



THREAT PROTECT

Threat Protect Australia Limited

ABN 36 060 774 227

Appendix 4E Preliminary Final Report - 30 June 2019

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1. Company details

Name of entity:	Threat Protect Australia Limited
ABN:	36 060 774 227
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

The Group adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' from 1 July 2018. The Accounting Standards have been applied retrospectively and comparatives have been restated, where applicable. The impact on the adoption of these accounting standards were disclosed in the Interim Financial Report at 31 December 2018.

		\$'000
Revenues from ordinary activities	increased by 34% to	19,741
Loss from ordinary activities after tax attributable to the owners of Threat Protect Australia Limited	significantly increased to	(10,621)
Loss for the year attributable to the owners of Threat Protect Australia Limited	significantly increased to	(10,621)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$10,621,000 (30 June 2018: \$3,246,000).

For further details refer to 'FY19 Preliminary Final Report and Commentary' that follows this Appendix 4E.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(26.65)</u>	<u>(22.22)</u>

4. Control gained over entities

Name of entities (or group of entities)	Onwatch Pty Ltd
Date control gained	30 April 2019

Refer to note 6 - Business combinations for further details.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Security House Monitoring Pty Ltd	-	43%	82	22
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			82	22
Income tax on operating activities			-	-

On 27 June 2019, the Group sold its 42.95% investment in associate Security House Monitoring Pty Ltd and the gain on the sale is recognised in other income.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited and an unmodified opinion is expected to be issued.

10. Attachments

Details of attachments (if any):

The Appendix 4E Preliminary Final Report of Threat Protect Australia Limited for the year ended 30 June 2019 is attached.

11. Signed



Signed _____

Date: 30 August 2019

Demetrios Pynes
Managing Director



ASX ANNOUNCEMENT

30 August 2019

FY19 Preliminary Final Report and Commentary

Threat Protect Australia Limited (“**Threat Protect**”, ASX: “**TPS**”) today announces its Preliminary Final Report for the full year ended 30 June 2019 (“**FY19**”).

With adjusted EBITDA profit increasing, the group continues to provide a strong platform for growth.

In FY19 the group completed its largest acquisition to date, whilst also continuing to invest in the development of advanced monitoring systems, technical resources and upskilling people within the business to improve efficiency in operations.

This report is based on financial accounts which are in the process of being audited.

Highlights FY19

- Operating Revenue was up 34.4% to \$19.7m (30 June 2018, “**FY18**”: \$14.7m).
- Adjusted EBITDA of \$2.9m increased 106% after adjusting for one-off and non-cash items, compared to \$1.4m in FY18.
- The acquisition and organic growth strategies of the group have been effective in increasing the group’s recurring monthly revenue (“RMR”) to approximately \$1.9m.
- Completion of Onwatch Pty Ltd (“**Onwatch**”) acquisition on 30 April 2019 - including two new control rooms based in NSW and Victoria.
- To facilitate the acquisition, Threat Protect restructured its debt arrangements and now holds a senior secured facility with Soliton Capital Partners Pty Ltd (“**Soliton**”) for \$36.0m, and a new \$8.0m unsecured debt facility with First Samuel Limited (“**First Samuel**”).
- In addition, the company raised \$5.4m via an underwritten right issue at a price of \$0.25 per share.
- Cash position of the Group of \$2.1m at 30 June 2019 (30 June 2018: \$1.1m).

Financial Performance FY19

- Operating revenue for FY19 is \$19.7m, an increase of 34% on FY18.
- The active growth strategy continues to increase the group's scale of operations, with year on year monitoring revenue increasing by 66%.
- Over 80,000 accounts at year end, with 31% of these direct subscribers.
- The group measures performance by Adjusted EBITDA to normalise for:
 - Accounting treatment of transactions associated with the purchase, integration and rationalisation of business assets, and
 - Non-cash or otherwise extraordinary and non-recurring items.
- Adjusted EBITDA for FY19 is \$2.9m up from \$1.4m in FY18, an increase of 106%.

