



## ASX ANNOUNCEMENT

31 August 2021

### THREAT PROTECT FY2021 FULL YEAR FINANCIAL RESULTS ANNOUNCEMENT

Threat Protect Australia limited ("**Threat Protect**" or the "**Company**") (ASX:"**TPS**") announces its FY2021 Full Year Financial results.

#### Highlights

- COVID-19 has had a negligible impact on core monitoring operations and profit but did have an impact on ad-hoc style protective services revenue. COVID has however slowed the implementation of some of the groups business improvement strategies, which will continue in FY2022.
- Operating revenue fell 8% to \$25.5m from FY2020 due to reduced ad hoc revenue.
- Adjusted EBITDA increased 11% to \$5.4m from FY2020 as the impact of prior integration benefits had been realised.
- The Company has been busy assessing a range of options over the past 9 months and remains committed to the business strategy of being Australia's leading wholesale monitoring business. This process has helped highlight the competitive landscape in Australia and the significant growth avenues which the company has in front of it.
- As part of this work the Company has announced the decision to change its name to Intelligent Monitoring Group (ASX: "IMB"), subject to shareholder approval, to better reflect its core skill set and focus.
- The Company has announced a number of executive and Board level changes through FY2021, and enters FY2022 with renewed purpose after a couple of years of necessary internal focus.

FY2021 was a year in which the group was necessarily focused internally on consolidating its activities after many years of rapid acquisitive growth. With a strong level of recurring cashflow and a scalable base now established the group looks forward to growing significantly over coming years.

This announcement has been authorised by Dennison Hambling, Executive Director.

ENDS

For further information, contact:

#### Investors

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Executive Director  
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**THREAT PROTECT AUSTRALIA LIMITED**  
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**THREAT  
PROTECT**

**Threat Protect Australia Limited**

**ABN 36 060 774 227**

**Annual Report - 30 June 2021**

## 1. Company details

Name of entity:	Threat Protect Australia Limited
ABN:	36 060 774 227
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

## 2. Results for announcement to the market

		\$'000
Revenues from ordinary activities	decreased by 7.8% to	25,465
Loss from ordinary activities after tax attributable to the owners of Threat Protect Australia Limited	decreased by 51.6% to	(15,658)
Loss for the year attributable to the owners of Threat Protect Australia Limited	decreased by 51.6% to	(15,658)

### 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 \$15,658,000 (30 June 2020: \$32,380,000).

For further details refer to 'FY21 Annual Report and Commentary' that follows this Appendix 4E.

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(25.33)	(21.88)

Right-of-use assets have not been treated as intangible assets for the purposes of the tangible asset calculation.

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

During the period the Group deregistered the following Group entities:

- Onwatch (VIC) Pty Ltd
- Electralarm Australia Pty Ltd
- House of Security Plus Pty Ltd
- Service 101 Pty Ltd

## 6. Dividend reinvestment plans

Not applicable.

## 7. Details of associates and joint venture entities

Not applicable.

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## 8. Foreign entities

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

Not applicable.

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## 9. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued. The auditor's report contains a paragraph addressing material uncertainty related to going concern.

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## 10. Attachments

*Details of attachments (if any):*

The Annual Report of Threat Protect Australia Limited for the year ended 30 June 2021 is attached.

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## 11. Signed

As authorised by the Board of Directors



Signed \_\_\_\_\_

Date: 31 August 2021

Dennison Hambling  
Deputy Chairman and Executive Director

Corporate directory	5
Review of operations	6
Directors' report	8
Auditor's independence declaration	20
Consolidated statement of profit or loss and other comprehensive income	21
Consolidated statement of financial position	22
Consolidated statement of changes in equity	23
Consolidated statement of cash flows	24
Notes to the consolidated financial statements	25
Directors' declaration	66
Independent auditor's report to the members of Threat Protect Australia Limited	67
Shareholder information	71

Directors	<p>Peter Kennan – Non-Executive Chairman from 9 July 2021</p> <p>Dimitri Bacopanos – Non-Executive Director</p> <p>Dennison Hambling – Deputy Chairman and Executive Director (previously Non-Executive Director. Appointed as Deputy Chairman on 9 July 2021 and appointed as Executive Director on 13 August 2021)</p> <p>Derek La Ferla – Non-Executive Director (resigned as Chairman on 9 July 2021 and will resign as a Director on 30 September 2021)</p> <p>Demetrios Pynes - Managing Director (resigned on 28 June 2021)</p>
Company secretary	Peter Webse
Registered office	<p>Level 1, 678 Murray Street</p> <p>West Perth WA 6005</p> <p>Telephone: 1300 THREAT (1300 847 328)</p> <p>Email: <a href="mailto:info@threatprotect.com.au">info@threatprotect.com.au</a></p> <p>PO Box 1920</p> <p>West Perth WA 6872</p>
Share register	<p>Link Market Services Limited</p> <p>Level 12 QV1 Building, 250 St Georges Terrace</p> <p>Perth WA 6000</p> <p>Telephone: 1300 554 474</p>
Auditor	<p>BDO Audit (WA) Pty Ltd</p> <p>38 Station Street</p> <p>Subiaco WA 6008</p>
Solicitors	<p>Lavan Legal</p> <p>The Quadrant, 1 William Street</p> <p>Perth WA 6000</p> <p>Steinepreis Paganin</p> <p>Level 4, The Read Buildings</p> <p>16 Milligan Street, Perth WA 6000</p>
Stock exchange listing	Threat Protect Australia Limited shares are listed on the Australian Securities Exchange (ASX code: TPS)
Website	<a href="http://www.threatprotect.com.au">www.threatprotect.com.au</a>
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Threat Protect Australia Limited in an ethical manner and in accordance with the highest standards of corporate governance. Threat Protect Australia Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any recommendations that have not been followed, and the ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement can be found at <a href="http://www.threatprotect.com.au">www.threatprotect.com.au</a></p>

Threat Protect Australia Limited and the entities it controlled (the 'Group') continue to provide a strong platform for growth with the financial year ended 30 June 2021 ('FY21') adjusted earnings before interest, taxation, depreciation and amortisation ('Adjusted EBITDA') increasing.

The directors consider Adjusted EBITDA to reflect the core earnings of the Group. Adjusted EBITDA is a financial measure not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant expenses. Adjusted EBITDA is a key measurement used by management and the board to assess and review business performance and accordingly the table below provides a reconciliation between loss after income tax benefit and Adjusted EBITDA.

### Financial Performance

- Revenue of \$25.5 million is 8% down on FY2020 due to reduced wholesale revenue and rebates in monitoring as the group focused on profitable delivery of its core monitoring service, rather than simply line numbers. Acquisitions maintained Direct lines, while wholesale growth was lower. Protective services revenue reduced due to less ad hoc work and training delayed by customers during the COVID19 period;
- Over 74,000 accounts at year end, with 32% of these direct subscribers – consistent with the prior year;
- 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 items such as impairment and share-based payments;
- Adjusted EBITDA for FY2021 is \$5.4 million (FY2020: \$4.9 million) which increased 11%; and
- Business acquisition and integration costs were focused on the consolidation of control rooms and legal claims on the sellers of Onwatch, and reduced by \$1.9 million on the prior year.

	FY2021	FY2020	Change on prior comparable period ('PCP')
	\$'000	\$'000	%
Loss before income tax benefit	(15,658)	(37,560)	58%
Finance costs	7,854	7,941	
Depreciation and amortisation in cost of sales	444	327	
Depreciation and amortisation expense	7,598	11,254	
EBITDA	238	(18,038)	101%
<i>Adjustments</i>			
Impairment/(recovery) of receivables	93	(56)	
Impairment of assets	2,586	18,838	
Business acquisition and integration costs	2,735	4,533	
Other income	(240)	(409)	
Adjusted EBITDA	5,412	4,868	11%

- Goodwill was impaired by \$2,444,000 due to an impairment assessment conducted prior to the consolidation of control rooms. A further \$142,000 impairment was recognised with regard to specific assets expected to be disused as a result of the consolidation.
- The impact of the Coronavirus (COVID-19) pandemic up to 30 June 2021 has been financially unfavourable for the Group, resulting in a decline in revenue growth. This impact is not considered material and it is not practicable to estimate the potential impact, positive or negative, after the reporting date.
- The Group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay in the current environment. As a result, the allowance of expected credit losses has been increased as at 30 June 2021.

### Black Crane Funding

On 15 April 2020, the Company announced that it had entered into an unsecured convertible loan note deed, as subsequently varied, with the Black Crane Asia Pacific Opportunities Fund (Black Crane) which raised \$6.5 million (Loan Note Deed) through the issue of 6,500,000 loan notes each with a face value of \$1.00 (Loan Notes), which subject to shareholder approval being obtained, will be convertible into shares. Shareholder approval was subsequently obtained at a general meeting held on 31 July 2021.

### **Other Significant Events**

On 23 October 2020, it was announced that the Company's then Chairman, Mr Derek La Ferla had given his notice of resignation from the Board effective from 31 March 2021. It was subsequently announced on the 24 March 2021 that Mr La Ferla had extended the date of his resignation to be effective from 30 September 2021.

On 29 December 2020, the Company announced the acquisition of the business assets of SMS Security Monitoring, a reseller client of its South Australian monitoring business since 2015. The cost of the acquisition was \$1,368,000, of which \$251,000 was payable 12 months from the date of acquisition.

On 28 June 2021, the Company announced the resignation of its Managing Director, Mr Demetrios Pynes, with a three month notice period. In addition, it was advised that Mr Pynes had resigned as a Director of the Company effective immediately.

### **Outlook**

FY21 was a year in which the group was necessarily focused internally on consolidating its activities after many years of rapid acquisitive growth. With a strong level of recurring cashflow and a scalable base now established the group looks forward to growing significantly over coming years.

Demand for security in Australia is expected to grow as businesses and households continue to invest in security services and crime-prevention measures. Further the number of signals that require monitoring from a range of increasingly new and sophisticated non-security devices is expected to grow strongly over coming years, creating an opportunity for both growth and diversification.

The progress the Company made this year to build out its offering and national reach places the Group in an excellent position to take advantage of this trend.



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'The Group' or 'Group') consisting of Threat Protect Australia Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

### **Directors**

The following persons were directors of Threat Protect Australia Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Kennan	Non-Executive Chairman (appointed Chairman on 9 July 2021. Previously Non-Executive Director)
Dimitri Bacopanos	Non-Executive Director
Dennison Hambling	Deputy Chairman and Executive Director (previously Non-Executive Director. Appointed as Deputy Chairman on 9 July 2021 and appointed as Executive Director on 13 August 2021)
Derek La Ferla	Non-Executive Director (resigned as Chairman on 9 July 2021 and will resign as a Director on 30 September 2021)
Demetrios Pynes	Managing Director (resigned on 28 June 2021)

### **Principal activities**

During the financial year the principal continuing activity of the Group consisted of the provision of security, monitoring and risk management services in Australia.

