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# THREAT PROTECT

ACN 060 774 227  
THREAT PROTECT AUSTRALIA LIMITED

**ANNUAL REPORT**  
30 June 2017

## CORPORATE DIRECTORY

### Current Directors

Derek La Ferla	Non-Executive Chairman	
Demetrios Pynes	Managing Director	
Paolo (Paul) Ferrara	Executive Director	
Dimitri Bacopanos	Non-Executive Director	<i>(Appointed 1 January 2017)</i>

### Company Secretary

Simon Whybrow

### Registered Office

Street: Level 1, 672 Murray Street  
West Perth WA 6005

Postal: PO Box 1920  
West Perth WA 6872

Telephone: 1300 THREAT (1300 847 328)

Facsimile: +61 (0)8 9322 9711

Email: [info@threatprotect.com.au](mailto:info@threatprotect.com.au)

Website: [www.threatprotect.com.au](http://www.threatprotect.com.au)

### Principal Place of Business

Street: Level 1, 672 Murray Street  
West Perth WA 6005

Postal: PO Box 1920  
West Perth WA 6872

Telephone: 1300 THREAT (1300 847 328)

Facsimile: +61 (0)8 9322 9711

### Securities Exchange

Australian Securities Exchange  
Level 40, Central Park, 152-158 St Georges Terrace  
Perth WA 6000

Telephone: 131 ASX (131 279) (within Australia)

Telephone: +61 (0)2 9338 0000

Facsimile: +61 (0)2 9227 0885

Website: [www.asx.com.au](http://www.asx.com.au)

ASX Code: TPS

### Share Registry

Link Market Services Limited  
Level 12 QV1 Building, 250 St Georges Terrace  
PERTH WA 6000

Telephone: 1300 554 474 (investors within Australia)

Facsimile: +61 1300 554 474 (international)

Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6000

Telephone: +61 (0)8 6382 4600

Facsimile: +61 (0)8 6382 4601

Website: [www.bdo.com.au](http://www.bdo.com.au)

### Legal Advisors

Lavan Legal  
The Quadrant, 1 William Street  
Perth WA 6000

Telephone: +61 (0)8 9288 6000

Facsimile: +61 (0)8 9288 6001

Website: [www.lavanlegal.com.au](http://www.lavanlegal.com.au)

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# THREAT PROTECT AUSTRALIA LIMITED














AND CONTROLLED ENTITIES  
ACN 060 774 227

ANNUAL REPORT 30 JUNE 2017

## ANNUAL REPORT

30 June 2017

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## OPERATIONS REVIEW

### Financial Performance

FY2017 was Threat Protect's first full financial year as a listed entity and was significant for the Company as it continued to execute its acquisition growth strategy. The Company delivered a strong turnaround in reported profit on the back of revenue growth across all its businesses, and generated positive operating cash flow.

A funding package of up to \$10.5 million was secured from cornerstone investor First Samuel Limited in November 2016, and was utilised for key monitoring acquisitions that significantly increased the customer base and expanded the Company's presence on the east coast of Australia. Threat Protect is now the only security company with monitoring control rooms on both the East and West coast of Australia, each graded to the highest level "A1" under Australian standards.

Highlights for the year included:

- ▀ Operating revenue for the financial year was up 58% to \$11.5 million, and total revenue after including other income was up 74% to \$12.9 million.
- ▀ Reported Net Profit After Tax (NPAT) for FY2017 was \$1.7 million, a significant turnaround on the \$5.4 million loss reported in FY2016, which was impacted by accounting and acquisition expenses associated with the Company's listing on the ASX that year.
- ▀ Reported EBITDA was positive \$2.6 million (EBITDA loss \$5.0 million in FY2016), which was consistent with the turnaround in NPAT. This also included all business acquisition and integration costs incurred during the period of approximately \$0.7 million.
- ▀ Growth momentum remained positive during FY2017 with increased revenue and profit contributions in the second half of the year relative to the first half.
- ▀ Operating cash flow of \$1.3 million contributed to an overall net increase in cash from \$0.4 million to \$1.2 million as at 30 June 2017.

### NET PROFIT AFTER TAX TO EBITDA RECONCILIATION

	2017 \$	2016 \$
<b>Net Profit After Tax (NPAT)</b>	<b>1,692,336</b>	<b>(5,371,110)</b>
Add: Depreciation of property, plant and equipment	161,026	116,813
Add: Amortisation of intangible assets	746,918	176,260
Add: Impairment	65,492	30,560
Add: Net Finance Costs (Interest)	344,141	394,398
Less: Income tax benefit	(417,586)	(378,015)
<b>Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)</b>	<b>2,592,327</b>	<b>(5,031,094)</b>

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### OPERATIONS REVIEW

#### Monitoring

Monitoring experienced substantial growth with revenue up 84% year-on-year to \$5.2 million. Revenue more than doubled in the second half of the financial year compared to the first half, largely as a result of the integration of the acquisition of Apollo Security Pty Ltd's Grade One Security (NSW) and Queensland Security Rangers (QLD). Of the funding package received from First Samuel Limited, \$4.5 million was utilised to pay the first tranche for the assets of the businesses.

The acquisition of the Apollo Security businesses has allowed Threat Protect to add anticipated recurring annual revenue of approximately \$3.2 million, grow its national presence across 480 resellers servicing over 38,000 residential and commercial customers.

Monitoring increased its share of group revenue to 46% in FY2017, up from 39% in FY2016. Ongoing organic growth of the Company's current monitoring customer base, both directly and through the development of Threat Protect's reseller base, continued to enhance the revenue stream for FY2017.

Threat Protect expects margins to increase for the division in FY2018 as the Company continues to execute on its acquisition strategy.

#### Guarding and Services

The provision of manned security and consulting services to corporate clientele remains an important part of Threat Protect's integrated service offering. The segments delivered year-on-year revenue growth of 42% to \$6.2 million, with revenue up 15.6% in the second half of the year relative to the first half, driven by major events in the Western Australian events calendar.

The seasonally strong performance of the financial year was characterised by several high-profile events during the summer months, such as the City of Perth Australia Day celebrations.



Subsequent to the financial year end, Threat Protect became the first Australian affiliate of the internationally recognised organisation, Certified Counter Terrorism Practitioners ("CCTP"). The CCTP is based in Singapore and administers an international accreditation program for experienced security and law enforcement professionals that provides demonstrable proof of knowledge and expertise in terrorism detection, prevention, and response.

The award is an endorsement of the skill and expertise offered by Threat Protect to corporate and government clients, and further differentiates the Company and its service offering in the Australian security market.

#### Safe Haven

Threat Protect's Safe Haven personal duress application continues to enjoy a favourable reception in the smartphone app market, with increasing sales traction from a number of different industries progressing during FY2017. The continued development of the application is set to build further on its capabilities and broaden its scope for the future.

#### Board and Management

Mr Dimitri Bacopanos joined the Threat Protect Board in January as a Non-Executive Director. Mr Bacopanos was previously an Executive Director in the Transaction Advisory Services team at EY, and has more than 20 years' commercial experience in both private and ASX listed companies, including mergers and acquisitions.

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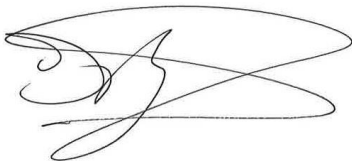
## OPERATIONS REVIEW

### Growth Strategy and Outlook

Threat Protect enters FY2018 in a strong position. Demand for security in Australia is expected to grow as businesses and households continue to invest in security services and crime-prevention measures. The progress Threat Protect made this year to build out its offering and national reach, places the Company in an excellent position to take advantage of this trend.

The Company's focus remains on growing the current monitoring customer base, and by leveraging the largely fixed cost infrastructure and significant capacity of its existing control rooms through the targeted acquisition of monitored security client bases.

Threat Protect continues to actively evaluate new acquisition opportunities in the monitoring sector with a view to increasing its scale of operations and drive further earnings growth, whilst advancing industry consolidation in Australia.



**Demetrios Pynes - Managing Director**

Threat Protect Australia Limited

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# THREAT PROTECT AUSTRALIA LIMITED

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## DIRECTORS' REPORT

Your directors present their report on the Group, consisting of Threat Protect Australia Limited (“**Threat Protect**” or the “**Company**”) and its controlled entities (collectively the “**Group**”), for the year ended 30 June 2017.

### 1. Directors

The names of Directors in office at any time during the year or since the end of the year are:

 Derek La Ferla	Non-Executive Chairman
 Demetrios Pynes	Managing Director
 Paolo (Paul) Ferrara	Executive Director
 Dimitri Bacopanos	Non-Executive Director ( <i>Appointed 1 January 2017</i> )
 Ian Olson	Non-Executive Director ( <i>Resigned 29 November 2016</i> )

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

### 2. Company Secretary

Mr Simon Whybrow held the position of Company Secretary at the end of the financial year. Mr Whybrow also performs the role of Chief Financial Officer for the Group.

### 3. Principle Activities

The principal activity of the Group is the provision of security, monitoring and risk management services in Australia.

### 4. Operating Results

The consolidated profit for the year amounted to \$1,692,336 (2016: \$5,371,110 loss).

### 5. Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2017.

### 6. Review of Operations

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

### 7. Financial Position

The net assets of the Group are \$4,406,032 at 30 June 2017 (2016: \$1,124,723)

### 8. Significant Changes in State of Affairs

There have not been any significant changes to the state of affairs of the Group during the period.

### 9. Subsequent Events

There were no significant subsequent events since the reporting date.

### 10. 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.

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## DIRECTORS' REPORT

### 11. Information Relating to the Directors and Company Secretary

#### **Mr Derek La Ferla** - Non-Executive Chairman

B.Arts, B.Juris, B.Law, Fellow of AICD

Mr La Ferla is an experienced corporate lawyer and company director with more than 30 years' experience. Mr La Ferla is a Partner with leading independent Western Australian firm Lavan Legal. He is also a member of the firm's Advisory Board and previously served on the Norton Rose Australia National Board (when the firm was named Deacons). He is a fellow of the Australian Institute of Company Directors and a Mentor under its Chair's Mentoring Program.

Mr La Ferla has been a director of a number of listed public, private and not-for-profit companies. He is currently Chairman of Sandfire Resources NL, Veris Limited and Cashmere Iron Limited as well as Non-Executive Director and Deputy Chairman of Goldfields Money Limited. Mr La Ferla has not held any other public directorships in the past 3 years.

Mr La Ferla holds 3,240,212 fully paid ordinary shares and 15,000,000 Options as at the date of this report. Please refer to the Remuneration Report below for further details.

#### **Demetrios Pynes** - Managing Director

B.Com, F.Fin

Demetrios Pynes 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.

Mr Pynes spent several years as a banking and finance director, during which time he was an analyst and adviser to high net-worth clients. For the past 12 years, he has operated various successful businesses, mainly in the security industry. Mr Pynes has previously held security officer and security consultant licenses.

Mr Pynes has not held any other public directorships in the past 3 years.

Mr Pynes holds 30,696,778 fully paid ordinary shares and 20,000,000 Options as at the date of this report. Please refer to the Remuneration Report below for further details.

#### **Paolo (Paul) Ferrara** - Executive Director

B.Com

Paul Ferrara is a co-founder of Threat Protect. In his capacity of Chief Operating Officer, Paul brings many years' experience in logistics and business. Prior to Threat Protect, he was assigned several roles in Australia and Singapore for SIRVA, a global provider of transport and relocation services.

With qualifications in management and information systems, specialising in telecommunications, Mr Ferrara is well suited to his specialist role of integrating businesses and new opportunities into the Threat Protect Group. Paul holds the security, crowd control and equity licences on behalf of the Threat Protect Group.

Mr Ferrara has not held any other public directorships in the past 3 years.

Mr Ferrara holds 28,417,068 fully paid ordinary shares and 20,000,000 Options as at the date of this report. Please refer to the Remuneration Report below for further details.

#### **Dimitri Bacopanos** - Non-Executive Director

*(Appointed 1 January 2017)*

B.Com, CA

Mr. Bacopanos has extensive experience in mergers and acquisitions, most recently as Executive Director in the Transaction Advisory Services team at EY. He has more than 20 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.

Mr Bacopanos has not held any other public directorships in the past 3 years.

Mr Bacopanos holds 2,000,000 fully paid ordinary shares in Threat Protect Australia Limited as at the date of this report. Please refer to the Remuneration Report below for further details.

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## DIRECTORS' REPORT

**Simon Whybrow** - Company Secretary and Chief Financial Officer  
B. Bus, CPA, AGIA

An experienced CPA qualified accountant with over 15 years of experience in financial, company secretarial and commercial management.

With a strong commercial acumen developed working for a "Big 4" professional services firm he has broad experience across a range of industry sectors and ASX listed companies - including mining, mining services, energy and information technology.

Mr Whybrow has not held any public directorships in the past 3 years.

Mr Whybrow holds 2,000,000 fully paid ordinary shares as at the date of this report. Please refer to the Remuneration Report below for further details.

**Ian Olson** - Former Non-Executive Director (*Resigned 29 November 2016*)  
CA, B.Com, MAICD

An experienced Chartered Accountant, Ian Olson brought extensive knowledge in corporate advisory, audit and assurance to the Board. Mr Olson is a professional public company director with a 25 year career in finance and the capital markets. Mr Olson is also the Managing Director of Pointerra Limited, the Non-Executive Chairman of Gage Roads Brewing Co Limited and former Executive Chairman of WKC Spatial. Prior to his involvement in WKC Spatial, Mr Olson was Managing Partner of PKF Chartered Accountants in Western Australia. In the last 3 years, Mr Olson has also held directorships in RuralAus Investments Limited, Diploma Group Limited and Range Resources Limited.

Mr Olson held 5,000,000 Options in Threat Protect Australia Limited as at the date of his resignation. Please refer to the Remuneration Report below for further details.

### 12. Meetings of Directors

At the date of this Directors' Report, there are no separate committees for remuneration, audit, nomination, finance, due diligence or operations. 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.

	Number Board Meetings eligible to attend	Number of Board Meetings Attended
Derek La Ferla	10	10
Demetrios Pynes	10	10
Paul Ferrara	10	7
Dimitri Bacopanos ( <i>Appointed 1 January 2017</i> )	6	6
Ian Olson ( <i>Resigned 29 November 2016</i> )	3	3

## DIRECTORS' REPORT

### 13. Options

#### Unissued shares under option

As at the date of this report, the un-issued ordinary shares of Threat Protect Australia under option (listed and unlisted) are as follows:

Grant Date	Expiry Date	Exercise Price (cents per share)	Number of Options
7 Sept 2012	29 Nov 2017	13.36	300,000
7 Sept 2012	29 Nov 2017	40.00	300,000
7 Sept 2012	29 Nov 2017	60.00	300,000
4 Sept 2015	4 Sept 2018	2.50	100,000,000
26 Nov 2015	31 Oct 2020	4.85	15,000,000
26 Nov 2015	31 Oct 2020	3.80	10,000,000
26 Nov 2015	31 Oct 2020	4.67	10,000,000
26 Nov 2015	31 Oct 2020	5.11	10,000,000
			145,900,000

The weighted average remaining contractual life of options outstanding at 30 June 2017 was 1.84 years (2016: 2.84 years)

#### Shares issued upon exercise of options

No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the year.