Adjusted EBITDA ('000)	FY 19	FY 18	PCP
Loss before income tax benefit	(13,558)	(3,634)	273%
Finance costs	2,812	1,060	
Depreciation and Amortisation in Cost of Sales	4,922	1,803	
Depreciation and Amortisation in Administration	36	58	
EBITDA	(5,788)	(712)	712%
<i>Adjustments:</i>			
Impairment of receivables	200	186	
Impairment of assets	5,236	642	
Share-based payments	227	550	
Business acquisition and integration costs	3,878	1,647	
Other Income	(883)	(918)	
Adjusted EBITDA	2,870	1,395	106%

Onwatch Acquisition and New Funding Partner

On 4 March 2019 the company announced it had acquired necessary funding and reached an agreement to acquire Onwatch for approximately \$36.0m.

The acquisition of Onwatch was a key step in the continued execution of Threat Protect's growth strategy and represents the company's largest acquisition to date. Operating since 2005, Onwatch has two control rooms; one in New South Wales which focuses on direct subscribers, and one in Victoria which services predominantly resellers. There are significant synergies in the merger of Onwatch into the existing Threat Protect operation which will be realised in the 2020 financial year.

To facilitate this acquisition, Threat Protect restructured its debt arrangements and entered into a \$36.0 million Note Subscription Agreement arranged by Soliton Capital Partners Pty Ltd and has also signed a new \$8.0m unsecured debt facility with First Samuel Limited.

In April 2019, Threat Protect completed a \$5.4m underwritten rights issue to all shareholders at a price of \$0.25 per share.

The consideration for the acquisition was the issue of 8,000,000 shares in Threat Protect at an issue price of \$0.25 per share to the vendors of Onwatch, the payment of cash of \$32.2 million and \$1.5 million of deferred consideration, payable 12 months from the date of acquisition.

The company converted the \$9.0m convertible notes issued to First Samuel to 42,857,143 shares at an issue price of \$0.21 each, approval for which was granted by shareholders at a general meeting held in July 2018. First Samuel held 38.4% of the company's issued capital at 30 June 2019.

Outlook FY 20

With the group now at the targeted level of recurring monitoring revenue, the focus is now on the extraction of profit and cashflow through efficiency programs.

Demand for security in Australia is expected to grow as businesses and households continue to invest in security services and crime-prevention measures. The progress Threat Protect made this year to build out its offering and national reach places the group in an excellent position to take advantage of this trend.

- End -

For further information, contact:

Investors

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About Threat Protect Australia Limited

Threat Protect provides monitored security solutions that ensure the safety of Australian homes and businesses 24 hours a day, 365 days a year.

We have the highest security accreditation possible to achieve in Australia and use only state-of-the-art technology and equipment.

Our commitment to providing a complete end-to-end service is second to none, whether you own a small apartment or giant multi-national headquarters.

- Monitored Security Systems
- Security Personnel
- Corporate Risk Consultancy

We call it "**Security Without Compromise**".

- Threat Protect is a leading Australian security agency fully licensed by WA, NSW, Victoria, Queensland and South Australian police departments, and other national and international bodies.
- We support thousands of residential and business clients in Australia and beyond.
- We will personally evaluate your security needs.
- All products and services meet Australian Standards.
- 24-hour monitoring from our five A1 graded control rooms, located in Perth, NSW, Victoria and South Australia.