### **Dividends**

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

### **Review of operations**

The loss for the Group after providing for income tax amounted to \$15,658,000 (30 June 2020: \$32,380,000).

A detailed review of the Group's operations is set out in the section titled 'Review of operations' in this annual report.

There is a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern. Refer to note 2 to the financial statements for further details.

### **Significant changes in the state of affairs**

At a General Meeting of shareholders held on 31 July 2020, approval was given for the replacement of 6,500,000 loan notes held by Black Crane into convertible securities through the issue of 6,500,000 convertible notes. The loan notes of \$6,500,000 plus capitalised borrowing costs disclosed as a current liability at 30 June 2020 has been reclassified as non-current convertible notes at 30 June 2021.

On 29 December 2020, the Group announced the acquisition of the customer base of SMS Security Monitoring, an existing reseller of Threat Protect. SMS Security Monitoring ('SMS') is a Western Australian security company that has been a reseller client of the South Australian monitoring business since 2015. SMS currently services 1,482 monitoring customers. The customer base was acquired for \$1,368,000, with \$783,000 payable in cash of which \$250,000 is due in December 2021 (12 months after acquisition).

There were no other significant changes in the state of affairs of the Group during the financial year.

### **Matters subsequent to the end of the financial year**

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally. This being the case, the Group does not consider it practicable to provide any future quantitative or qualitative estimates of the potential impact of this outbreak on the Group at this time.

On 9 July 2021, Peter Kennan was appointed Non-Executive Chairman of the Board of Directors and John Hallam was appointed as Chief Executive Officer.

On 4 August 2021, Brad Kobus resigned as the Chief Financial Officer.

On 12 August 2021, to better reflect the broader range of operations and activities of the Company moving forward, the Company announced the intention to change its name to Intelligent Monitoring Group Limited (proposed ASX Code: IMB:ASX reserved). A shareholders meeting seeking approval to change the name is to be convened.

On 13 August 2021, Dennison Hambling was appointed as Executive Director.

On 16 August 2021, a waiver was obtained for the breach of the EBITDA covenants for the facility agreement with Soliton Capital Partners Pty Ltd for the year ending 30 June 2021. The covenants are expected to be redefined with the support of the financiers.

On 30 August 2021, the claim for contingent consideration by the vendors of Onwatch of \$892,000 and counter claims was settled without requiring payment other than costs.

No other matter or circumstance has arisen since 30 June 2021 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.

#### **Likely developments and expected results of operations**

A detailed review of the Group's operations, including likely developments and plans, is set out in the section titled 'Review of operations' in this annual report.

#### **Environmental regulation**

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

#### **Information on directors**

Name:	Peter Kennan
Title:	Non-Executive Chairman (appointed Chairman on 9 July 2021. Previously Non-Executive Director)
Qualifications:	B.Eng (Hons), GDipAppFin
Experience and expertise:	Peter is CEO and CIO of Black Crane Capital. The Black Crane Asia Pacific Opportunities Fund, managed by Black Crane Capital, is a substantial shareholder of the Company. Prior to founding Black Crane in 2009, Peter was a leading corporate financier with UBS Asia Pacific. He has 25 years of investment and corporate finance experience across a diverse range of sectors and transactions. With UBS, Peter was Head of Asian Industrials Group for UBS Asia, a corporate finance sector team covering energy and infrastructure, with number 1 team rating in Asia in 2006 and 2007. Peter was also the Head of Telecoms and Media sector team for UBS Australia, specialising in mergers and acquisitions and advising on many large complex transactions. Prior to UBS, Peter spent seven years with BP in a variety of engineering and commercial roles.
Other current directorships:	Non-Executive Director MMA Offshore Limited
Former directorships (last 3 years):	None
Interests in shares:	31,250,000 ordinary shares
Interests in options:	None

Name:	Dimitri Bacopanos
Title:	Non-Executive Director
Qualifications:	B.Com, CA
Experience and expertise:	Dimitri has extensive experience in mergers and acquisitions, most recently as Executive Director in the Transaction Advisory Services team at Ernst & Young. He has more than 21 years' commercial experience in both private and ASX listed companies and has worked across a number of major transactions, including in the technology, industrial, and agriculture sectors. His expertise extends to a wide range of corporate advisory roles covering operational reviews, feasibility analyses, strategic planning and implementation.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	333,333 ordinary shares
Interests in options:	None
Name:	Dennison Hambling
Title:	Deputy Chairman and Executive Director (previously Non-Executive Director. Appointed as Deputy Chairman on 9 July 2021 and appointed as Executive Director on 13 August 2021)
Qualifications:	M.Com (Hons) in economics, CFA Charterholder
Experience and expertise:	Dennison is a professional investor and company advisor. Dennison has over 22 years of capital market experience having been head of Public & Private Equity at 360 Capital, CIO at First Samuel, and Portfolio Manager at Cooper investors priorly. He is currently a Non-Executive Director of Cardioscan.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	25,491,890 ordinary shares
Interests in options:	None
Name:	Derek La Ferla
Title:	Non-Executive Director (resigned as Chairman on 9 July 2021 and will resign as a Director on 30 September 2021)
Qualifications:	B.Arts, B.Juris, B.Law, Fellow of AICD
Experience and expertise:	Derek is an experienced corporate lawyer and company director with more than 30 years' experience. Derek is a Partner with leading independent Western Australian firm Lavan. He is a member of the National Board of the AICD and its WA Council. Chairman of Sandfire Resources NL and Poseidon Nickel Limited.
Other current directorships:	BNK Banking Corporation Limited and Veris Limited.
Former directorships (last 3 years):	
Interests in shares:	1,177,172 ordinary shares
Interests in options:	None
Name:	Demetrios Pynes
Title:	Managing Director (resigned on 28 June 2021)
Qualifications:	B.Com, F.Fin
Experience and expertise:	Demetrios is a highly experienced businessman with specialist knowledge of both the finance and security industries. He holds a Bachelor of Commerce with double majors in finance and banking and has post-graduate qualifications in Commerce. Demetrios spent several years in the banking and finance sector, during which time he was an analyst and adviser to high net worth clients. For the past 14 years, he has operated various successful businesses, mainly in the security industry. Demetrios has previously held security officer and security consultant licenses and is a co-founder of Threat Protect.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	4,956,682 ordinary shares (as at date of resignation 28 June 2021)
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### Company secretary

Peter Webse is the Company Secretary. Peter has over 29 years' listed company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Peter's qualifications are B.Bus, FGIA, FCIS, FCPA, MAICD.

### Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Peter Kennan	10	11	-	-
Dimitri Bacopanos	11	11	2	2
Dennison Hambling	11	11	-	-
Derek La Ferla	11	11	2	2
Demetrios Pynes	11	11	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

At the date of this Directors' report, there are currently no nomination, finance, due diligence or operations committees. The Directors believe that the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the Board of Directors in its entirety.

### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### *Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 28 November 2019, where the shareholders approved a maximum annual aggregate remuneration of \$500,000.

#### *Executive remuneration*

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. These include increase in shareholders' value relative to the entire market and the increase compared to the Group's direct competitors.

### Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

### Use of remuneration consultants

During the financial year ended 30 June 2021, the Group, had not engaged any remuneration consultants to review or advise upon its existing remuneration policies, including the implementation of the LTI.

### Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM, 99.95% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### Details of remuneration

#### Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the directors of Threat Protect Australia Limited and the following persons:

- John Hallam - Chief Executive Officer (appointed on 9 July 2021, previously Chief Operations Officer)
- Brad Kobus - Chief Financial Officer (resigned on 4 August 2021 effective, 27 October 2021)

	Cash salary, fees and leave \$	Cash bonus \$	Other* \$	Super-annuation \$	Termination benefits \$	Equity-settled Share-based payments Options \$	Total \$
<b>2021</b>							
<i>Non-Executive Directors:</i>							
Peter Kennan	36,000	-	-	-	-	-	36,000
Dimitri Bacopanos	36,000	-	-	-	-	-	36,000
Dennison Hambling	36,000	-	-	3,420	-	-	39,420
Derek La Ferla	50,000	-	-	1,096	-	-	51,096
<i>Executive Directors:</i>							
Demetrios Pynes**	282,805	-	16,800	22,190	-	-	321,795
<i>Other Key Management Personnel:</i>							
Brad Kobus	177,614	-	23,600	16,378	-	-	217,592
John Hallam	191,769	-	-	17,100	-	-	208,869
	810,188	-	40,400	60,184	-	-	910,772

\* The 'Other' category represents motor vehicle allowances.

\*\* Represents remuneration to the date of resignation 28 June 2021.

	Short-term benefits			Post-employment benefits		Equity-settled Share-based payments	Total
	Cash salary, fees and leave \$	Cash bonus \$	Other * \$	Super-annuation \$	Termination benefits \$	Options \$	
<b>2020</b>							
<i>Non-Executive Directors:</i>							
Derek La Ferla	50,000	-	-	4,750	-	-	54,750
Dimitri Bacopanos	36,000	-	-	-	-	-	36,000
Dennison Hambling	16,065	-	-	1,526	-	-	17,591
Peter Kennan	16,065	-	-	-	-	-	16,065
<i>Executive Directors:</i>							
Demetrios Pynes**	262,369	-	16,800	23,085	-	-	302,254
Paul Ferrara**	282,588	-	16,800	23,085	67,500	-	389,973
<i>Other Key Management Personnel:</i>							
Karen Haynes	16,988	-	-	1,568	41,250	-	59,806
Brad Kobus	164,266	-	23,000	17,001	-	-	204,267
Simon Whybrow	156,868	-	12,115	15,346	28,462	-	212,791
John Hallam	77,973	-	-	6,906	-	-	84,879
	1,079,182	-	68,715	93,267	137,212	-	1,378,376

\* The 'Other' category represents motor vehicle allowances.

\*\* Tactical Conflict Solutions Pty Ltd ('TCS') is a company jointly controlled by Demetrios Pynes and Paolo Ferrara.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Non-Executive Directors:</i>						
Peter Kennan	100%	100%	-	-	-	-
Dimitri Bacopanos	100%	100%	-	-	-	-
Dennison Hambling	100%	100%	-	-	-	-
Derek La Ferla	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Demetrios Pynes	100%	100%	-	-	-	-
Paul Ferrara	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Brad Kobus	100%	100%	-	-	-	-
John Hallam	100%	100%	-	-	-	-
Karen Haynes	-	100%	-	-	-	-
Simon Whybrow	-	100%	-	-	-	-



### **Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Peter Kennan  
 Title: Non-Executive Chairman from 9 July 2021 (previously Non-Executive Director)  
 Agreement commenced: 20 January 2020  
 Term of agreement: Peter's appointment has been made pursuant to the Company's Constitution and he will be required to retire by rotation periodically in accordance with the Constitution. Peter may resign from office at any time.  
 Details: Peter's remuneration is set at \$55,000 per annum from 9 July 2021 plus statutory superannuation, where applicable.

