup>Refer to Note 25 – Business Combinations

### NOTE 13: RIGHT OF USE ASSET AND LEASE LIABILITIES

a) Amounts recognised in the balance sheet

#### Lease Assets

	2022	2021
	\$	\$
Land and Building – right of use assets	5,052,812	3,386,241
Less: Accumulated Amortisation	(1,803,490)	(834,125)
	<b>3,249,322</b>	<b>2,552,116</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 13: RIGHT OF USE ASSET AND LEASE LIABILITIES (CONTINUED)

#### Lease Liabilities

	2022	2021
	\$	\$
<b>Current</b>		
Lease Liability	1,315,393	590,186
<b>Total Current Lease Liability</b>	<b>1,315,393</b>	<b>590,186</b>
<b>Non-Current</b>		
Lease Liability	2,336,868	2,278,972
<b>Total Non-Current Lease Liability</b>	<b>2,336,868</b>	<b>2,278,972</b>
<b>Total Lease Liabilities</b>	<b>3,652,261</b>	<b>2,869,158</b>

b) Amounts recognised in the statement of profit or loss

	2022	2021
	\$	\$
Depreciation charge of right-of-use assets expense	1,207,922	555,879
Interest expense	305,299	112,635
Expense relating to short-term leases (included in administrative expenses)	113,331	-

### NOTE 14: TRADE AND OTHER PAYABLES

	2022	2021
	\$	\$
Trade payables <sup>1</sup>	4,576,523	2,029,648
Accruals & other payables	6,381,265	4,086,897
Consideration payable	-	1,235,016
<b>Total Trade and Other Payables</b>	<b>10,957,788</b>	<b>7,351,561</b>

<sup>1</sup> Current trade payables are non-interest bearing and are normally settled on 30-day terms

### NOTE 15: PROVISIONS

	2022	2021
	\$	\$
<b>Current:</b>		
Warranty	643,853	-
Provision for annual leave	2,209,662	1,136,054
Provision for long service leave	89,526	65,492
<b>Total current provisions</b>	<b>2,943,041</b>	<b>1,201,546</b>
<b>Non-Current:</b>		
Provision for long service leave	374,179	237,762



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Total non-current provisions	374,179	237,762
<b>Total Provisions</b>	<b>3,317,220</b>	<b>1,439,308</b>

### NOTE 16: BORROWINGS

	2022	2021
	\$	\$
<b>Current:</b>		
IQumulate <sup>1</sup>	418,317	-
Oracle Loan financing	169,252	284,406
Other loan facilities	74,630	-
<b>Total Current Borrowings</b>	<b>662,199</b>	<b>284,406</b>
<b>Non-Current:</b>		
Oracle Loan financing	203,339	157,889
<b>Total Non-Current Borrowings</b>	<b>203,339</b>	<b>157,889</b>

<sup>1</sup>In the current financial period, Family Zone entered into a premium funding facility to cover various insurance policies.

#### Oracle Project

##### Key Facility Terms

- Counterparty: Oracle Corporation Australia Pty Ltd facilitated by BOQ Finance
- Amount: \$1,002,760
- Final Maturity Date: 31 December 2025. Family Zone has the option to repay earlier without penalties
- Interest Rate: 0% per annum with a service fee of around 10% per invoice
- Security: Unsecured
- Conditions: Nil
- Purpose of Loan as per agreement: Implementation & licencing of the Group's Enterprise Resource Planning System ("ERP")

#### Northcity Asset – Working capital loan facility

On 3 May 2022, The Group entered into a \$10,000,000 working capital loan facility with Northcity Asset Pty Ltd. At 30 June 2022, the facility remained undrawn. The Group can withdraw from the Loan prior to the first Facility Draw-Down.

The facility has a 5-year term. Interest is accrued at 10% per annum on funds drawn and 1% per annum on undrawn funds, payable in cash only at maturity. No debt covenants are applicable. Negative pledges are included with regards to incurring any additional indebtedness, granting security, making distributions and disposing of assets that are material in nature. Security is provided through a first ranking registered security over all present and future assets of The Group.

A facility fee of 2% of the Facility amount (\$200,000) was paid on establishment along with 3,000,000 options to acquire ordinary shares of the company with an exercise price of \$0.60 per share, expiring on 31 January 2026 (refer to Note 21). Thereafter, a facility maintenance fee of up to 7,000,000 options (subject to shareholder approval) at an exercise price of \$0.60 per share, expiring 31 January 2026, are payable in three instalments on 31 July 2022 (2,000,000 options), 31 January 2022 (2,000,000 options) and 31 July 2023 (3,000,000 options) unless the facility is terminated by the Company prior to these dates. If shareholder approval is not granted, cash fees of up to \$500,000 are payable in the event that the facility remains open until 31 July 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 17: DEFERRED CONSIDERATION

	2022	2021
	\$	\$
<b>Current:</b>		
Deferred Consideration – Cipafilter <sup>1</sup>	1,731,101	-
Deferred Consideration – NetRef <sup>1</sup>	-	3,499,474
Total current deferred consideration	<u>1,731,101</u>	<u>3,499,474</u>
<b>Non-Current:</b>		
Deferred Consideration – Cipafilter <sup>1</sup>	1,836,071	-
Deferred Consideration – Other previous acquisitions	-	68,307
Total non-current deferred consideration	<u>1,836,071</u>	<u>68,307</u>
<b>Total Deferred Consideration</b>	<u>3,567,172</u>	<u>3,567,781</u>

<sup>1</sup>Refer to Note 25 – Business Combination

### NOTE 18: ISSUED CAPITAL

	2022	2021
	Number of Shares	Number of Shares
Issued Ordinary Shares - no par value (fully paid)	821,925,394	391,266,604
<b>Total</b>	<u>821,925,394</u>	<u>391,266,604</u>
	Number of Shares	Value \$
<b>Opening balance – 1 July 2020</b>	<u>295,543,169</u>	<u>56,673,575</u>
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	2,053,506
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 <sup>1</sup>	-	1,235,018
Less: share issue costs	-	(2,586,425)
<b>Closing balance – 30 June 2021</b>	<u>391,266,604</u>	<u>106,052,956</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 18: ISSUED CAPITAL (CONTINUED)

Shares issued on exercise of Performance rights	6,158,131	-
Shares issued on exercise of Broker and Advisor options	1,507,500	303,075
Shares issued on exercise of employee options	1,502,697	270,485
Issue of Placement Shares <sup>2</sup>	355,587,242	163,858,818
Issue of Cipafilter shares	13,116,316	5,508,853
Issue of NetRef consideration	4,225,921	1,358,854
Shares issued in lieu of cash remuneration or as incentive	3,312,679	1,874,674
Shares issued on exercise of Zero Exercise Price Director options	686,753	-
Issue of Retail entitlement offer shares	44,561,551	24,508,853
Costs of shares issued	-	(9,211,773)
<b>Closing Balance – 30 June 2022</b>	<b>821,925,394</b>	<b>294,524,795</b>

<sup>1</sup> The Tranche 1 share consideration was agreed to be issued and fixed on the completion date of the NetRef acquisition, with the shares subsequently issued on 1 July 2021. Refer to Note 25 Business Combination for further details on the NetRef Acquisition.

<sup>2</sup> Consideration for 32,494,312 shares issued by Placement were received before 30 June 2022 and shares subsequently issued on 1 July 2022.

### Capital Management

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

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

### NOTE 19: RESERVES

#### Nature and Purpose of Share-Based Payment Reserve

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

	2022	2021
	\$	\$
Options	11,436,735	5,548,202
Performance Shares	1,660,671	1,660,671
Performance Rights	17,764,618	4,775,087
<b>Total Share-Based Payment Reserve</b>	<b>30,862,024</b>	<b>11,983,960</b>

#### Nature and Purpose of Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the Group's foreign controlled subsidiaries.

	2022	2021
	\$	\$
Foreign Currency Translation Reserve	(11,429,299)	(66,581)
<b>Total Foreign Currency Translation Reserve</b>	<b>(11,429,299)</b>	<b>(66,581)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 19: RESERVES (CONTINUED)

#### Options outstanding at 30 June 2022

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

Grant Date	Expiry Date	Exercise Price	Balance at start of Period	Granted During the Period	Exercised during the Period	Forfeited/la psed during the Period	Balance at Period end	Vested and exercisable at Period end
			(Number)	(Number)	(Number)	(Number)	(Number)	(Number)
11/03/2019	11/03/2022	\$0.25	250,000	-	-	(250,000)	-	-
18/03/2019	18/03/2022	\$0.18	1,530,942	-	(1,502,697)	(28,245)	-	-
8/11/2019	8/11/2022	\$0.21	2,595,000	-	(1,057,500)	-	1,537,500	1,537,500
8/11/2019	8/11/2022	\$0.21	3,000,000	-	-	-	3,000,000	3,000,000
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	450,000	-	(450,000)	-	-	-
30/06/2020	13/07/2023	\$0.18	500,000	-	-	-	500,000	500,000
30/06/2020	13/07/2023	\$0.24	700,000	-	-	-	700,000	700,000
9/06/2021	30/06/2025	\$0.50	4,500,000	-	-	-	4,500,000	-
1/09/2021	30/06/2025	\$0.55	-	500,000	-	-	500,000	500,000
19/11/2021	30/11/2024	\$0.00	-	2,000,000	-	-	2,000,000	-
24/01/2022	31/12/2025	\$0.00	-	686,753	(686,753)	-	-	-
24/01/2022	31/12/2025	\$0.60	-	2,100,000	-	-	2,100,000	-
1/06/2022	31/12/2025	\$0.60	-	2,100,000	-	-	2,100,000	-
18/01/2022	31/06/2026	\$0.60	-	3,000,000	-	-	3,000,000	-
29/07/2021 -	30/06/2025	\$0.60	-	2,600,000	-	(2,600,000)	-	-
16/08/2021								
29/07/2021 -	30/06/2025	\$0.60	-	1,023,921	-	(1,023,921)	-	-
30/08/2021								
29/07/2021 & 02/12/2021	30/06/2025	\$0.68	-	670,138	-	(670,138)	-	-
29/07/2021	30/06/2025	\$0.54	-	1,826,316	-	(1,826,316)	-	-
26/04/2022 & 27/04/2022	30/06/2026	\$0.38	-	439,023	-	(439,023)	-	-
<b>Total</b>			<b>15,025,942</b>	<b>16,946,151</b>	<b>(3,696,950)</b>	<b>(6,837,643)</b>	<b>21,437,500</b>	<b>7,737,500</b>

1,023,921 (\$0.60, 30 June 2025) options, 670,138 (\$0.68, 30 June 2025) options, 1,826,316 (\$0.60, 30 June 2025) options and 439,023 (\$0.38, 30 June 2025) options were granted and later cancelled during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 19: RESERVES (CONTINUED)

Reconciliation of movement in option reserve:

	Number of Options	Expense Recognised \$
<b>Opening Balance - 1 July 2020</b>	<b>20,707,211</b>	<b>5,146,818</b>
Options issued for capital raising services and strategic advisory services	500,000	222,426
Options re-issued due to administrative error	25,399	-
Options issued to Peter Pawlowitsch and Tim Levy approved at the general meeting	4,500,000	39,115
Share-based payment expense for employee options on issue as at 1 July 2020	-	46,530
Share-based payment expense in respect to Director options on issue as at 1 July 2020	-	170,301
Exercised during the period	(7,440,826)	-
Lapsed/forfeited during the period	(3,265,842)	(76,988)
<b>Closing Balance – 30 June 2021</b>	<b>15,025,942</b>	<b>5,548,202</b>
Options issued for company secretarial services (a)	500,000	266,452
Director zero purchase options issued to Tim Levy and Crispin Swan	2,000,000	714,822
Director options issued to Georg Ell on appointment	2,786,753	541,129
Director options issued to Dr Jane Watts on appointment	2,100,000	21,388
Share-based payment expense in respect to employee options granted and cancelled during the current year	6,559,398	2,384,053
Share-based payment expense in respect to Director options on issue as at 1 July 2021	-	696,928
Share-based payment expense on working capital options	3,000,000	1,263,761
Exercised during the period	(3,696,950)	-
Lapsed/Forfeited during the period	(6,837,643)	-
<b>Closing Balance – 30 June 2022</b>	<b>21,437,500</b>	<b>11,436,735</b>

#### Performances shares outstanding at 30 June 2022

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

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

The Class H Performance Shares were issued in part consideration for the Linewize acquisition. The Performance Shares convert into Shares on a one for one basis 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 2019 Annual Report.