Threat Protect Australia Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019



	Note	Consolidated	
		2019 \$'000	2018 \$'000
Revenue			
Revenue from contracts with customers		19,741	14,683
Cost of sales - operations		(12,553)	(10,678)
Cost of sales - depreciation and amortisation		(4,922)	(1,803)
Total cost of sales		(17,475)	(12,481)
Gross profit		2,266	2,202
Share of profits of associates accounted for using the equity method		82	22
Other income		801	896
Interest revenue calculated using the effective interest method		8	9
Expenses			
Administration expenses		(2,671)	(2,244)
Business acquisition and integration costs		(3,878)	(925)
Compliance and regulatory costs		(613)	(339)
Legal and consulting fees		(46)	(43)
Marketing and business development		(758)	(494)
Occupancy costs		(266)	(271)
Impairment of receivables		(200)	(186)
Impairment of assets	6	(5,236)	(642)
Share-based payments		(227)	(550)
Finance costs		(2,820)	(1,069)
Loss before income tax benefit		(13,558)	(3,634)
Income tax benefit		2,937	388
Loss after income tax benefit for the year attributable to the owners of Threat Protect Australia Limited		(10,621)	(3,246)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Threat Protect Australia Limited		(10,621)	(3,246)
		Cents	Cents
Basic earnings per share	1	(7.64)	(2.91)
Diluted earnings per share	1	(7.64)	(2.91)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents		2,146	1,139
Trade and other receivables		2,482	2,975
Contract assets and accrued income		216	242
Inventories		24	35
Other		361	1,383
Total current assets		5,229	5,774
Non-current assets			
Investments accounted for using the equity method		-	461
Financial assets at fair value through profit or loss		155	118
Property, plant and equipment		893	1,018
Intangibles	2	65,709	26,486
Other		173	-
Total non-current assets		66,930	28,083
Total assets		72,159	33,857
Liabilities			
Current liabilities			
Trade and other payables	3	9,418	6,357
Contract liabilities and revenue in advance		661	381
Borrowings	4	1,166	3,344
Provisions		1,494	822
Total current liabilities		12,739	10,904
Non-current liabilities			
Borrowings	4	41,238	16,943
Deferred tax liability		6,959	4,199
Provisions		328	130
Total non-current liabilities		48,525	21,272
Total liabilities		61,264	32,176
Net assets		10,895	1,681
Equity			
Issued capital	5	34,461	14,731
Reserves		1,874	1,647
Accumulated losses		(25,440)	(14,697)
Total equity		10,895	1,681

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	14,710	1,147	(11,451)	4,406
Loss after income tax benefit for the year	-	-	(3,246)	(3,246)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,246)	(3,246)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	(29)	-	-	(29)
Share-based payments	50	500	-	550
Balance at 30 June 2018	<u>14,731</u>	<u>1,647</u>	<u>(14,697)</u>	<u>1,681</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	14,731	1,647	(14,697)	1,681
Impact of adopting AASB 9 and AASB 15	-	-	(122)	(122)
Balance at 1 July 2018 - restated	14,731	1,647	(14,819)	1,559
Loss after income tax benefit for the year	-	-	(10,621)	(10,621)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(10,621)	(10,621)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	19,730	-	-	19,730
Share-based payments	-	227	-	227
Balance at 30 June 2019	<u>34,461</u>	<u>1,874</u>	<u>(25,440)</u>	<u>10,895</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated	
		2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		21,463	16,577
Payments to suppliers and employees (inclusive of GST)		(21,198)	(16,178)
		265	399
Interest received		8	24
Interest and other finance costs paid		(1,969)	(1,317)
Government grants received		-	772
Net cash used in operating activities		(1,696)	(122)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	6	(33,359)	(9,671)
Payments for financial assets		(89)	(818)
Payments for property, plant and equipment		(95)	(335)
Payments for intangibles		(4,170)	(2,902)
Government grants received		926	790
Proceeds from disposal of financial assets		750	14
Proceeds from disposal of property, plant and equipment		-	8
Proceeds from disposal of intangibles		-	28
Distributions received from associate		77	-
Net cash used in investing activities		(35,960)	(12,886)
Cash flows from financing activities			
Proceeds from issue of shares (net of transaction costs)	5	8,702	(4)
Proceeds from borrowings		54,679	16,276
Repayment of borrowings		(24,718)	(3,288)
Net cash from financing activities		38,663	12,984
Net increase/(decrease) in cash and cash equivalents		1,007	(24)
Cash and cash equivalents at the beginning of the financial year		1,139	1,163
Cash and cash equivalents at the end of the financial year		2,146	1,139

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Earnings per share

	Consolidated	
	2019	2018
	\$'000	\$'000
Loss after income tax attributable to the owners of Threat Protect Australia Limited	<u>(10,621)</u>	<u>(3,246)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>139,105,158</u>	<u>111,586,108</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>139,105,158</u>	<u>111,586,108</u>
	Cents	Cents
Basic earnings per share	(7.64)	(2.91)
Diluted earnings per share	(7.64)	(2.91)