Name: Dimitri Bacopanos  
 Title: Non-Executive Director  
 Agreement commenced: 10 January 2017  
 Term of agreement: Dimitri's appointment has been made pursuant to the Company's Constitution and he will be required to retire by rotation periodically in accordance with the Constitution. Dimitri may resign from office at any time.  
 Details: Dimitri's remuneration is set at \$36,000 per annum plus statutory superannuation, where applicable.

Name: Dennison Hambling  
 Title: Deputy Chairman and Executive Director (previously Non-Executive Director. Appointed as Deputy Chairman on 9 July 2021 and appointed as Executive Director on 13 August 2021)  
 Agreement commenced: 20 January 2020  
 Term of agreement: Dennison's appointment has been made pursuant to the Company's Constitution and he will be required to retire by rotation periodically in accordance with the Constitution. Dennison may resign from office at any time.  
 Details: Dennison's remuneration is set at \$275,000 per annum from 13 August 2021 (and no longer receives Director's fee) plus statutory superannuation, where applicable.

Name: Derek La Ferla  
 Title: Non-Executive Director (resigned as Chairman on 9 July 2021 and will resign as a Director on 30 September 2021)  
 Agreement commenced: 10 January 2017  
 Term of agreement: Derek's appointment has been made pursuant to the Company's Constitution and he will be required to retire by rotation periodically in accordance with the Constitution. Derek may resign from office at any time.  
 Details: Derek's remuneration is set at \$36,000 per annum from 9 July 2021 plus statutory superannuation, where applicable.

Name: Demetrios Pynes  
 Title: Managing Director (resigned on 28 June 2021)  
 Agreement commenced: 3 September 2015  
 Term of agreement: The agreement may be terminated by either the Company or Demetrios by giving at least three months' notice. Demetrios is also prohibited from competing with the Company during the term of his employment and following the termination of his employment for the period of two years without the Company's prior written consent.  
 Details: From 1 July 2019, Demetrios' remuneration comprises a salary of \$270,000 per annum plus superannuation guarantee contributions as required by law. Demetrios is entitled to annual leave and long service leave as required by law.



Name:	Brad Kobus
Title:	Chief Financial Officer (resigned on 4 August 2021, effective 27 October 2021)
Agreement commenced:	1 August 2019
Term of agreement:	The agreement may be terminated by either the Company or Brad by giving at least 3 months' notice.
Details:	Brad's remuneration comprises a salary of \$190,800 per annum, plus a motor vehicle allowance of \$5,200 per annum and superannuation guarantee contributions as required by law. Brad is entitled to annual leave and long service leave as required by law and also has the opportunity to participate in the Company's Loan Funded Employee Share Scheme based on satisfactory performance and achievement of KPI's (to a maximum of 100% of base salary).
Name:	John Hallam
Title:	Chief Executive Officer (Previously Chief Operations Officer until 9 July 2021)
Agreement commenced:	1 July 2021
Term of agreement:	The agreement may be terminated by either the Company or John by giving at least three months' notice. John is also prohibited from competing with the Company for three months following the termination. If the Company enforces this restriction, the Company will continue to pay John his remuneration during that period.
Details:	From 1 July 2021, John's remuneration comprises a salary of \$295,000 per annum and superannuation guarantee contributions as required by law. John is entitled to annual leave and long service leave as required by law. John will also be entitled to a one off bonus of \$75,000 within three months of implementing a change in the main undertaking of the business.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

### **Share-based compensation**

#### **Issue of shares**

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

#### **Options**

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2021.

### **Additional information**

The earnings of the Group for the five years to 30 June 2021 are summarised below:

	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Sales revenue	25,465	27,633	19,741	14,683	11,478
(Loss)/profit after income tax	(15,658)	(32,380)	(10,621)	(3,246)	1,692

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end (\$)	0.028	0.05	0.18	0.17	0.18
Basic earnings per share (cents per share)	(6.50)	(14.32)	(7.64)	(2.91)	1.57

### Additional disclosures relating to key management personnel

#### Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Kennan	31,250,000	-	-	-	31,250,000
Dimitri Bacopanos	333,333	-	-	-	333,333
Dennison Hambling	25,491,890	-	-	-	25,491,890
Derek La Ferla	1,177,172	-	-	-	1,177,172
Demetrios Pynes *	4,956,682	-	-	(4,956,682)	-
	<u>63,209,077</u>	<u>-</u>	<u>-</u>	<u>(4,956,682)</u>	<u>58,252,395</u>

\* Disposal of shares represents shares held at the time of resignation.

#### Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
<i>Options over ordinary shares</i>					
Dimitri Bacopanos	1,428,571	-	-	(1,428,571)	-
Derek La Ferla	2,857,142	-	-	(2,857,142)	-
Demetrios Pynes *	4,285,712	-	-	(4,285,712)	-
	<u>8,571,425</u>	<u>-</u>	<u>-</u>	<u>(8,571,425)</u>	<u>-</u>

\* Represents options held by Demetrios Pynes at the date of his resignation on 28 June 2021.

#### Other transactions with key management personnel and their related parties

The following transactions occurred with related parties:

	Consolidated 2021 \$	2020 \$
<b>Goods and services provided to Directors on commercial terms (Group income):</b>		
Paolo Ferrara	-	286
Derek La Ferla	462	462
Dimitri Bacopanos	462	462
Simon Whybrow	-	385
Karen Haynes	-	72
	<u>924</u>	<u>1,667</u>

#### Employment of Directors' spouses and children (Group expense)

Amounts include salary, fees and superannuation.

Jordan Hallam (John Hallam's son)	<u>4,373</u>	<u>-</u>
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#### Related entity: Black Crane Advisors Limited

Black Crane Advisors Limited is a company controlled by Mr Peter Kennan which provided debt advisory services to Threat Protect Australia Limited during the period.

Debt advisory services

Interest expense capitalised on Black Crane borrowings

65,000	-
349,542	124,166
<u>414,542</u>	<u>124,166</u>

#### Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Consolidated	
2021	2020
\$'000	\$'000

Current payables:

Trade payables to entities controlled by key management personnel (Tactical Conflict Solutions Pty Ltd ('TCS') is a company jointly controlled by Demetrios Pynes and Paolo Ferrara).

- 20,000

#### Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

Consolidated	
2021	2020
\$'000	\$'000

Current borrowings:

Loan from borrowing - Black Crane (where Peter Kennan is also a KMP)

- 6,099,396

Non-current borrowings:

Loan from borrowing - Black Crane (where Peter Kennan is also a KMP)

6,572,606 -

#### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except for the loan from Black Crane (refer to note 17 for details).

**This concludes the remuneration report, which has been audited.**

#### Shares under option

There were no unissued ordinary shares of Threat Protect Australia Limited under option outstanding at the date of this report.

#### Shares issued on the exercise of options

There were no ordinary shares of Threat Protect Australia Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

#### Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, 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 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. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

#### **Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

#### **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 25 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 25 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 for Professional Accountants (including Independence Standards) 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.

#### **Officers of the Company who are former partners of BDO Audit (WA) Pty Ltd**

There are no officers of the Company who are former partners of BDO Audit (WA) Pty Ltd.

#### **Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Dennison Hambling  
Deputy Chairman and Executive Director

31 August 2021

**DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF THREAT PROTECT AUSTRALIA LIMITED**

As lead auditor of Threat Protect Australia Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Threat Protect Australia Limited and the entities it controlled during the period.



**Dean Just**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth, 31 August 2021

**Threat Protect Australia Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**



		<b>Consolidated</b>	
	<b>Note</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Revenue</b>			
Revenue from contracts with customers	5	25,465	27,633
Cost of sales - operations		(14,911)	(16,809)
Cost of sales - depreciation and amortisation	7	(444)	(327)
Total cost of sales		(15,355)	(17,136)
Gross profit		10,110	10,497
Other income	6	240	409
Interest revenue calculated using the effective interest method		2	2
<b>Expenses</b>			
Administration		(4,460)	(4,360)
Compliance and regulatory costs		(545)	(634)
Marketing and business development expenses		(139)	(964)
Marketing and business development - depreciation and amortisation	7	(7,598)	(11,254)
Marketing and business development - impairment of assets	7	(2,586)	(18,838)
Business acquisition and integration		(2,735)	(4,533)
Impairment/(recovery) of receivables	9	(93)	56
Finance costs	7	(7,854)	(7,941)
<b>Loss before income tax benefit</b>		(15,658)	(37,560)
Income tax benefit	8	-	5,180
<b>Loss after income tax benefit for the year attributable to the owners of Threat Protect Australia Limited</b>		(15,658)	(32,380)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of Threat Protect Australia Limited</b>		<b>(15,658)</b>	<b>(32,380)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	33	(6.50)	(14.32)
Diluted earnings per share	33	(6.50)	(14.32)

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

	Note	Consolidated 2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,834	4,134
Trade and other receivables	9	1,974	3,035
Contract assets	10	680	316
Inventories		106	35
Other	11	252	734
Total current assets		<u>4,846</u>	<u>8,254</u>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	23	-	192
Property, plant and equipment	12	931	959
Right-of-use assets	13	335	291
Intangibles	14	28,807	36,159
Other	11	142	187
Total non-current assets		<u>30,215</u>	<u>37,788</u>
<b>Total assets</b>		<u>35,061</u>	<u>46,042</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	10,780	9,334
Contract liabilities	16	848	910
Borrowings	17	47,093	8,216
Lease liabilities	18	301	193
Provisions	19	1,486	1,193
Total current liabilities		<u>60,508</u>	<u>19,846</u>
<b>Non-current liabilities</b>			
Borrowings	17	6,572	42,277
Lease liabilities	18	142	197
Provisions	19	75	300
Total non-current liabilities		<u>6,789</u>	<u>42,774</u>
<b>Total liabilities</b>		<u>67,297</u>	<u>62,620</u>
<b>Net liabilities</b>		<u>(32,236)</u>	<u>(16,578)</u>
<b>Equity</b>			
Issued capital	20	39,379	39,379
Reserves	21	391	1,874
Accumulated losses		<u>(72,006)</u>	<u>(57,831)</u>
<b>Total deficiency in equity</b>		<u>(32,236)</u>	<u>(16,578)</u>