Reconciliation of movement in performance share reserve:

	Number of Performance Shares	Value (\$)
<b>Opening Balance - 1 July 2020</b>	<b>3,000,000</b>	<b>1,660,671</b>
<b>Closing Balance – 30 June 2021</b>	<b>3,000,000</b>	<b>1,660,671</b>
<b>Closing Balance – 30 June 2022</b>	<b>3,000,000</b>	<b>1,660,671</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 19: RESERVES (CONTINUED)

#### Performance Rights outstanding as at 30 June 2022

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

Grant Date	Expiry Date	Exercise Price	Balance at start of Year (Number)	Granted During the Year <sup>1</sup> (Number)	Exercised during the Year <sup>2</sup> (Number)	Forfeited during the Year <sup>3</sup> (Number)	Balance at Year end (Number)	Vested and exercisable at Year end (Number)
17/04/2019	17/04/2022	Nil	1,609,640	-	(1,609,640)	-	-	-
9/09/2019	9/09/2022	Nil	100,000	-	-	-	100,000	100,000
2/03/2020	2/03/2023	Nil	1,638,714	-	(555,612)	-	1,083,102	1,083,102
2/03/2020	2/03/2024	Nil	3,255,606	15,000	(1,898,945)	(432,498)	939,163	939,163
1/05/2020	1/05/2024	Nil	1,000,000	-	-	-	1,000,000	600,000
1/05/2020	2/03/2024	Nil	600,000	-	-	-	600,000	400,000
4/05/2020	4/05/2023	Nil	1,885,715	-	-	-	1,885,715	1,885,715
30/06/2020	7/07/2023	Nil	1,000,000	-	(1,000,000)	-	-	-
1/07/2020	13/07/2023	Nil	4,500,000	-	-	-	4,500,000	4,500,000
7/07/2021	2/03/2024	Nil	1,242,857	-	-	-	1,242,857	828,572
19/10/2020	19/10/2023	Nil	96,000	-	(32,000)	-	64,000	-
19/02/2021	12/03/2025	Nil	936,572	-	(34,139)	(125,793)	776,640	288,776
19/02/2021	13/04/2024	Nil	399,639	-	(53,385)	-	346,254	346,254
11/03/2021	15/12/2021	Nil	35,007	-	(35,007)	-	-	-
29/04/2021	2/03/2024	Nil	15,000	-	-	-	15,000	15,000
9/06/2021	30/06/2024	Nil	4,000,000	-	-	-	4,000,000	2,000,000
9/06/2021	30/06/2025	Nil	3,000,000	-	-	-	3,000,000	-
6/08/2021-16/08/2021	6/08/2024	Nil	-	303,924	(175,247)	-	128,677	128,677
7/09/2021	31/12/2025	Nil	-	500,000	-	-	500,000	500,000
29/07/2021	6/08/2024	Nil	-	290,955	-	-	290,955	290,955
29/07/2021 & 24/09/2021	30/06/2025	Nil	-	3,477,824	(61,764)	(665,067)	2,750,993	808,445
29/07/2021-14/12/2021	30/06/2025	Nil	-	5,781,814	(47,605)	(274,842)	5,459,367	-
29/07/2021 - 07/09/2021	30/06/2025	Nil	-	7,310,000	-	(2,539,500)	4,770,500	4,770,500
29/07/2021-07/09/2021	30/06/2025	Nil	-	4,050,000	-	(350,000)	3,700,000	-
29/07/2021-16/08/2021	30/06/2025	Nil	-	1,800,000	-	(500,000)	1,300,000	-
23/08/2021-20/09/2021	30/06/2025	Nil	-	462,333	(2,847)	-	459,486	159,887
22/11/2021	30/06/2025	Nil	-	2,750,000	-	(312,500)	2,437,500	2,437,500
26/4/2022	30/06/2025	Nil	-	2,288,823	-	-	2,288,823	-
<b>Total</b>			<b>25,314,750</b>	<b>29,030,673</b>	<b>(5,506,191)</b>	<b>(5,200,200)</b>	<b>43,639,032</b>	<b>22,082,546</b>

<sup>1</sup>The following Performance Rights were exercised during the period under the Company's Performance Rights Plan:

- 1,094,879 Remuneration Performance Rights were issued to employees as security based remuneration;
- 12,025,794 Employee Performance Rights were issued to employees as security based remuneration;
- 7,310,000 2022 STI Executive Rights, 4,050,000 2023 STI Executive Rights, 1,800,000 2023 LTI Executive Rights;
- 2,750,000 Executive Performance Rights.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 19: RESERVES (CONTINUED)

<sup>2</sup>The following Performance Rights were exercised during the period under the Company's Performance Rights Plan:

- 1,609,640 Class G Remuneration Performance Rights;
- 819,251 Remuneration Performance Rights;
- 2,077,300 Employee Performance Rights;
- 1,000,000 SP Performance Rights.

<sup>3</sup>The following Performance Rights have lapsed during the year:

- 1,498,200 Employee Performance Rights;
- 2,539,500 2022 STI Executive Performance Rights;
- 350,000 2023 STI Executive Performance Rights;
- 500,000 2023 LTI Executive Performance Rights;
- 312,500 Executive Performance Rights.

Reconciliation on movement in performance right reserve:

	Number of Performance Rights	Value (\$)
<b>Opening Balance - 1 July 2020</b>	24,876,887	3,640,704
Performance Rights granted during the year	14,874,129	1,603,016
Performance Rights expense recognised for the current year	-	763,745
Performance rights exercised during the year	(6,218,074)	-
Reversal of share-based payment expense as vesting conditions are not met	(8,218,192)	(1,232,378)
<b>Closing Balance - 30 June 2021</b>	25,314,750	4,775,087
Performance Rights granted during the year	29,030,673	11,757,180
Performance Rights expense recognised for the current year	-	3,098,349
Performance rights exercised during the year	(5,506,191)	-
Reversal of share-based payment expense as vesting conditions are not met	(5,200,200)	(1,865,998)
<b>Closing Balance - 30 June 2022</b>	<b>43,639,032</b>	<b>17,764,618</b>

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

Performance Rights	Valuation Date	Vesting Date (Expected)	Fair Value at Grant Date	Balance as at 30 June 2022 (Number)	Total Expense for the year
<b>TL SP Performance Rights</b>					
Class A TL SP Performance Rights	1/5/2020	1/5/2023	\$0.11	100,000	-
Class B TL SP Performance Rights	1/5/2020	1/5/2023	\$0.10	200,000	-
Class C TL SP Performance Rights	1/5/2020	1/5/2023	\$0.09	300,000	-
Class D TL SP Performance Rights	1/5/2020	1/5/2023	\$0.08	400,000	\$19,335
<b>MS SP Performance Rights</b>					
Class E MS Performance Rights	30/6/2020	30/6/2022	\$0.03	-	\$14,000
Employee Performance Rights - Tim Levy and Crispin Swan	1/5/2020	4/5/2023	\$0.13	600,000	\$20,146
US Executive Performance Rights	30/6/2020	30/6/2021	\$0.20	1,242,857	\$62,557
Incentive Performance Rights <sup>2</sup>	1/7/2020	31/3/2022	\$0.23	4,500,000	\$73,231
Employee Performance Rights Class A2	19/2/2021	12/3/2022	\$0.50	288,776	\$102,378
Employee Performance Rights Class B2	19/2/2021	12/3/2023	\$0.50	293,932	\$66,894

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 19: RESERVES (CONTINUED)

Performance Rights	Valuation Date	Vesting Date (Expected)	Fair Value at Grant Date	Balance as at 30 June 2022 (Number)	Total Expense for the year
<b>MS SP Performance Rights (continued)</b>					
Employee Performance Rights Class C2	19/2/2021	12/3/2024	\$0.50	193,932	\$28,637
Remuneration Performance Rights Class T3	19/2/2021	31/7/2021	\$0.50	331,253	\$16,728
Remuneration Performance Rights Class T4	19/2/2021	31/7/2021	\$0.50	15,000	\$758
STI Performance Rights 2022 Tranche 1 - TL and CS	9/6/2021	30/6/2022	\$0.58	1,000,000	\$548,446
STI Performance Rights 2022 Tranche 2 - TL and CS	9/6/2021	30/6/2022	\$0.58	1,000,000	\$548,446
STI Performance Rights 2023 Tranche 1 - TL and CS	9/6/2021	30/6/2023	\$0.58	1,000,000	\$281,891
STI Performance Rights 2023 Tranche 2 - TL and CS	9/6/2021	30/6/2023	\$0.58	1,000,000	\$281,891
LTI Performance Rights 2024 - TL and CS	9/6/2021	30/6/2023	\$0.58	3,000,000	\$845,673
Executive Performance Rights	22/11/2021	30/6/2025	\$0.57	2,437,500	\$1,377,188
STI 2022 Performance Rights	29/7/2021-7/9/2021	30/6/2022	\$0.57-\$0.78	4,770,500	\$3,271,500
STI 2023 Performance Rights	29/7/2021-7/9/2021	30/6/2023	\$0.57-\$0.78	3,700,000	\$1,200,592
2023 Executive Performance Rights - LTI	29/7/2021-16/8/2021	30/6/2023	\$0.57-\$0.67	1,300,000	\$756,352
Class A3 Employee Performance Rights	29/7/2021-24/9/2021	30/6/2022	\$0.57-\$0.72	810,187	\$493,839
Class B3 Employee Performance Rights	29/7/2021-24/9/2021	30/6/2023	\$0.57-\$0.72	970,403	\$240,984
Class C3 Employee Performance Rights	29/7/2021-24/9/2021	30/6/2024	\$0.57-\$0.72	970,403	\$155,605
Class D3 Employee Performance Rights	31/1/2022	31/12/2021, 31/12/2022, 31/12/2023	\$0.47	31,283	\$6,983
Class E3 Employee Performance Rights	29/7/2021	31/12/2022	\$0.60	2,311,172	\$802,857
Class F3 Employee Performance Rights	29/7/2021	31/12/2023	\$0.60	1,597,900	\$348,193
Class G3 Employee Performance Rights	29/7/2021	31/12/2024	\$0.60	1,519,012	\$246,352
Class H3 Employee Performance Rights	21/2/2022	31/3/2022	\$0.43	159,887	\$69,976
Remuneration Performance Rights T6	6/8/2021 to 16/8/2021	1/3/2022	\$0.59 - \$0.69	128,677	\$205,140
Remuneration Performance Rights	29/7/2021	4/8/2022	\$0.56	290,955	\$147,037
Remuneration Performance Rights	Various	Various	Various	2,968,817	\$0
Class A Employee Performance Rights	2/3/2020	2/3/2021	\$0.11	41,549	\$0
Class B Employee Performance Rights	2/3/2020	2/3/2022	\$0.11	72,898	\$43,163
Class C Employee Performance Rights	2/3/2020	2/3/2023	\$0.11	939,716	\$25,083
Class B1 Employee Performance Rights	19/10/2020	19/10/2022	\$0.44	32,000	\$9,162
Class C1 Employee Performance Rights	19/10/2020	19/10/2023	\$0.44	32,001	\$4,693



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 19: RESERVES (CONTINUED)

Performance Rights	Valuation Date	Vesting Date (Expected)	Fair Value at Grant Date	Balance as at 30 June 2022 (Number)	Total Expense for the year
<b>MS SP Performance Rights (continued)</b>					
Class A Employee Performance Rights	26/4/2022	30/6/2023	\$0.46	176,036	\$12,241
Class B Employee Performance Rights	26/4/2022	30/6/2024	\$0.46	176,036	\$6,612
Class C Employee Performance Rights	26/4/2022	30/6/2025	\$0.46	176,036	\$4,534
Sign On Employee Performance Rights	2/5/2022	31/3/2023	\$0.41	1,760,715	\$127,903
Sign on remuneration rights - Georg Ell	7/9/2021	31/12/2021	\$0.78	500,000	\$390,000
Sign on 2022 Performance Rights	22/11/2021	30/9/2022	\$0.57	299,599	\$132,531
<b>Total</b>				<b>43,639,032</b>	<b>\$12,989,531</b>

<sup>1</sup>One third of the Employee Performance Rights vest one year from issue date, one third of the Employee Performance Rights vest two years from issue date and one third of the Employee Performance Rights vest three years from issue date.