### 14. Non-Audit Services

During the year ended 30 June 2017, non-audit services were provided to the Company by parties related to the auditors (BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd). These services amounted to \$30,260 in 2017. (2016: Not Applicable).

During the previous year ended 30 June 2016, taxation consulting services were provided to the Company by a party related to the former auditors (Bentleys Taxation). These services amounted to \$21,015 in 2016.

The Board has considered the non-audit services provided during the year by the auditors and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- ▶ all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- ▶ the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, or acting as an advocate for the Group or jointly sharing risks and rewards.

### 15. Indemnifying Officers or Auditor

The Company has agreed to indemnify the directors of the Company, the directors of controlled entities and executive officers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the year, the Company paid insurance premiums to insure Directors and Officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

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### DIRECTORS' REPORT

#### 16. Environmental Regulations

In the ordinary course of business, there are no environmental regulations or requirements that the Company is subject to.

The Directors have considered the enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

#### 17. Corporate Governance Statement

The Group's full Corporate Governance Statement can be found on its website at the following location:

[www.threatprotect.com.au/corporate-governance](http://www.threatprotect.com.au/corporate-governance)

#### 18. Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on the following page of this annual report.

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**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 2017, 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, 29 September 2017

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# THREAT PROTECT AUSTRALIA LIMITED

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## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

The information in this remuneration report has been audited as required by s308(3C) of the Corporations Act 2001.

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel (KMP) of the Group for the financial year ended 30 June 2017.

The term Key Management Personnel refer to those persons having authority and responsibility for planning, controlling and directing the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. Any reference to "executives" in this report refers to those KMP who are not Non-Executive Directors. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key Management Personnel
- Remuneration Policy
- Details of Board Remuneration
- Service Agreements
- Share-based Remuneration
- Key Management Personnel Equity Holdings
- Other Transactions with Key Management Personnel

### 1. Key Management Personnel

The directors and other Key Management Personnel of the consolidated entity during or since the end of the financial year were:

■ Derek La Ferla	Non-Executive Chairman
■ Demetrios Pynes	Managing Director
■ Paolo (Paul) Ferrara	Executive Director
■ Dimitri Bacopanos	Non-Executive Director ( <i>Appointed 1 January 2017</i> )
■ Ian Olson	Non-Executive Director ( <i>Resigned 29 November 2016</i> )
■ Simon Whybrow	Company Secretary and Chief Financial Officer

Unless otherwise stated, the named persons held their current position for the whole of the financial year and since the end of the financial year.

### 2. Remuneration Policies

The remuneration policy of Threat Protect Australia Limited has been designed to align director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Threat Protect Australia Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders. The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

- All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options and performance incentives. The Board reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.
- Non-Executive Directors and Executives receive superannuation guarantee contributions as required by legislation and do not receive any other retirement benefits. All remuneration paid to Directors and Executives is valued at cost and expensed. Share-based payments made to Directors and employees are valued using Black-Scholes methodology. The Board's policy is to remunerate Non-Executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities.

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## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

- The Non-Executive Directors have been provided with options that are intended to incentivise the Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice may be sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, Directors are encouraged to hold shares in the Company.
- The Company's Employee Share Plan provides some senior executives with a significant incentive over and above their base salary. The allocation of shares under the Employee Share Plan may not be subject to performance conditions of the Company. The Employee Share Plan 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 Company. The experience of senior employees is an important factor in the long term success of the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. Currently, this is facilitated through the issue of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

External remuneration consultants may be engaged from time-to-time when required in order to review the Company's remuneration policies and to provide recommendations on executive short-term and long-term incentive plan design. There were no external remuneration consultants engaged during the period to provide such services (2016: None).

Threat Protect Australia Limited received 99% "yes" votes on its remuneration report for the 2016 (previous) financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### 3. Details of Board Remuneration

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

The table on the following page details the various components of remuneration for each member of the key management personnel of the Group. The term "Key Management Personnel" (or "KMP") refers to those persons having authority and responsibility for planning, directing and controlling the activities of the group directly or indirectly including any Director (whether executive or otherwise) of the Group.

As a result of the reverse acquisition of Threat Protect Australia Limited by Threat Protect Group Pty Ltd on 3 September 2015, the disclosures contained in the 2016 (comparative) table represent those calculated in accordance with AASB 124 Related Party Disclosures in combination with applying AASB 3 Business Combinations and, in particular, the reverse acquisition provisions of that standard.

The amounts disclosed for the 2016 financial year represent remuneration paid by Threat Protect Group Pty Ltd (the accounting acquirer) to KMP and Directors of the accounting acquirer over the period 1 July 2016 to 3 September 2015 (the acquisition date) and remuneration paid by the consolidated Threat Protect Australia Limited Group following the completion of the acquisition on 3 September 2015 until 30 June 2016. This ensures that the remuneration report disclosures are calculated on a basis that is consistent with that applied in reporting the results and balances of the Group and related party disclosures in the Financial Statements under the reverse acquisition rules of AASB 3: Business Combinations.

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## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

### 3. Details of Board Remuneration (Continued)

#### 2017 – Consolidated Group

	Short-term benefits				Post-employment Benefits		Equity-settled share-based payments		Total
	Salary, fees and leave \$	Profit share and bonuses \$	Non-monetary \$	Other (1) \$	Superannuation \$	Termination Benefits \$	Equity \$	Options \$	Total \$
Derek La Ferla <sup>2</sup>	50,000	-	-	-	1,188	-	-	-	51,188
Demetrios Pynes	169,925	-	-	16,800	16,796	-	-	-	203,521
Paul Ferrara	174,393	-	-	16,800	16,796	-	-	-	207,989
Ian Olson <sup>3</sup>	15,000	-	-	-	-	-	-	-	15,000
Dimitri Bacopanos <sup>4</sup>	18,000	-	-	-	-	-	-	-	18,000
<b>Other Key Management Personnel</b>									
Simon Whybrow	158,844	-	-	-	14,250	-	43,478	-	216,572
<b>Total</b>	<b>586,162</b>	<b>-</b>	<b>-</b>	<b>33,600</b>	<b>49,030</b>	<b>-</b>	<b>43,478</b>	<b>-</b>	<b>712,270</b>

<sup>1</sup>The "Other" category represents motor vehicle allowances.

<sup>2</sup>Mr La Ferla's employment arrangements were altered during the period, such that superannuation guarantee charge became applicable.

<sup>3</sup>Mr Olson resigned on 29 November 2016.

<sup>4</sup>Mr Bacopanos was appointed Non-Executive Director on 1 January 2017.

#### 2016 – Consolidated Group

	Short-term benefits				Post-employment Benefits		Equity-settled share-based payments		Total
	Salary, fees and leave \$	Profit share and bonuses \$	Non-monetary \$	Other (1) \$	Superannuation \$	Termination Benefits \$	Equity \$	Options \$	Total \$
Derek La Ferla	41,667	-	-	-	-	-	-	215,667	257,334
Demetrios Pynes <sup>2</sup>	166,209	-	-	16,800	16,796	-	-	330,024	529,829
Paul Ferrara <sup>2</sup>	166,209	-	-	16,800	16,796	-	-	330,024	529,829
Ian Olson	24,750	-	-	-	-	-	-	107,834	132,584
Katina Law <sup>3</sup>	-	-	-	-	-	-	-	-	-
<b>Other Key Management Personnel</b>									
Simon Whybrow <sup>4</sup>	14,157	-	-	-	1,261	-	-	-	15,418
<b>Total</b>	<b>412,992</b>	<b>-</b>	<b>-</b>	<b>33,600</b>	<b>34,853</b>	<b>-</b>	<b>-</b>	<b>983,549</b>	<b>1,464,994</b>

<sup>1</sup>The "Other" category represents motor vehicle allowances.

<sup>2</sup>Tactical Conflict Solutions Pty Ltd, a company controlled by Mr Pynes and Mr Ferrara, provided security personnel training services to Threat Protect Australia Limited during the year ended 30 June 2016. These services are not provided directly by Mr Pynes or Mr Ferrara and have therefore not been included as remuneration. Please refer to section 6 of the remuneration report for further details.

<sup>3</sup>Ms Law resigned on 7 October 2015.

<sup>4</sup>Mr Whybrow was appointed as Chief Financial Officer on 18 May 2016 and Company Secretary on 23 June 2016.

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## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

### 4. Service Agreements

The following service agreements were in place for Directors and Key Management Personnel as at the date of this report:

#### **Derek La Ferla**

Mr La Ferla's current service agreement has been in place since 10 January 2017. Mr La Ferla was appointed as Non-Executive Director and Chairman of Threat Protect Australia Limited on 3 September 2015. Mr La Ferla'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. Mr La Ferla may resign from office at any time.

#### *Other Details:*

Mr La Ferla's remuneration is set at \$50,000 per annum plus statutory superannuation, where applicable.

#### **Demetrios Pynes**

Mr Pynes current service agreement has been in place since 3 September 2015. Mr Pynes commenced his employment with the Group on 1 March 2008.

#### *Notice period and Term of Agreement:*

The agreement may be terminated by either the Company or Mr Pynes by giving at least three months' notice. Mr Pynes 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.

#### *Other Details:*

From 1 July 2017, Mr Pynes' remuneration comprises a salary of \$236,800 per annum (previously \$176,800 per annum) (which includes a motor vehicle allowance of \$16,800 per annum (previously \$16,800 per annum)), plus superannuation guarantee contributions as required by law (currently 9.5% of gross salary). Mr Pynes is entitled to annual leave and long service leave as required by law. He is also entitled to receive directors' fees during the time he serves as director of the company.

#### **Paul Ferrara**

Mr Ferrara's current service agreement has been in place since 3 September 2015. Mr Ferrara commenced his employment with the Group on 10 December 2007.

#### *Notice period and Term of Agreement:*

The agreement may be terminated by either the Company or Mr Ferrara by giving at least three months' notice. Mr Ferrara 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.

#### *Other Details:*

From 1 July 2017, Mr Ferrara's remuneration comprises a salary of \$236,800 per annum (previously \$176,800 per annum) (which includes a motor vehicle allowance of \$16,800 per annum (previously \$16,800 per annum)), plus superannuation guarantee contributions as required by law (currently 9.5% of gross salary). Mr Ferrara is entitled to annual leave and long service leave as required by law. He is also entitled to receive directors' fees during the time he serves as director of the company.

#### **Dimitri Bacopanos**

Mr Bacopanos' current service agreement has been in place since 10 January 2017. Mr Bacopanos was appointed as Non-Executive Director of Threat Protect Australia Limited on 1 January 2017. Mr Bacopanos' 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. Mr Bacopanos may resign from office at any time.

#### *Other Details:*

Mr Bacopanos' remuneration is set at \$36,000 per annum plus statutory superannuation, where applicable.

#### **Simon Whybrow**

Mr Whybrow's current service agreement has been in place since the commencement of his employment on 18 May 2016.

#### *Notice period and Term of Agreement:*

The agreement may be terminated by either the Company or Mr Whybrow by giving at least four weeks' notice.

#### *Other Details:*

From 1 July 2017, Mr Whybrow's remuneration comprises a salary of \$200,000 per annum which includes a motor vehicle allowance of \$15,000 per annum (previously \$150,000 per annum with no motor vehicle allowance), plus superannuation guarantee contributions as required by law (currently 9.5% of gross salary). Mr Whybrow is entitled to annual leave and long service leave as required by law.



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## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

### 5. Share-based Remuneration

On 19 June 2017, 2,000,000 fully paid ordinary shares were issued to Mr Simon Whybrow at an issue price of 1.7 cents per share and a corresponding interest-free (interest rate: 0%pa), limited-recourse loan totalling \$34,000 was entered into in accordance with the Company's Employee Share Plan. The loan term is 5 years, expiring on 14 June 2022. The shares were issued as part of Mr Whybrow's remuneration with regard to his past and potential contribution to the Company. The shares and limited-recourse loan were not subject to any vesting conditions and as such Mr Whybrow is entitled to the benefits of the arrangement immediately.

The Employee Share Plan was approved by the Shareholders of the Company on 29 November 2016. There were no such shares issued in prior periods relating to the Employee Share Plan. The Employee Share Plan 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 Company. The experience of senior employees is an important factor in the long term success of the Company.

All shares that were issued to Mr Whybrow were valued using the Black Scholes pricing model and the total expense recognised in full as an employee benefits expense during the year ended was \$43,478 accordingly. Further details of the share-based payment valuations and model inputs can be found in note 20 to the financial statements.

### 6. Key Management Personnel Equity Holdings

#### a. Fully paid ordinary shares of Threat Protect Australia Limited held by each Key Management Personnel

Year ended 30 June 2017	Opening balance	Received during the year as remuneration	Other changes during the year	Consolidation of share capital	Balance at end of year
	No.	No.	No.	No.	No.
Derek La Ferla	3,240,212	-	-	-	3,240,212
Demetrios Pynes	30,696,778	-	-	-	30,696,778
Paul Ferrara	28,417,068	-	-	-	28,417,068
Dimitri Bacopanos <sup>1</sup>	-	-	2,000,000	-	2,000,000
Simon Whybrow	-	2,000,000	-	-	2,000,000
Ian Olson <sup>2</sup>	-	-	-	-	-
	62,354,058	2,000,000	2,000,000	-	66,354,058

<sup>1</sup>Other changes during the year represents Mr Bacopanos' interests as of the date of his appointment, 1 January 2017.

<sup>2</sup>Balance at end of year represents Mr Olson's interests as of the date of his resignation, 29 November 2017.

Year ended 30 June 2016	Opening balance	Received during the year as remuneration	Other changes during the year	Consolidation of share capital	Balance at end of year
	No.	No.	No.	No.	No.
Derek La Ferla	-	-	3,240,212	-	3,240,212
Demetrios Pynes	-	-	30,696,778	-	30,696,778
Paul Ferrara	-	-	28,417,068	-	28,417,068
Ian Olson	-	-	-	-	-
Katina Law <sup>1</sup>	1,743,570	-	-	(1,307,677)	435,892
Robert Kirtlan <sup>1</sup>	10,001,664	-	-	(7,501,248)	2,500,416
Michael Griffiths <sup>1</sup>	7,220,776	-	-	(5,415,582)	1,805,194
	18,966,010	-	62,354,058	(14,224,507)	67,095,560

<sup>1</sup>Balance at end of year represents Directors' interests as of their respective resignation dates. Ms Katina Law resigned on 7 October 2015, Mr Robert Kirtlan resigned on 3 September 2015 and Mr Michael Griffiths resigned on 3 September 2015.

## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

## b. Options in Threat Protect Australia Limited held by each Key Management Personnel

Year ended 30 June 2017	Opening balance	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Consolidation of share capital No.	Balance at end of year	Vested and Exercisable
	No.	No.	No.	No.		No.	No.
Derek La Ferla	15,000,000	-	-	-	-	15,000,000	15,000,000
Demetrios Pynes	20,000,000	-	-	-	-	20,000,000	20,000,000
Paul Ferrara	20,000,000	-	-	-	-	20,000,000	20,000,000
Ian Olson <sup>1</sup>	5,000,000	-	-	-	-	5,000,000	5,000,000
	60,000,000	-	-	-	-	60,000,000	60,000,000

<sup>1</sup> Balance at end of year represents Mr Olson's interests as of the date of his resignation, 29 November 2017.

2016 – Group	Opening balance	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Consolidation of share capital No.	Balance at end of year	Vested and Exercisable
	No.	No.	No.	No.		No.	No.
Derek La Ferla	-	10,000,000	-	5,000,000	-	15,000,000	15,000,000
Demetrios Pynes	-	15,000,000	-	5,000,000	-	20,000,000	20,000,000
Paul Ferrara	-	15,000,000	-	5,000,000	-	20,000,000	20,000,000
Ian Olson	-	5,000,000	-	-	-	5,000,000	5,000,000
Katina Law <sup>1</sup>	3,600,000	-	-	-	(2,700,000)	900,000	900,000
	3,600,000	45,000,000	-	15,000,000	(2,700,000)	60,900,000	60,900,000

<sup>1</sup> Balance at end of year represents Ms Law's interests as of the date of her resignation, 7 October 2015.

## 7. Other Transactions with Key Management Personnel

## Equity-based Key Management Personnel Transactions

There have been no other transactions with Key Management Personnel involving equity instruments other than those detailed above.

## Loans to Key Management Personnel

A limited-recourse loan totalling \$34,000 was entered into with Mr Simon Whybrow in accordance with the Company's Employee Share Plan. The Employee Share Plan was approved by Shareholders of the Company on 29 November 2016. For further details regarding this loan please see section 5 of the Directors' remuneration report above, as well as note 20 of the financial statements.

There were no other loans made to Directors or Key Management Personnel during the period or as at 30 June 2017 (2016: NIL).

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## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

### Other transactions with Key Management Personnel or their Related Parties

All transactions with related parties are on commercial terms and under conditions no more favourable than those available to other parties unless otherwise stated.

#### Goods and services provided to Directors on commercial terms (Group income)

	2017 \$	2016 \$
Demetrios Pynes	-	240
Paolo Ferrara	182	458
Derek La Ferla	338	1,544

#### Related entity: Tactical Conflict Solutions Pty Ltd

*Tactical Conflict Solutions Pty Ltd ("TCS"), a company jointly controlled by Mr Pynes and Mr Ferrara, provided training services to and rents office space from the Group. The Group also charges TCS for administrative and security staff.*

Training services provided by TCS (Group expense)	-	(36,000)
Rent paid by TCS (Group income)	8,000	8,000
Staffing provided to TCS (Group income)	4,528	10,306
Balance of trade payables	-	(64,335)
Balance of trade receivables	7,344	12,116
Balance of loan from TCS to Threat Protect Australia Limited	-	19,609

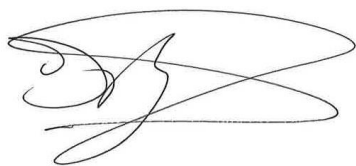
#### Employment of Directors' spouses

*Directors' spouses were employed within the business. Amounts include salary, fees and superannuation.*

Demetrios Pynes' spouse (Group expense)	-	(48,243)
Paolo Ferrara's spouse (Group expense)	(48,561)	(49,179)

### END OF AUDITED REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



**Demetrios Pynes - Managing Director**

Dated this 29th day of September 2017

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

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Continuing operations</b>			
Revenue	3	11,477,957	7,244,718
Other income	3	1,436,034	159,113
		12,913,991	7,403,831
Cost of sales		(8,068,232)	(6,114,547)
		4,845,759	1,289,284
Administrative expenses		(1,499,137)	(2,408,404)
Business acquisition and integration costs		(715,759)	(884,385)
Compliance and regulatory costs		(351,847)	(457,651)
Finance costs		(350,479)	(399,772)
Legal and consulting fees		(61,187)	(57,397)
Marketing and business development		(369,494)	(135,807)
Occupancy costs		(223,106)	(287,549)
Corporate transaction accounting expense		-	(2,407,444)
Profit/(Loss) before income tax	4	1,274,750	(5,749,125)
Income tax benefit	6	417,586	378,015
Profit/(Loss) from continuing operations		1,692,336	(5,371,110)
<b>Other comprehensive income, net of income tax</b>			
▀ Items that will not be reclassified subsequently to profit or loss		-	-
▀ Items that may be reclassified subsequently to profit or loss:		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) attributable to members of the parent entity		1,692,336	(5,371,110)
<b>Earnings per share (Cents)</b>			
Basic and diluted earnings/(loss) per share (cents)	7	0.22	(0.95)

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

# THREAT PROTECT AUSTRALIA LIMITED

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	8	1,163,364	448,581
Trade and other receivables	9	3,946,763	1,138,018
Financial assets	10	182,669	167,969
Inventories		32,386	13,005
Other current assets	11	248,423	137,764
<b>Total current assets</b>		<b>5,573,605</b>	<b>1,905,337</b>
<b>Non-current assets</b>			
Plant and equipment	12	718,294	375,962
Intangible assets	13	13,601,882	4,541,180
<b>Total non-current assets</b>		<b>14,320,176</b>	<b>4,917,142</b>
<b>Total assets</b>		<b>19,893,781</b>	<b>6,822,479</b>
<b>Current liabilities</b>			
Trade and other payables	15	5,995,425	1,803,249
Provisions	16	471,915	1,027,277
Borrowings	17	1,307,386	2,783,826
<b>Total current liabilities</b>		<b>7,774,726</b>	<b>5,614,352</b>
<b>Non-current liabilities</b>			
Provisions	16	71,168	63,795
Borrowings	17	6,003,295	19,609
Deferred tax liability	6	1,638,560	-
<b>Total non-current liabilities</b>		<b>7,713,023</b>	<b>83,404</b>
<b>Total liabilities</b>		<b>15,487,749</b>	<b>5,697,756</b>
<b>Net assets</b>		<b>4,406,032</b>	<b>1,124,723</b>
<b>Equity</b>			
Issued capital	18	14,710,082	13,284,696
Reserves	19	1,147,135	983,549
Accumulated losses		(11,451,186)	(13,143,522)
<b>Total equity</b>		<b>4,406,032</b>	<b>1,124,723</b>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note	Issued Capital \$	Accumulated Losses \$	Share-based payments Reserve \$	Total \$
Balance at 1 July 2015		1,347,303	(7,772,412)	-	(6,425,109)
Profit/(loss) for the year attributable owners of the parent		-	(5,371,110)	-	(5,371,110)
Other comprehensive income for the year attributable owners of the parent		-	-	-	-
Total comprehensive income/(loss) for the year attributable owners of the parent		-	(5,371,110)	-	(5,371,110)
Transaction with owners, directly in equity					
Shares issued during the year	18	12,184,029	-	-	12,184,029
Transaction costs	18	(246,636)	-	-	(246,636)
Share-based payments issued during the period	19,20	-	-	983,549	983,549
Balance at 30 June 2016		13,284,696	(13,143,522)	983,549	1,124,723
Balance at 1 July 2016		13,284,696	(13,143,522)	983,549	1,124,723
Profit/(loss) for the year attributable owners of the parent		-	1,692,336	-	1,692,336
Other comprehensive income for the year attributable owners of the parent		-	-	-	-
Total comprehensive income for the year attributable owners of the parent		-	1,692,336	-	1,692,336
Transaction with owners, directly in equity					
Shares issued during the year	18	1,500,000	-	-	1,500,000
Transaction costs	18	(74,614)	-	-	(74,614)
Share-based payments issued during the period	19,20	-	-	163,586	163,586
Balance at 30 June 2017		14,710,082	(11,451,186)	1,147,135	4,406,032

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

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# THREAT PROTECT AUSTRALIA LIMITED

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 30 June 2017

Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	11,940,285	7,604,399
Interest received	6,338	5,374
Interest and borrowing costs	(353,404)	(282,036)
Payments to suppliers and employees	(10,292,492)	(10,912,913)
Net cash provided by / (used in) operating activities	8 1,300,727	(3,585,176)
<b>Cash flows from investing activities</b>		
Purchase of businesses, net of cash acquired	2 (4,200,000)	2,098,578
Purchase of intangible assets	13 (2,118,929)	(841,772)
Purchase of financial assets	(14,700)	-
Proceeds from sale of property, plant and equipment	5,481	-
Purchases of property, plant and equipment	(53,040)	(15,215)
Net cash provided by / (used in) investing activities	(6,381,188)	1,241,592
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,403,288	2,850,364
Proceeds from borrowings	4,646,000	2,616,000
Repayment of borrowings	(254,045)	(2,725,538)
Net cash provided by financing activities	5,795,243	2,740,826
Net increase in cash held	714,783	397,243
Cash at beginning of year	448,581	51,338
Cash at end of year	8 1,163,364	448,581

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

These are the consolidated financial statements and notes of Threat Protect Australia Limited (“**Company**”) and controlled entities (“**Consolidated Group**” or “**Group**”). Threat Protect Australia Limited is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of the parent entity, Threat Protect Australia Limited, have not been presented with this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 29 September 2017 by the Directors of the Company.

**a. Basis of preparation**

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

**i. Statement of compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the Corporations Act 2001 (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

**ii. Financial position**

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The amounts presented in the financial statements have been rounded to the nearest dollar.

**iii. Going Concern**

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group earned a profit for the year of \$1,692,336 (June 2016: \$5,371,110 loss) and had a net cash in-flow of \$714,783 (June 2016: \$397,242 in-flow). The net assets of the Group have increased from 30 June 2016 by \$3,281,309 to \$4,406,032 at 30 June 2017 (June 2016: \$1,124,723). As at 30 June 2017, the Group's cash and cash equivalents increased from 30 June 2016 by \$714,783 to \$1,163,364 at 30 June 2017 (June 2016: \$448,581) and reduced its working capital deficit to \$(2,201,121) (June 2016: \$(3,709,015) working capital deficit).

The Group has \$4,500,000 remaining as at 30 June 2017 of the \$9,000,000 convertible note facility that is available from First Samuel Limited. The facility is primarily intended to be used for funding business acquisitions, but can be drawn on for working capital purposes. For further details regarding the facility, please see note 17c.

Based on a cash flow forecast, the Group has sufficient working capital to fund its mandatory obligations for the period ending 12 months from the date of this report.

**iv. Use of estimates and judgements**

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1q.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

v. **Comparative figures**

Where required by AASBs, comparative (2016) figures have been adjusted to conform with changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

b. **Principles of consolidation**

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the Consolidated Group during the year, their operating results have been included or excluded from the date control was obtained or ceased.

i. **Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- ▀ the fair value of the consideration transferred; plus
- ▀ the recognised amount of any non-controlling interests in the acquiree; plus
- ▀ if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less;
- ▀ the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent or deferred consideration payable is recognised at fair value at the acquisition date and subsequently until settled. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

ii. **Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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 and are deconsolidated from the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained at note 14 Controlled Entities.

iii. **Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

iv. **Transactions eliminated on consolidation**

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****c. Income tax**

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**d. Inventories**

Inventories are measured at the lower of cost and net realisable value.

**e. Property, plant, and equipment****i. Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see note 1j Impairment of non-financial assets).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

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# THREAT PROTECT AUSTRALIA LIMITED

AND CONTROLLED ENTITIES  
ACN 060 774 227

ANNUAL REPORT 30 JUNE 2017

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

#### ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

#### iii. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the asset's useful life to the consolidated group commencing from the time that the assets is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates used for the current and comparative period are:

	2017 %	2016 %
Information technology	10.00 – 50.00	10.00 – 50.00
Motor vehicles	12.50 – 33.33	12.50
Office equipment	6.67 – 25.00	6.67 – 25.00
Plant and equipment	7.80 – 50.00	7.80 – 50.00

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### f. Intangibles

##### i. Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value as 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.

Research costs are expensed in the period which they are incurred. Development costs are capitalised as development assets when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being four years for development assets that are ready for use. The useful life of development assets that are not yet ready for use will be estimated at the time that they become ready for use.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

## ii. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## g. Employee benefits

## i. Short-term benefits

Liabilities for employee benefits for wages, salaries, superannuation and leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as worker's compensation insurance and payroll tax. Liabilities for employee benefits expected to be settled in excess of the 12 months from reporting date are recognised as non-current liabilities.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by employees.

## ii. Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of the date when the Group can no longer withdraw the offer for termination benefits and the date when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefit that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

## iii. Share-based payment transactions

The Company 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. For further details of share-based payments made during the year refer note 20, Share-based Payments.

## h. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****i. Financial instruments****i. Initial recognition and measurement**

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified on the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**ii. Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

**iii. Classification and Subsequent Measurement****(1) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of nine (9) months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the Statement of financial position.

**(2) Loans**

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

**(3) Trade and other receivables**

Receivables are usually settled within 60 days. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Collectability of trade and other receivables is reviewed on an ongoing basis. An impairment loss is recognised for debts which are known or expected to be uncollectible. An impairment provision is raised for any doubtful amounts.

**(4) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and stated at their amortised cost. The amounts are unsecured and are generally settled on 30 day terms.

**(5) Borrowings and borrowing costs**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****iv. Amortised cost**

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

**v. Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**vi. Effective interest method**

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

**vii. Impairment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statement of profit or loss and other comprehensive income.

**viii. Derecognition**

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**ix. Finance income and expenses**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method. Finance expenses also represents movements in convertible debt that is recognised at fair value through profit or loss.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****x. Convertible notes liability and embedded derivatives**

Convertible notes were issued by the Group (see note 17c), which includes embedded derivatives (option to convert the note to variable number of shares in the Group due to the ratchet feature included in its term). These convertible notes are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to the proceeds received and subsequently the liability is remeasured at fair value each reporting period. The fair value movements are recognised on the profit or loss as finance costs.

**j. Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see note 1c) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of profit or loss and other comprehensive income, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

**k. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

**l. Revenue recognition**

Interest revenue is recognised in accordance with note 1(i)vi Finance income and expenses.

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised in the statement of profit or loss and other comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or there is a risk of return of goods or there is continuing management involvement with the goods.

All revenue is stated net of the amount of value added taxes (note 1o Goods and Services Tax).

**m. Share capital**

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****n. Government grants**

Government grants are assistance by the government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the entity. AASB 120 requires that income earned from grants in relation to expenditure on intangible assets is offset against the value of those assets. Income earned from grants relating to costs that are recognised in the statement of profit or loss and other comprehensive income is recognised as income over the period necessary to match it with the costs to which it relates to. Where income is earned from grants that is related to costs recognised in the statement of profit or loss and other comprehensive in a prior period, that grant income is recognised as other income during the current period.