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

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total deficiency in equity \$'000</b>
Balance at 1 July 2019	33,981	1,874	(25,451)	10,404
Loss after income tax benefit for the year	-	-	(32,380)	(32,380)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(32,380)	(32,380)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 20)	5,398	-	-	5,398
Balance at 30 June 2020	<u>39,379</u>	<u>1,874</u>	<u>(57,831)</u>	<u>(16,578)</u>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total deficiency in equity \$'000</b>
Balance at 1 July 2020	39,379	1,874	(57,831)	(16,578)
Loss after income tax expense for the year	-	-	(15,658)	(15,658)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(15,658)	(15,658)
<i>Transactions with owners in their capacity as owners:</i>				
Share options expired during the year	-	(1,483)	1,483	-
Balance at 30 June 2021	<u>39,379</u>	<u>391</u>	<u>(72,006)</u>	<u>(32,236)</u>



Note	Consolidated	
	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	28,073	30,411
Payments to suppliers and employees (inclusive of GST)	(23,032)	(30,997)
	5,041	(586)
Interest received	2	2
Interest and other finance costs paid	(2,709)	(3,954)
Government grants received	160	183
Net cash from/(used in) operating activities	30 2,494	(4,355)
<b>Cash flows from investing activities</b>		
Payments for financial assets	(180)	-
Payments for property, plant and equipment	(289)	(438)
Payments for intangibles	(2,201)	(2,281)
Proceeds from disposal of financial assets	128	74
Net cash used in investing activities	(2,542)	(2,645)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net of transaction costs)	20 -	5,376
Proceeds from borrowings	287	6,500
Repayment of borrowings	(2,269)	(2,658)
Repayment of lease liabilities	(270)	(230)
Net cash from/(used in) financing activities	(2,252)	8,988
Net increase/(decrease) in cash and cash equivalents	(2,300)	1,988
Cash and cash equivalents at the beginning of the financial year	4,134	2,146
Cash and cash equivalents at the end of the financial year	1,834	4,134

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

## Note 1. General information

The financial statements cover Threat Protect Australia Limited ('Company' or 'parent entity') as a Group ('The Group' or 'Group') consisting of Threat Protect Australia Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Threat Protect Australia Limited's functional and presentation currency.

Threat Protect Australia Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 678 Murray Street  
West Perth WA 6005

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2021. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The Group 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

### Going concern

The financial statements have been prepared on the basis that the Group can meet its liabilities and commitments as and when they fall due and can therefore continue normal business activities, and realise assets and liabilities in the ordinary course of business.

For the year ended 30 June 2021, the Group recorded a loss before tax of \$15,658,000 (2020: \$37,560,000) and had net cash inflows from operating activities of \$2,494,000 (2020: outflows of \$4,355,000). As at 30 June 2021, the Group had a deficiency in working capital of \$55,662,000 (2020: \$11,592,000).

As disclosed in note 17, during the year, the Company breached covenants relating to its facility agreement with Soliton Capital Partners Pty Ltd resulting in the need to obtain a waiver for this breach subsequent to year end.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group'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 Board and Management believe there are sufficient funds to meet the Group's working capital requirements as at the date of the financial statements.

## Note 2. Significant accounting policies (continued)

The financial statements have been prepared on the basis that the Group 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 Directors have assessed the cash flow requirements for the 12 month period from the date of approval of the financial statements and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirements;
- the working capital deficiency contains amounts not currently owing but will be due to be settled within the next 12 months. The deficiency includes deferred consideration payable, which was subsequently reduced as a result of negotiations as disclosed in note 23. Repayment plans have also been entered into or are in the process of being negotiated with \$6,011,000 of creditors which include amounts owed to the Australian Taxation Office. The Directors are satisfied funds will be available when these obligations arise;
- the Group has a number of financing arrangements in place including a \$34,572,000 (2020: \$35,184,000) facility with Soliton drawn at balance date. This facility contains a number of compliance covenants which the Group is required to meet. The waiver that the Company has obtained for breaches during the year is conditional upon meeting a number of milestones relating to the recapitalisation of the Company. The dates of the milestones are 30 August 2021, 10 September 2021, 15 September 2021 and 8 October 2021. The Company has complied with all milestones as at the date of this report and expects to comply with the remaining milestones and to maintain the support of Soliton. The Directors also expect to comply with all future covenant requirements;
- discussions with the Group's financiers regarding potential refinancing have commenced and remain in progress as at the date of this report. The Directors expect to conclude these negotiations and maintain the ongoing support of its financiers;
- the Directors are currently considering the Groups capital requirements and intend to raise additional capital as required in order to meet cash flow requirements; and
- the Directors expect the business to trade profitably and generate positive operating cash flow.

The Directors have an appropriate plan to raise additional funds as and when required. The Company has a track record of successfully securing additional funding as and when required from both the debt and equity capital markets. Accordingly, the Directors are satisfied that the going concern basis of preparation for the financial statements is appropriate.

The ability of the Group to continue as a going concern and to fund its operational activities is dependent on the above assumptions.

Should the Group 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 statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets at fair value through profit or loss.

### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

## Note 2. Significant accounting policies (continued)

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Threat Protect Australia Limited as at 30 June 2021 and the results of all subsidiaries for the year ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Revenue recognition

The Group recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

#### *Nature of goods and services*

The following is a description of the nature and timing of the satisfaction of performance obligations and significant payment terms of the principle activities from which the Group generates revenue:

## Note 2. Significant accounting policies (continued)

### (a) Ongoing services

Revenue for ongoing services, such as those provided by the Group for alarm monitoring or static guarding are contracted under either fixed term or ongoing service agreements. No other products or services are bundled in such contracts. Invoices are usually payable within 30 days and no element of financing is deemed present as the services are charged within standard credit terms which is consistent with industry practice. As such, revenue is recognised over time in line with AASB 15 principle with regard to the customer simultaneously receiving and consuming all of the benefits.

### (b) One-off services

Revenue for ad hoc, one-off services, such as those provided by the Group for alarm system service and maintenance are contracted under short-term, low value service agreements which do not contain multiple deliverables or performance obligations. No other products or services are bundled in such contracts. Invoices are usually payable within 30 days and no element of financing is deemed present as the services are charged within standard credit terms which is consistent with industry practice. As such, revenue is recognised at a point in time when the service agreements is complete.

### (c) Equipment sales

Revenue for equipment sales, is recognised when the customers obtain control of goods. This usually occurs when the goods are delivered. No other products or services are bundled in such contracts. Invoices are usually payable within 30 days and no element of financing is deemed present as the services are charged within standard credit terms which is consistent with industry practice.

### Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

### Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

## **Note 2. Significant accounting policies (continued)**

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Threat Protect Australia Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated Group continue to account for their own current and deferred tax amounts. The tax consolidated Group has applied the 'separate taxpayer within Group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated Group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated Group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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

Assets and liabilities are presented in the 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.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### **Contract assets**

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.



## Note 2. Significant accounting policies (continued)

### Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

#### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *Investments*

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Group has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

#### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

### Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	1 to 15 years
Motor vehicles	3 to 8 years
Monitoring infrastructure	1 to 20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

## Note 2. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### 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 Group 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 remeasurement of lease liabilities.

The Group 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.

### 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 Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 - 5 years.

#### *Intellectual property*

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 6 years.

#### *Customer contracts*

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 - 6 years.

### Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.



## **Note 2. Significant accounting policies (continued)**

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Contract liabilities**

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

### **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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

### **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 Group'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.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## Note 2. Significant accounting policies (continued)

### Employee benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Contribution superannuation expense*

Contributions to superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

## Note 2. Significant accounting policies (continued)

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### 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.

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Threat Protect Australia Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *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 additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

## **Note 2. Significant accounting policies (continued)**

Cash flows are presented on a gross basis. The GST 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 GST recoverable from, or payable to, the tax authority.

### **Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## **Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *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 Group 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 Group 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 Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### *Revenue from contracts with customers involving sale of goods*

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

### *Determination of variable consideration*

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the Group where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

### Note 3. Critical accounting judgements, estimates and assumptions (continued)

#### *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 the time of preparation. The actual credit losses in future years may be higher or lower.

#### *Estimation of useful lives of assets*

The Group 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.

#### *Goodwill and other indefinite life intangible assets*

The Group 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 2. 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.

#### *Consolidation of identifiable CGUs in monitoring segment*

As a result of constructive plans that have been made prior to 30 June 2021 to consolidate the WA operations into South Australia and Onwatch (NSW) in the foreseeable future, the Group has judged it to be appropriate to consolidate the identifiable CGUs accordingly into South Australia and Onwatch (NSW) (2020: WA, South Australia and Onwatch (NSW)). Goodwill originally apportioned to the WA CGU was reallocated between South Australia and Onwatch (NSW) CGUs using an appropriate proportional method in accordance with AASB 136: Impairment of Assets. Other assets originally attributed to the WA CGU were reallocated to South Australia and Onwatch (NSW) based on the final planned location of these assets. For further information regarding the reallocation of these assets, along with impairment testing performed prior to the reallocation, please see note 14 (intangibles).

#### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group 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 assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions.

#### *Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Recovery of deferred tax assets*

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

### Note 3. Critical accounting judgements, estimates and assumptions (continued)

#### *Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

#### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

#### *Capitalised development costs*

Development costs have been capitalised as development assets in accordance with the accounting policy detailed in note 2. As at the reporting date management has assessed that all of the net capitalised development expenditure carried forward, comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

### Note 4. Operating segments

#### *Identification of reportable operating segments*

The Group operates predominantly in the security services industry, providing security alarm monitoring and installations as well as security guarding services across Australia.

The Group has identified its operating segments based on the internal reports that are provided to the Board on a monthly basis that are used in determining the allocation of resources across the Group. Management has identified the operating segments of the Group based on the three distinctive types of services provided by the Group – security alarm and Video monitoring ('Monitoring'), security guarding and personnel services ('Protective services') and Alarm and Video installation and maintenance services ('Service').

Unless stated otherwise, all amounts reported to the Board, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

#### *Intersegment transactions*

An internally determined transfer price is set for all inter-segment sales. This price is based on what would be realised in the event that the sale or services was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements. Corporate charges are recognised in 'All other segments' which contains the treasury and oversight functions of the Group.

#### *Intersegment receivables, payables and loans*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

#### *Unallocated items*

Any items noted below as "unallocated" are not allocated to operating segments as they are not considered part of the core operations of any segment in particular.



**Note 4. Operating segments (continued)**

*Major customers*

There was no customer that contributed more than 10% of revenues (2020: none).