<sup>2</sup>The Incentive Performance Rights comprise the Class A Incentive Performance Rights, Class B Incentive Performance Rights and Class C Incentive Performance Rights. Refer to table below for further details on vesting conditions of each class. The vesting conditions are met, and all of these rights have vested as on 30 June 2022

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

Performance Rights	Vesting Condition	Milestone Date
<b>TL SP Performance Rights</b>		
Class A TL SP Performance Rights	The 30-day VWAP of the Company's Shares being greater than \$0.25 prior to the Milestone Date	3 years from issue date
Class B TL SP Performance Rights	The 30-day VWAP of the Company's Shares being greater than \$0.35 prior to the Milestone Date	3 years from issue date
Class C TL SP Performance Rights	The 30-day VWAP of the Company's Shares being greater than \$0.45 prior to the Milestone Date	3 years from issue date
Class D TL SP Performance Rights	The 30-day VWAP of the Company's Shares being greater than \$0.60 prior to the Milestone Date	3 years from issue date
<b>MS SP Performance Rights</b>		
Class E MS SP Performance Rights	The 30-day VWAP of the Company's Shares being greater \$0.60 prior to the Milestone Date	2 years from issue date.
Class A Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	1 year from issue date.
Class B Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	2 years from issue date.
Class C Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	3 years from issue date.
Remuneration Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	6 months from issue date
<b>TL SP Performance Rights</b>		
Remuneration Performance Rights - T3	Continued employment with the Company in existing role from issue date until the Milestone Date	12-Sep-21
Remuneration Performance Rights - T4	Continued employment with the Company in existing role from issue date until the Milestone Date	9-Oct-21
Class A Incentive Performance Rights	Vest upon the Company achieving \$200,000 of revenue within 2 years from acquisition date of Cyber Education Pty Ltd	30-Jun-22
Class B Incentive Performance Rights	Vest upon the Company achieving \$400,000 of revenue within 2 years from acquisition date of Cyber Education Pty Ltd	30-Jun-22
Class C Incentive Performance Rights	Vest upon the Company achieving \$600,000 of revenue within 2 years from acquisition date of Cyber Education Pty Ltd	30-Jun-22

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 19: RESERVES (CONTINUED)

Performance Rights	Vesting Condition	Milestone Date
<i>TL SP Performance Rights (continued)</i>		
STI 2022 Performance Rights	a. <u>Continued employment</u> until 30 June 2022; b. Receive a positive <u>Personal Scorecard</u> for the financial year ended 30 June 2022 from the Board for performance over the previous 12 months, 50% of the STI 2022 Performance Rights shall vest; c. <u>QRR Growth</u> - If the Company achieves 100% growth in Quarterly Recurring Revenue (QRR) from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year, 60% of the remaining 50% of the STI 2022 Performance Rights shall vest with straight line pro- rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year.	30-Jun-22
STI 2023 Performance Rights	a. <u>Continued employment</u> until 30 June 2023; b. Receive a positive <u>Personal Scorecard</u> for the financial year ended 30 June 2023 from the Board for performance over the previous 12 months, 50% of the STI 2023 Performance Rights shall vest; c. <u>QRR Growth</u> - If the Company achieves 100% growth in Quarterly Recurring Revenue (QRR) from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year, 60% of the remaining 50% of the STI 2023 Performance Rights shall vest with straight line pro- rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year.	30-Jun-23
LTI 2023 Performance Rights	150,000 LTI Performance Rights (per holder) shall vest subject to the achievement of each of the Operational Milestone outlined below, which are linked to the following key business Objectives: a. Expand Markets; b. Expand Products; c. Launch Community; d. Make Sustainable; e. Improve Revenue per Student. A maximum of 450,000 LTI Performance rights (per holder) can vest per business objective. <i>Refer below for further breakdown of the milestones for each of the conditions noted above.</i>	30-Jun-23
Executive Performance Rights	Continued employment until 30 June 2022	30-Jun-22
Sign On Employee Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	31-Mar-23
Sign On 2022 Performance Rights	Continued employment with the Company in existing role from issue date until the Milestone Date	1 year from issue date
Sign on remuneration rights – Georg Eil	Continued employment with the Company in existing role from issue date until the Milestone Date	31-Dec-21

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 19: RESERVES (CONTINUED)

Objective	Operational Milestones
Expand Markets	<ul style="list-style-type: none"> <li>Achieving revenue of greater than \$500,000 in total prior to 30 June 2023 in a market other than USA, Australia or New Zealand.</li> </ul>
Expand Products	<ul style="list-style-type: none"> <li>Launch of a new product which generates revenue of greater than \$500,000 in total prior to 30 June 2023.</li> <li>Launch of a new product which achieves 2.5% take-up by School Clients in a particular country.</li> </ul>
Launch Community	<ul style="list-style-type: none"> <li>Launch of Community in a market outside of Australian and achieve greater than 20% take-up by School Clients.</li> <li>Launch of Community in a market outside of Australian and achieve greater than 30% take-up by School Clients.</li> <li>Launch of Community in a market outside of Australia and achieve 2% of parents within all participating School Clients activating a Consumer Account.</li> <li>Launch of Community in a country outside of Australia and achieve 5% of parents within all participating School Clients activating a Consumer Account</li> </ul>
Make Sustainable	<ul style="list-style-type: none"> <li>Achieve quarterly average data and hosting costs per student below targets set by the Board</li> <li>Achieve quarterly Service Margin above targets set by the Board.</li> </ul>
Improve Revenues per Student	<ul style="list-style-type: none"> <li>Achieve Average Revenue Per Student targets set by the Board.</li> </ul>

### NOTE 20: ACCUMULATED LOSSES

	2022	2021
	\$	\$
Accumulated Losses	<b>(148,648,074)</b>	<b>(84,632,613)</b>
Opening balance	(84,632,613)	(62,702,217)
Net loss for the financial year	(64,015,461)	(21,930,396)
<b>Total Accumulated Losses</b>	<b>(148,648,074)</b>	<b>(84,632,613)</b>

### NOTE 21: SHARE-BASED PAYMENTS

Share-based payments made during the year ended 30 June 2022 are summarised below:

#### (a) Recognised Share-Based Payment Expense

	2022	2021
	\$	\$
Options issued to employees as incentive	2,384,052	40,670
Options issued to directors as incentive	1,974,267	209,416
Performance Rights issued to employees for services	12,296,248	1,700,536
Performance Rights issued to directors for services	2,559,281	666,225
Shares issued to employees as remuneration in lieu of cash	1,874,674	-
Broker and advisor options issued as consideration for services provided	-	222,426
Options issued as consideration for services provided	266,452	-
Shares issued to consultants as consideration for services provided	-	272,272
Shares issued to employees as incentive	-	200,080
Reversal of SBP expenses as vesting conditions were not met	(1,865,997)	(1,303,507)
Less amounts recognised within equity as a cost of capital raised	-	(111,213)
	<b>19,488,977</b>	<b>1,896,905</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

#### Shares issued to employees as remuneration in lieu of cash

During the year the Group issued 3,157,097 to employees in lieu of their cash salary. The shares issued to employees in the current year have been valued at \$1,874,673 based on share price at grant date.

Number of shares	Grant date	Share price	Expense recognised
1,248,084	29/7/2021	\$0.60	\$731,964
16,907	16/8/2021	\$0.67	\$11,243
41,833	19/7/2021	\$0.58	\$24,054
887,534	29/7/2021	\$0.57	\$508,905
228,889	29/7/2021	\$0.57	\$131,243
46,682	29/7/2021	\$0.57	\$26,767
225,698	25/11/2021	\$0.52	\$117,362
15,221	3/12/2021	\$0.55	\$8,372
435,834	15/10/2021	\$0.70	\$307,264
10,415	24/9/2021	\$0.72	\$7,499

#### Options issued during the year

- (a) On 1 September 2021, 500,000 options were issued to a company secretary in relation to services provided. These options expire on 30 June 2025 and exercise price of \$0.55 per option vesting immediately.

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

	Company secretary options
Grant Date	1-Sep-21
No of Options	500,000
Underlying share price	\$0.74
Exercise price	\$0.55
Expected volatility	100%
Expiry date (years)	3.83
Expected dividends	Nil
Risk free rate	0.19%
Value per option (rounded)	\$0.53
Total share-based payment expense for the year	\$266,452.00

- (b) On 19 November 2021, a total of 2,000,000 Director Options were granted to Managing Director Tim Levy and Executive Director Crispin Swan for services provided. These zero priced options expire on 30 November 2024 with vesting condition of 12 months of continuous service. These options are valued based on share price at grant date of \$0.59. Share-based payment of \$714,822 is recognised for the financial year ended 30 June 2022.

- (c) Mr Georg Ell was granted 686,753 Director zero price options and 2,100,000 Director options with an exercise price of \$0.60 per option with continuous employment as vesting condition on his appointment as a Non-Executive Director on 24 January 2022.

686,753 of these options are zero priced options with no vesting condition and are valued at share price on grant date of \$0.50.

Remaining 2,100,000 options were valued using the Black-Scholes option pricing model applying the following inputs:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

	<b>Mr Georg Ell options</b>
Grant Date	24-Jan-22
No of Options	2,100,000
Underlying share price	\$0.51
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	3.9
Expected dividends	Nil
Risk free rate	1.24%
Value per option (rounded)	\$0.33
Total share-based payment expense for the year including 686,753 ZEPOs	\$541,129.00

- (d) 3,000,000 working capital options were granted on 18 January 2022 with an exercise price of \$0.60 per option with no vesting condition. These options expire on 31 January 2026 and are valued based on Black Scholes model.

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

	<b>Working capital options</b>
Grant Date	18-Jan-22
No of Options	3,000,000
Underlying share price	\$0.61
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	4
Expected dividends	Nil
Risk free rate	1.59%
Value per option (rounded)	\$0.42
Expense recognised in financing costs for the year ended 30 June 2022	\$1,263,761

- (e) Dr Jane Watts was granted 2,100,000 Director options with an exercise price of \$0.60 per option with continuous employment as vesting condition on her appointment as a Non-Executive Director on 1 June 2022.

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

	<b>Dr Jane Watts options</b>
Grant Date	1-Jun-22
No of Options	2,100,000
Underlying share price	\$0.38
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	3.6
Expected dividends	Nil
Risk free rate	2.92%
Value per option (rounded)	\$0.22
Total share-based payment expense for the year	\$21,388

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

- (f) Following employee options and executive options granted during the year were cancelled and the expense on these options has been accelerated and recorded as expense in the financial year ending 30 June 2022.

