



Family Zone Cyber Safety Limited

ACN 167 509 177

HALF YEAR FINANCIAL REPORT

for the half year ended 31 December 2016

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CONTENTS

	PAGE
CORPORATE INFORMATION.....	3
APPENDIX 4D INFORMATION.....	4
DIRECTORS' REPORT.....	6
AUDITORS INDEPENDENCE DECLARATION	9
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	10
CONDENSED STATEMENT OF FINANCIAL POSITION	11
CONDENSED STATEMENT OF CHANGES IN EQUITY.....	12
CONDENSED STATEMENT OF CASH FLOWS.....	13
NOTES TO THE FINANCIAL STATEMENTS	14
INDEPENDENT AUDITOR'S REVIEW REPORT	21

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CORPORATE INFORMATION

Directors

Tim Levy Managing Director
John Sims Non-executive Chairman
Crispin Swan Executive Director - Sales
Phil Warren Non-executive Director

Company secretary

Emma Wates

Registered and principal administrative office

945 Wellington Street
WEST PERTH WA 6005
Telephone: +61 8 9322 7600

Principal place of business

Level 15, 207 Murray Street
WEST PERTH WA 6000
Telephone: 1300 398 326

Share register

Automic Registry Services
Suite 310, 50 Holt Street
SURRY HILLS, NSW 2010
Telephone: +61 8 9324 2099

Solicitors

GTP Legal
68 Aberdeen Street
NORTHBRIDGE WA 6003
Telephone: +61 8 6555 1866

Bankers

Westpac Banking Corporation
Level 14, 109 St Georges Terrace
Perth WA 6000

Auditors

Pitcher Partners BA&A Pty Ltd
Level 1, 914 Hay Street
PERTH WA 6000
Telephone: +61 8 9322 2022

Securities Exchange Listing

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

APPENDIX 4D INFORMATION
Reporting period

Current period: Half year ended 31 December 2016
 Previous corresponding period: Half year ended 31 December 2015

Results for announcement to market

	% increase/ (decrease)	31 December 2016	31 December 2015
Revenue from ordinary activities	N/a	\$258,868	-
Profit/(Loss) from ordinary activities after tax attributable to members	(17252%)	(\$3,491,204)	\$20,354
Net profit/(loss) for the period attributable to members	(17252%)	(\$3,491,204)	\$20,354

Dividends

No dividends have been declared or paid during the period ended 31 December 2016. The Directors do not recommend the payments of a dividend in respect of the period ended 31 December 2016.

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

Explanation of results

Family Zone Cyber Safety was admitted to Official Quotation on the ASX on 29 August 2016. Since listing on the ASX, the Company has progressed the commercialisation of its Family Zone Platform in Australia and internationally.

During the half year ended 31 December 2016, the Company completed a \$6.0 million capital raising to fund the global commercialisation and ongoing development of the Family Zone Platform.

During the current reporting period, the Company launched its consumer business in Australia (July 2016) and established a strategic wholesale partnership with major Philippines carrier PLDT. This resulted in the first revenues from ordinary activities with Family Zone Platform sales of \$258,868.

In the half year ended 31 December 2015, other income revenues of \$407,943 related to export and R&D grants received by the Company during this period. The Company expects to receive approximately \$695,000 in export and R&D grants in the first quarter of 2017.

The Company's move from a small private company in a research and development phase of operations to an ASX listed company commencing the commercialisation of its Family Zone Platform has resulted in a significant increase in associated expenditure and net operating loss being reported. Expenditure increased across all key areas of the business as a result of:

- the launch of the Australian consumer business in July 2016 with nationwide sales and marketing initiatives implemented in line with the Company's commercialisation strategy;
- the commencement of commercial production of Family Zone boxes and resulting increase in cost of sales;
- the establishment of sales, marketing and technical management teams to implement and drive the Company's strategy and operations;
- the engagement of country heads in Philippines and USA to manage and develop operations in these countries;
- the establishment of a Manila based support centre to service the Company's strategic wholesale partnership with PLDT and its customers;
- one-off costs associated with the capital raising and listing on the ASX;

- increased administration, compliance and overhead costs associated with the move to the commercial phase of operations and being an ASX listed entity.