*Operating segment information*

<b>Consolidated - 2021</b>	<b>Monitoring \$'000</b>	<b>Protective services \$'000</b>	<b>Services \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>				
Sales to external customers	21,321	3,809	335	25,465
<b>Total revenue</b>	<b>21,321</b>	<b>3,809</b>	<b>335</b>	<b>25,465</b>
<b>Segment result</b>	<b>9,697</b>	<b>580</b>	<b>(167)</b>	<b>10,110</b>
Other income including interest received				242
Administration expenses				(4,460)
Compliance and regulatory costs				(545)
Marketing and business development expenses				(139)
Marketing and business development -depreciation and amortisation				(7,598)
Marketing and business development - impairment of assets				(2,586)
Business acquisition and integration costs				(2,735)
Impairment of receivables				(93)
Finance costs				(7,854)
<b>Loss before income tax expense</b>				<b>(15,658)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(15,658)</b>
<b>Assets</b>				
Segment assets	31,922	495	-	32,417
Unallocated assets				2,644
<b>Total assets</b>				<b>35,061</b>
<b>Liabilities</b>				
Segment liabilities	4,863	451	-	5,314
Unallocated liabilities				61,983
<b>Total liabilities</b>				<b>67,297</b>

**Note 4. Operating segments (continued)**

<b>Consolidated - 2020</b>	<b>Monitoring \$'000</b>	<b>Protective services \$'000</b>	<b>Services \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>				
Sales to external customers	22,574	4,571	488	27,633
<b>Total revenue</b>	<u>22,574</u>	<u>4,571</u>	<u>488</u>	<u>27,633</u>
<b>Segment result</b>	<u>10,599</u>	<u>426</u>	<u>(528)</u>	<u>10,497</u>
Other income including interest received				411
Administration expenses				(4,304)
Compliance and regulatory costs				(634)
Marketing and business development expenses				(964)
Marketing and business development -depreciation and amortisation				(11,254)
Marketing and business development - impairment of assets				(18,838)
Business acquisition and integration costs				(4,533)
Finance costs				(7,941)
<b>Loss before income tax benefit</b>				<u>(37,560)</u>
Income tax benefit				5,180
<b>Loss after income tax benefit</b>				<u>(32,380)</u>
<b>Assets</b>				
Segment assets	38,751	574	35	39,360
Unallocated assets				6,682
<b>Total assets</b>				<u>46,042</u>
<b>Liabilities</b>				
Segment liabilities	3,261	199	-	3,460
Unallocated liabilities				59,160
<b>Total liabilities</b>				<u>62,620</u>

**Note 5. Revenue**

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<i>Major product lines</i>		
Ongoing services	24,383	25,939
One-off services	953	1,445
Equipment sales	129	249
	<u>25,465</u>	<u>27,633</u>
<i>Geographical regions</i>		
Australia	<u>25,465</u>	<u>27,633</u>
<i>Timing of revenue recognition</i>		
Services transferred at a point in time	1,052	1,694
Services transferred over time	24,413	25,939
	<u>25,465</u>	<u>27,633</u>



**Note 6. Other income**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Net gain on disposal of investments	33	-
Net gain on settlement of contingent consideration	28	56
Government grants	160	183
Dividends received	-	37
Other income	19	133
	<hr/>	<hr/>
Other income	<b>240</b>	<b>409</b>
	<hr/>	<hr/>

***Government grants***

During the year the Group received payments from the Australian Government amounting to \$160,000 (2020: \$183,000) as part of its 'Boosting Cash Flow for Employers' scheme in response to the Coronavirus ('COVID-19') pandemic. These non-tax amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the Group will comply with any conditions attached.

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	272	151
Motor vehicles	8	15
Monitoring infrastructure	114	182
Buildings right-of-use assets	238	202
Total depreciation	632	550
<i>Amortisation</i>		
Development assets	1,053	2,484
Intellectual property	2	2
Customer contracts	6,355	8,545
Total amortisation	7,410	11,031
Total depreciation and amortisation	8,042	11,581
<i>Impairment</i>		
Goodwill (note 14)	2,444	17,110
Development assets (note 14)	-	1,702
Plant and equipment (note 12)	103	26
Buildings right-of-use assets (note 13)	39	-
Total impairment	2,586	18,838
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	7,812	7,900
Interest and finance charges paid/payable on lease liabilities	42	41
Finance costs expensed	7,854	7,941
<i>Leases</i>		
Short-term lease payments	-	204
<i>Superannuation expense</i>		
Superannuation contribution expense	803	714
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	9,164	10,121

**Note 8. Income tax**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax benefit</i>		
Deferred tax - origination and reversal of temporary differences	-	(5,180)
Aggregate income tax benefit	-	(5,180)
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities	-	(5,180)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(15,658)	(37,560)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(4,071)	(10,329)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Deductible equity raising costs	(32)	(53)
Non-deductible expenses	241	228
Non-assessable income	(42)	(44)
Impairment of assets	635	4,705
	(3,269)	(5,493)
Current year tax losses not recognised	914	387
Derecognition of previously recognised tax losses	2,255	-
Derecognition of previously recognised equity costs	100	-
Over provision for prior year	-	(74)
Income tax benefit	-	(5,180)
	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Amounts credited directly to equity</i>		
Deferred tax liabilities	-	(22)
<i>Tax losses not recognised</i>		
Unused revenue and capital losses for which no deferred tax asset has been recognised	18,197	5,474
Potential tax benefit @ 25% (2020: 26%)	4,549	1,423

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The corporate tax rate applicable to base rate entities reduces from 27.5% to 26% for the 2020-21 income year and further reduces to 25% prospectively from the 2021-22 income year. The Company qualifies as a base rate entity as it has a turnover of less than \$50 million and less than 80% of its assessable income is derived from base rate entity passive income. The Company has remeasured its deferred tax balances, and any unrecognised potential tax benefits arising from carried forward tax losses, based on the effective tax rate that is expected to apply in the year the temporary differences are expected to reverse or benefits from tax losses realised. The impact of the change in tax rate on deferred tax balances has been recognised as tax expense in profit or loss or as an adjustment to equity to the extent to which the deferred tax relates to items previously recognised outside profit or loss.

**Note 8. Income tax (continued)**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	541	3,098
Employee benefits	324	411
Accrued expenses	356	493
Capital raising costs	171	126
Other deferred tax assets	982	527
Set-off deferred tax liabilities	(2,374)	(4,655)
Deferred tax asset	-	-
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible assets	2,374	4,630
Investments	-	13
Prepayments	-	12
Set-off of deferred tax assets	(2,374)	(4,655)
Deferred tax liability	-	-
Movements:		
Opening balance	-	6,959
Credited to profit or loss	-	(5,180)
Credited to equity	-	(22)
Additions through business combinations	-	(1,757)
Closing balance	-	-

**Note 9. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Trade receivables	2,227	3,270
Less: Allowance for expected credit losses	(475)	(474)
	1,752	2,796
Other receivables	222	239
	1,974	3,035

## Note 9. Trade and other receivables (continued)

### Allowance for expected credit losses

The Group has recognised a net loss of \$93,000 (2020: net recovery of \$56,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Not overdue	0.5%	0.5%	818	1,325	4	7
0 to 90 days overdue	0.9%	0.9%	670	1,186	6	11
90 to 180 days overdue	11.4%	9.7%	203	200	23	19
180 to 365 days overdue	50.0%	50.0%	189	244	95	122
365 days overdue	100.0%	100.0%	347	315	347	315
			<u>2,227</u>	<u>3,270</u>	<u>475</u>	<u>474</u>

The Group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised with rate increases in some categories over 90 days overdue.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
Opening balance	474	579
Movements in provision	<u>1</u>	<u>(105)</u>
Closing balance	<u>475</u>	<u>474</u>

## Note 10. Contract assets

	Consolidated	
	2021 \$'000	2020 \$'000
Current assets		
Contract assets	<u>680</u>	<u>316</u>

### Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	316	216
Additions	680	316
Transfer to trade receivables	<u>(316)</u>	<u>(216)</u>
Closing balance	<u>680</u>	<u>316</u>

**Note 11. Other**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Prepayments	226	580
Security deposits	26	154
	<u>252</u>	<u>734</u>
<i>Non-current assets</i>		
Prepayments	142	187
	<u>142</u>	<u>187</u>

**Note 12. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Plant and equipment - at cost	1,600	1,181
Less: Accumulated depreciation	(841)	(569)
Less: Impairment	(26)	(26)
	<u>733</u>	<u>586</u>
Motor vehicles - at cost	123	123
Less: Accumulated depreciation	(123)	(115)
	<u>-</u>	<u>8</u>
Monitoring infrastructure - at cost	1,317	1,267
Less: Accumulated depreciation	(1,016)	(902)
Less: Impairment	(103)	-
	<u>198</u>	<u>365</u>
	<u>931</u>	<u>959</u>

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Plant and equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Monitoring infrastructure \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	356	23	514	893
Additions	407	-	33	440
Impairment of assets (note 7)	(26)	-	-	(26)
Depreciation expense	(151)	(15)	(182)	(348)
Balance at 30 June 2020	586	8	365	959
Additions	423	-	51	474
Disposals	(4)	-	(1)	(5)
Impairment of assets (note 7)	-	-	(103)	(103)
Depreciation expense	(272)	(8)	(114)	(394)
Balance at 30 June 2021	<u>733</u>	<u>-</u>	<u>198</u>	<u>931</u>

## Note 12. Property, plant and equipment (continued)

During the period, property, plant and equipment relating to the WA cash generating unit ('CGU') was impaired by \$103,000 as a result of constructive plans being made to restructure the Group's operations. Please refer to note 14, impairment of assets, for further details relating to the restructure.

## Note 13. Right-of-use assets

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Non-current assets</i>		
Buildings - right-of-use	1,303	981
Less: Accumulated depreciation	(929)	(690)
Less: Impairment	(39)	-
	<u>335</u>	<u>291</u>

The Group leases buildings for its offices under agreements of between 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The Group leases office equipment under agreements of less than 2 years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

For impairment testing, the right-of-use assets have been allocated to the monitoring cash-generating units. Refer to note 14 for further information on the impairment testing key assumptions.

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Buildings \$'000
Balance at 1 July 2019	-
Additions	94
Right-of-use assets from adoption date (AASB 16)	399
Depreciation expense	<u>(202)</u>
Balance at 30 June 2020	291
Additions	321
Impairment of assets (note 7)	(39)
Depreciation expense	<u>(238)</u>
Balance at 30 June 2021	<u>335</u>

For other AASB 16 Lease disclosures, refer to:

- note 7 for interest paid on lease liabilities and expense relating to short-term leases;
- note 18 for lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

During the period, right-of-use assets relating to the WA cash generating unit ('CGU') were impaired by \$39,000 as a result of constructive plans being made to restructure the Group's operations. Please refer to note 14, impairment of assets, for further details relating to the restructure.