Tranche	Valuation Date	Expiry Date	Exercise Price	Issued during the period	Vested during the period	Total Share-Based Payment Expense for the year (\$)
2022 Employee Options T1-3 (\$0.60, 30 Jun 2025) (Vesting 30 June 2022, 2023 and 2024)	26/7/2021 – 30/8/2021	30/6/2025	\$0.60	1,023,921	0	\$318,913
2022 Employee Options (\$0.68, 30 Jun 2025) (Vesting 30 June 2022, 2023 and 2024)	29/7/2021 & 2/12/2021	30/6/2025	\$0.68	670,138	0	\$242,363
2022 Employee Options (\$0.535, 30 Jun 2025) (Vesting 31 Dec 2022, 2023 and 2024)	29/7/2021	30/6/2025	\$0.54	1,826,316	0	\$720,779

Tranche	Valuation Date	Expiry Date	Exercise Price	Issued during the period	Vested during the period	Total Share-Based Payment Expense for the year (\$)
Employee Options (\$0.38, 30 Jun 2026) (Vesting 30 June 2023, 2024 and 2025)	26/4/2022	30/6/2026	\$0.38	240,627	0	\$76,609
Employee Options (\$0.38, 30 Jun 2026) (Vesting 31 Mar 2023)	27/4/2022	30/6/2026	\$0.38	198,396	0	\$62,130
2023 LTI Executive Options (\$0.60, 30 June 2025) (various perf milestone by 30 June 2023)	29/7/2021 – 16/8/2021	30/6/2025	\$0.60	2,600,000	0	\$963,259

The above options (excluding the LTI which are also subject to further non-market operational performance hurdles) vest in three tranches, vesting condition being continued employment.

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

	2022 Employee Options T1-3 (\$0.60, 30 Jun 2025) (Vesting 30 June 2022, 2023 and 2024)
Grant Date	29/7/2021 & 2/12/2021
No of Options	647,331
Underlying share price	\$0.57
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	3.9
Expected dividends	Nil
Risk free rate	0.12%
Value per option (rounded)	\$0.39
Total share-based payment expense for the year	\$194,313

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

	<b>2022 Employee Options T1-3 (\$0.60, 30 Jun 2025) (Vesting 30 June 2022, 2023 and 2024)</b>
Grant Date	26-Jul-21
No of Options	244,374
Underlying share price	\$0.60
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	3.9
Expected dividends	Nil
Risk free rate	0.14%
Value per option (rounded)	\$0.40
Total share-based payment expense for the year	\$98,586

	<b>2022 Employee Options T1-3 (\$0.60, 30 Jun 2025) (Vesting 30 June 2022, 2023 and 2024)</b>
Grant Date	30-Aug-21
No of Options	126,033
Underlying share price	\$0.73
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	3.8
Expected dividends	Nil
Risk free rate	0.15%
Value per option (rounded)	\$0.51
Total share-based payment expense for the year	\$26,014

	<b>2022 Employee Options (\$0.68, 30 Jun 2025) (Vesting 30 June 2022, 2023 and 2024)</b>
Grant Date	29-Jul-21
No of Options	626,407
Underlying share price	\$0.57
Exercise price	\$0.68
Expected volatility	100%
Expiry date (years)	3.9
Expected dividends	Nil
Risk free rate	0.12%
Value per option (rounded)	\$0.37
Total share-based payment expense for the year	\$228,310

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

	<b>2022 Employee Options (\$0.68, 30 Jun 2025) (Vesting 30 June 2022, 2023 and 2024)</b>
Grant Date	2-Dec-21
No of Options	43,471
Underlying share price	\$0.53
Exercise price	\$0.68
Expected volatility	100%
Expiry date (years)	3.6
Expected dividends	Nil
Risk free rate	0.89%
Value per option (rounded)	\$0.32
Total share-based payment expense for the year	\$14,054

	<b>Employee Options (\$0.38, 30 Jun 2026) (Vesting 30 June 2023, 2024 and 2025)</b>
Grant Date	26-Apr-21
No of Options	240,627
Underlying share price	\$0.46
Exercise price	\$0.38
Expected volatility	100%
Expiry date (years)	4.2
Expected dividends	Nil
Risk free rate	2.65%
Value per option (rounded)	\$0.34
Total share-based payment expense for the year	\$76,609

	<b>Employee Options (\$0.38, 30 Jun 2026) (Vesting 31 Mar 2023)</b>
Grant Date	27-Apr-21
No of Options	198,396
Underlying share price	\$0.43
Exercise price	\$0.38
Expected volatility	100%
Expiry date (years)	4.2
Expected dividends	Nil
Risk free rate	2.68%
Value per option (rounded)	\$0.31
Total share-based payment expense for the year	\$62,131



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

	<b>2023 LTI Executive Options (\$0.60, 30 June 2025) (various perf milestone by 30 June 2023)</b>
Grant Date	27 April 2021 to 16 August 2021
No of Options	2,600,000
Underlying share price	\$0.58-\$0.66
Exercise price	\$0.60
Expected volatility	100%
Expiry date (years)	3.9
Expected dividends	Nil
Risk free rate	0.12-0.16%
Value per option (rounded)	\$0.38-\$0.46
Total share-based payment expense for the year	\$963,259

1,826,316 (\$0.535, 30 June 2025) 2022 employee options vesting over three years were granted on 29 July 2021, vesting condition being continued employment. These options were valued with reference to agreed value on grant date, which the ultimate number of options issued calculated on issue date with reference to the fixed entitlement. Share-based payment on these options recognised during the period is \$720,779.

#### **Share-based payment on options issued in prior years to Directors:**

Director options were granted during the prior year. 3,000,000 options were granted to non-executive Director Peter Pawlowitsch and 1,500,000 options for Managing Director, Tim Levy for services to be provided, expiring 30 June 2025. Shareholder approval was obtained 9 June 2021, options were issued 1 July 2021. These options are subject to various vesting conditions, the details of which have been outlined below.

<b>Peter Pawlowitsch</b>	<b>Vesting Condition</b>	<b>Number</b>	<b>Value Per Option</b>	<b>Total Value</b>	<b>Total Share-Based Payment Expense for the year (\$)</b>
<b>Tranche 1</b>	The 20 day VWAP of the Company's Shares being greater than \$0.90	750,000	0.348	261,225	\$126,960
<b>Tranche 2</b>	The 20 day VWAP of the Company's Shares being greater than \$1.45	750,000	0.314	235,725	\$114,567
<b>Tranche 3</b>	The 20 day VWAP of the Company's Shares being greater than \$1.90	1,500,000	0.285	427,950	\$207,992
<b>Total</b>		<b>3,000,000</b>		<b>924,900</b>	<b>\$449,519</b>

<b>Tim Levy</b>	<b>Vesting Condition</b>	<b>Number</b>	<b>Value Per Option</b>	<b>Total Value</b>	<b>Total Share-Based Payment Expense for the year (\$)</b>
<b>Tranche 1</b>	The 20 day VWAP of the Company's Shares being greater than \$0.90	500,000	0.348	174,150	\$84,640
<b>Tranche 2</b>	The 20 day VWAP of the Company's Shares being greater than \$1.45	500,000	0.314	157,150	\$76,378
<b>Tranche 3</b>	The 20 day VWAP of the Company's Shares being greater than \$1.90	500,000	0.285	142,650	\$69,331
<b>Total</b>		<b>1,500,000</b>		<b>473,950</b>	<b>\$230,349</b>

The fair value of the above Director Options has been determined using a Monte Carlo simulation model using the inputs outlined below:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

	Tranche 1	Tranche 2	Tranche 3
Underlying share price	\$0.58	\$0.58	\$0.58
Exercise price	\$0.50	\$0.50	\$0.50
Target price	\$0.90	\$1.45	\$1.90
Expiry date (years)	4	4	4
Expected Volatility	80%	80%	80%
Risk free rate	0.1051%	0.1051%	0.1051%
Value per option	\$0.348	\$0.314	\$0.285

A total of \$1,974,267 share-based payment expense was recognised in the Profit or Loss in relation to the Options on issue and issued to Directors in the current year.

#### Share-based payments on Performance Rights issued to employees

During the year 7,310,000 STI 2022 Executive Rights, 4,050,000 STI 2023 Executive Rights and 1,800,000 LTI 2023 Executive Rights were issued to various executives which vest on meeting the performance milestones. (Please see the milestones set out in Note 18) Of these rights, 3,389,500 rights lapsed as of 30 June 2022.

SBP expense is also recognised on existing US Executive Performance Rights

Class of Performance Rights	Number of Performance Rights	Expense recognised during the year
STI 2022 Performance Rights	4,770,500	\$3,271,500
STI 2023 Performance Rights	3,700,000	\$1,200,592
2023 Executive Performance Rights - LTI	1,300,000	\$756,352
US Executive Performance Rights	1,242,857	\$62,557

Included with the above rights are 1,000,000 STI rights with 500,000 vesting upon the achievement of each of the Smoothwall UK and Smoothwall annual recurring revenue (ARR) targets for the year ended 30 June 2022, as disclosed in the table below. The STI rights also require continued employment to 30 June 2022.

1,000,000 LTI rights with 500,000 vesting upon the achievement of each of the Smoothwall UK and Smoothwall annual recurring revenue (ARR) targets for the year ended 30 June 2023, as disclosed in the table below. The LTI rights also require continued employment to 30 June 2023.

The LTI and STI rights were valued based on the share price on grant date (7 September 2021) of \$0.78 and have been vested over the above service hurdle periods.

The 1,000,000 STI rights vested as of 30 June 2022. A 100% probability assessment has been applied to the LTI rights.

Smoothwall ARR Targets		
Measure	FY Ended 30 June 2022 (£)	FY ended 30 June 2023 (£)
Smoothwall	13,300,000	15,694,000
eSafe	1,625,000	1,625,000
<b>Smoothwall UK ARR</b>	<b>14,925,000</b>	<b>17,319,000</b>
Smoothwall	2,677,000	3,271,000
<b>Smoothwall ARR</b>	<b>17,602,000</b>	<b>20,590,000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

2,750,000 Executive Performance Rights - were issued during the year. (Please refer Note 19 for vesting conditions) 312,500 of these rights lapsed during the year.

Class of Performance Rights	Number of Performance Rights	Expense recognised during the year
Executive Performance Rights	2,437,500	\$1,377,188

During the year 1,094,879 Remuneration Performance Rights were issued to new and existing employees as follows:

- i) 500,000 rights were issued to Mr Georg Ell as sign on rights on his accepting employment with Family Zone, vesting upon continued employment to 31 December 2021. These rights were valued at \$390,000 based on share price on grant date (7 September 2021) of \$0.78. Share based payment expense of \$390,000 was recognised during the year ended 30 June 2022.
- ii) 594,879 rights were issued to employees, vesting upon 6 months continued employment from issue date. 175,337 of these rights were exercised during the current year.

3,315,070 remuneration rights existed at 30 June 2022 granted in previous financial periods, for which an ongoing vesting expense of \$17,486 was recognised in the current year.

These performance rights have been valued based on the share price of the Company at grant date, with the share-based payment 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 condition of continued employment.

Class of Performance Rights	Number of Performance Rights	Expense recognised during the year
Remuneration Performance Rights	2,968,817	\$0
Remuneration Performance Rights T3 and T4	346,253	\$17,486
Remuneration Performance Rights T6	128,677	\$205,140
Remuneration Performance Rights	290,955	\$147,037
Sign on rights - Georg Ell	500,000	\$390,000

11,774,130 Employee Performance Rights were granted to new and existing employees and consultants during the current year. These Performance Rights have been valued based on the share price of the Company at grant date, with the 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 Note 19. Of the rights granted in the current year, 703,245 lapsed and 112,216 were exercised prior to 30 June 2022.