**o. Goods and services tax**

Revenues, expenses, and assets are recognised net of the amount of Goods and Services Tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**p. Segment reporting**

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

**q. Critical Accounting Estimates and Judgments**

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**i. Key estimates: Business Combinations***(1) Deferred consideration relating to Apollo business combination*

Fair value of deferred consideration totaling \$3,155,156 was determined with reference to the contractual terms of the business purchase agreements that were entered into for the transaction. Deferred consideration relating to the Apollo business combination comprises:

	Fair value (\$)
i. Consideration relating to actual revenues achieved within 12 months of acquisition date	3,070,832
ii. Consideration relating to actual trade receivables received within 12 months of acquisition date	84,324
Total fair value of deferred consideration	3,155,156



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The group has estimated these amounts based on management's best judgement as to the actual expected outcomes for these components over the period of twelve months from acquisition date, 1 March 2017.

- i. Consideration relating to actual revenues achieved relating to the Apollo business combination within 12 months of acquisition date is calculated as the lower of (a), twenty four times the actual revenue achieved in the first month following the acquisition date and (b), two times the actual revenue achieved in the first twelve months following the acquisition date, 1 March 2017, less consideration already transferred. Consideration calculated is based on (a) being the most probably outcome. Consideration calculated in this way totalled \$3,070,832 as at 30 June 2017 (2016:nil).
- ii. Consideration relating to actual trade receivables received relating to the Apollo business combination within 12 months of acquisition date is calculated based on the actual trade receivables amounts collected at anniversary date in relation to the opening trade receivables aged less than 90 days as of acquisition date, 1 March 2017, less consideration already transferred. Consideration calculated in this way totalled \$84,324 as at 30 June 2017 (2016:nil).

It is considered to be highly unlikely that actual deferred consideration will be higher than these amounts due to the nature of the contractual terms which they are based on.

*(2) Fair value of net assets acquired as part of Apollo business combination*

The net assets acquired as part of the Apollo business combination have been accounted for at fair value as of acquisition date, as required by AASB 3. Fair value of each component of the net assets acquired was determined as follows:

**Trade receivables**

The fair value of acquired trade receivables was \$584,324. The gross contractual amount for trade receivables due was \$1,579,847, of which \$995,523 was expected to be unrecoverable as of acquisition date.

**Customer related intangible assets**

The fair value of the wholesale portion of customer related intangible assets was determined by calculating the present value of expected future cash flows relating to the customer base at acquisition date by applying a discount rate of 12.41%. The fair value of the retail portion of customer related intangible assets was determined by assessing the market value of the customer contracts acquired. The total fair value of customer related intangible assets acquired was \$6,704,302.

**Deferred tax liability**

The deferred tax liability recognised at acquisition date is directly related to the fair value of the customer related intangible assets acquired, as there are differences between their cost base for accounting and taxation purposes. The corporate taxation rate of 30% is applied to the value of customer related intangible assets to calculate the deferred tax liability value of \$2,011,291.

**Property, plant and equipment**

Property, plant and equipment assets acquired were assessed for fair value by management based on their market value at acquisition date. Fair value of these assets were assessed at \$413,300.

**Trade and other payables**

The fair value of trade and other payables was determined using a market value for the liabilities acquired, which was \$29,127 at acquisition date 1 March 2017.

**Goodwill**

Goodwill is recognised as the difference between the fair value of consideration and the fair value of net assets acquired as part of a business combination in accordance with AASB 3. Goodwill recognised as a result of the business acquisition was \$1,693,648.

For further details relating to business combinations, refer note 2.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****ii. Key estimate: Impairment**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 30 June 2017 was \$4,201,441 (30 June 2016: 2,664,153).

The Group has determined that no material impairment was required. Refer note 13, Intangible Assets.

**iii. Key estimate: Taxation**

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

**iv. Key judgement: Capitalised Development**

Development costs have been capitalised as development assets in accordance with the accounting policy detailed in note 1f.i. At 30 June 2017, management has assessed that all of the net capitalised development expenditure carried forward at year end, totalling \$1,042,415 (2016: \$67,818), comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

**v. Key judgement: Customer-related intangible assets**

Customer-related intangible assets are amortised over their estimate life, being six to ten years, based on the observable lives of customer contracts and relationships.

**vi. Key judgement: Government Grants Receivable**

Expected income from government grants relating directly to costs incurred during the period totalling \$816,225 have been recognised as other receivables based on taxation advice that these are reasonably expected to be receivable in the following period, once grant applications are finalised and lodged. Refer note 1n for details regarding the Group's accounting policy for Government Grants as well as note 8 for details of government grants receivable.

**vii. Key estimate: Convertible Notes**

On initial recognition the value of the convertible notes equate to the value of proceed received under the agreement. Subsequently the fair value of the convertible notes liability is accreted up to its face value by taking into account the changes in the value of the conversion option of \$0.03 and the value of the ratchet feature embedded in the contract.

The accounting for the notes assumes that shareholders' approval on the mandatory conversion on or before maturity date will be passed. The value of the note is impacted by the changes in the share price of the company. At 30 June 2017 there has been no movement in the value of the note given that there were no material movement in the share of the entity that would increase the value of the note. Furthermore, there were no shares that were issued by the entity that readjust the conversion price (due to the ratchet feature within the note), which impacted the value of the note. Refer note 17c, Borrowings, for details regarding convertible notes issued during the period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****viii. Key estimate: Collectability of trade receivables.**

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Examples of such evidence includes but is not limited to evidence of default in payment arrangements, evidence of significant financial difficulty or bankruptcy or advice from debt collection agents suggesting that receivables are no longer collectible. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised as impairment in the statement of profit or loss and other comprehensive income.

**r. New, revised or amending Accounting Standards and Interpretations adopted**

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**s. 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 2017. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

**AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance.

Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

**AASB 15 Revenue from Contracts with Customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

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**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

**AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 2 BUSINESS COMBINATIONS

#### a. Apollo Business Combination

On 1 March 2017, the Group acquired business assets from Apollo Security Pty Ltd ("Apollo"), a New South Wales based business whose principle activities are the provision of security monitoring services in New South Wales and Queensland.

##### i. Purchase consideration

	Fair value \$
Cash paid	4,200,000
Fair value of deferred consideration	3,155,156
<b>Total purchase consideration</b>	<b>7,355,156</b>

Acquisition-related costs of \$224,525 are included in business acquisition and integration costs in profit or loss and in operating cash flows in the statement of cash flows.

Refer note 1qi(1) for further detail regarding the key estimates involved in calculating the fair value of deferred consideration.

##### ii. Assets and liabilities acquired

	Fair value \$
<i>The assets and liabilities recognised as a result of the acquisition are as follows:</i>	
Trade and other receivables	584,324
Customer related intangible assets	6,704,302
Deferred tax liability	(2,011,291)
Property, plant, and equipment	413,300
Trade and other payables	(29,127)
Goodwill	1,693,648
<b>Net assets acquired</b>	<b>7,355,156</b>

The business combination was accounted for provisionally in line with AASB 3 during the year ended 30 June 2017 and as such the Group may adjust the fair value of assets and liabilities acquired during the following reporting period.

Refer note 1qi(2) for further detail regarding the key estimates involved in calculating the fair value of the assets and liabilities acquired as part of the business combination.

##### iii. Revenue and profit contribution

The acquired business contributed revenues of \$2,200,443 and net profit of \$1,516,048 to the group for the period 1 March 2017 to 30 June 2017. If the acquisition had occurred on 1 July 2016, pro-forma revenue and profit for the year ended 30 June 2017 would have been \$5,269,177 and \$3,215,911 respectively.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 2 BUSINESS COMBINATIONS (CONTINUED)

## b. Australian Event Protection (Acquired during prior year ended 30 June 2016)

During the prior year ended 30 June 2016, the group acquired the business assets of Australian Event Protection whose principle activities are the provision of security guarding services in Australia. The acquisition was performed simultaneously with the acquisition of the Integral Risk Group business (Refer note 2c).

## i. Provisional accounting adjustment under AASB 3

The business combination was accounted for provisionally in line with AASB 3 during the year ended 30 June 2016 as sufficient information was not available to complete the initial accounting for the business combination by the end of that reporting period. Accordingly, adjustments have been made during the year ended 30 June 2017 to the balances of net assets acquired on 1 March 2016 to adjust for additional information that has come to light since the end of the previous reporting period, as follows:

	Original 2016 \$	Adjustment \$	Final 2017 \$
<i>Assets and liabilities recognised at acquisition date (1 March 2016):</i>			
Customer related intangible assets	-	43,847	43,847
Property, plant, and equipment	4,420	-	4,420
Provisions	(11,068)	-	(11,068)
Deferred tax liability	-	(13,154)	(13,154)
Goodwill	256,648	(30,693)	225,955
Net assets acquired	250,000	-	250,000

There were no adjustments made to the value of purchase consideration of \$250,000 during the year ended 30 June 2017.

## ii. Valuation of customer related intangible asset

Customer related intangible assets were identified at fair value as at acquisition date. The fair value of these was determined by reference to the present value of estimated future cashflows relating directly to the customer contracts acquired as part of the acquisition. Average useful life was applied in line with the terms on the identifiable customer contracts as of acquisition date.

## iii. Adjustment to acquisition revenue and profit contribution

As the Australian Event Protection business was acquired simultaneously with the Integral Risk Group business (refer note 2c) and involves the same business processes and assets, the results of the businesses are reviewed by management on a combined basis. As a result of the above adjustment (note 1b.i), amortisation expense of \$63,509 has been recognised during the year ended 30 June 2017 on a combined basis in relation to the 4 month period from acquisition date 1 March 2016 to 30 June 2016 in line with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors as a change of accounting estimate. For the year ended 30 June 2016, it was provisionally reported that the combined businesses had contributed a combined profit of \$64,751 for the 4 month period from acquisition date 1 March 2016 to 30 June 2016.

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### NOTE 2 BUSINESS COMBINATIONS (CONTINUED)

#### c. Integral Risk Group (Acquired during prior year ended 30 June 2016)

During the prior year ended 30 June 2016, the group acquired the business assets of Integral Risk Group whose principle activities are the provision of security guarding services in Australia. The acquisition was performed simultaneously with the acquisition of the Integral Risk Group business (Refer note 2b).

##### i. Provisional accounting adjustment under AASB 3

The business combination was accounted for provisionally in line with AASB 3 during the year ended 30 June 2016 as sufficient information was not available to complete the initial accounting for the business combination by the end of that reporting period. Accordingly, adjustments have been made during the year ended 30 June 2017 to the balances of net assets acquired on 1 March 2016 to adjust for additional information that has come to light since the end of the previous reporting period, as follows:

	Original 2016 \$	Adjustment \$	Final 2017 \$
<i>Assets and liabilities recognised at acquisition date (1 March 2016):</i>			
Customer related intangible assets	-	179,330	179,330
Provisions	(41,886)	-	(41,886)
Deferred tax liability	-	(53,799)	(53,799)
Goodwill	541,886	(125,531)	416,355
Net assets acquired	500,000	-	500,000

There were no adjustments made to the value of purchase consideration of \$500,000 during the year ended 30 June 2017.

##### ii. Valuation of customer related intangible asset

Customer related intangible assets were identified at fair value as at acquisition date. The fair value of these was determined by reference to the present value of estimated future cashflows relating directly to the customer contracts acquired as part of the acquisition. Average useful life was applied in line with the terms on the identifiable customer contracts as of acquisition date.

##### iii. Adjustment to acquisition revenue and profit contribution

As the Integral Risk Group business was acquired simultaneously with the Australian Event Protection business (refer note 2b) and involves the same business processes and assets, the results of the businesses are reviewed by management on a combined basis. As a result of the above adjustment (note 2c.i), amortisation expense of \$63,509 has been recognised during the year ended 30 June 2017 on a combined basis in relation to the 4 month period from acquisition date 1 March 2016 to 30 June 2016 in line with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* as a change of accounting estimate. For the year ended 30 June 2016, it was provisionally reported that the combined businesses had contributed a combined profit of \$64,751 for the 4 month period from acquisition date 1 March 2016 to 30 June 2016.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## NOTE 3 REVENUE AND OTHER INCOME

## Revenue

Revenue from provision of goods and services

Interest income

## Other income

Gains on disposal of property, plant and equipment

Government grants relating to prior period

Historic superannuation penalties withdrawn

Supplier bonuses

Other income

	2017 \$	2016 \$
Revenue from provision of goods and services	11,471,619	7,239,344
Interest income	6,338	5,374
	11,477,957	7,244,718
Gains on disposal of property, plant and equipment	100,445	41,812
Government grants relating to prior period	772,370	-
Historic superannuation penalties withdrawn	545,773	-
Supplier bonuses	-	50,890
Other income	17,446	66,411
	1,436,034	159,113

## NOTE 4 PROFIT / (LOSS) BEFORE INCOME TAX

The following significant revenue and expense items are relevant in explaining the financial performance:

Depreciation of property, plant and equipment

Amortisation of intangible assets

Impairment

Share-based payments

Employee benefits

Occupancy expense

Note	2017 \$	2016 \$
12	161,026	116,813
13	746,918	176,260
	65,492	30,560
20	163,586	983,549
	4,693,047	4,843,477
	288,547	287,549

## NOTE 5 AUDITORS REMUNERATION

## Auditing or reviewing the financial statements

BDO Audit (WA) Pty Ltd (*Appointed 29 November 2016*)Bentleys Audit (*Resigned 29 November 2016*)

## Non-audit services

Taxation services provided by BDO

Corporate finance services provided by BDO

Taxation services provided by Bentleys

	2017 \$	2016 \$
BDO Audit (WA) Pty Ltd ( <i>Appointed 29 November 2016</i> )	57,442	-
Bentleys Audit ( <i>Resigned 29 November 2016</i> )	-	56,428
	57,442	56,428
Taxation services provided by BDO	15,300	-
Corporate finance services provided by BDO	14,960	-
Taxation services provided by Bentleys	-	21,015
	30,260	21,015



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### NOTE 6 INCOME TAX

#### a. Income tax expense / (benefit)

Current tax (benefit) / expense  
Deferred tax (benefit) / expense

2017	2016
\$	\$
-	-
(417,586)	(378,015)
(417,586)	(378,015)

#### b. Reconciliation of income tax expense to prima facie tax payable

The prima facie tax payable / (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Profit/(Loss) from continuing operations before income tax expense

Australian tax rate

Tax amount at the Australian tax rate

Add / (Less) the tax effect of:

Reduction in company tax rate

Non-assessable income

Deductible equity raising costs

Current year capital losses not recognised

Non-deductible depreciation and amortisation

Unrecognised income tax benefit in respect of current year losses

Non-deductible expenses

Movement in unrecognised temporary differences

Benefit from previously unrecognised temporary differences and losses

Total income tax expense/(benefit)

1,274,752	(5,749,125)
30.0%	30.0%
382,426	(1,724,738)
(156,350)	-
(122,274)	-
(27,920)	-
9,000	-
-	24,527
-	697,318
115,538	1,026,466
-	(23,573)
(618,006)	(378,015)
(417,586)	(378,015)

#### c. Deferred tax recognised directly in equity

Relating to equity raising costs

Deferred tax expense/(benefit) attributable to entity recognised in equity

(22,098)	-
(22,098)	-

#### d. Unused tax losses and temporary differences for which no deferred tax asset has been recognised

Deferred tax assets have not been recognised in respect of the following, using corporate tax rates of:

Deductible Temporary Differences

Tax Revenue Losses

Tax Capital Losses

Total unrecognised deferred tax assets

27.5%	30.0%
-	347,859
1,421,316	1,689,271
34,185	0
1,455,499	2,037,130

The corporate tax rates on both recognised and unrecognised deferred tax assets and deferred tax liabilities have been calculated with respect to the tax rate that is expected to apply in the year the deferred tax asset is realised or the liability is settled. Movements throughout the 2017 year were charged at 30.0% (2016: 30.0%) and balances at 30 June 2017 were converted to 27.5%.