#### Note 14. Intangibles

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	34,598	34,598
Less: Accumulated impairment	(25,432)	(22,988)
	<u>9,166</u>	<u>11,610</u>
Development assets - at cost	6,272	5,550
Less: Accumulated amortisation	(3,957)	(2,904)
Less: Impairment	(1,702)	(1,702)
	<u>613</u>	<u>944</u>
Intellectual property - at cost	23	23
Less: Accumulated amortisation	(9)	(7)
	<u>14</u>	<u>16</u>
Customer contracts - at cost *	41,545	39,765
Less: Accumulated amortisation	(21,703)	(15,348)
Less: Accumulated impairment	(828)	(828)
	<u>19,014</u>	<u>23,589</u>
	<u><u>28,807</u></u>	<u><u>36,159</u></u>

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$'000	Development assets \$'000	Intellectual property \$'000	Customer contracts \$'000	Total \$'000
Balance at 1 July 2019	24,828	4,888	18	35,975	65,709
Additions	-	242	-	2,547	2,789
Adjustments through business combinations	3,892	-	-	(6,388)	(2,496)
Impairment of assets (note 7)	(17,110)	(1,702)	-	-	(18,812)
Amortisation expense	-	(2,484)	(2)	(8,545)	(11,031)
Balance at 30 June 2020	11,610	944	16	23,589	36,159
Additions	-	722	-	1,780	2,502
Impairment of assets (note 7)	(2,444)	-	-	-	(2,444)
Amortisation expense	-	(1,053)	(2)	(6,355)	(7,410)
Balance at 30 June 2021	<u><u>9,166</u></u>	<u><u>613</u></u>	<u><u>14</u></u>	<u><u>19,014</u></u>	<u><u>28,807</u></u>

#### Impairment testing on restructure

As a result of constructive plans that have been made prior to 30 June 2021 to consolidate the Western Australian (WA) operations into South Australia (SA) and New South Wales (NSW) in the foreseeable future, the Group has judged it to be appropriate to consolidate the identifiable CGUs accordingly into SA and NSW (2020: WA, SA and NSW). In accordance with AASB 136: Impairment of Assets a restructure is a specific indicator of impairment which triggers the requirement to test the goodwill of the existing CGU's for impairment. The recoverable amount of the Group's goodwill prior to the restructure was determined by a value-in-use calculation using a discounted cashflow model, based on a four year projection period approved by management, adjusted for the restructure and extrapolated for a further year using a steady growth rate which has also been used to determine the terminal value.



#### Note 14. Intangibles (continued)

Key assumptions are those assumptions to which the recoverable amount of an asset or CGU is most sensitive. The following key assumptions were used in the discounted cash flow models for each CGU for this impairment assessment (conducted prior to restructure):

	Projected revenue growth rate 2021 %	Projected revenue growth rate 2020 %	Net margin 2021 %	Net margin 2020 %	Pre-tax discount rate 2021 %	Pre-tax discount rate 2020 %	Terminal growth rate 2021 %	Terminal growth rate 2020 %
<b>Monitoring:</b>								
WA	(0.4%)	(2.3%)	22.6%	22.1%	12.3%	11.6%	0.7%	-
SA	(0.9%)	(0.6%)	21.7%	16.6%	12.3%	11.6%	0.7%	-
NSW	0.3%	(2.2%)	22.9%	27.3%	12.3%	11.6%	0.7%	-

Assumption	Approach used to determine values
Projected revenue growth rate	Management believes the projected revenue growth rate is prudent and justified, based on the expected industry and organic growth. Estimated potential future impacts of COVID-19 have been considered within the forecast of revenue growth.
Net margin	<p>Net margin for the WA monitoring CGU is above the prior year net margin for the CGU as a result of an improved growth rate.</p> <p>The net margin for the SA monitoring CGU is above the prior year net margin for the CGU as a result of higher revenues.</p> <p>The net margin for the NSW monitoring CGU is below the prior year net margin for the CGU as a result of higher allocation of overheads to the CGU.</p>
Pre-tax discount rate	Pre-tax discount rate reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for the specific CGU, the risk free rate and the volatility of the share price relative to market movements.
Terminal growth rate	The terminal growth rate is considered prudent and is justified as in line with the expected long-term industry growth.

Based on the above, the recoverable amount of the NSW CGU pre-restructure exceeded its carrying amount by \$2,444,000 and an impairment charge has been recorded accordingly.

The carrying amount of goodwill, net of impairment following this test, is allocated to each CGU, prior to the restructure, is as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
<b>Monitoring:</b>		
WA	3,927	3,927
SA	775	775
NSW	4,464	6,908
	<u>9,166</u>	<u>11,610</u>

#### Note 14. Intangibles (continued)

Following the restructure, Goodwill originally apportioned to the WA CGU was reallocated between SA and NSW CGUs using an appropriate proportional method using a relative value approach in accordance with AASB 136: Impairment of Assets, prior to testing for impairment at year end. Goodwill apportioned to SA and NSW as a result of the allocation approach adopted by management was as follows:

	Consolidated Goodwill allocated from WA \$'000	Consolidated Final goodwill balance \$'000
Monitoring:		
SA	395	1,170
NSW	3,532	7,996
	<u>3,927</u>	<u>9,166</u>

The recoverable amount of the carrying value of the Group's goodwill at year (following the above impairment charge) was determined by a value-in-use calculation using a discounted cashflow model, based on a four year projection period approved by management, adjusted for the restructure and extrapolated for a further year using a steady growth rate which has also been used to determine the terminal value.

Key assumptions are those to which the recoverable amount of an asset or CGU is most sensitive.

The following key assumptions were used in the discounted cash flow models for each CGU:

	Projected revenue growth rate 2021 %	Projected revenue growth rate 2020 %	Net margin 2021 %	Net margin 2020 %	Pre-tax discount rate 2021 %	Pre-tax discount rate 2020 %	Terminal growth rate 2021 %	Terminal growth rate 2020 %
Monitoring:								
SA	(3.0%)	(0.6%)	20.0%	16.6%	12.3%	11.6%	0.7%	-
NSW	1.9%	(2.2%)	24.2%	27.3%	12.3%	11.6%	0.7%	-

Management have determined the values assigned to each of these assumptions as follows:

Assumption	Approach used to determine values
Projected revenue growth rate	Management believes the projected revenue growth rate is prudent and justified, based on the expected industry and organic growth. Estimated potential future impacts of COVID-19 have been considered within the forecast of revenue growth.
Net margin	The net margin for the SA monitoring CGU is above the prior year net margin for the CGU as a result of higher revenues and lower marginal costs transferred from the WA CGU as part of the restructure.  The net margin for the NSW monitoring CGU is below the prior year net margin for the CGU as a result of higher allocation of overheads to the CGU and higher marginal costs transferred from the WA CGU as part of the restructure.
Pre-tax discount rate	Pre-tax discount rate reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for the specific CGU, the risk free rate and the volatility of the share price relative to market movements.
Terminal growth rate	The terminal growth rate is considered prudent and is justified as in line with the expected long-term industry growth.

#### Note 14. Intangibles (continued)

Based on the above, no further impairment charges have been applied to the goodwill allocated to the monitoring CGUs as at year end.

##### Sensitivity

As disclosed in note 3, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- revenue growth would need to decrease by more than 6.1% for SA CGU and 1.1% for NSW CGU before goodwill would need to be impaired, with all other assumptions remaining constant;
- the pre-tax discount rate would be required to increase by 6.7% for SA CGU and 1.2% for NSW CGU before goodwill would need to be impaired, with all other assumptions remaining constant;
- net margin would need to decrease by more than 6.0% for SA CGU and 2.0% for NSW CGU before goodwill would need to be impaired, with all other assumptions remaining constant; and
- terminal growth rate would need to decrease by more than 12.9% for SA CGU and 1.8% for NSW CGU before goodwill would need to be impaired, with all other assumptions remaining constant.

#### Note 15. Trade and other payables

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	1,416	1,420
Contingent consideration	1,211	1,158
Accrued expenses	1,005	1,438
Interest payable	-	153
Payable to ATO	5,701	3,508
Other payables	1,447	1,657
	<u>10,780</u>	<u>9,334</u>

Refer to note 22 for further information on financial instruments.

Refer to note 23 for further information on contingent consideration.

#### Note 16. Contract liabilities

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current liabilities</i>		
Contract liabilities	<u>848</u>	<u>910</u>
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	910	661
Adjustments through business combinations	-	367
Transfer to revenue - included in the opening balance	(910)	(661)
Transfer to revenue - other balances	<u>848</u>	<u>543</u>
Closing balance	<u>848</u>	<u>910</u>

## Note 16. Contract liabilities (continued)

### Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$848,000 as at 30 June 2021 (\$910,000 as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2021 \$'000	2020 \$'000
Within 6 months	799	860
6 to 12 months	49	50
	<u>848</u>	<u>910</u>

## Note 17. Borrowings

	Consolidated 2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Unsecured note - First Samuel Limited	9,400	-
Other short-term borrowings	95	88
Borrowings - Soliton Capital Partners Pty Ltd	34,572	2,000
Capitalised borrowing costs - Soliton Capital Partners Pty Ltd	2,986	-
Borrowings - Black Crane	-	6,624
Capitalised borrowing costs - Black Crane	-	(525)
Hire purchase	40	29
	<u>47,093</u>	<u>8,216</u>
<i>Non-current liabilities</i>		
Unsecured note - First Samuel Limited	-	8,810
Borrowings - Soliton Capital Partners Pty Ltd	-	33,184
Capitalised borrowing costs - Soliton Capital Partners Pty Ltd	-	283
Borrowings - Black Crane	6,974	-
Capitalised borrowing costs - Black Crane	(402)	-
	<u>6,572</u>	<u>42,277</u>

Refer to note 22 for further information on financial instruments.

### Assets pledged as security

#### Unsecured note - First Samuel Limited

Unsecured notes issued to First Samuel Limited were reclassified as current during the period, as they mature on 28 February 2022 (2020: Non-Current). Current interest rate is 6.52% per annum (2020: 7.53% per annum).

#### Borrowings - Soliton Capital Partners Pty Ltd

Secured notes issued to Soliton Capital Partners Pty Ltd were reclassified as current during the period, as they mature on 29 April 2022 (2020: Non-Current). On 31 December 2020, the Group made a significant repayment of \$2,000,000 to Soliton Capital Partners Pty Ltd in line with the terms of the borrowings. Current interest rate is 10.59% per annum (2020: 11.75% per annum).

At 30 June 2021, the Company breached covenants relating to EBITDA in its facility agreement with Soliton Capital Partners Pty Ltd resulting in the need to obtain a waiver for this breach subsequent to year end. The covenants are expected to be redefined with the support of the financiers.

## Note 17. Borrowings (continued)

### *Borrowings - Black Crane*

In April 2020, the Group issued unsecured convertible notes to Black Crane Asia Opportunities Fund ('Black Crane') to the value of \$6,500,000, convertible at \$0.10 per share. The notes have a term of 3 years to 15 April 2023 and at the time of issue the notes were subject to shareholder approval relating to the conversion of the notes into shares. As the notes were fully repayable in the event that shareholder approval was not obtained within 90 days of note issue, the notes were deemed to be classified as current liabilities as at 30 June 2020. On 31 July 2020, shareholder approval for conversion was obtained and the notes were reclassified as non-current for the current reporting period to 30 June 2021. Interest on the notes now accrues at a rate of 5% per annum (2020: 9% per annum) and accrues monthly. Interest is only payable upon final repayment or by conversion to shares if the loan is repaid. Black Crane can elect to convert some or all of the notes into shares within a 10-business day conversion window commencing on each 1 January, 1 April, 1 June and 1 October.