3,637,662 rights granted in previous years remained on issue at 30 June 2022, with an ongoing vesting expense of \$280,010 recognised in the current year,

Share-based payment expense on existing and new performance rights for the current year is as below:

Class of Performance Rights	Number of Performance Rights	Expense recognised during the year
Class A2 Employee Performance Rights	288,776	\$102,378
Class B2 Employee Performance Rights	293,932	\$66,894
Class C2 Employee Performance Rights	193,932	\$28,637
Class A3 Employee Performance Rights	810,187	\$493,839
Class B3 Employee Performance Rights	970,403	\$240,984
Class C3 Employee Performance Rights	970,403	\$155,605
Class D3 Employee Performance Rights	31,283	\$6,983
Class E3 Employee Performance Rights	2,311,172	\$802,857

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

Class of Performance Rights (continued)	Number of Performance Rights	Expense recognised during the year
Class F3 Employee Performance Rights	1,597,900	\$348,193
Class G3 Employee Performance Rights	1,519,012	\$246,352
Class H3 Employee Performance Rights	159,887	\$69,976
Class A Employee Performance Rights	41,549	\$0
Class B Employee Performance Rights	72,898	\$43,163
Class C Employee Performance Rights	939,716	\$25,083
Class B1 Employee Performance Rights	32,000	\$9,162
Class C1 Employee Performance Rights	32,001	\$4,693
Class A Employee Performance Rights	176,036	\$12,241
Class B Employee Performance Rights	176,036	\$6,612
Class C Employee Performance Rights	176,036	\$4,534
SO Employee Performance Rights	1,760,715	\$127,903
ASO 2022 Performance Rights	299,599	\$132,531

Included above are 142,815 Employee Performance Rights granted to Mr Georg Ell during the current year that were issued under the Employee Share Scheme and were valued based on share price at grant date of \$0.72. These were issued in three tranches vesting on continued employment on 30 June 2022, 30 June 2023, and 30 June 2024. Share based payment on these rights for the year is \$58,593.

In the prior financial year the Company issued 4,500,000 Incentive Performance Rights to new executives under the Company's Performance Rights Plan as a performance incentive and as remuneration post-acquisition services rendered. These rights were issued to the previous Directors of Cyber Education Pty Ltd who are now employees of Family Zone following acquisition on 1 July 2020. The relevant vesting hurdles attached to these rights are disclosed in Note 19. These rights have vested in full as at 30 June 2022.

Class of Performance Rights	Number of Performance Rights	Expense recognised during the year
Incentive Performance Rights	4,500,000	\$73,231

#### Share-based payment on Performance Rights issued to Directors:

The Company issued a number of Performance Rights to Directors as an incentive and as remuneration for services during prior year. The relevant vesting hurdles attached to these are disclosed in Note 19. The expense recognised in respect of these rights in the current year is as tabled below:

Class of Performance Rights	Number of Performance Rights	Expense recognised during the year
<b>TL SP Performance Rights</b>		
Class A TL SP Performance Rights <sup>1</sup>	100,000	\$0
Class B TL SP Performance Rights <sup>1</sup>	200,000	\$0
Class C TL SP Performance Rights <sup>1</sup>	300,000	\$0
Class D TL SP Performance Rights <sup>1</sup>	400,000	\$19,335
<b>MS SP Performance Rights</b>		
Class E MS Performance Rights <sup>1</sup>	-	\$14,000
Employee Performance Rights - Tim Levy and Crispin Swan <sup>1</sup>	600,000	\$20,146
STI Performance Rights 2022 Tranche 1 - TL and CS <sup>2</sup>	1,000,000	\$548,446
STI Performance Rights 2022 Tranche 2 - TL and CS <sup>2</sup>	1,000,000	\$548,446

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

Class of Performance Rights	Number of Performance Rights	Expense recognised during the year
<b>MS SP Performance Rights</b>		
STI Performance Rights 2023 Tranche 1 - TL and CS <sup>2</sup>	1,000,000	\$281,891
STI Performance Rights 2023 Tranche 2 - TL and CS <sup>2</sup>	1,000,000	\$281,891
LTI Performance Rights 2024 - TL and CS <sup>2</sup>	3,000,000	\$845,673

<sup>1</sup>These performance rights were on issue at 30 June 2020. Refer to the June 2020 Annual Report for the fair value assumptions and vesting conditions attached to these performance rights.

<sup>2</sup>These performance rights were on issue at 30 June 2021.

The STI 2022 Performance Rights, STI 2023 Performance Rights and LTI Performance Rights issued to Tim Levy and Crispin Swan have been value using the Black & Scholes Option Pricing Model based on the following key assumptions:

Tim Levy	STI 2022 Performance Rights	STI 2023 Performance Rights	LTI Performance Rights	Total
	<i>Vested</i>	<i>Unvested</i>	<i>Unvested</i>	
Vesting Date	30-Jun-22	30-Jun-23	30-Jun-23	
Number of PR issued	1,000,000	1,000,000	1,500,000	<b>3,500,000</b>
Share price at grant date	\$0.58	\$0.58	\$0.58	
Exercise Price	nil	nil	nil	
Volatility	80.00%	80.00%	80.00%	
Risk Free Rate	0.11%	0.11%	0.11%	
<b>Fair value per Performance Right</b>	<b>\$0.58</b>	<b>\$0.58</b>	<b>\$0.58</b>	
<b>Total Value of PR</b>	<b>\$580,000</b>	<b>\$580,000</b>	<b>\$870,000</b>	<b>\$2,030,000</b>
<b>Total Expense for Period</b>	<b>\$548,446</b>	<b>\$281,891</b>	<b>\$422,836</b>	<b>\$1,253,173</b>

Crispin Swan	STI 2022 Performance Rights	STI 2023 Performance Rights	LTI Performance Rights	Total
	<i>Vested</i>	<i>Unvested</i>	<i>Unvested</i>	
Vesting Date	30-Jun-22	30-Jun-23	30-Jun-23	
Number of PR issued	1,000,000	1,000,000	1,500,000	<b>3,500,000</b>
Share price at grant date	\$0.58	\$0.58	\$0.58	
Exercise Price	nil	nil	nil	
Volatility	80.00%	80.00%	80.00%	
Risk Free Rate	0.11%	0.11%	0.11%	
<b>Fair value per Performance Right</b>	<b>\$0.58</b>	<b>\$0.58</b>	<b>\$0.58</b>	
<b>Total Value of PR</b>	<b>\$580,000</b>	<b>\$580,000</b>	<b>\$870,000</b>	<b>\$2,030,000</b>
<b>Total Expense for Period</b>	<b>\$548,446</b>	<b>\$281,891</b>	<b>\$422,836</b>	<b>\$1,253,173</b>

Each of the Performance Rights above will vest when the applicable vesting condition(s) outlined per Note 19.

Management have assessed the probability of achieving the vesting condition, as at reporting date. If it was assessed that the hurdle was likely to be met prior to the expiry date the share-based payment expense has been adjusted to reflect a shorter vesting period. Management have assessed non-market hurdles as having a 100% probability of achievement.

All other existing performance rights on issue have continued to be expensed and recognised for the year ended 30 June 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

#### Performance Shares issued to employees

There were no new Performance Shares issued or lapsed in the current financial period.

### NOTE 22: OPERATING CASH FLOW INFORMATION

	2022	2021
	\$	\$
<b>Reconciliation of cash outflows from operations with loss after income tax</b>		
Loss for the year	(64,015,461)	(21,930,395)
<i>Non-cash items</i>		
Share-based payments	19,488,977	1,896,905
Depreciation, amortisation and impairment	10,766,813	2,605,522
Revaluation of contingent consideration	-	46,190
Interest expense	1,703,380	111,448
Other income	(249,435)	-
<i>Changes in Assets and Liabilities</i>		
Increase / (Decrease) in Deferred Tax	(1,414,093)	-
Increase / (Decrease) in Trade and Other Payables	(6,377,898)	2,898,035
Increase / (Decrease) in Deferred Revenue	(4,427,669)	4,272,372
(Increase)/ Decrease in Inventory	(432,622)	(122,935)
(Increase)/ Decrease in Trade and Other Receivables	4,359,076	(5,935,503)
Increase/ (Decrease) in Provisions	1,231,995	680,716
(Increase)/ Decrease in Contract assets	1,241,648	-
(Increase)/ Decrease in Prepayments	857,857	-
<b>Cash flows used in operations</b>	<b>(37,267,432)</b>	<b>(15,477,646)</b>

#### Non-cash financing and investing activities

On 3 May 2022, The Group entered into a \$10,000,000 working capital loan facility with Northcity Asset Pty Ltd. Refer to Note 16 for further details. These costs are not reflected in the Statement of Cashflows.

### NOTE 23: FINANCIAL INSTRUMENTS

#### a. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, receivables, payables and lease liabilities. Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

#### b. Significant Accounting Policies

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

#### c. Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

#### d. Categorisation of Financial Instruments

Details of each category in accordance with Australian Accounting Standard AASB 9 *Financial Instruments*, are disclosed either on the face of the Consolidated Statement of Financial Position or in the notes.

#### e. Credit Risk

##### (ii) Exposure to Credit Risk

Credit risk is managed on a group basis. Credit risk arises predominantly from credit exposures to customers, including outstanding receivables and committed transactions. The key elements to manage credit risk are; for banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted and for customers to review aged trade debtors on a regular basis. There are no significant concentrations of credit risk through exposure to individual customers.

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

	2022	2021
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	32,746,157	34,933,166
Trade and other receivables	12,012,607	8,812,572
Other financial assets	189,740	158,833
<b>Total Financial Assets</b>	<b>44,948,504</b>	<b>43,904,571</b>

Financial assets as at 30 June 2022 are not impaired (excluding the provision for expected credit loss totalling \$268,375). The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Refer to Note 3(c), (d) for the Group's accounting policy and Note 9 for further details on the Group's Trade and other receivables balance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Interest Rate Risk

	Effective Interest Rate	Carrying Amount	Variable Interest Rate	Non-Interest Bearing	Fixed Interest Rate	Total
	%	\$	\$	\$	\$	\$
<b>2022</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	0 – 1	32,746,157	32,746,157	-	-	<b>32,746,157</b>
<b>Financial Liabilities</b>						
Borrowings	0	865,538	-	-	865,538	<b>865,538</b>
Deferred consideration payable	15	3,567,172	-	-	3,567,172	<b>3,567,172</b>
<b>2021</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	0 – 1	34,933,166	34,933,166	-	-	34,933,166
<b>Financial Liabilities</b>						
Borrowings	0	442,295	-	-	442,295	442,295

**f. Fair value of Financial Instruments**

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

**g. Liquidity Risk**

(i) Exposure to Liquidity Risk

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

	2022	2021
	\$	\$
<b>Financial Liabilities</b>		
Trade and other payables	9,624,280	6,627,661
Deferred consideration payable	3,567,172	3,499,474
Borrowings	865,538	442,295
Lease liabilities	3,652,261	2,869,158
<b>Total financial liabilities</b>	<b>17,709,251</b>	<b>13,438,588</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Contractual Maturity Risk

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

2022	0-6 months	6-12 months	Over 1 to 5 years	More than 5 years	Total Contractual Cash Flows	Carrying Amount
Financial Instrument	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash	32,746,157	-	-	-	<b>32,746,157</b>	32,746,157
Trade and other receivables	11,613,369	399,238	-	-	<b>12,012,607</b>	12,012,607
Other financial assets	-	-	189,740	-	<b>189,740</b>	189,740
<b>Total financial assets</b>	<b>44,359,526</b>	<b>399,238</b>	<b>189,740</b>	-	<b>44,948,504</b>	44,948,504
<b>Financial Liabilities</b>						
Trade and other payables	9,624,280	-	-	-	<b>9,624,280</b>	9,624,280
Deferred consideration payable	913,398	913,398	2,283,494	-	<b>4,110,290</b>	3,567,172
Borrowings	475,987	186,212	203,339	-	<b>865,538</b>	865,538
Lease liabilities	814,281	688,438	2,565,035	-	<b>4,067,755</b>	3,652,261
<b>Total financial liabilities</b>	<b>11,827,947</b>	<b>1,788,048</b>	<b>5,051,868</b>	-	<b>18,667,862</b>	17,709,251
<b>2021</b>						
Financial Instrument	\$	\$	\$	\$	Total Contractual Cash Flows	Carrying Amount
<b>Financial Assets</b>						
Cash	34,933,166	-	-	-	<b>34,933,166</b>	34,933,166
Trade and other receivables	8,812,572	-	-	-	<b>8,812,572</b>	8,812,572
Other financial assets	-	-	158,833	-	<b>158,833</b>	158,833
<b>Total financial assets</b>	<b>43,745,738</b>	-	<b>158,833</b>	-	<b>43,904,571</b>	43,904,571
<b>Financial Liabilities</b>						
Trade and other payables	6,627,661	-	-	-	<b>6,627,661</b>	6,627,661
Deferred consideration payable	3,499,474	-	-	-	<b>3,499,474</b>	3,499,474
Borrowings	284,406	-	157,889	-	<b>442,295</b>	442,295
Lease liabilities	439,891	485,073	2,866,452	-	<b>3,791,416</b>	2,869,158
<b>Total financial liabilities</b>	<b>10,851,432</b>	<b>485,073</b>	<b>3,024,341</b>	-	<b>14,360,846</b>	13,438,588

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

#### h. Market Risk

##### (i) Foreign exchange risk

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

	Value of NZD exposure expressed in AUD		Value of USD exposure expressed in AUD		Value of GBP exposure expressed in AUD	
	2022	2021	2022	2021	2022	2021
Net assets (liabilities)	(444,598)	(258,506)	2,370,957	(257,026)	135,249,750	-
Net loss	(115,557)	(4,224,956)	(7,133,990)	(7,434,203)	(6,319,934)	-

Foreign Currency sensitivity:

Based on the net liability position of the foreign subsidiaries at 30 June 2022, had the Australian dollar weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$11,556 higher/\$11,556 lower (2021: \$422,496 higher/\$422,496 lower), and the effect on equity would have been \$44,460 higher/\$44,460 lower (2021: \$25,851 higher/\$25,851 lower).

The Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$713,399 higher/\$713,399 lower (2021: \$743,420 higher/\$743,420 lower), and the effect on equity would have been \$237,096 higher/\$237,096 lower (2021: \$25,703 higher/\$25,703 lower).

In addition, had the Australian dollar weakened/strengthened by 10% against the Great Britain Pound with all other variables held constant, the Group's post-tax loss for the year would have been \$631,993 higher/\$631,993 lower, and the effect on equity would have been \$13,524,975 higher/\$13,524,975 lower.

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

##### (ii) Interest Rate Risk

The Group's only exposure to interest rate risk is on balances held as cash. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk. An official increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on profit before tax of \$327,462 (2021: \$349,332) per annum.

##### (iii) Other Price Risk

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

##### (iv) Sensitivity Disclosure Analysis

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

#### i. Fair value measurement

##### Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

**Level 3:** Unobservable inputs for the asset or liability

Consolidated - 2022	Level 1	Level 2	Level 3	Total
<i>Liabilities</i>				
Deferred consideration payable <sup>1</sup>	-	-	(3,567,172)	(3,567,172)
<b>Total liabilities</b>	-	-	<b>(3,567,172)</b>	<b>(3,567,172)</b>
Consolidated - 2021	Level 1	Level 2	Level 3	Total
<i>Liabilities</i>				
Deferred consideration payable <sup>2</sup>	-	-	(3,499,474)	(3,499,474)
<b>Total liabilities</b>	-	-	<b>(3,499,474)</b>	<b>(3,499,474)</b>

<sup>1</sup>Level 3 input of discount rate for Cipafilter deferred consideration

<sup>2</sup>Level 3 input of annual recurring revenue for NetRef deferred consideration

There were no transfers between levels during the financial year.

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Sensitivity
Deferred Consideration Payable at 30 June 2022	Discount Rate	5% change would increase the fair value by \$187,364 and decrease by \$173,427
Deferred Consideration Payable at 30 June 2021	Annual recurring revenue	5% change would increase/decrease the fair value by \$378,294

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

	Deferred Consideration Payable	Total
<b>Balance at 1 July 2020</b>	-	-
Additions	(3,499,474)	(3,499,474)
<b>Balance at 30 June 2021</b>	<b>(3,499,474)</b>	<b>(3,499,474)</b>
Gains recognised in other comprehensive income	775,196	775,196
Consideration paid	2,724,278	2,724,278
Additions	(3,567,172)	(3,567,172)
<b>Balance at 30 June 2022</b>	<b>(3,567,172)</b>	<b>(3,567,172)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 24: SEGMENT INFORMATION

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

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

The Group has three main operating segments being the provision of educational technology services in Australia & New Zealand ("ANZ"), the United Kingdom ("UK") and the United States of America ("USA"). Previously, during the year ended 30 June 2021, the group operated within three main operating segments being Australia, New Zealand and the United States of America along with Corporate which includes head office & corporate expenditure. This is consistent with the internal reporting provided to the chief operating decision maker.

30-Jun-22	ANZ	UK	USA	Total
	\$	\$	\$	\$
<b>Segment Income</b>				
Sales revenue	3,798,563	25,080,793	15,846,213	44,725,569
Other income	149,580	79,246	226,257	455,083
<b>Total Income</b>	<b>3,948,143</b>	<b>25,160,039</b>	<b>16,072,470</b>	<b>45,180,652</b>
<b>Segment Expenses</b>				
Direct Costs	(6,149,323)	(5,948,125)	(2,506,517)	(14,603,965)
Operating expenses	(33,114,602)	(18,778,304)	(14,092,196)	(65,985,102)
Share-based payments	(13,303,149)	(3,198,644)	(2,987,185)	(19,488,978)
<b>Loss before depreciation and amortization</b>	<b>(48,618,931)</b>	<b>(2,765,034)</b>	<b>(3,513,428)</b>	<b>(54,897,393)</b>
Depreciation and amortization	(1,366,862)	(5,724,078)	(3,441,221)	(10,532,161)
<b>Loss before income tax</b>	<b>(49,985,793)</b>	<b>(8,489,112)</b>	<b>(6,954,649)</b>	<b>(65,429,554)</b>

30-Jun-21	Australia	UK	USA	Total
	\$	\$	\$	\$
<b>Segment Income</b>				
Sales revenue	4,026,111	-	4,936,374	8,962,485
Other income	4,308,949	-	-	4,308,949
<b>Total Income</b>	<b>8,335,060</b>	<b>-</b>	<b>4,936,374</b>	<b>13,271,434</b>
<b>Segment Expenses</b>				
Direct Costs	(6,134,791)	-	(904,368)	(7,039,159)
Operating expenses	(17,348,195)	-	(5,259,709)	(22,607,904)
Research and Development	(1,036,386)	-	(183,473)	(1,219,859)
Share-based payments	(1,729,387)	-	-	(1,729,387)
<b>Loss before depreciation and amortisation</b>	<b>(17,913,699)</b>	<b>-</b>	<b>(1,411,176)</b>	<b>(19,324,875)</b>
Depreciation and amortisation	(2,036,445)	-	(569,077)	(2,605,522)
<b>Loss before Income Tax</b>	<b>(19,950,144)</b>	<b>-</b>	<b>(1,980,253)</b>	<b>(21,930,397)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 24: SEGMENT INFORMATION (CONTINUED)

30-Jun-22	ANZ	UK	USA	Total
	\$	\$	\$	\$
<b>Segment Assets</b>	39,266,458	177,805,195	23,619,588	<b>240,691,241</b>
<b>Segment Liabilities</b>	(11,577,718)	(39,787,160)	(24,016,917)	<b>(75,381,795)</b>

30-Jun-21	Australia	New Zealand	USA	Other	Total
	\$	\$	\$	\$	\$
<b>Segment Assets</b>	49,110,470	482,595	7,898,132	21,115	<b>57,512,312</b>
<b>Segment Liabilities</b>	(15,278,331)	(741,101)	(8,155,158)	-	<b>(24,174,590)</b>

### NOTE 25: BUSINESS COMBINATIONS

#### a. Smoothwall:

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, Linewize Limited (Formerly known as 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 services 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.

Acquisition related costs of \$2,243,119 were included in the statement of profit or loss in the reporting period ending 30 June 2022 in relation to the Smoothwall acquisition.

#### (i) Purchase consideration

Cash consideration – GBP	74,723,466
GBP:AUD exchange rate applied	1.8924
Cash consideration - AUD	141,405,010
<b>Total purchase consideration</b>	<b>141,405,010</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 25: BUSINESS COMBINATIONS (CONTINUED)

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

	Fair values \$
<b>Assets acquired</b>	
Cash and cash equivalents	2,446,424
Trade and other receivables	7,739,558
Contract assets	5,156,487
Inventory	262,780
Prepayments	1,070,729
Right of use assets	677,829
Plant and equipment	235,868
Customer relationships <sup>1</sup>	13,785,971
Software <sup>2</sup>	34,657,003
Branding <sup>3</sup>	6,619,537
<b>Total assets acquired</b>	<b>72,652,186</b>
<b>Liabilities assumed</b>	
Trade and other payables	(12,245,897)
Contract liabilities	(33,577,266)
Provisions	(254,413)
Lease liability	(677,829)
Borrowings	(94,619)
Deferred tax liabilities	(13,833,242)
<b>Total liabilities assumed</b>	<b>(60,683,266)</b>
<b>Net identifiable assets acquired</b>	<b>11,968,920</b>
<b>Add: Goodwill<sup>4</sup></b>	<b>129,436,090</b>
<b>Acquisition date fair value of total consideration</b>	<b>141,405,010</b>

<sup>1</sup>The fair value of the acquired customer relationships was determined with reference to a cost savings methodology for the UK region and excess earnings methodology for the US region. This required key assumptions to be made around discount rate, growth rate, forecast revenue and attrition rates.

<sup>2</sup>The fair value of the acquired software was determined with reference to an excess earnings methodology. This required key assumptions to be made around discount rate, growth rate, forecast revenue and attrition rates.

<sup>3</sup>The fair value of the acquired branding was determined with reference to a relief from royalty methodology. This required key assumptions to be made around discount rate, royalty rate and forecast revenue.

<sup>4</sup>The goodwill of \$129,436,090 (see Note 9) is attributable to the know-how and the expected synergies from merging this business acquired into Family Zone's current operations.

	\$
<b>Cash used to acquire business, net of cash</b>	
Acquisition-date fair value of the total consideration transferred	141,405,010
Less: cash and cash equivalents acquired	(2,446,424)
<b>Net cash used</b>	<b>138,958,586</b>

The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB 3 Business Combinations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 25: BUSINESS COMBINATIONS (CONTINUED)

(iii) *Revenue and profit contribution*

Since acquisition, the business has contributed revenue of \$28,961,334 and a loss of \$2,705,851 which is included within the profit or loss of the Group.

**b. Cipafilter (Derbytech Inc.):**

On 1 March 2022, the Group agreed to acquire 100% of the share capital of Derbytech Inc, a privately owned company which specialises in K-12 education technology filtering in the Midwest of the USA. The company was acquired in exchange for 13,116,316 ordinary shares in Family Zone Cyber Safety Limited along with cash consideration to be paid in instalments over the course of 30 months (final payment in September 2024).

(i) *Purchase consideration*

<b>Purchase consideration</b>	<b>Fair value</b>
	<b>\$</b>
Deferred cash consideration (paid over 30 months from acquisition date) - USD	2,674,528
Ordinary shares in Family Zone Cyber Safety Limited issued as consideration - USD equivalent	3,977,006
<b>Total fair value of consideration - USD</b>	<b>6,651,534</b>
USD:AUD exchange rate applied	1.385176
Total fair value of consideration - AUD	9,213,544
<b>Total fair value of consideration - AUD</b>	<b>9,213,544</b>

(ii) *The assets and liabilities recognised as a result of the acquisition are as follows:*

<b>Assets acquired</b>	
Cash and cash equivalents	105,588
Trade and other receivables	45,536
Inventory	149,690
Plant and equipment	135,858
Customer relationships <sup>1</sup>	1,370,568
Software assets <sup>2</sup>	263,575
<b>Total assets acquired</b>	<b>2,070,815</b>
<b>Liabilities assumed</b>	
Trade and other payables	(38,705)
Contract liabilities	(1,904,082)
Provisions	(135,398)
Deferred tax liabilities	(498,414)
<b>Total liabilities assumed</b>	<b>(2,576,599)</b>
<b>Net identifiable assets acquired</b>	<b>(505,784)</b>
Add: Goodwill <sup>1</sup>	9,719,326
<b>Acquisition date fair value of total consideration</b>	<b>9,213,542</b>

<sup>1</sup>The fair value of the acquired customer relationships was determined with reference to an excess earnings methodology. This required key assumptions to be made around discount rate, growth rate, forecast revenue and attrition rates.