The benefit for tax losses will only be obtained if the company and consolidated entity derive future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised, if the company and consolidated entity continue to comply with the conditions for deductibility imposed by law and if no changes in tax legislation adversely affect the ability of the Company and consolidated entity to realise these benefits.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## NOTE 6 INCOME TAX (CONTINUED)

## e. Recognised deferred tax assets and liabilities

	2017 \$	2016 \$
Opening balance	-	-
Charged to income	417,586	378,015
Charged to equity	22,098	-
Acquisitions/disposals	(2,078,244)	(378,015)
Closing balance	(1,638,560)	-
Using a corporate tax rate of	27.5%	30.0%
<b>Deferred tax assets</b>		
Employee benefits	149,348	193,653
Accrued expenses	135,578	106,694
Provision for doubtful debts	-	5,603
Capital raising costs	137,863	59,193
Tax losses	509,940	30,155
Other deferred tax assets	2,191	-
Gross deferred tax assets	934,919	395,298
Set-off deferred tax liabilities	(934,919)	(395,298)
Net deferred tax liabilities	-	-
<b>Deferred tax liabilities</b>		
Prepayments	(12,600)	(17,283)
Intangible assets	(2,558,959)	(378,015)
Other deferred tax liabilities	(1,920)	-
Gross deferred tax liabilities	(2,573,479)	(395,298)
Set-off of deferred tax assets	934,919	395,298
Net deferred tax liabilities	(1,638,560)	-

## NOTE 7 EARNINGS PER SHARE (EPS)

## a. Reconciliation of earnings to profit or loss

Profit / (Loss) used in the calculation of basic and diluted EPS

1,692,336 (5,371,110)

## b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS

752,947,029 562,633,880

## c. Basic EPS (cents per share)

0.22 (0.95)

d. The Group does not report diluted earnings per share where options would not result in the issue of ordinary share for less than the average market price during the period ("out of the money"). In addition, the Group does not report diluted earnings per share on annual losses generated by the Group. At the end of the 2017 financial year, the Group had 145,900,000 unissued shares under option that were out of the money and which were anti-dilutive (2016: 145,900,000).

e. The equity structure in the 2016 (comparative) consolidated financial statements following the reverse acquisition transaction which occurred during the year ended 30 June 2016 reflects the equity structure of Threat Protect Australia Limited, being the legal acquirer (the accounting acquiree), including the equity interests issued by Threat Protect Australia Limited to effect the business combination.

In calculating the weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the year ended 30 June 2016 the number of ordinary shares outstanding from 1 July 2015 to 3 September 2015 (acquisition date) are computed on the basis of the weighted average number of ordinary shares of Threat Protect Group Pty Ltd (legal acquiree/accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the acquisition agreement; and; the number of ordinary shares outstanding from 3 September 2015 to the end of the year shall be the actual number of ordinary shares of Threat Protect Australia Limited outstanding during that period.

Thereafter, the basic EPS for the year ended 30 June 2017 has been calculated in the usual manner by dividing total comprehensive income attributable to members of Threat Protect Australia Limited by the weighted average of shares on issue during the year ended 30 June 2017.

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### NOTE 8 CASH AND CASH EQUIVALENTS

Note	2017 \$	2016 \$
Cash at bank	1,163,364	448,581
<b>a. Reconciliation of cash flow from operations to loss after income tax</b>		
Profit / (Loss) after income tax	1,692,336	(5,371,110)
Non-cash flows in profit from ordinary activities:		
Depreciation and amortisation	907,943	293,073
Non-cash gains on disposal of assets	(100,481)	(41,812)
Impairment recognised	65,492	30,560
Non-cash other income	(555,872)	-
Non-cash interest expense	15,575	21,752
Share-based payments	163,586	983,549
Income tax benefit	(417,586)	(378,015)
Corporate transaction accounting expense	-	2,407,444
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(1,418,344)	(433,536)
(Increase)/decrease in prepayments and other assets	75,791	44,740
(Increase)/decrease in inventories	(19,381)	(56)
Increase/(decrease) in trade and other payables	883,786	(1,418,622)
Increase/(decrease) in provisions	7,882	276,857
Cash flow from operations	1,300,727	(3,585,176)

#### b. Credit standby facilities

The Group has \$4,500,000 remaining as at 30 June 2017 of the \$9,000,000 convertible note facility that is available from First Samuel Limited. The facility is primarily intended to be used for funding business acquisitions, but can be drawn on for working capital purposes.

\$19,000 is also available from National Australia Bank in the working capital facility (2016: \$19,000) as well as \$531,000 which is available specifically for the acquisition of new businesses (2016: \$1,140,000).

Refer note 17, Borrowings, for further details regarding these facilities.

#### c. Risk management

For details relating to the Group's management of risks surrounding cash and cash equivalents, please refer note 25, Financial Risk Management.

#### d. Non-cash investing and financing activities

During the period, legacy mining tenements were sold for \$95,000. The proceeds from the sale were offset against creditors amounts owing to the facilitator of the sale and as such were not received in cash. (2016:None).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## NOTE 9 TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
<b>Current</b>		
Trade debtors	2,745,025	831,927
Less: provision for impairment	(539,332)	(18,676)
Accrued income receivable	133,096	271,568
Government grants receivable	1,588,595	-
Goods and Services Tax receivable	18,319	22,139
Other receivables	1,059	31,060
	3,946,763	1,138,018

The Group's exposure to interest rate risk, analysis of impairment and sensitivity analysis for financial assets and liabilities including trade and other receivables are disclosed in note 25.

## NOTE 10 FINANCIAL ASSETS

	2017 \$	2016 \$
<b>a. Current</b>		
Security bonds and guarantees	182,669	167,969
	182,669	167,969

## b. Fair value hierarchy

No assets were held at fair value during the years ended 30 June 2017 or 2016.

## NOTE 11 OTHER CURRENT ASSETS

	2017 \$	2016 \$
<b>Current</b>		
Prepayment of group expenses	248,423	137,764
	248,423	137,764

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 13 INTANGIBLE ASSETS	Development assets	Customer related intangible assets	Intellectual property	Goodwill	Total
	(a)	(b)	(c)	(d)	
CURRENT YEAR 2017	\$	\$	\$	\$	\$
Intangible asset	1,075,657	10,058,876	17,087	4,201,441	15,353,061
Accumulated amortisation	(33,242)	(888,601)	(1,336)	-	(923,179)
Accumulated impairment	-	(828,000)	-	-	(828,000)
Carrying amount at the end of the year	1,042,415	8,342,275	15,751	4,201,441	13,601,882
Carrying amount at the beginning of the year	67,818	1,803,145	6,065	2,664,153	4,541,179
Additions during the period	1,813,834	7,105,478	11,022	1,693,511	10,623,846
Government grant income not recognisable (e)	(816,225)	-	-	-	(816,225)
Adjustments during the period	-	156,223	-	(156,223)	-
Amortisation expense	(23,012)	(722,571)	(1,336)	-	(746,918)
Carrying amount at the end of the year	1,042,415	8,342,275	15,751	4,201,441	13,601,882
PRIOR YEAR 2016	(a)	(b)	(c)	(d)	
Intangible asset	78,049	2,797,174	6,065	2,664,153	5,545,441
Accumulated amortisation	(10,231)	(166,030)	-	-	(176,261)
Accumulated impairment	-	(828,000)	-	-	(828,000)
Carrying amount at the end of the year	67,818	1,803,144	6,065	2,664,153	4,541,180
Carrying amount at the beginning of the year	-	-	-	-	-
Additions during the period	78,049	1,969,174	6,065	2,664,153	4,717,441
Amortisation expense	(10,231)	(166,030)	-	-	(176,261)
Carrying amount at the end of the year	67,818	1,803,144	6,065	2,664,153	4,541,180

## a. Development assets

Development assets are carried at cost less accumulated amortisation. The carrying amount of development costs of \$1,042,415 has been subject to impairment testing at 30 June 2017. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. There was no impairment arising as a result of impairment testing at 30 June 2017 (2016: None).

## b. Customer related intangible assets

Customer related intangible assets consist of customer contracts and relationships acquired externally and are carried at cost less accumulated amortisation and impairment. These intangible assets have been assessed as having useful lives of between 6 and 10 years and are amortised using the straight line method over that period. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

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### NOTE 13 INTANGIBLE ASSETS (CONTINUED)

#### c. Intellectual property

Intellectual property has been externally acquired and is carried at cost less accumulated amortisation. These intangible assets have been assessed as having a useful life of 10 years and are amortised using the straight line method over that period. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

#### d. Goodwill

Goodwill has been externally acquired and is carried at cost less accumulated impairment losses. The additions to goodwill arose on the acquisition of Apollo Security during the year ended 30 June 2017. During the year ended 30 June 2016, the additions arose on the acquisition of Australian Event Protection and Integral Risk Group. Goodwill represents the difference between the fair value of the consideration paid for a business and the fair value of net assets acquired.

##### i. Adjustment to provisional accounting for Australian Event Protection and Integral Risk Group business combinations.

The Company had provisionally accounted for these business combinations as at 30 June 2016 in accordance with AASB 3 as sufficient information was not available to complete the initial accounting for the business combination by the end of that reporting period. Accordingly, adjustments have been made during the year ended 30 June 2017 to adjust for additional information that has come to light since the end of the previous reporting period. Refer note 2b and 2c, Business Combinations, for further details regarding these adjustments.

##### ii. Goodwill relating to Apollo business combination

Refer note 2a, Business Combinations for details regarding goodwill of \$1,693,648 recognised as part of the Apollo business acquisition.

#### e. Government grant income not recognisable

AASB 120 requires that income earned from grants in relation to expenditure on intangible assets is offset against the value of those assets. Refer note 1n for details regarding the Group's accounting policies surrounding government grants.

#### f. Impairment testing of intangible assets

##### i. Key estimate: key assumptions used for impairment testing

AASB 136 requires annual impairment testing to be performed for goodwill and intangible assets which are not yet ready for use. In order for these assets to be tested for impairment, they are allocated the cash-generating-units ("CGUs") which they form a part of. The carrying values of goodwill and development assets which are not yet ready for use have been allocated to the monitoring and guarding CGUs for impairment testing purposes, as follows:

	Monitoring CGU \$	Guarding CGU \$	Total \$
Allocation of Goodwill	3,559,131	642,310	4,201,441
Allocation of Development assets not yet ready for use	984,977	-	984,977
	4,544,108	642,310	5,186,418

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## NOTE 13 INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of each CGU which was tested for impairment has been determined using the value in use method. Value in use has been derived by calculating the discounted value of net cash flows expected to be derived from each CGU. Value in use has been based on five year forecasts with terminal values calculated to simulate the value of cash flows beyond that period. Cash flows for the year ended 30 June 2018 were estimated based on the board-approved budget for that period. The value in use models used the following key assumptions.

	Monitoring CGU	Guarding CGU
Annual revenue growth rate	5%	3%
Average gross margin	47%	15%
Terminal growth rate	3.75%	1.5%
Capital expenditure required to sustain operations	Minimal	Minimal
Pre-tax discount rate	12.41%	12.41%

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

Assumption	Approach used to determine values
Annual revenue growth rate	Average annual growth rate over the five year forecast period based on past performance and management's expectations of market development.
Average gross margin	Average annual gross margin over the five-year forecast period based on past performance, industry trends and long term inflation forecasts.
Terminal growth rate	This is the average growth rate used to extrapolate cash flows beyond the budget period based on observed long term average growth rates.
Capital expenditure required	Capital expenditure requirements based on expected levels of revenues, costs and capital investments in property, plant and equipment.
Pre-tax discount rate	Reflects specific risks relating to the entity and the industries which it operates within.

The models have excluded the value of cash flows from financing activity and non-cash items such as depreciation.

No impairment losses were recognised during the period as the recoverable value of each CGU tested was deemed to be greater than the carrying amount.

## ii. Sensitivity analysis: Monitoring CGU

The following table sets out the sensitivities of the key assumptions to the recoverable value calculated by the value in use model for the Monitoring CGU:

	Sensitivity	Negative Impact \$m	Positive Impact \$m
2018 base revenue value	± 10%	3.7	3.7
Annual revenue growth rate	± 0.5%	1.3	1.4
Average gross margin	± 5.0%	3.9	3.8
Terminal growth rate	± 0.5%	1.5	1.7
Pre-tax discount rate	± 0.5%	1.1	1.3

## iii. Sensitivity analysis: Guarding CGU

The following table sets out the sensitivities of the key assumptions to the recoverable value calculated by the value in use model for the Guarding CGU:

	Sensitivity	Negative Impact \$000s	Positive Impact \$000s
2018 base revenue value	± 10%	645	645
Annual revenue growth rate	± 0.5%	56	59
Average gross margin	± 2.0%	962	921
Terminal growth rate	± 0.5%	98	108
Pre-tax discount rate	± 0.5%	62	68

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of either the Monitoring or Guarding CGU's to exceed their recoverable amount.



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### NOTE 14 CONTROLLED ENTITIES

#### c. Legal parent entity

Threat Protect Australia Limited is the ultimate parent of the Group.