### *Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit. The Group has fully utilised its borrowings facilities at reporting date.

	Consolidated	
	2021 \$'000	2020 \$'000
Total facilities		
Other short-term borrowings	95	88
Borrowings - Soliton	34,572	35,184
Hire purchase	40	29
Unsecured note - First Samuel	9,400	8,810
Borrowings - Black Crane	6,974	6,624
	<u>51,081</u>	<u>50,735</u>
Used at the reporting date		
Other short-term borrowings	95	88
Borrowings - Soliton	34,572	35,184
Hire purchase	40	29
Unsecured note - First Samuel	9,400	8,810
Borrowings - Black Crane	6,974	6,624
	<u>51,081</u>	<u>50,735</u>
Unused at the reporting date		
Other short-term borrowings	-	-
Borrowings - Soliton	-	-
Hire purchase	-	-
Unsecured note - First Samuel	-	-
Borrowings - Black Crane	-	-
	<u>-</u>	<u>-</u>

## Note 18. Lease liabilities

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Lease liability	<u>301</u>	<u>193</u>
<i>Non-current liabilities</i>		
Lease liability	<u>142</u>	<u>197</u>

Refer to note 22 for information on the maturity analysis of lease liabilities.

## Note 19. Provisions

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Employee benefits provision	1,220	1,193
Restructuring provision	266	-
	<u>1,486</u>	<u>1,193</u>
<i>Non-current liabilities</i>		
Employee benefits provision	<u>75</u>	<u>300</u>

### Restructuring

The provision represents the estimated costs to sell or terminate a line of business, close or relocate a business location, change the management structure or other fundamental reorganisations that has a material effect on the Group. The provision is recognised once the detailed restructuring plan has been drawn up by management and communicated to the public and those affected by the plans.

### Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2021	Restructuring \$'000
Carrying amount at the start of the year	-
Additional provisions recognised	266
Carrying amount at the end of the year	<u>266</u>

## Note 20. Issued capital

	2021 Shares	Consolidated 2020 Shares	2021 \$'000	2020 \$'000
Ordinary shares - fully paid	<u>240,956,278</u>	<u>240,956,278</u>	<u>39,379</u>	<u>39,379</u>

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2019	205,643,778		33,981
Shares issued	3 October 2019	4,062,500	\$0.16	650
Shares issued	10 December 2019	31,250,000	\$0.16	5,000
Transaction costs		-	\$0.00	(274)
Movement in tax balance		-	\$0.00	22
Balance	30 June 2020	<u>240,956,278</u>		<u>39,379</u>
Balance	30 June 2021	<u>240,956,278</u>		<u>39,379</u>

### Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## Note 20. Issued capital (continued)

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.

### Share buy-back

There is no current on-market share buy-back.

### 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.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

## Note 21. Reserves

	Consolidated	
	2021 \$'000	2020 \$'000
Share-based payments reserve	391	1,874

### Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments \$'000
Balance at 1 July 2019	1,874
Balance at 30 June 2020	1,874
Share options expired during the year	(1,483)
Balance at 30 June 2021	391

## Note 22. Financial instruments

### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and equity price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

### Market risk

#### Price risk

The Group is not exposed to any significant price risk.

#### Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

Consolidated	2021		2020	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Loans*	9.10%	50,946	10.08%	50,618
Net exposure to cash flow interest rate risk		<u>50,946</u>		<u>50,618</u>

\* Excludes capitalised borrowing costs

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

For the Group the loans outstanding, totalling \$50,946,000 (2020: \$50,618,000), are principal and interest payment loans. Quarterly cash outlays of approximately \$708,000 per quarter are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of \$509,000 (2020: \$506,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of \$2,000,000 are due during the year ending 30 June 2022.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 9, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2021 and rates have increased in each category over 90 days overdue.



## Note 22. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

### Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	1,416	-	-	-	1,416
Contingent consideration	-	1,211	-	-	-	1,211
Other payables	-	1,447	-	-	-	1,447
Interest payable	-	-	-	-	-	-
<i>Interest-bearing - variable</i>						
Soliton borrowings	10.59%	34,572	-	-	-	34,572
First Samuel unsecured notes	6.52%	9,400	-	-	-	9,400
Black Crane Asia Fund	5.00%	-	6,974	-	-	6,974
Hire purchase	-	40	-	-	-	40
Lease liability	9.00%	301	59	83	-	443
<i>Interest-bearing - fixed rate</i>						
Short term borrowings	-	95	-	-	-	95
Total non-derivatives		48,482	7,033	83	-	55,598

**Note 22. Financial instruments (continued)**

Consolidated - 2020	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	1,420	-	-	-	1,420
Contingent consideration	-	1,158	-	-	-	1,158
Other payables	-	1,657	-	-	-	1,657
Interest payable	-	153	-	-	-	153
<i>Interest-bearing - variable</i>						
Soliton borrowings	10.92%	2,000	33,184	-	-	35,184
First Samuel unsecured notes	7.53%	-	8,810	-	-	8,810
Black Crane Asia Fund	9.00%	6,624	-	-	-	6,624
Hire purchase	-	29	-	-	-	29
Lease liability	9.00%	194	189	9	-	392
<i>Interest-bearing - fixed rate</i>						
Short term borrowings	-	88	-	-	-	88
Total non-derivatives		13,323	42,183	9	-	55,515

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 23. Fair value measurement**

**Fair value hierarchy**

The following tables detail the Group'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 - 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Contingent consideration	-	-	1,211	1,211
Total liabilities	-	-	1,211	1,211
<b>Consolidated - 2020</b>				
<i>Assets</i>				
Financial assets at fair value through profit or loss	-	-	192	192
Total assets	-	-	192	192
<i>Liabilities</i>				
Contingent consideration	-	-	1,158	1,158
Total liabilities	-	-	1,158	1,158

### Note 23. Fair value measurement (continued)

There were no transfers between levels during the financial year.

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.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

#### *Valuation techniques for fair value measurements categorised within level 2 and level 3*

Unquoted investments have been valued using a discounted cash flow model.

The fair value of contingent consideration payable is management's estimate of the final consideration payable for each customer and business acquisition and relates to actual customer numbers and revenues expected within 12 months of acquisition date, less amounts already paid.

#### *Level 3 assets and liabilities*

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Financial assets at fair value through profit or loss \$'000	Contingent consideration \$'000
<b>Consolidated</b>		
Balance at 1 July 2019	155	1,700
Additions	37	1,365
Payments	-	(889)
Contingent consideration no longer payable	-	(962)
Net gain on settlement of contingent consideration (note 6)	-	(56)
	<hr/>	<hr/>
Balance at 30 June 2020	192	1,158
Additions *	-	1,211
Disposals	(192)	-
Payments	-	(985)
Net gain on settlement of contingent consideration (note 6)	-	(28)
Amount reclassified to other receivables with related party	-	(145)
	<hr/>	<hr/>
Balance at 30 June 2021	<u>-</u>	<u>1,211</u>

- \* During the period, additional contingent consideration was recognised in relation to the acquisitions of various security monitoring customer bases including SMS Security (\$251,000), Onwatch Pty Ltd (\$892,000) as well as other minor acquisitions (\$68,000). The fair value of contingent consideration payable is management's estimate of the final consideration that will be payable for each acquisition and relates to actual customer numbers and revenues expected within 12 months of acquisition date.

Subsequent to year end, on 30 August 2021, a claim for contingent consideration by the vendors of Onwatch Pty Ltd of \$892,000 and counter claims was settled without requiring payment other than costs.

## Note 24. Key management personnel disclosures

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2021 \$	Consolidated 2020 \$
Short-term employee benefits	850,588	1,147,897
Post-employment benefits	60,184	93,267
Termination benefits	-	137,212
	<u>910,772</u>	<u>1,378,376</u>

## Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the Company:

	Consolidated 2021 \$	Consolidated 2020 \$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	<u>128,828</u>	<u>117,970</u>
<i>Other services</i>		
R&D tax incentive purposes (BDO Corporate Tax (WA) Pty Ltd)	<u>8,551</u>	<u>11,512</u>
	<u>137,379</u>	<u>129,482</u>

## Note 26. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2021 and 30 June 2020.

The Group has given bank guarantees as at 30 June 2021 of \$nil (2020: \$128,000) to Westpac as a contractual requirement relating to one of customer contracts.

## Note 27. Related party transactions

### Parent entity

Threat Protect Australia Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 29.

### Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

## Note 27. Related party transactions (continued)

### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2021 \$	2020 \$
<i>Goods and services:</i>		
Sale of services to key management personnel	924	1,667
<i>Employment of KMP' spouses and children (Group expense):</i>		
Payment for services from child of key management personnel	4,373	-
<i>Payment for other expenses:</i>		
Black Crane Advisors Limited is a company controlled by Mr Peter Kennan which provided debt advisory services to Threat Protect Australia Limited during the period.	65,000	-
Interest expense capitalised on Black Crane borrowings	349,542	124,166

### Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2021 \$	2020 \$
<i>Current payables:</i>		
Trade payables to entities controlled by key management personnel (Tactical Conflict Solutions Pty Ltd ('TCS') is a company jointly controlled by Demetrios Pynes and Paolo Ferrara).	-	20,000

### Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2021 \$	2020 \$
<i>Current borrowings:</i>		
Loan from borrowing - Black Crane (where Peter Kennan is also a KMP)	6,973,708	6,099,396

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except for the loan from Black Crane (refer to note 17 for details).

## Note 28. Parent entity information

Set out below is the supplementary information about the parent entity.

### Statement of profit or loss and other comprehensive income

	Parent 2021 \$'000	2020 \$'000
Loss after income tax	(14,173)	(32,392)
Total comprehensive income	(14,173)	(32,392)

## Note 28. Parent entity information (continued)

### Statement of financial position

	Parent	
	2021 \$'000	2020 \$'000
Total current assets	1,287	552
Total assets	22,771	35,177
Total current liabilities	48,394	1,113
Total liabilities	55,006	51,755
Equity		
Issued capital	87,195	87,195
Share-based payments reserve	460	1,944
Accumulated losses	(119,890)	(105,717)
Total deficiency in equity	(32,235)	(16,578)

### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Threat Protect Group Pty Ltd	Australia	100%	100%
Threat Protect Security Services Pty Ltd	Australia	100%	100%
Chipla Holdings Pty Ltd	Australia	100%	100%
VIP Security Industries Pty Ltd	Australia	100%	100%
AVMC (Aust) Pty Ltd	Australia	100%	100%
Alpha Alarms Pty Ltd	Australia	100%	100%
Seekers Security & Management Pty Ltd	Australia	100%	100%
Security Alarm Monitoring Service Pty Ltd	Australia	100%	100%
Onwatch Pty Ltd	Australia	100%	100%
Onwatch (VIC) Pty Ltd *	Australia	-	100%
Alarm Monitoring Pty Ltd	Australia	100%	100%
Electralarm Australia Pty Ltd *	Australia	-	100%

**Note 29. Interests in subsidiaries (continued)**

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
House of Security Plus Pty Ltd *	Australia	-	100%
Service 101 Pty Ltd *	Australia	-	100%

\* Companies were deregistered during the year.