<sup>2</sup>The fair value of the acquired software was determined with reference to a relief from royalty methodology. This required key assumptions to be made around discount rate, royalty rate and forecast revenue.

<sup>3</sup>The goodwill of \$9,719,326 (see Note 9) is attributable to the know-how and the expected synergies from merging this business acquired from Family Zone's current operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 25: BUSINESS COMBINATIONS (CONTINUED)

The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB 3 Business Combinations.

#### (iii) Revenue and profit contribution

Since acquisition, the business has contributed revenue of \$1,003,441 and a profit of \$880,214 which is included within the profit or loss of the Group.

#### c. NetRef

On 30 June 2021 Family Zone acquired an innovative classroom management technology business, NetRef. The acquisition provided the Group a new and innovative product line plus access to specialists and highly relevant technical and sales experts in the US which will aid in expanding the Company's footprint in the US.

The total purchase consideration was AUD\$5,969,509 which was broken down in three tranches of instalments. The First Tranche Consideration which was paid upfront, was reflected by a cash and share consideration of AUD\$1,235,018 each. The deferred consideration component was payable on a quarterly basis until December 2021 and was represented by Tranche 2 and 3 Consideration. At 30 June 2021, the fair value of the deferred consideration was measured as AUD\$3,499,474.

Tranche 2 was payable on September 2021 and was calculated by applying a fixed multiple of 6.5x to the NetRef Business ARR at 30 September 2021, less the First Tranche Consideration. Tranche 2 payments were made in USD with USD\$862,342 in cash and USD\$862,342 in shares (totalling AUD\$2.3 million). Tranche 3 Consideration was calculated by applying a fixed multiple of 6.5x to the Net Ref Business ARR at 31 December 2021 less the First Tranche Consideration and the Second Tranche Consideration. Tranche 3 payments were made in USD with USD\$152,335 in cash and USD\$152,335 in shares (totalling AUD\$0.43 million). The difference in the fair value measurement of deferred consideration on acquisition and subsequent payments was recognised as a gain in the profit and loss statement. Refer to Note 23 for a further breakdown.

#### (i) Purchase consideration

Ordinary shares to be issued (Tranche 1 share component) <sup>1</sup>	1,235,018
Consideration Payable (Tranche 1 cash component) <sup>1</sup>	1,235,018
Deferred Consideration Payable (Tranche 2 and 3)	3,499,474
<b>Total purchase consideration</b>	<b>5,969,510</b>

<sup>1</sup>The fair value of 2,155,354 shares to be issued as part of the Tranche 1 share consideration paid for NetRef of AUD\$1,235,018 (USD\$928,487) was based on Annual Recurring Revenue (ARR) of USD\$470,304 multiplied to a multiple of 6.5, less upfront IT fees of USD\$1.2million, totalling \$USD1.856m. This amount is split 50:50 via cash and shares. Tranche 1 cash and share consideration was settled on 1 July 2021.

<sup>2</sup>Tranche 2 and Tranche 3 were paid on 29 October 2021 and 31 January 2022 respectively. Refer to the paragraph above for the actual values paid.

#### (ii) The assets and liabilities recognised as a result of the acquisition are as follows:

##### Assets acquired

Customer contracts	934,253
NetRef Technology <sup>1</sup>	5,035,257
Prepaid IT Fees	1,596,169
IT Fees payable	(1,596,169)
<b>Net identifiable assets acquired</b>	<b>5,969,509</b>
<b>Total assets acquired</b>	<b>5,969,509</b>

<sup>1</sup>The fair value of the acquired NetRef technology was determined with reference to a relief from royalty valuation methodology. This required key assumptions to be made around discount rate, royalty rate, and forecast revenue.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 25: BUSINESS COMBINATIONS (CONTINUED)

#### (iii) Revenue and profit contribution

No revenue or profit was recognised in the prior year as the acquisition occurred on 30 June 2021.

#### d. Purchase consideration – cash outflow

	2022	2021
	\$	\$
Outflow of cash to acquire subsidiaries, net of cash acquired		
Cash consideration <sup>1</sup>	(144,913,080)	(100)
Less: Balances acquired		
Cash	2,552,012	31,499
Total balances acquired	2,552,012	31,499
Net inflow / (outflow) of cash – investing activities	<b>(142,361,068)</b>	<b>31,399</b>

<sup>1</sup>The cash consideration balance represents cash payments for the acquisition of NetRef (acquired 30 June 2021), Smoothwall (acquired 16 August 2021) and Cipafilter (acquired 1 March 2022).

#### Acquisition related costs

Acquisition related costs of \$3,101,906 that were not directly attributable to the issue of new shares were included in the statement of profit or loss in the reporting period ending 30 June 2022. This includes \$858,787 for the acquisition of Qustodio on 1 August 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 26: RELATED PARTY TRANSACTIONS

#### a. Parent and Subsidiaries

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

	Incorporation	Extent of control	
		2022	2021
<b>Parent</b>			
Family Zone Cyber Safety Limited	Australia	-	-
<b>Controlled entities</b>			
Family Zone Inc.	USA	100%	100%
Family Zone Cyber Safety Pte. Ltd.	Singapore	100%	100%
Family Zone NZ Cyber Safety Ltd	New Zealand	100%	100%
Cyber Education Pty Ltd	Australia	100%	100%
Family Zone UK Cyber Safety Limited <sup>1</sup>	UK	100%	-
NetRef Education LLC	USA	100%	100%
Topco Oasis Limited <sup>1</sup>	UK	100%	-
Bidco Oasis Limited <sup>1</sup>	UK	100%	-
Smoothwall Limited <sup>1</sup>	UK	100%	-
Smoothwall Inc <sup>1</sup>	UK	100%	-
Safeguard Software Limited <sup>1</sup>	UK	100%	-
Oval Limited <sup>1</sup>	UK	100%	-
Linewize Limited (formerly Rubicon Bidco Limited) <sup>1</sup>	UK	100%	-
Ensco 1227 Limited <sup>1</sup>	UK	100%	-
eSafe Global Limited <sup>1</sup>	UK	100%	-
Derbytech Inc <sup>1</sup>	USA	100%	-

<sup>1</sup>Refer to Note 25 – Business Combination

#### b. Key Management Personnel Compensation

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

	2022	2021
	\$	\$
Short-term employee benefits	1,285,730	546,000
Post-employment benefits	102,349	58,562
Long service leave	66,006	27,765
Share-based payment (Please refer to Note 19 and Note 21 for details)	6,176,168	831,744
<b>Total</b>	<b>7,630,253</b>	<b>1,464,071</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 26: RELATED PARTY TRANSACTIONS (CONTINUED)

#### c. Other Transactions with Key Management Personnel

##### (i) Grange Consulting

Mr Phil Warren, a Director of the Company, is also a Managing Director of Grange Consulting and an entity related to him is shareholder of Grange Consulting. A summary of the total fees paid to Grange Consulting for the year ended 30 June 2022 and 30 June 2021 is as follows:

	2022	2021
	\$	\$
Company secretarial and financial management services	142,488	90,403
<b>Total</b>	<b>142,488</b>	<b>90,403</b>

\$142,488 was paid to Grange for financial management and company secretarial services for the year ended 30 June 2022. \$6,628 was outstanding and payable to Grange as at 30 June 2022 (2021: \$4,620). Additional consultancy work was also undertaken outside of the agreement for \$6,000/ month.

##### (ii) Gyoen Pty Ltd

During the financial year, advisory services of \$50,000 were provided by Mr Peter Pawlowitsch's consultancy company, Gyoen Pty Ltd for services outside his usual Board duties. A summary of the fees paid to Gyoen Pty Ltd for the year ended 30 June 2022 and 30 June 2021 is as follows:

	30-Jun-22	30-Jun-21
	\$	\$
Consulting services	50,000	-
<b>Total</b>	<b>50,000</b>	<b>-</b>

\$50,000 was paid to Gyoen Pty Ltd for consulting services for the year ended 30 June 2022. Nil was outstanding and payable to Gyoen Pty Ltd as at 30 June 2022.

### NOTE 27: AUDITOR'S REMUNERATION

During the financial year the following fees were paid or payable for services provided by BDO (WA) Pty Ltd, the auditor of the company, its network firms and unrelated firms:

	2022	2021
	\$	\$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	253,798	71,091
<i>Other services</i>		
Taxation services	50,879	-
Due Diligence fees	133,318	
Remuneration package work	-	4,159

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 27: AUDITOR'S REMUNERATION (CONTINUED)

#### Audit services – network firms

Audit or review of the financial statements	243,571	-
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#### Other services - network firms

Taxation services	110,810	-
Due Diligence fees	135,103	-
Agreed upon procedures	16,911	-

#### Total BDO and related network firms

<b>944,390</b>	<b>75,250</b>
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#### Audit services - Pitcher Partners BA&A Pty Ltd

Audit or review of the financial statements	-	44,516
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#### Other services - Pitcher Partners BA&A Pty Ltd

Taxation services	-	9,000
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<b>-</b>	<b>53,516</b>
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### NOTE 28: COMMITMENTS AND CONTINGENT LIABILITIES

The Directors are not aware of any commitments or any contingent liabilities that may arise from the Group's operations as at 30 June 2022.

### NOTE 29: PARENT ENTITY DISCLOSURE

	2022	2021
	\$	\$
<b>Assets</b>		
Current assets	31,822,980	38,467,544
Non-current assets	144,308,577	3,810,569
<b>Total Assets</b>	<b>176,131,557</b>	<b>42,278,113</b>
<b>Liabilities</b>		
Current liabilities	8,549,891	5,831,611
Non-current liabilities	2,272,221	3,108,780
<b>Total liabilities</b>	<b>10,822,112</b>	<b>8,940,391</b>
<b>Net Assets</b>	<b>165,309,445</b>	<b>33,337,722</b>
<b>Equity</b>		
Issued Capital	294,524,794	104,817,937
Reserves	30,769,082	11,911,611
Accumulated Losses	(159,984,431)	(83,391,826)
<b>Total equity</b>	<b>165,309,445</b>	<b>33,337,722</b>
Loss for the year	(76,592,605)	(21,448,852)
Total comprehensive income	(76,592,605)	(21,448,852)

The parent did not have any guarantees, contingent liabilities or commitments as at 30 June 2022 (2021: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 30: EVENTS OCCURRING AFTER THE REPORTING PERIOD

#### Qustodio Acquisition

On 2 May 2022, The Group announced an agreement to acquire Qustodio LLC (“Qustodio”) and its controlled entities, a leading global parental controls provider. The acquisition was subject to a number of pre-completion conditions including Spanish Foreign District Investment approval which was subsequently obtained on 21 July 2022. The acquisition was to be funded by a fully underwritten institutional placement of \$42 million before transaction costs.

The acquisition offers Family Zone the opportunity to cross-sell into the K-12 market, increase its global presence, expand consumer offerings and realise operating efficiencies across the Group.

A total of 123,529,412 ordinary shares were issued under Equity Raising at a price of \$0.34 per Share across two tranches on 12 May 2022 and 1 July 2022.

The company completed the acquisition of the Qustodio business on 1 August 2022. The total purchase consideration was USD\$43 million (AUD\$61 million) with USD\$24.2 million payable upfront in the form of cash (USD\$12.6 million), issue of shares (USD\$4.1 million) and issue of notes (USD\$7.5 million). The remaining USD\$18.9 million is deferred consideration payable in Family Zone shares with USD\$18 million of that also subject to the satisfaction of performance milestones.