#### i. Legal subsidiaries

	Country of Incorporation	Class of Shares	Percentage Owned	
			30 June 2017 %	30 June 2016 %
Threat Protect Group Pty Ltd	Australia	Ordinary	100	100
Threat Protect Security Services Pty Ltd	Australia	Ordinary	100	100
Chipla Holdings Pty Ltd	Australia	Ordinary	100	100
VIP Security Industries Pty Ltd	Australia	Ordinary	100	100
AVMC (Aust) Pty Ltd	Australia	Ordinary	100	100
Goldfields Commercial Security Pty Ltd	Australia	Ordinary	100	100
Aust East Africa Mining Ltd <sup>1</sup>	Tanzania	Ordinary	-	100
EAF Resources Rwanda Ltd <sup>1</sup>	Rwanda	Ordinary	-	100
Frontier Resources Ltd <sup>1</sup>	Tanzania	Ordinary	-	100
Savanna Mineral Resources Pty Ltd <sup>1</sup>	Australia	Ordinary	-	100
Sterling Resources Ltd <sup>1</sup>	Tanzania	Ordinary	-	100
Tanganyika Uranium Corp <sup>1</sup>	Canada	Ordinary	-	100
TZU Resources Pty Ltd <sup>1</sup>	Australia	Ordinary	-	100

Investments in subsidiaries are accounted for at cost.

<sup>1</sup>On 21 June 2017, several subsidiaries were divested from the Group. Refer note 23 for further details regarding this transaction.

### NOTE 15 TRADE AND OTHER PAYABLES

	Note	2017 \$	2016 \$
<b>Current</b>			
<i>Unsecured</i>			
Trade payables	15a	1,077,243	611,736
Deferred consideration payable	15b	3,204,156	-
Accrued expenses		419,043	298,569
Interest payable		291,921	310,421
ATO liabilities		669,417	344,213
Payroll tax liabilities		175,211	119,959
Superannuation payable		106,126	110,219
Other payables		52,309	8,132
		<b>5,995,426</b>	<b>1,803,249</b>

a. Trade payables are non-interest bearing and arise from the usual operating activities of the Group. Trade payables and other payables and accruals, except directors' fees, are usually settled within the lower of terms of trade or 30 days.

b. \$3,155,156 deferred consideration payable relates to the Apollo business combination as detailed in note 2a. The remaining \$49,000 relates to minor acquisitions of retail monitoring contracts which are due to settle within 12 months of balance date. (2016: nil).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25 Financial risk management.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 16 PROVISIONS

	Note	2017 \$	2016 \$
<b>Current</b>			
Provision for current employee benefits		471,915	471,495
Provision for fines and penalties	16a	-	555,782
		471,915	1,027,277
<b>Non-current provisions</b>			
Provision for non-current employee benefits		71,168	63,795
		71,168	63,795

- a. Fines and penalties relating to historic late payment of Superannuation obligations by the Group in prior periods were withdrawn in full following the Group's successful appeal. The Group is up to date with its current superannuation obligations.

## NOTE 17 BORROWINGS

	Note	2017 \$	2016 \$
<b>Current borrowings</b>			
Hire purchase and finance leases		100,108	145,811
Less: unexpired interest		(15,199)	(23,631)
Short-term borrowings	17a	60,477	45,646
Working capital facility	17b	481,000	481,000
Bank loan facilities	17d	681,000	2,135,000
		1,307,386	2,783,826
<b>Non-current borrowings</b>			
Convertible notes – First Samuel Limited	17c	4,500,000	-
Less: capitalised borrowing costs	17c	(96,705)	-
Bank loan facilities	17d	1,600,000	-
Related entity loans	22	-	19,609
		6,003,295	19,609

- a. Short-term borrowings comprise premium funding for insurance policies, repayable within 12 months.
- b. Working capital facility comprises a \$500,000 working capital facility issued by National Australia Bank. Interest is paid at 5.465% per annum, and drawings are repayable 12 months from the commencement date.
- c. The parent entity, Threat Protect Australia Limited ("the issuer"), issued 4,500,000 9% convertible notes to First Samuel Limited ("the subscriber") at a face value of \$1 per note, raising \$4,500,000 on 24 February 2017. The total aggregate value of convertible notes available under the convertible note deed is \$9,000,000, of which \$4,500,000 remain unissued as at 30 June 2017 and available for issue at the issuer's discretion. Notes mature on 24 February 2020 with a sunset date of 24 February 2022.
- ▶ The subscriber (First Samuel Limited) may convert the notes to fully paid ordinary shares at a conversion rate equivalent to 3 cents per share (\$1.00 per note), subject to Threat Protect shareholder approval, at any time during the term.
  - ▶ If Threat Protect Australia Limited issues shares at a discount to 3 cents per share prior to conversion date, the subscriber's conversion rate going forward shall be reduced to a conversion rate that will equal the discounted price per share (This is the note's "ratchet feature").
  - ▶ The issuer (Threat Protect Australia Limited) may elect to redeem any notes on issue in whole or in part during the term, at a conversion rate equivalent to 5 cents per share (\$1.67 per note).

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### NOTE 17 BORROWINGS (CONTINUED)

Convertible notes will automatically convert into fully paid ordinary shares of Threat Protect Australia Limited on the maturity date (24 February 2020). In the event that shareholder approval is not obtained for such a conversion on or before the maturity date, the interest rate for the convertible notes will increase from 9% to 11% from that date until the sunset date (24 February 2022) and the subscriber may require the issuer to redeem all outstanding convertible notes at any time along with a redemption premium of \$0.67 per note, a 67% premium to the original face value of \$1 per note.

Convertible notes are unsecured and are subordinated to senior debt.

The convertible note facility may be used for working capital purposes.

The convertible notes are presented on the statement of financial position at the transaction price of \$4,500,000, less borrowing costs which are capitalised at issue date and applied to the Group finance expense over the 5 year term of the convertible note using the effective interest method. Borrowing costs capitalised at issue date were \$112,500 of which \$15,795 were expensed to group finance expense during the year ended 30 June 2017 leaving \$96,705 capitalised against the convertible note liability (2016: None). Refer to notes 25viii & 25ix. There were no convertible notes on issue during the prior year ended 30 June 2016.

d. Bank loan facilities comprise these facilities on the following terms and conditions:

Lender	Facility Type	Interest rate	Loan balance	
			2017 \$	2016 \$
National Australia Bank	Business Acquisition Facility – Current	5.465% pa	681,000	135,000
National Australia Bank	Group Loan Refinancing Facility - Non-Current	5.470% pa	1,600,000	2,000,000
			2,281,000	2,135,000

The National Australia Bank Business Acquisition Facility has a total limit of \$1,212,000 of which \$531,000 remains available at 30 June 2017 (2016: \$1,140,000).

The National Australia Bank Group Loan Refinancing Facility totals \$2,000,000 and has been repaid to \$1,600,000 as at reporting date (2016: \$2,000,000). Repayments of \$400,000 are due annually in June and as such the group is expected to repay this facility by June 2021.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 30 June 2017 and, as a result, borrowings totalling \$1,881,000 were reclassified as non-current during the period, having been classified as current as at the prior year end dated 30 June 2016. During the prior year ended 30 June 2016 the Group failed to meet one of its banking covenant compliance obligations but received a letter of waiver from National Australia Bank confirming that they had waived their right to take action on the non-compliance.

e. Bank borrowings are secured over the general property of the Group. Hire purchase and finance lease arrangements are secured over the equipment to which the borrowings relate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note	18	ISSUED CAPITAL	Note	2017 No.	2016 No.	2017 \$	2016 \$
		Fully paid ordinary shares at no par value		779,423,331	721,898,331	14,734,832	13,284,696
		<b>a. Ordinary shares</b>					
		At the beginning of the period		721,898,331	17,554	13,284,696	1,347,303
		Shares issued during the period:					
		Balance before reverse acquisition		Not Applicable	17,554	Not Applicable	1,347,303
		3 September 2015 reverse acquisition					
		Elimination of existing legal acquiree (Threat Protect Group Pty Ltd) shares		-	(17,554)	-	-
		Shares of legal acquirer (Threat Protect Australia Limited) at acquisition date		-	368,198,180	-	-
		Issue of shares to Threat Protect Group Pty Ltd vendors		-	165,000,000	-	7,363,964
		Settlement of accrued liabilities		-	15,565,653	-	311,313
		Part settlement of borrowings		-	15,000,000	-	300,000
		Conversion of notes		-	38,234,503	-	611,752
		16 February 2016 share issue		-	102,899,995	-	3,087,000
		22 February 2016 share issue		-	333,334	-	10,000
		31 May 2016 share issue		-	16,666,666	-	500,000
		7 November 2016 share issue		30,000,000	-	900,000	-
		2 December 2016 share issue		20,000,000	-	600,000	-
		19 June 2017 share issue	19	7,525,000	-	-	-
		Transaction costs relating to share issues		-	-	(74,614)	(246,636)
		At reporting date		779,423,331	721,898,331	14,710,082	13,284,696

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

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### NOTE 18 ISSUED CAPITAL (CONTINUED)

#### b. Options

	2017 No.	2016 No.
Unlisted options on issue as at balance date.	145,900,000	145,900,000
At the beginning of the period	145,900,000	-
Options of legal acquirer (Threat Protect Group Pty Ltd) at acquisition date	-	3,600,000
Consolidation of options on issue under reverse acquisition	-	(2,700,000)
Consultant and adviser options as part of reverse acquisition (Exp. 4.9.18; Ex Price 2.5 cents)	-	100,000,000
Non-Executive director incentive options (Exp. 31.10.20; Ex Price 4.85 cents at a fair value of \$323,501)	-	15,000,000
Tranche 1 Executive Director incentive options (Exp. 31.10.20; Ex Price 3.8 cents at a fair value of \$229,579)	-	10,000,000
Tranche 2 Executive Director incentive options (Exp. 31.10.20; Ex Price 4.67 cents at a fair value of \$217,842)	-	10,000,000
Tranche 3 Executive Director incentive options (Exp. 31.10.20; Ex Price 5.11 cents at a fair value of \$212,627)	-	10,000,000
At reporting date	145,900,000	145,900,000

#### c. Capital Management

The consolidated entity's objectives when managing capital are 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.

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.

The Group regularly reviews its working capital position and has no externally imposed capital requirements.

The working capital position of the Group at balance date is as follows:

	Note	2017 \$	2016 \$
Cash and cash equivalents	8	1,163,364	448,581
Trade and other receivables	9	3,946,763	1,138,018
Financial assets	10	182,669	167,969
Other current assets	11	248,423	137,764
Inventories		32,387	13,005
Trade and other payables	15	(5,995,426)	(1,803,249)
Short-term provisions	16	(471,915)	(1,027,277)
Short-term borrowings	17	(1,307,386)	(2,783,826)
Working capital position		(2,201,121)	(3,709,015)

### NOTE 19 RESERVES

	2016 \$	2015 \$
Share-based payments reserve	1,147,135	983,549
Total reserves	1,147,135	983,549

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised and the grant date fair value of shares issued to employees.

For details regarding share-based payments during the period, please refer note 20, Share-based Payments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 20 SHARE BASED PAYMENTS

Total share-based payments expensed through the consolidated statement of profit or loss and other comprehensive income

2017	2016
\$	\$
163,586	983,549

## 2016 Employee Share Plan

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 Employee Share Plan provides some senior executives and employees with a significant incentive over and above their base salary. The Employee Share Plan 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.

## Employee Share Plan shares issued to employees and key management personnel on 19 June 2017

On 19 June 2017, 7,525,000 fully paid ordinary shares were issued to employees and key management personnel of the Group at an issue price of 1.7 cents per share and corresponding limited-recourse loans totalling \$127,925 were entered into in accordance with the Group's Employee Share Plan, as part of their remuneration and having regard to their past and potential contribution to the Group.

A summary of the key loan terms are as follows:

- ▀ Loan amount: 1.7 cents per share
- ▀ Interest rate: 0% per annum
- ▀ Term of Loan: 5 years (expiring 14 June 2022)
- ▀ Vesting conditions: none
- ▀ Subject to the terms and conditions of the 2016 Employee Share Plan as approved by shareholders on 29 November 2016
- ▀ Loans are non-recourse except to the extent of Shares held by participants to which the loans relate
- ▀ Share transfer restrictions are in place to the extent of loans held by participants
- ▀ The Board may, in its absolute discretion, agree to forgive a loan made to a participant

Fair value at grant date of \$163,586 was calculated using the Black-Scholes pricing model which took into account the term of the limited-recourse loan, the underlying value of the shares, the exercise price (a product of the share issue price and the loan amount per share), the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used for the valuation were as follows:

<b>Exercise Price</b>	1.7 cents	<b>Market price at grant date</b>	2.6 cents
<b>Grant Date</b>	14 June 2017	<b>Risk Free Interest Rate</b>	2.9 percent
<b>Vesting Date</b>	14 June 2017	<b>Expected Volatility</b>	110%
<b>Loan Expiry Date</b>	14 June 2022	<b>Valuation Per Employee Share</b>	2.2 cents

The expected volatility of the share price during the term of the limited-recourse loan is based around assessments of the volatility of similar-sized listed entities and entities in similar industries at grant date. For the purposes of the valuation, a 0% dividend yield has been used as the Company does not have a current dividend policy at this time.

The value of the instruments has been expensed to remuneration in its entirety as there were no vesting restrictions on the shares issued. This value of \$163,586 has been accounted for in the share option reserve during the year ended 30 June 2017.

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#### NOTE 20 SHARE BASED PAYMENTS (CONTINUED)

Share options outstanding as at the end of each period have the following expiry dates and exercise prices:

Grant Date	Expiry Date	Exercise Price (cents per share)	Number of Options 2017	Number of Options 2016
7 Sept 2012	29 Nov 2017	13.36	300,000	300,000
7 Sept 2012	29 Nov 2017	40.00	300,000	300,000
7 Sept 2012	29 Nov 2017	60.00	300,000	300,000
4 Sept 2015	4 Sept 2018	2.50	100,000,000	100,000,000
26 Nov 2015	31 Oct 2020	4.85	15,000,000	15,000,000
26 Nov 2015	31 Oct 2020	3.80	10,000,000	10,000,000
26 Nov 2015	31 Oct 2020	4.67	10,000,000	10,000,000
26 Nov 2015	31 Oct 2020	5.11	10,000,000	10,000,000
			145,900,000	145,900,000

The weighted average remaining contractual life of options outstanding at 30 June 2017 was 1.84 years (2016: 2.84 years)

Set out below are summaries of options granted during the period:

	2017		2016	
	Average exercise price per option	Number of options	Average exercise price per option	Number of options
As at 1 July	\$0.034	145,900,000	\$0.378	900,000
Granted during the year	-	-	\$0.032	145,000,000
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
As at 30 June	\$0.034	145,900,000	\$0.034	145,900,000
Vested and exercisable as at 30 June	\$0.034	145,900,000	\$0.034	145,900,000

#### Shares issued upon exercise of options

No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the year.

#### Fair value of share-based payments

The assessed fair value at grant date of share-based payments made during the year ended 30 June 2017 was \$0.022 per share (2016: weighted average \$0.022 per share). The fair values at grant dates were calculated using the Black-Scholes pricing model which took into account the term of the limited-recourse loan or option, the underlying value of the shares, the exercise price (a product of the share issue price and the loan amount per share), the expected dividend yield, the impact of dilution and the risk-free interest rate.