**Note 30. Reconciliation of loss after income tax to net cash from/(used in) operating activities**

	Consolidated	
	2021 \$'000	2020 \$'000
Loss after income tax benefit for the year	(15,658)	(32,380)
Adjustments for:		
Depreciation and amortisation	8,042	11,581
Impairment of assets	2,586	18,838
Impairment/(recovery) of receivables	93	(56)
Non-cash other income	(61)	-
Borrowing costs capitalised	2,826	1,790
Interest capitalised to borrowings	2,328	2,204
Income tax benefit	-	(5,180)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	721	(807)
Increase in contract assets	-	(100)
Increase in inventories	(71)	(12)
Decrease/(increase) in prepayments	218	(190)
Increase in trade and other payables	1,402	37
Increase in contract liabilities	-	248
Increase/(decrease) in other provisions	68	(328)
Net cash from/(used in) operating activities	<u>2,494</u>	<u>(4,355)</u>

**Note 31. Changes in liabilities arising from financing activities**

Consolidated	Short term borrowings \$'000	Long term borrowings \$'000	Lease liabilities \$'000	Total \$'000
Balance at 1 July 2019	1,166	41,239	-	42,405
Net cash from/(used in) financing activities	6,836	(2,994)	(230)	3,612
Acquisition of leases	-	-	620	620
Business combination adjustment	18	-	-	18
Interest capitalised	761	1,443	-	2,204
Movement in borrowing costs	(565)	2,589	-	2,024
Balance at 30 June 2020	8,216	42,277	390	50,883
Net cash used in financing activities	(1,982)	-	(270)	(2,252)
Conversion of notes from non-current to current	36,296	(36,296)	-	-
Acquisition of leases	-	-	323	323
Interest capitalised	1,737	591	-	2,328
Movement in borrowing costs	2,826	-	-	2,826
Balance at 30 June 2021	47,093	6,572	443	54,108

**Note 32. Share-based payments**

*Employee Share Plan ('ESP')*

Shares issued pursuant to this plan ('incentive shares') are for services rendered by eligible employees to date and, going forward, for services rendered by existing and new eligible employees. The Group's ESP provides some senior executives and employees with a significant incentive over and above their base salary. The ESP was established to align the interests of senior management with Shareholders and to provide an incentive for employees to extend their employment terms with the Group. The experience of senior employees is an important factor in the long-term success of the Group.

Where the Group offers to issue incentive shares to an employee, the Group may offer to provide the employee with a limited recourse, interest free loan to be used for the purpose of subscribing for the incentive shares.

Set out below are summaries of options granted under the plan:

**2021**

Grant date	Expiry date	Exercise price (cents per share)	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
26/11/2015	31/10/2020	33.95	2,142,856	-	-	(2,142,856)	-
23/11/2017	31/10/2020	33.95	7,142,856	-	-	(7,142,856)	-
26/11/2015	31/10/2020	26.60	1,428,570	-	-	(1,428,570)	-
26/11/2015	31/10/2020	32.69	1,428,570	-	-	(1,428,570)	-
26/11/2015	31/10/2020	35.77	1,428,570	-	-	(1,428,570)	-
			13,571,422	-	-	(13,571,422)	-



### Note 32. Share-based payments (continued)

2020

Grant date	Expiry date	Exercise price (cents per share)	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/11/2015	31/10/2020	33.95	2,142,856	-	-	-	2,142,856
23/11/2017	31/10/2020	33.95	7,142,856	-	-	-	7,142,856
26/11/2015	31/10/2020	26.60	1,428,570	-	-	-	1,428,570
26/11/2015	31/10/2020	32.69	1,428,570	-	-	-	1,428,570
26/11/2015	31/10/2020	35.77	1,428,570	-	-	-	1,428,570
			<u>13,571,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,571,422</u>

There was a reversal of share-based payment reserve during the financial year of \$1,483,000 (2020: \$nil) against the accumulated losses due to the expiry of options hence no impact on the Statement of profit or loss was recognised.

The weighted average exercise price of options at the end of the financial year was \$nil cents (2020: 33.24 cents).

The weighted average remaining contractual life of options outstanding at the end of the financial year was nil (2020: 4 months).

### Note 33. Earnings per share

	Consolidated 2021 \$'000	2020 \$'000
Loss after income tax attributable to the owners of Threat Protect Australia Limited	<u>(15,658)</u>	<u>(32,380)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>240,956,278</u>	<u>226,080,936</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>240,956,278</u>	<u>226,080,936</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(6.50)	(14.32)
Diluted earnings per share	(6.50)	(14.32)

There were no options on issue as at 30 June 2021 (2020: 13,571,422) that could potentially dilute basic earnings per share in the future.

### Note 34. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally. This being the case, the Group does not consider it practicable to provide any future quantitative or qualitative estimates of the potential impact of this outbreak on the Group at this time.

On 9 July 2021, Peter Kennan was appointed Non-Executive Chairman of the Board of Directors and John Hallam was appointed as Chief Executive Officer.

**Note 34. Events after the reporting period (continued)**

On 4 August 2021, Brad Kobus resigned as the Chief Financial Officer.

On 12 August 2021, to better reflect the broader range of operations and activities of the Company moving forward, the Company announced the intention to change its name to Intelligent Monitoring Group Limited (proposed ASX Code: IMB:ASX reserved). A shareholders meeting seeking approval to change the name is to be convened.

On 13 August 2021, Dennison Hambling was appointed as Executive Director.

On 16 August 2021, a waiver was obtained for the breach of the EBITDA covenants for the facility agreement with Soliton Capital Partners Pty Ltd for the year ending 30 June 2021. The covenants are expected to be redefined with the support of the financiers.

On 30 August 2021, the claim for contingent consideration by the vendors of Onwatch of \$892,000 and counter claims was settled without requiring payment other than costs.

No other matter or circumstance has arisen since 30 June 2021 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Dennison Hambling  
Deputy Chairman and Executive Director

31 August 2021

## INDEPENDENT AUDITOR'S REPORT

To the members of Threat Protect Australia Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Threat Protect Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2021 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 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 Intangible assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 14 of the financial report discloses the individual intangible assets and the assumptions used by the Group in testing these assets for impairment.</p> <p>As required by the Australian Accounting Standards, the Group performs an annual impairment test for each Cash Generating Unit ('CGU') to which goodwill and other intangible assets have been allocated, to determine whether the recoverable amount is below the carrying amount as at 30 June 2021.</p> <p>This was determined to be a key audit matter as management's assessment of the recoverability of the intangible asset is supported by a value in use cash flow forecast which requires estimates and judgements about future performance.</p> <p>These include judgements and estimates over the expectation of future revenues, anticipated gross profit margin, growth rates expected and the discount rate applied as disclosed in Note 3 and Note 14 of the financial report.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>Evaluating the appropriateness of the Group's categorisation of CGUs and the allocation of goodwill and assets to the carrying value of CGUs based on our understanding of the Group's business;</li> <li>Challenging key inputs used in management's impairment assessment including the following: <ul style="list-style-type: none"> <li>In conjunction with our valuation specialists, comparing the discount rate utilised by management to an independently calculated discount rate;</li> <li>Comparing growth rates with historical data and economic and industry growth forecasts;</li> <li>Assessing the Group's forecast cash flows is consistent with our knowledge of the business, board approved budget, incorporating any potential impact of the COVID-19 pandemic and corroborating our work with external information where possible;</li> <li>Performing sensitivity analysis on the revenue, growth rates, gross profit margins, discount rates and impact of COVID-19.</li> </ul> </li> <li>Assessing the adequacy of related disclosures in Note 3 and Note 14 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 2021, 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 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 11 to 18 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Threat Protect Australia Limited, for the year ended 30 June 2021, 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

A handwritten signature in black ink, appearing to read 'Dean Just', written over a faint, larger 'BDO' watermark.

**Dean Just**

**Director**

Perth, 31 August 2021

The shareholder information set out below was applicable as at 9 August 2021.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	76	0.01
1,001 to 5,000	62	0.08
5,001 to 10,000	36	0.12
10,001 to 100,000	198	3.40
100,001 and over	152	96.39
	<b>524</b>	<b>100.00</b>
Holding less than a marketable parcel	241	-

### Equity security holders

#### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
First Samuel Ltd ACN 086243567	61,674,050	25.60
Citicorp Nominees Pty Limited	31,418,250	13.04
Patner Pty Ltd	8,312,500	3.45
HSBC Custody Nominees (Australia) Limited	6,132,833	2.55
Lenale Holdings Pty Ltd	6,000,000	2.49
Cintell Pty Ltd	5,167,665	2.14
Siren Nominees Pty Ltd	5,069,492	2.10
Mr Craig Alexander Bortignon and Mrs Pauline Licia Bortignon	5,020,000	2.08
Mr Jamie Pherous	5,006,349	2.08
Redun Pty Ltd	4,450,000	1.85
Ms Alison Elizabeth Howe	4,431,224	1.84
Ms Concetta Ferrara	4,424,001	1.84
Ms Michelle Pynes	4,285,163	1.78
Aegus Pty Ltd	4,260,142	1.77
Mr Peter Aristide Pynes and Mrs Lara Olimpia Pynes	4,257,221	1.77
Drake Super Pty Ltd	3,500,000	1.45
Mr Bobby Vincent Li	3,289,490	1.37
MMS1 Pty Ltd	3,000,000	1.25
Invia Custodian Pty Limited	2,190,475	0.91
Mr Peter Pynes and Mrs Lara Pynes	2,114,285	0.88
	<b>174,003,140</b>	<b>72.24</b>

#### Unquoted equity securities

There are no unquoted equity securities.



### Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
First Samuel Limited	61,903,702	25.69
Black Crane Asia Pacific Opportunities Fund	31,250,000	12.97
360 Capital Equities Management Pty Ltd	25,170,000	10.45
MMS1 Pty Ltd	13,587,641	5.64

### Voting rights

The voting rights attached to ordinary shares are set out below:

#### Ordinary shares

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.

There are no other classes of equity securities.