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

#### Purchase consideration

Cash consideration <sup>1</sup>	18,060,580
Shares <sup>2</sup>	5,837,250
Notes <sup>3</sup>	10,721,297
<b>Total consideration at completion</b>	<b>34,619,127</b>
Shares <sup>4</sup>	1,232,852
Shares – Contingent <sup>5</sup>	25,768,646
<b>Total deferred consideration</b>	<b>27,001,498</b>
<b>Total purchase consideration</b>	<b>61,620,625</b>

<sup>1</sup>Includes \$3.7 million cash held in escrow for indemnification claims.

<sup>2</sup>18,241,407 shares issued on 1 August 2022 at a share issue price of \$0.320 (1 August 2022 closing rate)

<sup>3</sup>7,490 notes issued on 1 August 2022 at a face value of USD\$1,000

<sup>4</sup>50% of shares to be issued 8 months from completion and the remaining 50% to be issued 16 months from completion

<sup>5</sup>80,527,017 shares with 50% to be issued 12 months from completion and the remaining 50% to be issued 24 months from completion contingent on meeting specified performance criteria. The shares have been valued at a share issue price of \$0.320 (1 August 2022 closing rate) and a probability of 100% has been assumed for meeting the performance criteria.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

### NOTE 30: EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)

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

	Fair values (\$)
<b>Current Assets</b>	
Trade receivable	715,658
Prepayments and other receivables	198,091
Cash	1,107,807
	<b>2,021,556</b>
<b>Non-Current Assets</b>	
Fixed assets	179,848
Intangible assets	3,660,396
R&D Tax credits	653,569
Long term investment	146,386
	<b>4,640,199</b>
<b>Current Liabilities</b>	
Trade payable	948,994
Accruals, provisions and other liabilities	115,279
Tax and other payables	503,494
Borrowings	375,618
	<b>1,943,385</b>
<b>Non-Current Liabilities</b>	
Borrowings	2,247,787
	<b>2,247,787</b>
<b>Net identifiable assets acquired</b>	<b>2,470,583</b>
<b>Add: Goodwill<sup>1</sup></b>	<b>59,150,042</b>
<b>Net assets acquired</b>	<b>61,620,625</b>

<sup>1</sup> The goodwill of \$59,150,042 is attributable to the customer contracts acquired, software technology, workforce, know-how and the expected synergies from merging this business acquired from Family Zone's current operations.

#### Acquisition related costs

Acquisition related costs of \$650,000 will be included in the statement of profit or loss in the reporting period ending 30 June 2023.

#### Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Qustodio. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

#### Other subsequent events

Effective on 25 July 2022, Family zone changed share registrar from Automic Registry Services to Computershare Investor Services Pty Ltd.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 30 June 2022*

### **NOTE 30: EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)**

On 2 August 2022 the Company issued 2,000,000 Options (\$0.60, 31 Jan 2026) as part of a Facility Fee pursuant to a Working Capital Facility Agreement.

On 8 August 2022 and 16 August 2022, the Company issued 3,000,000 and 1,542,735 Shares respectively to employees under its Employee Securities Incentive Scheme.

On 26 August 2022, the Company issued 3,082,260 Shares to employees under its Employee Securities Incentive Scheme, 29,444,452 Employee Performance Rights and 240,000 Options (\$0.00, 30 June 2025).

On 30 August 2022, Emma Wates resigned as Company Secretary. Messrs Dan Robinson and Arron Canicais were appointed as Joint Secretary effective 30 August 2022.

On 6 September 2022, the company issued 2,450,000 unquoted options.

On 9 September 2022 the Company issued 1,649,596 Shares and 759,559 performance rights to employees under its Employee Securities Incentive Scheme.

Since the end of the financial year a total of 3,000,000 Shares have been issued following the exercise of 3,000,000 options with a total of \$630,000 funds received from the exercise of these Options. In addition, 1,500,015 Performance Rights have been exercised for nil consideration under the Company's Employee Securities Incentive Scheme.

Since the end of the financial year a total of 126,870 performance rights have lapsed as conditions have not been met or have become incapable of being satisfied. In addition, 6,197,904 options have expired due to cancellation by agreement between the entity and holder.

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

## DIRECTOR'S DECLARATION

In the Directors' opinion:

- a. the accompanying financial statements set out on pages 34 to 88 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
  - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2022.

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

On behalf of the Directors



Tim Levy  
Managing Director  
30 September 2022





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## INDEPENDENT AUDITOR'S REPORT

To the members of Family Zone Cyber Safety Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Family Zone Cyber Safety Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

## Material uncertainty related to going concern

We draw attention to Note 2 a) 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 opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Recoverability of cash generating units

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's carrying value of goodwill as disclosed in Note 11 represents a significant asset to the Group. The Australian Accounting Standards require the Group to test its cash generating units to which goodwill is allocated for impairment at least annually.</p> <p>The assessment of impairment is complex and highly judgemental and includes assessing a range of external and internal factors and modelling a range of assumptions that could impact the recoverable amount of each cash generating unit ("CGU"). Accordingly, this was considered to be a key audit matter.</p> <p>Notes 2 c) (ix) and 3 f) of the financial report disclose the accounting policy for assessment of impairment and the significant judgements and estimates made.</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Assessing the appropriateness of the Group's identification of CGUs and management's allocation of assets to the carrying value of CGUs based on our understanding of the Group's business and internal reporting;</li> <li>• Evaluating management's ability to accurately forecast cash flows by assessing the precision of the current year actuals against forecasted outcomes;</li> <li>• Evaluating management's calculation and basis for allocation of goodwill arising from current period acquisitions to the Group's CGUs;</li> <li>• In conjunction with our internal valuation specialists, challenging key inputs used in the value in use calculations including the following: <ul style="list-style-type: none"> <li>• Obtaining and reviewing the reasonableness of cash flow forecasts approved by the board;</li> <li>• Assessing the discount rates used by involving internal valuation experts and comparison to market data and industry research;</li> </ul> </li> </ul>

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>• Comparing growth rates with third party industry data; and</li> <li>• Considering the appropriateness of the valuation methodology applied.</li> <li>• Assessing the adequacy of the related disclosures in Notes 2 c) (ix), 3 f) and 11 of the financial report.</li> </ul>

### Accounting for the acquisition of the Smoothwall group of companies

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 25 a) of the financial report, the Group completed the acquisition of 100% of the issued capital of the Smoothwall group of companies comprising Topco Oasis Limited and its wholly owned subsidiaries on 16 August 2021.</p> <p>The acquisition was accounted for in accordance with AASB 3: <i>Business Combinations</i> and was deemed to be a key audit matter given the material nature of the acquisition and the related estimates and judgements associated with the identification and determination of the fair value of assets acquired and liabilities assumed.</p> <p>Notes 2 c) (iv) and 3 u) of the financial report disclose the accounting policy for business combinations and the significant judgements and estimates made.</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the share purchase agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management including evaluating management's application of AASB 3 <i>Business combinations</i>;</li> <li>• Evaluating the group's determination of purchase consideration to underlying share agreements and cash paid;</li> <li>• Reviewing the purchase price allocation, including the recognition of goodwill;</li> <li>• Comparing assets and liabilities recognised on acquisition against executed agreements and the historical financial information of the acquired business;</li> <li>• Assessing the competency and objectivity of the independent expert to which management has engaged to assess the fair value of specified assets acquired as part of the acquisition;</li> <li>• In conjunction with our internal experts, evaluating the assumptions and methodology in management's determination of the fair value of assets and liabilities acquired; and</li> <li>• Assessing the adequacy of the related disclosures in Notes 2 c) (iv), 3 u) and 25 a) of the financial report.</li> </ul>



## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

## Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 29 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Family Zone Cyber Safety Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO  


Jarrad Prue

Director

Perth

30 September 2022

## ASX ADDITIONAL INFORMATION

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

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

The issued capital of the Company as at 28 September 2022 includes the following securities:

Equity Class	Number of holders	Total on issue
Fully paid ordinary shares	3,402	886,435,716
Options	11	20,907,500
Performance Shares	7	3,000,000
Performance Rights	294	70,579,323
Deferred Consideration Rights	3	80,527,017

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

### 2. Substantial holders in the Company

Substantial Shareholder	Number of Shares held	% of Total Shares
Regal Funds Management Pty Ltd <sup>1</sup>	118,060,833	13.32%
McCusker Holdings Pty Ltd <sup>2</sup>	106,000,000	11.96%
Perennial Value Management Limited <sup>3</sup>	64,079,171	7.23%

<sup>1</sup>Based on substantial holder notice lodged 5 July 2022

<sup>2</sup>Based on substantial holder notice lodged 2 February 2022

<sup>3</sup>Based on substantial holder notice lodged 13 May 2022

### 3. Distribution of equity securities as at 28 September 2020

#### a) Fully paid ordinary shares

Holding Ranges	Holders	Total Shares	% Total Shares
1 - 1,000	211	118,001	0.01%
1,001 - 5,000	820	2,217,469	0.25%
5,001 - 10,000	435	3,391,532	0.38%
10,001 - 100,000	1,449	53,981,683	6.09%
100,001 - 9,999,999,999	497	826,727,031	93.27%
<b>Totals</b>	<b>3,402</b>	<b>886,435,716</b>	<b>100.00%</b>

There were 410 holders with less than a marketable parcel of Shares based on the share price of \$0.305 on 28 September 2022.

## ASX ADDITIONAL INFORMATION

### b) Options

Holding Ranges	Holders	Total Employee Options	% Total Employee Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	2	16,841	0.16%
10,001 - 100,000	5	217,919	2.03%
100,001 - 9,999,999,999	11	10,502,740	97.81%
<b>Totals</b>	<b>18</b>	<b>10,737,500</b>	<b>100.00%</b>

### 4. Top 20 Shareholder as at 28 September 2022

Position	Holder Name	Holding	% IC
1	MCCUSKER HOLDINGS PTY LTD	155,050,000	17.49%
2	CITICORP NOMINEES PTY LIMITED	108,024,915	12.19%
3	UBS NOMINEES PTY LTD	56,415,473	6.36%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,707,433	6.17%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	50,640,936	5.71%
6	NATIONAL NOMINEES LIMITED	41,503,395	4.68%
7	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	17,615,372	1.99%
8	EVOLIUM MANAGEMENT SL	16,001,747	1.81%
9	SISU INTERNATIONAL PTY LTD	12,492,160	1.41%
10	TIMOTHY NOMINEES PTY LTD <TIMOTHY FAMILY A/C>	11,932,977	1.35%
11	MARTINDALE PTY LTD	11,350,000	1.28%
12	BPM INVESTMENTS LIMITED	10,000,000	1.13%
13	MOSCH PTY LTD	7,738,094	0.87%
14	1001 PTY LTD <D COLBRAN SUPER FUND A/C>	7,587,500	0.86%
15	BRISPOPT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	7,278,622	0.82%
16	GASMERE PTY LTD	6,228,888	0.70%
17	SUPER SEED PTY LTD <THE WERSMAN SUPER FUND A/C>	6,200,000	0.70%
18	LOMACOTT PTY LTD <THE KEOGH SUPER FUND A/C>	5,000,000	0.56%
19	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,655,693	0.53%
20	FRESHIE PTY LTD <SWAN FAMILY A/C>	4,633,240	0.52%
	<b>Total</b>	<b>595,056,445</b>	<b>67.13%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>886,435,716</b>	<b>100.00%</b>

### 5. Restricted Securities

Holding Ranges	Holders	Total Employee Options	% Total Employee Options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	16,001,747	100.00%
<b>Totals</b>	<b>1</b>	<b>16,001,747</b>	<b>100.00%</b>

## ASX ADDITIONAL INFORMATION

### 6. Unquoted Securities

There are no holders of unquoted Options or Performance Rights with more than a 20% interest, that were not issued or acquired under the Company's employee securities incentive plan.

### 7. On-market buy back

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

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

[Corporate Governance Statement](#)

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

This statement outlines the main corporate governance practises in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition (February 2019) unless otherwise stated.