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## NOTE 21 KEY MANAGEMENT PERSONNEL COMPENSATION

The names and positions of Key Management Personnel ("KMP") during the period are as follows:

 Derek La Ferla	Non-Executive Chairman
 Demetrios Pynes	Managing Director
 Paolo (Paul) Ferrara	Executive Director
 Dimitri Bacopanos	Non-Executive Director ( <i>Appointed 1 January 2017</i> )
 Ian Olson	Non-Executive Director ( <i>Resigned 29 November 2016</i> )
 Simon Whybrow	Company Secretary and Chief Financial Officer

The amounts disclosed for the (comparative) 2016 financial year represent remuneration paid by Threat Protect Group Pty Ltd (the accounting acquirer) to KMP and Directors of the accounting acquirer over the period 1 July 2015 to 2 September 2015 (the acquisition date) and remuneration paid by the consolidated Threat Protect Australia Limited Group following the completion of the acquisition on 3 September 2015 until 30 June 2016. This ensures that the remuneration report disclosures are calculated on a basis that is consistent with that applied in reporting the results and balances of the Group and related party disclosures in the Financial Statements under the reverse acquisition rules of AASB 3 Business Combinations.

	2017 \$	2016 \$
Short-term employee benefits	586,162	412,992
Other short-term benefits	33,600	33,600
Post-employment benefits	49,030	34,853
Share-based payments	43,478	983,549
Other long-term benefits	-	-
Termination benefits	-	-
	<b>712,270</b>	<b>1,464,994</b>

## NOTE 22 RELATED PARTY TRANSACTIONS

All transactions with related parties are on commercial terms and under conditions no more favourable than those available to other parties unless otherwise stated.

## Goods and services provided to Directors on commercial terms (Group income)

Demetrios Pynes	-	240
Paolo Ferrara	182	458
Derek La Ferla	338	1,544

## Employment of Directors' spouses (Group expense)

*Directors' spouses were employed within the business during the period.*

*Amounts include salary, fees and superannuation.*

Demetrios Pynes' spouse (Group expense)	-	(48,243)
Paolo Ferrara's spouse (Group expense)	(48,561)	(49,179)



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### NOTE 22 RELATED PARTY TRANSACTIONS (CONTINUED)

Related entity: Tactical Conflict Solutions Pty Ltd

*Tactical Conflict Solutions Pty Ltd ("TCS"), a company jointly controlled by Mr Pynes and Mr Ferrara, provides training services to and rents office space from the Group. The Group also charges TCS for administrative and security staff.*

	2017 \$	2016 \$
Training services provided by TCS (Group expense)	-	(36,000)
Rent paid by TCS (Group income)	8,000	8,000
Staffing provided to TCS (Group income)	4,528	10,306
Trade payables balance	-	(64,335)
Trade receivables balance	7,344	12,116
Balance of loan from TCS to Threat Protect Australia Limited	-	19,609

### NOTE 23 CONTINGENT LIABILITIES

The Company had previously received legal advice that there may be liabilities outstanding relating to legacy Tanzanian mining exploration tenements. The Company has since taken measures to eliminate these contingent liabilities, namely through the divestment of the corporate structure which historically held these tenements. The structure was divested from the Group at a cost of \$50,001 on 21 June 2017 and the Directors are now satisfied that no contingent liability exists.

There were no contingent liabilities not recognised in the financial statements of the parent entity and the consolidated entity as at 30 June 2017.

### NOTE 24 OPERATING SEGMENTS

#### a. Identification of reportable 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 CCTV monitoring ("**Monitoring**"), security guarding and personnel services ("**Guarding**") and Alarm and CCTV installation and maintenance services ("**Service**").

#### b. Basis of accounting for purposes of reporting by operating segments

##### i. Accounting policies adopted

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

##### ii. Inter-segment 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.

##### iii. Segment assets

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.

##### iv. Segment liabilities

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

##### v. 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.

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## NOTE 24 OPERATING SEGMENTS (CONTINUED)

## Year ended 30 June 2017

	2017 Monitoring \$	2017 Guarding \$	2017 Services \$	2017 Total \$
<b>Revenue</b>				
Revenue	5,239,359	5,618,581	613,679	11,471,619
<b>Total Segment Revenue</b>	<b>5,239,329</b>	<b>5,618,581</b>	<b>613,679</b>	<b>11,471,619</b>
<i>Reconciliation of segment revenue to group revenue:</i>				
Interest				6,338
Other income				1,436,034
<b>Total group revenue and other income</b>				<b>12,913,991</b>
<b>Segment net profit / (loss) from continuing operations before tax</b>	<b>2,998,637</b>	<b>325,172</b>	<b>79,578</b>	<b>3,403,387</b>
<i>Reconciliation of segment profit / (loss) to group profit / (loss):</i>				
Amounts not included in segment results but reviewed by the board:				
Administrative expenses				(1,499,137)
Business acquisition and integration costs				(715,759)
Compliance and regulatory				(351,847)
Finance costs				(350,479)
Legal costs				(61,186)
Marketing & business development				(369,494)
Occupancy expenses				(223,106)
Income tax benefit				417,586
<b>Net profit for the year</b>				<b>1,692,336</b>
<b>Segment Assets</b>	<b>15,121,773</b>	<b>1,198,329</b>	<b>32,387</b>	<b>16,352,489</b>
<i>Reconciliation of segment assets to group assets:</i>				
Unallocated assets				3,541,292
<b>Total Assets</b>				<b>19,893,781</b>
<b>Segment Liabilities</b>	<b>674,391</b>	<b>650,146</b>	<b>8,417</b>	<b>1,332,954</b>
<i>Reconciliation of segment liabilities to group liabilities:</i>				
Unallocated liabilities				14,154,795
<b>Total Liabilities</b>				<b>15,487,749</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 24 OPERATING SEGMENTS (CONTINUED)

#### Year ended 30 June 2016

##### Revenue

Revenue

##### Total Segment Revenue

##### Reconciliation of segment revenue to group revenue:

Interest

Other income

##### Total group revenue and other income

##### Segment net profit / (loss) from continuing operations before tax

##### Reconciliation of segment profit / (loss) to group profit / (loss):

Amounts not included in segment results but reviewed by the board:

Administrative expenses

Business acquisition and integration costs

Compliance and regulatory

Finance costs

Legal costs

Marketing & business development

Occupancy expenses

Corporate transaction accounting expense

Income tax benefit

##### Net (loss)/profit for the year

##### Segment Assets

##### Reconciliation of segment assets to group assets:

Unallocated assets

##### Total Assets

##### Segment Liabilities

##### Reconciliation of segment liabilities to group liabilities:

Unallocated liabilities

##### Total Liabilities

	2016 Monitoring \$	2016 Guarding \$	2016 Services \$	2016 Total \$
Revenue				
Revenue	2,845,185	3,930,483	463,676	7,239,344
<b>Total Segment Revenue</b>	<b>2,845,185</b>	<b>3,930,483</b>	<b>463,676</b>	<b>7,239,344</b>
<i>Reconciliation of segment revenue to group revenue:</i>				
Interest				5,374
Other income				159,113
<b>Total group revenue and other income</b>				<b>7,403,831</b>
<b>Segment net profit / (loss) from continuing operations before tax</b>	<b>850,412</b>	<b>464,331</b>	<b>(309,404)</b>	<b>1,005,339</b>
<i>Reconciliation of segment profit / (loss) to group profit / (loss):</i>				
Amounts not included in segment results but reviewed by the board:				
Administrative expenses				(2,394,425)
Business acquisition and integration costs				(884,385)
Compliance and regulatory				(457,651)
Finance costs				(399,772)
Legal costs				(57,397)
Marketing & business development				(135,807)
Occupancy expenses				(182,071)
Corporate transaction accounting expense				(2,407,444)
Income tax benefit				378,015
<b>Net (loss)/profit for the year</b>				<b>(5,371,110)</b>
<b>Segment Assets</b>	<b>4,402,179</b>	<b>2,116,205</b>	<b>-</b>	<b>6,518,384</b>
<i>Reconciliation of segment assets to group assets:</i>				
Unallocated assets				304,095
<b>Total Assets</b>				<b>6,822,479</b>
<b>Segment Liabilities</b>	<b>547,595</b>	<b>337,490</b>	<b>25,515</b>	<b>910,600</b>
<i>Reconciliation of segment liabilities to group liabilities:</i>				
Unallocated liabilities				4,787,156
<b>Total Liabilities</b>				<b>5,697,756</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## NOTE 25 FINANCIAL RISK MANAGEMENT

## a. Financial risk management policies

This note presents information regarding the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, borrowings, short-term investments and accounts payable and receivable. The Group does not speculate in the trading of derivative instruments.

A summary of the Group's financial assets and liabilities is shown below:

	Floating Interest Rate \$	Fixed Interest Rate \$	Non- Interest Bearing \$	2017 Total \$	Floating Interest Rate \$	Fixed Interest Rate \$	Non- Interest Bearing \$	2016 Total \$
<b>Financial Assets</b>								
Cash and cash equivalents	1,163,364	-	-	1,163,364	448,581	-	-	448,581
Trade and other receivables	-	-	3,946,763	3,946,763	-	-	1,138,018	1,138,018
Financial assets	182,669	-	-	182,669	167,969	-	-	167,969
<b>Total Financial Assets</b>	<b>1,346,033</b>	<b>-</b>	<b>3,946,763</b>	<b>5,292,796</b>	<b>616,550</b>	<b>-</b>	<b>1,138,018</b>	<b>1,754,568</b>
<b>Financial Liabilities</b>								
<b>Current</b>								
Trade and other payables excluding deferred consideration (below)	-	861,286	1,929,984	2,791,270	-	472,314	1,330,935	1,803,249
Deferred consideration (at fair value through profit or loss)	-	-	3,204,156	3,204,156	-	-	-	-
Hire purchase and finance leases	-	84,909	-	84,909	-	122,180	-	122,180
Short-term borrowings	-	60,477	-	60,477	-	45,646	-	45,646
Bank borrowings	1,162,000	-	-	1,162,000	-	2,616,000	-	2,616,000
<b>Total Current Financial Liabilities</b>	<b>1,162,000</b>	<b>1,006,672</b>	<b>5,134,140</b>	<b>7,302,812</b>	<b>-</b>	<b>3,256,140</b>	<b>1,330,935</b>	<b>4,587,075</b>
<b>Non-current</b>								
Convertible note	-	4,403,295	-	4,403,295	-	-	-	-
Bank borrowings	1,600,000	-	-	1,600,000	-	-	19,609	19,609
<b>Total Non-current Financial Liabilities</b>	<b>1,600,000</b>	<b>4,403,295</b>	<b>-</b>	<b>6,003,295</b>	<b>-</b>	<b>-</b>	<b>19,609</b>	<b>19,609</b>
<b>Total Financial Liabilities</b>	<b>2,762,000</b>	<b>5,409,967</b>	<b>5,134,140</b>	<b>13,306,107</b>	<b>-</b>	<b>3,256,140</b>	<b>1,350,554</b>	<b>4,606,684</b>
<b>Net Financial Assets</b>	<b>(1,415,967)</b>	<b>(5,409,967)</b>	<b>(1,187,377)</b>	<b>(8,013,311)</b>	<b>616,550</b>	<b>(3,256,140)</b>	<b>(212,536)</b>	<b>(2,852,116)</b>

## b. Specific financial risk exposures and management

The key risks that the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency and equity price risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. Operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 25 FINANCIAL RISK MANAGEMENT

#### i. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the statement of financial position.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

#### Credit risk exposures

The maximum exposure to credit risk is to the Group's trade receivables and that is limited to 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.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, wherever possible.

#### Impairment losses

The ageing of the Group's trade and other receivables at reporting date was as follows:

	2017	2017	2017	2017
	Gross	Impaired (1)	Net	Past due but not impaired
	\$	\$	\$	\$
<b>CURRENT YEAR 2017</b>				
<b>Trade receivables</b>				
Not past due	1,267,230	-	1,267,230	-
Past due up to 3 months	480,591	2,528	478,062	478,062
Past due over 3 months	997,204	536,804	460,400	460,440
	2,745,025	539,332	2,205,692	938,502
<b>Other receivables</b>				
Not past due	1,741,070	-	1,741,070	-
<b>Total trade and other receivables</b>	<b>4,486,095</b>	<b>539,332</b>	<b>3,946,762</b>	<b>938,502</b>

<sup>1</sup>Impairment provision increased by \$520,646 from \$18,676 at 30 June 2016 to \$539,332 at 30 June 2017. The increase was in relation to historic trade receivables acquired as part of the Apollo business combination. The portion of the provision directly relating to this business combination was \$493,165 at 30 June 2017 (2016: Not applicable).

	2016	2016	2016	2016
	Gross	Impaired	Net	Past due but not impaired
	\$	\$	\$	\$
<b>PRIOR YEAR 2016</b>				
<b>Trade receivables</b>				
Not past due	586,786	-	586,786	-
Past due up to 3 months	156,176	-	156,176	156,176
Past due over 3 months	111,105	18,676	92,429	92,429
	854,067	18,676	835,391	248,605
<b>Other receivables</b>				
Not past due	302,627	-	302,627	-
<b>Total trade and other receivables</b>	<b>1,156,694</b>	<b>18,676</b>	<b>1,138,018</b>	<b>248,605</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

NOTE 25 FINANCIAL RISK MANAGEMENT

ii. Liquidity risk


Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring cash is available to meet the current and future commitments of the Group.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The financial liabilities of the Group are confined to trade and other payables and borrowings as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

 Contractual Maturities

The following are the contractual maturities of financial assets and liabilities of the Group:

	WITHIN 1 YEAR		GREATER THAN 1 YEAR		TOTAL	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
<b>Financial Assets</b>						
Cash and cash equivalents	1,163,364	448,581	-	-	1,163,364	448,581
Trade and other receivables	3,946,763	1,138,018	-	-	3,946,763	1,138,018
Financial assets	182,669	167,969	-	-	182,669	167,969
<b>Total anticipated inflows</b>	<b>5,292,796</b>	<b>1,754,568</b>	<b>-</b>	<b>-</b>	<b>5,292,796</b>	<b>1,754,568</b>
<b>Financial Liabilities</b>						
Trade and other payables	5,995,426	1,803,249	-	-	5,995,426	1,803,249
Hire purchase and finance leases	84,909	122,180	-	-	84,909	122,180
Short-term borrowings	60,477	45,646	-	-	60,477	45,646
Convertible note - principle	-	-	4,500,000	-	4,500,000	-
Convertible note – interest (until 24 Feb 2022)	405,000	-	1,480,010	-	1,885,010	-
Bank borrowings - principle	1,162,000	2,616,000	1,600,000	-	2,762,000	2,616,000
Bank borrowing – interest	103,282	143,064	43,371	-	146,652	143,064
Related entity loans	-	-	-	19,609	-	19,609
<b>Total contractual outflows</b>	<b>7,811,094</b>	<b>4,730,139</b>	<b>7,623,381</b>	<b>19,609</b>	<b>15,434,474</b>	<b>4,749,748</b>
<b>Net (outflow) / inflow from financial instruments</b>	<b>(2,518,298)</b>	<b>(2,975,571)</b>	<b>(7,623,381)</b>	<b>(19,609)</b>	<b>(10,141,678)</b>	<b>(2,995,180)</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts than presented.

iii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Board meets on a regular basis and considers the Group's exposure to interest rate risk.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 25 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### iv. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the Australian Dollar presentation currency of the Group.