Share based payments of \$480,446 were also reported in the half year ended 31 December 2016 compared to \$54,411 in the previous corresponding period.

Net tangible assets per security

Net tangible liabilities per share	31 December 2016	30 June 2016
Net tangible liabilities (cents per share)	1.0	6.2

Other

On 20 September 2016, the Company incorporated a wholly owned US subsidiary Family Zone Inc. Family Zone Inc did not undertake any operational activities during the period ended 31 December 2016 and did not contribute to the Company's loss from ordinary activities for the period.

Entity	Country of Incorporation	Equity interest
Family Zone Inc	USA	100%

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

Emphasis of Matter

The Independent Auditor's Review Report included an unmodified opinion with an Emphasis of Matter drawing attention to Note 2 in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the condensed financial statements of Family Zone Cyber Safety Limited and its controlled entities (the 'Company') for the half year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

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

Mr Tim Levy	Managing Director
Mr John Sims	Non-executive Independent Chairman
Mr Crispin Swan	Executive Director – Sales
Mr Phil Warren	Non-executive Independent Director

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

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were its successful listing on ASX in August 2016 and subsequent commencement of the commercialisation of the Family Zone Platform.

The Family Zone Platform is a cloud based parental control platform owned and operated by the Company. The Family Zone Platform incorporates networking and application technologies which allow parental controls to be embedded within home, enterprise public and telecommunications carrier networks and installed on mobile devices.

RESULTS

The net loss attributable to members of the Company for the half year ended 31 December 2016 amounted to \$3,491,204 (31 December 2015: net profit attributable to members \$20,354).

The Company's cash at bank was \$2,150,876 as at 31 December 2016.

REVIEW OF OPERATIONS

During the period ended 31 December 2016 the Company successfully completed a \$6.0 million capital raising and was admitted to Official Quotation on ASX on 29 August 2016.

Following listing on ASX the Company commenced the commercialisation of its Family Zone Platform and has made significant progress against the key commercialisation and distribution channels identified including:

- the launch of Australia consumer business and nationwide sales and marketing initiatives resulting in consumer sign ups and revenues growing above targets;
- generation of sales activities around schools boosted by the acquisition of Sonar/MyNet (outlined further below);
- strategic wholesale partnership signed with major Philippines telecommunications carrier PLDT;
- development of WorkZone, of a new cyber security offering for SMEs, in response to market demand from telecommunication carriers; and
- establishment of base of operations in USA, including experienced team and Family Zone technology deployed in schools.

In December 2016 the Company successfully completed the acquisition of one of Australia's leading cyber security and education platforms Sonar/MyNet from Tesseract and engaged Tesseract as its global reseller and distribution partner. At the time of the acquisition Sonar/MyNet was installed in 180 schools in Australia and 47 in USA. This acquisition has accelerated the Company distribution strategy through school communities providing the Company with the opportunity to cross sell its home and mobile parental control offerings to the 200,000+ families associated with the schools using the Sonar/MyNet platforms as well as providing immediate licence fee revenues.

As part of the Sonar/MyNet acquisition the Company also entered into a Placement Agreement with Tracy Smyth pursuant to which the Company has agreed to issue Tracy Smyth 3,333,333 Shares at an issue price of \$0.30 to raise \$1,000,000 on or before 28 April 2017. Shareholder approval for the Placement was granted on 13 December 2016.

During the period the Company also acquired strategic application software called Compliance and Application Security Manager (CASM) which enables Family Zone to run filtering services on PCs and Macs, significantly expanding Family Zone's market offering.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

AFTER BALANCE DATE EVENTS

Following the end of the half year, the Company finalised its claim for its Research & Development grant with an expectation to receive \$630,000 and export market development grant with an expected grant entitlement of \$65,000.

On 20 February 2017, the Company announced it had signed an agreement with major Indonesian carrier Telkomsel to conduct joint development and user trials in contemplation of a commercial launch of embedded parental controls mid 2017. Commercial launch is subject to completion of successful trials and negotiation of a services agreement.