Options over ordinary shares are not included in the calculation of diluted earnings per share because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

Note 2. Intangibles

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	31,535	6,689
Less: Accumulated impairment	<u>(5,878)</u>	<u>(642)</u>
	<u>25,657</u>	<u>6,047</u>
Development assets - at cost	5,307	2,334
Less: Accumulated amortisation	<u>(419)</u>	<u>(61)</u>
	<u>4,888</u>	<u>2,273</u>
Intellectual property - at cost	23	17
Less: Accumulated amortisation	<u>(5)</u>	<u>(3)</u>
	<u>18</u>	<u>14</u>
Customer contracts - at cost	42,779	21,450
Less: Accumulated amortisation	<u>(6,805)</u>	<u>(2,470)</u>
Less: Accumulated impairment	<u>(828)</u>	<u>(828)</u>
	<u>35,146</u>	<u>18,152</u>
	<u>65,709</u>	<u>26,486</u>

Note 3. Trade and other payables

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Current liabilities</i>		
Trade payables	2,638	1,200
Deferred consideration	1,220	2,448
Accrued expenses	1,932	1,618
Interest payable	161	423
GST payable	2,609	446
Other payables	858	222
	9,418	6,357
	9,418	6,357

Note 4. Borrowings

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Current liabilities</i>		
Bank borrowings - Macquarie Bank	-	3,113
Other short term borrowings	96	93
Borrowings - Soliton	1,000	-
Hire purchase	70	138
	1,166	3,344
	1,166	3,344
<i>Non-current liabilities</i>		
Unsecured note - First Samuel	8,173	-
Borrowings - Soliton (net of capitalised borrowing costs)	33,065	-
Debenture - First Samuel Limited	-	8,000
Convertible notes - First Samuel Limited	-	8,943
	41,238	16,943
	41,238	16,943

To facilitate the acquisition of Onwatch Pty Ltd in April 2019, the Group restructured its debt arrangements by entering into a \$36,000,000 Note Subscription Agreement arranged by Soliton Capital Partners Pty Ltd and has also signed a new \$8,000,000 unsecured debt facility with First Samuel Limited.

Note 5. Issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Ordinary shares - fully paid	205,643,778	111,631,634	34,461	14,731
	205,643,778	111,631,634	34,461	14,731

Note 5. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2017	779,423,331		14,710
Issue of shares on exercise of options	28 August 2017	2,000,000	\$0.03	50
Share consolidation	29 November 2017	(669,791,697)	\$0.00	-
Transaction costs		-	\$0.00	(4)
Movement in tax balance		-	\$0.00	(25)
Balance	30 June 2018	111,631,634		14,731
Options exercised	17 September 2018	14,285,703	\$0.17	2,500
Shares issued	15 January 2019	4,761,905	\$0.21	1,000
Shares issued	4 April 2019	21,779,662	\$0.25	5,445
Shares on acquisition of Onwatch Pty Ltd	30 April 2019	8,000,000	\$0.25	2,000
Shares issued on conversion of convertible notes	30 April 2019	42,857,143	\$0.21	9,000
Employee share scheme shares issued	4 June 2019	2,327,731	\$0.00	-
Transaction costs		-	\$0.00	(215)
Balance	30 June 2019	<u>205,643,778</u>		<u>34,461</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 6. Business combinations

Name of entity	Onwatch Pty Ltd
Date of acquisition	30 April 2019
Contributed revenues to the Group for the period from 30 April 2019 to 30 June 2019.	\$1,707,172
The loss after tax to the Group for the period from 30 April 2019 to 30 June 2019.	(\$776,229)
Description of acquisition	On 30 April 2019, Threat Protect Australia Limited acquired 100% of the ordinary shares of Onwatch Pty Ltd, a successful eastern states monitoring alarm security business for the consideration of \$34,708,000. The goodwill recognised at acquisition date of \$24,017,000 represents the consideration payment less net assets acquired. The goodwill has subsequently been impaired by \$5,236,000.

Note 7. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.