Foreign exchange risk is not material to the Group as the Group does not hold any financial instruments in currencies other than Australian Dollars.

#### v. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### vi. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The Group had the following variable rate borrowings outstanding at the end of each reporting period:

	Interest rate		Facility balance	
	2017 %	2016 %	2017 \$	2016 \$
NAB Working Capital Facility	5.465% pa	5.680% pa	481,000	481,000
NAB Business Acquisition Facility	5.465% pa	5.680% pa	681,000	135,000
NAB Group Loan Refinancing Facility	5.470% pa	5.680% pa	1,600,000	2,000,000
Weighted Average Interest Rate / Total Facility Balance	5.468% pa	5.680% pa	2,762,000	2,616,000

The proportion of total borrowings that was subject to variable rates at 30 June 2017 was 45% (2016: 94%).

#### Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit Effect		Equity Effect	
	2017 \$	2016 \$	2017 \$	2016 \$
<i>Interest rates on borrowings</i>				
± 100 basis points change in interest rates	± 27,620	± 28,035	± 27,620	± 28,035

#### vii. Net fair values

The fair values of financial assets and financial liabilities are presented in the table in this note and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## NOTE 25 FINANCIAL RISK MANAGEMENT (CONTINUED)

## viii. Recurring fair value measurements

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

**Level 1** – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;

**Level 2** – a valuation technique is used, using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

**Level 3** – a valuation technique is used, using inputs that are not based on observable market data (i.e. the technique is based on unobservable inputs).

The following financial instruments are subject to recurring fair value measurement:

Note	2017 \$	2016 \$
Level 3 – Convertible notes (equity component)	-	-
Level 3 – Deferred consideration	3,204,156	-

## ix. Valuation techniques used to derive level 3 fair values

 Convertible notes at fair value through profit or loss

The fair value of the convertible notes are determined based on the accretion of their carrying amount recognised at inception up to the value of the shares on conversion. The value of the notes are mainly impacted by changes in the share price of the entity. The ratchet feature has no value until a capital raising of below \$0.03 takes place.

 Deferred consideration

Consideration relating to actual revenues achieved relating to the Apollo business combination within 12 months of acquisition date is calculated as the lower of (a), twenty four times the actual revenue achieved in the first month following the acquisition date and (b), two times the actual revenue achieved in the first twelve months following the acquisition date, 1 March 2017, less consideration already transferred. Consideration calculated is based on (a) being the most probably outcome. Consideration calculated in this way totalled \$3,070,832 as at 30 June 2017 (2016:nil).

Consideration relating to actual trade receivables received relating to the Apollo business combination within 12 months of acquisition date is calculated based on the actual trade receivables amounts collected at anniversary date in relation to the opening trade receivables aged less than 90 days as of acquisition date, 1 March 2017, less consideration already transferred. Consideration calculated in this way totalled \$84,324 as at 30 June 2017 (2016:nil).

Consideration relating to actual revenues achieved by minor acquisition of retail monitoring contracts, less consideration already transferred totalled \$46,000 as at 30 June 2017 (2016:nil).

## NOTE 26 COMMITMENTS

## a. Operating lease commitments

The Group holds a number of operating leases for premises in Western Australia, New South Wales and Queensland which are used for the Group's east and west coast monitoring operations, head office as well as regional satellite offices. Remaining lease terms vary between 5 months and 5 years on all premises as at 30 June 2017. Capital commitments in relation to these leases are summarised below:

	2017 \$	2016 \$
Non-cancellable operating leases:		
Payable within 1 year	313,981	170,662
Payable later than 1 year but not later than 5 years	903,857	59,573
Payable later than 1 year but not later than 5 years	12,431	-
	1,230,269	230,235

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

#### NOTE 26 COMMITMENTS (CONTINUED)

##### b. Finance lease commitments

The Group holds a number of finance leases for Motor Vehicles and Equipment which are used for the Group's east and west coast monitoring and guarding operations. Remaining lease terms vary between 12 and 36 months as at 30 June 2017. Capital commitments in relation to these leases are summarised below:

	2017 \$	2016 \$
Non-cancellable operating leases:		
Payable within 1 year	67,534	70,639
Payable later than 1 year but not later than 5 years	44,665	112,199
Payable later than 1 year but not later than 5 years	-	-
	112,199	182,838

The group had no other material commitments as at 30 June 2017 or 30 June 2016, other than those mentioned above.

#### NOTE 27 PARENT ENTITY DISCLOSURES

##### c. Financial position of Threat Protect Australia Limited (Parent Only)

	2017 \$	2016 \$
Assets		
Current assets	659,802	134,899
Non-current assets	9,923,995	1,269,239
Total assets	10,583,797	1,404,138
Liabilities		
Current liabilities	447,148	279,415
Non-current liabilities	5,879,998	-
Total liabilities	6,327,146	279,415
Net assets	4,256,651	1,124,723
Equity		
Issued capital	63,111,805	61,708,517
Reserves	1,216,735	1,053,149
Accumulated losses	(60,071,889)	(61,636,942)
Total equity	4,256,651	1,124,723

##### d. Financial performance of Threat Protect Australia Limited (Parent Only)

Profit / (loss) for the year	1,565,053	(12,676,139)
Other comprehensive income	-	-
Total comprehensive income/(loss)	1,565,053	(12,676,139)

##### e. Guarantees entered into by Threat Protect Australia Limited (Parent Only)

There are no guarantees entered into by Threat Protect Australia Limited for the debts of its subsidiaries as at 2017 or 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**NOTE 28 EVENTS SUBSEQUENT TO REPORTING DATE**

There were no significant subsequent events since the reporting date.

**NOTE 29 COMPANY DETAILS**

The registered office and principle place of business of the Company as at the date of this report is as follows:

**Registered Office**

Street: Level 1, 672 Murray Street  
West Perth WA 6005

Postal: PO Box 1920  
West Perth WA 6872

Telephone: 1300 THREAT (1300 847 328)

Facsimile: +61 (0)8 9322 9711

Email: [info@threatprotect.com.au](mailto:info@threatprotect.com.au)

Website: [www.threatprotect.com.au](http://www.threatprotect.com.au)

**Principal Place of Business**

Street: Level 1, 672 Murray Street  
West Perth WA 6005

Postal: PO Box 1920  
West Perth WA 6872

Telephone: 1300 THREAT (1300 847 328)

Facsimile: +61 (0)8 9322 9711

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# THREAT PROTECT AUSTRALIA LIMITED

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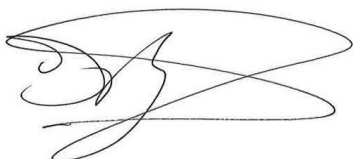
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## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 20 to 66 are in accordance with the *Corporations Act 2001* (Cth) and:
  - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
  - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
  - (c) give a true and fair view of the financial position as at 30 June 2017 and of the financial performance for the year ended on that date of the Company and the Consolidated Group.
2. The Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001* (Cth);
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion 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 and is signed for and on behalf of the directors by:



**DEMETRIOS PYNES**  
Managing Director



**PAOLO FERRARA**  
Chief Operating Officer

Dated this Friday, 29 September 2017

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## 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 Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 2017 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* (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.

#### 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.

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### Accounting for business acquisition

Key audit matter	How the matter was addressed in our audit
<p>During the financial year ended 30 June 2017, the Group acquired Apollo Security Pty Ltd's Grade One Security and Queensland Security Rangers ("Apollo") as disclosed in Note 2.</p> <p>Accounting for acquisitions is complex and involves a number of significant judgements and estimates as disclosed in Note 1(q). The key areas of significant judgement and estimation in relation to the Apollo transaction were the:</p> <ul style="list-style-type: none"> <li>• Determination of fair value of the deferred consideration, and accordingly the total purchase consideration, for the transaction; and</li> <li>• Identification and measurement of the fair value of assets and liabilities acquired.</li> </ul>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the purchase and sale agreements to understand the terms and conditions of the acquisitions and evaluating management's application of the Australian Accounting Standard, AASB 3 <i>Business Combinations</i>;</li> <li>• Assessing the estimation of the deferred consideration by challenging the key assumptions including the probability of achievement of future revenue targets;</li> <li>• Challenging the methodology and assumptions utilised to identify and determine the fair value of the assets and liabilities acquired;</li> <li>• Assessing the adequacy of the Group's disclosure of the acquisitions in Note 1(q) and Note 2 of the financial report.</li> </ul>

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### Recoverability of intangible assets

Key audit Matter	How the matter was addressed in our report
<p>Note 13 to the financial report discloses the individual intangible assets and the assumptions used by the Group in testing these assets for impairment.</p> <p>This was determined to be a key audit matter as management’s assessment of the recoverability of the intangible assets 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.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Assessing the appropriateness of the Group’s categorisation of Cash Generating Units (‘CGUs’) and the allocation of assets to the carrying value of CGUs based on our understanding of the Group’s business and the Group’s internal reporting;</li> <li>• Evaluating management’s ability to accurately forecast cash flows by assessing the precision of the prior year forecasts against actual outcomes;</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 specialist, 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 forecast;</li> <li>▪ Comparing the Group’s forecast cash flows to the board approved budget;</li> <li>▪ Performing sensitivity analysis on the revenue, growth rates and discount rates; and</li> </ul> </li> <li>• Assessing the adequacy of related disclosures in Note 1(q) and Note 13 of the financial report.</li> </ul>

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## Capitalisation of intangible assets

Key audit Matter	How the matter was addressed in our report
<p>As disclosed in Note 13, development costs of \$1,042,415 have been capitalised as an Intangible Asset, including development costs of \$1,813,834 capitalised during the year.</p> <p>The capitalisation of these internally generated development costs is a key audit matter due to the significance of the costs capitalised and the specific criteria that are required to be met for capitalisation under the accounting standard AASB 138 <i>Intangible Assets</i>.</p> <p>This involves management judgement with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably and whether costs were directly attributable to relevant projects.</p> <p>In addition, management judgement is also required in estimation of useful lives of the completed projects.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Holding discussions with management to understand the nature and feasibility of key projects as at 30 June 2017;</li> <li>• Evaluating the key assumptions used for estimates made in capitalising development costs, including assessment of whether capitalised costs related to the development phase of the project, the generation of probable future economic benefits and the useful economic life attributed to the asset;</li> <li>• On a sample basis, agreeing costs capitalised during the year met the development costs criteria; and</li> <li>• Assessing the adequacy of the disclosures in Note 1(q) and Note 13 in 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 2017, 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.

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

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

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

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

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.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 13 to 19 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Threat Protect Australia Limited, for the year ended 30 June 2017, 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**



**Dean Just**

**Director**

Perth, 29 September 2017

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange in respect of listed public companies:

**1 Capital****(a) Quoted Securities**

Ordinary Fully Paid Shares	773,898,331
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**(b) Unquoted Securities**

Ordinary Fully Paid Shares	46,765,943
13.36 cent Options exercisable on or before 29/11/2017	300,000
40 cent Options exercisable on or before 29/11/2017	300,000
60 cent Options exercisable on or before 29/11/2017	300,000
2.5 cent Options exercisable on or before 04/09/2018	100,000,000
4.85 cent Options exercisable on or before 31/10/2020	15,000,000
3.8 cent Options exercisable on or before 31/10/2020	10,000,000
4.67 cent Options exercisable on or before 31/10/2020	10,000,000
5.11 cent Options exercisable on or before 31/10/2020	10,000,000

**(c) Distribution of Shareholders**

Number of shareholders	608
Percentage of holdings by 20 largest shareholders	64.59%
The number of shareholdings held in less than marketable parcels	0

**(d) Category (size of holding)**

	Number Ordinary
1 – 1,000	15,271
1,001 – 5,000	70,709
5,001 – 10,000	80,355
10,001 – 100,000	8,507,879
100,001 – and over	765,224,117
	<b>773,898,331</b>

**(e) Voting Rights**

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

**(f) Substantial Shareholders**

Name	Number of Ordinary Fully Paid Shares Held	% held of Issued Ordinary Capital
First Samuel Limited	63,945,666	8.26%
Peter Pynes	52,898,179	6.84%

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# THREAT PROTECT AUSTRALIA LIMITED

AND CONTROLLED ENTITIES  
ACN 060 774 227

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## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

### (g) 20 Largest Shareholders — Ordinary Shares as at 27 September 2017.

	NAME	Number of Ordinary Fully Paid Shares Held	% held of Issued Ordinary Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	70,156,317	9.07
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	51,906,754	6.71
3	PATNER PTY LTD	38,000,000	4.91
4	MS ALISON ELIZABETH HOWE	31,018,571	4.01
5	REDUN PTY LTD	30,069,215	3.89
6	MS CHRISTINA MICHAEL MICHAEL	29,820,998	3.85
7	MR PETER ARISTIDE PYNES & MRS LARA OLIMPIA PYNES	29,450,547	3.81
8	MS CONCETTA FERRARA	28,417,068	3.67
9	CINTELL PTY LTD	27,000,000	3.49
10	MS MICHELLE PYNES	26,946,778	3.48
11	SIREN NOMINEES PTY LTD	25,835,611	3.34
12	LENALE HOLDINGS PTY LTD	18,650,000	2.41
13	MR MARTIN LUKE SIMICH	14,016,666	1.81
14	INVIA CUSTODIAN PTY LIMITED	13,333,333	1.72
15	QUICKSILVER ASSET PTY LTD	11,110,470	1.44
16	MS PAULA MARIE GRIEVES	10,000,000	1.29
16	TISCAM PTY LTD	10,000,000	1.29
17	MR CRAIG ALEXANDER BORTIGNON & MRS PAULINE LICIA BORTIGNON	9,700,000	1.25
18	MR JOHN JOSEPH PALERMO	9,399,567	1.21
19	SUNDOWNER INTERNATIONAL LTD	7,892,770	1.02
20	JENARO PTY LTD	7,119,174	0.92
	<b>TOTAL TOP 20</b>	<b>499,843,839</b>	<b>64.59%</b>

### 2 **Company Secretary**

The name of the Company Secretary is Simon Whybrow

### 3 **Principal Registered Office**

As disclosed in the Corporate Directory on page 3 of this Annual Report

### 4 **Registers of Securities**

As disclosed in the Corporate Directory on page 3 of this Annual Report

### 5 **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, as disclosed in the Corporate Directory on page 3 of this Annual Report.

### 6 **Use of Funds**

The Company has used its funds in accordance with its initial business objectives.

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