The Company also issued 634,656 Employee Options (\$0.33, 19 Sept 2019) and cancelled 460,293 Employee Options (\$0.33, 19 Sept 2019) on 20 February 2017.

Following the end of the half year the Company has also achieved a number of milestones in its US operations with school installation increasing 72% to 81 schools and the engagement of US reseller, eBridge to market Family Zone's consumer services directly to families through its school clients.

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

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

DIVIDENDS

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

Signed in accordance with a resolution of the Directors.



Mr Tim Levy
Managing Director
27 February 2017

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AUDITOR'S INDEPENDENCE DECLARATION

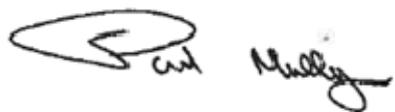
To the Directors of Family Zone Cyber Safety Limited.

In relation to the independent review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*;
and
- (ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN
Executive Director
Perth, WA
27 February 2017

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Revenue		258,868	-
Other Income		9,281	408,465
Advertising		(336,039)	(10,000)
Administration		(287,214)	(323,700)
Cost of Sales		(190,786)	-
Finance		(3,575)	-
Information Technology		(317,427)	-
Marketing		(161,306)	-
Share based payment expense	9	(480,446)	(54,411)
Employee benefits		(1,784,764)	-
Other		(197,796)	-
(Loss)/Profit before income tax		(3,491,204)	20,354
Income tax benefit/(expense)		-	-
(Loss)/Profit after tax for the period attributable to the members of Family Zone Cyber Safety		(3,491,204)	20,354
Other comprehensive income		-	-
Total comprehensive (loss)/profit for the period attributable to the members of Family Zone Cyber Safety		(3,491,204)	20,354
Basic and diluted (loss)/profit per share (cents per share) for the period attributed to the members of Family Zone Cyber Safety		(10.69)	0.00

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents		2,150,876	720,227
Trade and other receivables		71,384	41,427
Prepayments		469,882	-
Inventory		173,784	216,029
Total Current Assets		2,865,926	977,683
Non-Current Assets			
Intangibles	7	4,237,201	380,146
Plant and equipment		32,883	6,852
Total Non-current Assets		4,270,084	386,998
TOTAL ASSETS		7,136,010	1,364,681
LIABILITIES			
Current Liabilities			
Trade and other payables		3,541,899	538,630
Borrowings		-	1,430,000
Total Current Liabilities		3,541,899	1,968,630
TOTAL LIABILITIES		3,541,899	1,968,630
NET ASSETS/(LIABILITIES)		3,594,111	(603,949)
EQUITY			
Issued capital	4	9,020,035	1,433,717
Reserves		1,708,294	1,605,348
Accumulated losses		(7,134,218)	(3,643,014)
TOTAL EQUITY/(DEFICIT)		3,594,111	(603,949)

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

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2016

	Issued Capital	Option & Performance Reserve	Accumulated Losses	Total
	\$		\$	\$
Balance as at 1 July 2015 (unaudited)	1,465,596	-	(737,733)	727,863
Retrospective adjustments for errors in the prior financial year	(153,978)	-	(89,674)	(243,652)
Balance at 1 July 2015 (restated)	1,311,618	-	(827,407)	484,211
(Loss)/Profit for the period	-	-	20,354	20,354
Total other comprehensive income	-	-	-	-
Total comprehensive profit for the period	-	-	20,354	20,354
<i>Transaction with owners, directly recorded in equity:</i>				
Issue of ordinary shares, net of transaction costs	-	-	-	-
Issue of performance rights & options	-	-	-	-
Total transactions with owners	1,311,618	-	(807,053)	504,565
Balance at 31 December 2015	1,311,618	-	(807,053)	504,565

	Issued Capital	Option & Performance Reserve	Accumulated Losses	Total
	\$		\$	\$
Balance at 1 July 2016	1,433,717	1,605,348	(3,643,014)	(603,949)
Loss for the period	-	-	(3,491,204)	(3,491,204)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(3,491,204)	(3,491,204)
<i>Transaction with owners, directly recorded in equity:</i>				
Issue of ordinary shares, net of transaction costs	7,586,318	-	-	7,586,318
Issue of performance rights & options	-	102,946	-	102,946
Total transactions with owners	7,586,318	102,946	-	7,689,264
Balance at 31 December 2016	9,020,035	1,708,294	(7,134,218)	3,594,111

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

CONDENSED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipt from customers	190,512	-
Government grants received	-	407,943
Payments to suppliers and employees	(3,372,338)	(693,083)
Interest received	3,089	522
Net cash flows (used in) operating activities	(3,178,737)	(284,618)
Cash flows from investing activities		
Purchase of plant & equipment	(34,512)	-
Payments for intangible assets	(1,109,225)	-
Net cash flows (used in) investing activities	(1,143,737)	-
Cash flows from financing activities		
Proceeds from issue of shares, net of share issue costs	5,797,123	-
Proceeds from / (repayment of) borrowings	(44,000)	356,667
Net cash flows from financing activities	5,753,123	356,667
Net increase/(decrease) in cash and cash equivalents	1,430,649	(72,049)
Cash and cash equivalents at beginning period	720,227	78,519
Cash and cash equivalents at end period	2,150,876	6,470

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2016

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Family Zone Cyber Safety Limited (**Company**) is a listed public company incorporated and domiciled in Australia. The financial statements of the Company are as at and for the period ended 31 December 2016.

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report which does not form part of this financial report.

The financial statements were authorised by the Board of Directors on the date of signing the Directors' Declaration.

NOTE 2: BASIS OF PREPARATION

The half-year financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards 134 'Interim Financial Reporting', other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Family Zone Cyber Safety Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

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

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are relevant to their operations and effective for the current reporting period. The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods.

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

Going Concern

The interim condensed financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company incurred a net loss after tax for the half-year ended 31 December 2016 of \$3,491,204 and a net cash outflow from operating and investing activities of \$4,322,474. Net assets of the Company as at 31 December 2016 were \$3,594,111 (30 June 2016: (\$603,949)).

The Company's ability to continue as a going concern and pay its debts as and when they fall due is dependent upon the Company raising additional capital via any means available to it in a timely manner in order to fund the Company's ongoing activities.

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Company will achieve the matter set out above and be able to pay its debt as and when they fall due.

The interim condensed financial statements are therefore prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

Asset Acquisition

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities, as the initial recognition exemption for deferred tax under AASB 112 *Income Taxes* applies. No goodwill will arise on the acquisition.

NOTE 3: SEGMENT REPORTING

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

Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

NOTE 4: ISSUED CAPITAL

Share Capital	2016	2015
	Number of Shares	Number of Shares
Issued Ordinary Shares - no par value (fully paid)	63,811,039	34,913,488
Total	63,811,039	34,913,488
	Number of Shares	\$ Value
Opening balance – 1 July 2015	34,913,488	1,311,618
Closing balance – 31 December 2015	34,913,488	1,311,618
Opening balance – 1 July 2016	16,000,029	1,433,717
Shares issued to Fidelio Partners on 29 July 2016	718,750	115,000
Conversion of stage 1 convertible note issued 29 August 2016	5,187,500	600,000
Conversion of stage 2 convertible note issued 29 August 2016	8,571,427	830,000
Shares issued to Alto Capital on 29 August 2016	1,500,000	300,000
Shares issued pursuant to public offer on 29 August 2016	30,000,000	6,000,000
Shares issued to Tesserent on 16 December 2016	1,000,000	185,000
Shares issued to Tracey Smyth on 16 December 2016	833,333	154,167
Costs of shares issued		(597,848)
Closing balance – 31 December 2016	63,811,039	9,020,035

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

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

Options outstanding at 31 December 2016

The following options over ordinary shares of the Company existed at reporting date (31 December 2015: nil):

Balance at 31 December 2016	Expiry Date	Number of Options	Exercise Price (\$)
Options	20/05/2019	4,000,000	0.25
Options	29/08/2019	10,093,751	0.25
Options	19/09/2019	4,725,410	0.33
Options	16/12/2019	6,000,000	0.30
		24,819,161	

Performance shares at 31 December 2016

The following performance shares of the Company existed at reporting date (31 December 2015: nil):

	Number of Shares	\$ Value
Balance at 1 July 2016	28,000,000	1,195,207
Performance shares issued 5 December 2016	500,000	2,876
Performance shares issued 16 December 2016	2,999,997	10,093
	31,499,997	1,208,176

NOTE 5: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Following the end of the half year, the Company finalised its claim for its Research & Development grant with an expectation to receive \$630,000 and export market development grant with an expected grant entitlement of \$65,000.

On 20 February 2017 the Company announced it had signed an agreement with major Indonesian carrier Telkomsel to conduct joint development and user trials in contemplation of a commercial launch of embedded parental controls mid 2017. Commercial launch is subject to completion of successful trials and negotiation of a services agreement.

The Company also issued 634,656 Employee Options (\$0.33, 19 Sept 2019) and cancelled 460,293 Employee Options (\$0.33, 19 Sept 2019) on 20 February 2017.

Following the end of the half year the Company has also achieved a number of milestones in its US operations with school installation increasing 72% to 81 schools and the engagement of US reseller, eBridge to market Family Zone's consumer services directly to families through its school clients.

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

NOTE 6: CONTINGENT LIABILITIES & ASSETS

The Directors are not aware of any contingent liabilities that may arise from the Company's operations as at 31 December 2016.

NOTE 7: ASSET ACQUISITION

On 8 November 2016, the Company announced to the market the acquisition of Sonar/MyNet cyber safety Intellectual Property from Tesserent Limited for a payment of \$3.5 million in cash consideration and 1,000,000 share consideration.

The breakdown terms of the acquisition were as follows:

- a non-refundable cash deposit of \$0.25 million;
- a payment of \$0.75 million cash on completion following shareholder approval;
- the issue of 1,000,000 shares issued on completion (16 December 2016);
- a payment of \$0.5 million in cash on 28 February 2017; and
- a payment of \$2.0 million in cash on 31 May 2017.

As part of the acquisition the Company also entered into a Placement Agreement with Tracy Smyth pursuant to which the Company has agreed to issue Tracy Smyth 3,333,333 Shares at an issue price of \$0.30 to raise \$1,000,000. Shareholder approval for the Placement was granted on 13 December 2016. The funds raised from the Placement are intended to be used to fund part of the final payments under the acquisition agreement.

At the date of this report, the timeline as set above has been followed with no exception.

Additionally, on the same date the Company announced to the market its acquisition of client filtering technology application called the "Company and Application Security Manager" in consideration in the issue of 833,333 shares, as approved at the General Meeting held in December 2016.

The Company has recognised the purchase of the above assets as intangibles on its balance sheet.

NOTE 8: DIVIDENDS

There has been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

NOTE 9: SHARE BASED PAYMENTS

The establishment of an Employee Share Option Scheme was approved by the board of directors on 7 July 2016. The option scheme is designed to provide long term incentives for senior managers and above (including non-executive and executive directors) and to attract and retain experienced employees, board members and executive officers and provide motivation to make the group more successful. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefit.

Any option may only be exercised after the option has vested and other conditions imposed by the board have been satisfied. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, shares allotted pursuant to the exercise of options will be allotted following receipt of relevant documentation and payments will rank equally with all other shares.

These options have been valued using the Black Scholes Model.

	Tranche 1	Tranche 2	Tranche 3
Number of Options	3,111,130	1,614,280	6,000,000
Underlying share price	\$0.30	\$0.195	\$0.20
Exercise price	\$0.33	\$0.33	\$0.30
Expected volatility	100%	100%	100%
Expiry date (years)	3.00	3.00	3.00
Expected dividends	Nil	Nil	Nil
Risk free rate	2.28%	2.28%	2.28%
Value per option	\$0.1825	\$0.1018	\$0.1055

The Company issued three tranches of options during the period as noted below:

Valuation Date	Expiry Date	Exercise Price	Granted during the period	Total Share-Based Payment Expense for the period
19/09/2016	19/09/2019	\$0.33	3,111,130	\$91,317
19/09/2016	19/09/2019	\$0.33	1,614,280	\$2,947
16/12/2016	15/12/2019	\$0.30	6,000,000	\$13,006

The vesting conditions attached to these options are as follows

Vesting Date	Vesting condition
31/12/2017	25% of the Options will vest and become exercisable upon the Company having 20,000 paying subscribers registered by 31 December 2017
31/12/2017	25% of the Options vest and become exercisable upon the Company having 30,000 paying subscribers registered by 31 December 2017
30/06/2019	50% of the Options will vest and become exercisable upon the Company achieving \$10,000,000 of customer revenue in any of the financial years ended 30 June 2017, 30 June 2018 or 30 June 2019.
16/12/2018	Family Zone achieving \$2.0m Cumulative Revenue in 24 months from engagement or 20,000 Paying Zones
16/12/2018	Family Zone achieving \$4.0m Cumulative Revenue in 24 months from engagement or 30,000 Paying Zones
16/12/2018	Family Zone achieving \$8.0m Cumulative Revenue in 24 months from engagement or 40,000 Paying Zone
16/12/2018	Family Zone achieving \$10.0m Cumulative Revenue in 24 months from engagement or 50,000 Paying Zone

During the financial period, the Company also issued performance shares. The performance shares issued are subject to a series of vesting conditions. The performance shares issued during the period are noted below:-

Issue date	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Total Performance Shares
5-Dec-16	166,667	166,667	166,666	500,000
16-Dec-16	999,999	999,999	999,999	2,999,997
Total	1,166,666	1,166,666	1,166,665	3,499,997

The deemed value as at 31 December 2016 of these performance shares totalled \$12,968.

The vesting conditions attached to these performance shares are as follows:

	Vesting Date	Vesting condition
Class A	29/08/2018	On achievement of 15,000 paying subscribers of the Company generating at least \$100,000 revenue per month over 3 consecutive months within 24 months of the Company being admitted to the official list of the ASX, each Class A Performance Share will convert on a one for one basis into a Share.
Class B	29/08/2019	On achievement of \$10,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income within 36 months of the Company being admitted to the official list of the ASX, each Class B Performance Share will convert on a one for one basis into a Share.
Class C	29/08/2020	On achievement of \$20,000,000 revenue by the Company over a 12 month rolling period of which 30% is subscription income within 48 months of the Company being admitted to the official list of the ASX, each Class C Performance Share will convert on a one for one basis into a Share.

NOTE 10: SEGMENT INFORMATION

Management has determined the operating segments based on reports reviewed by the Board of Directors for making strategic decisions. The current Board of Directors monitors the business based on operational and geographic factors, and has determined there is only one relevant business segment. The Company operates in one industry being information technology.

DIRECTORS' DECLARATION

The directors of the Company declare that:

- (a) the financial statements comprising the condensed statement of profit or loss and other comprehensive income, condensed statement of financial position, condensed statement of cash flows, condensed statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
- i. comply with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the Company's financial position as at 31 December 2016 and of its performance of the half year ended on that date
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Tim Levy
27 February 2017

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF FAMILY ZONE CYBER SAFETY LIMITED**

We have reviewed the accompanying half-year financial report of Family Zone Cyber Safety Limited (the "Company"), which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Family Zone Cyber Safety Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF FAMILY ZONE CYBER SAFETY LIMITED**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Family Zone Cyber Safety Limited is not in accordance with the *Corporations Act 2001* including:

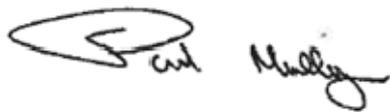
- (a) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the Family Zone Cyber Safety Limited incurred a net loss of \$3,491,204 during the half-year ended 31 December 2016 and, as of that date, a net cash outflow from operating and investing activities of \$4,322,474. As at 31 December 2016 Family Zone Cyber Safety Limited's current liabilities exceeded its current assets by \$675,973. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Family Zone Cyber Safety Limited's ability to continue as a going concern and therefore, the Family Zone Cyber Safety Limited may be unable to realise its assets and discharge its liabilities in the normal course of business.

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PAUL MULLIGAN
Executive Director
Perth, WA
27 February 2017

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