



# THREAT PROTECT

ACN 060 774 227

THREAT PROTECT AUSTRALIA LIMITED  
(Previously known as East Africa Resources Limited)

**ANNUAL REPORT**  
30 June 2016

**THREAT PROTECT AUSTRALIA LIMITED**

AND CONTROLLED ENTITIES  
ACN 060 774 227

ANNUAL REPORT 30 JUNE 2016

# THREAT PROTECT AUSTRALIA LIMITED

AND CONTROLLED ENTITIES  
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## CORPORATE DIRECTORY

### Current Directors

Derek La Ferla	Non-Executive Chairman	<i>Appointed 3 September 2015</i>
Demetrios Pynes	Managing Director	<i>Appointed 3 September 2015</i>
Paolo "Paul" Ferrara	Executive Director	<i>Appointed 3 September 2015</i>
Ian Olson	Non-executive Director	<i>Appointed 23 October 2015</i>

### Company Secretary

Simon Whybrow *Appointed 23 June 2016*

### Registered Office

Street: Unit 1/8 Fisher Street  
Belmont WA 6104  
Postal: PO Box 561  
Belmont WA 6984 Australia  
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: Unit 1/8 Fisher Street  
Belmont WA 6104  
Postal: PO Box 561  
Belmont WA 6984 Australia  
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

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
PERTH WA 6000  
Telephone: 1300 850 505 (investors within Australia)  
Telephone: +61 (0)3 9415 4000  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.investorcentre.com](http://www.investorcentre.com)

### Auditors

Bentleys  
London House  
Level 3, 216 St Georges Terrace  
Perth WA 6000  
Telephone: +61 (0)8 9226 4500  
Facsimile: +61 (0)8 9226 4300  
Website: [www.bentleys.com.au](http://www.bentleys.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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## ANNUAL REPORT

30 June 2016

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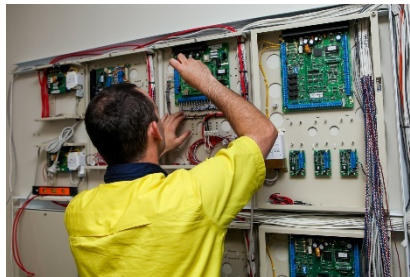
## COMPANY OVERVIEW

Threat Protect Australia Limited (“**Threat Protect**”) is a leading, fully accredited Australian security Company providing a complete security solution to tens of thousands of residential and commercial clients across Australia focused on delivering “**Security Without Compromise**”.

**Threat Protect offers security based services to help protect people, property and enterprise.**

### Monitored Security Systems

- Alarms, access control, CCTV
- Tracking and duress



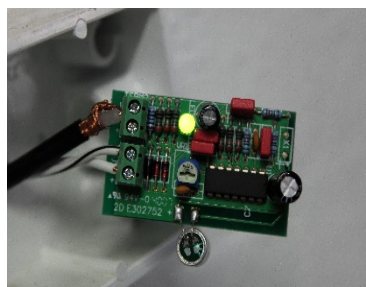
### Manpower Services

- Security officers
- Security advisors
- Close personal protection



### Risk Consultancy

- Threat Assessments
- Counter Surveillance
- Investigations



## OPERATIONS REVIEW

Threat Protect Australia Limited and its subsidiaries has had an active year. The Company is experiencing impressive growth from its acquisition strategy, and expects this to continue in the coming year.

### Activity Highlights

- /// In September 2015, after completion of a reverse take over ("RTO"), Threat Protect Australia Limited was reinstated onto ASX "TPS"
- /// RTO Capital raising of \$5.5M, February 2016 share placement raised \$3.1M before costs
- /// Acquired and integrated 4 additional security businesses, in WA and NSW
- /// Obtained NSW Security license as part of expansion into NSW market

### Revenue

- /// Group Total Revenue increased by over 50% in 2016 to \$7.24M
- /// Strategic acquisitions increased Monitoring Revenue by 91% to \$2.84M
- /// Gross Contribution Margin in Monitoring Revenue has risen from 19% in October 2015 to 47% in June 2016
- /// Guarding Revenue increased 55% to \$3.93M with expansion in both WA and NSW after acquisition of AEP and IRG in February 2016

### Statutory Financial Results

- /// Increased costs of the RTO and ongoing acquisition and integration expenses have impacted on the annual financial result.
- /// Statutory NPAT (\$5.4M) / Statutory EBITDA (\$5.0M).
- /// Underlying "Normalised" EBITDA (\$485,000)

### Organic Growth Plan & Existing Operations

- /// Delivery of premium integrated security services to large corporate and government clients.
- /// Growing national presence with operations expanding on eastern seaboard
- /// White labelling of Threat Protect's monitoring services to smaller security firms (6 completed in FY2016)
- /// Focused on efficiencies of operations, and restructure of installation and servicing operations
- /// Continued expansion of the Safe Haven security monitored app

### Capital Structure Initiatives

- /// Additional equity was raised in February 2016 and used for acquisitions and working capital
- /// Refinanced company debt facilities, reducing annual finance costs by approx. \$220,000
- /// Legacy resource assets have been sold and the company is now moving to dispose of the associated subsidiaries

### Acquisition Strategy

- Acquisition of 4 businesses during the 2016 financial year:
- /// October 2015: Monitoring Excellence
  - /// October 2015: Hillstone Security Monitoring
  - /// March 2016: Integral Risk Group
  - /// March 2016: Australian Event Protection



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## OPERATIONS REVIEW

### Reverse Acquisition

On 3 September 2015 the Company completed the reverse acquisition of Threat Protect Group Pty Ltd.

As a result of the transaction, the Company changed its nature and scale, becoming a provider of security, monitoring and risk management solutions. As part of the reverse acquisition, the Company successfully completed a re-compliance capital raising of \$5,500,000 before costs, issuing 368,198,180 shares.

### New Board and Management

Simultaneous with the reverse acquisition, a new board and management team with the required skill set joined the Company. Demetrios Pynes and Paul Ferrara, the co founders of Threat Protect, are Executive Directors of the Company.

Managing Director and CEO 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 office and security consultant licences.

Executive Director and Chief Operating Officer, Paul Ferrara 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 Threat Protect.

In September 2015 the Company also announced that senior corporate lawyer and company director Derek La Ferla was appointed Non-Executive Chairman. Mr La Ferla is a Partner with leading independent West Australian firm Lavan Legal and has significant public company board and management experience.

In October 2015 Threat Protect announced the appointment of Ian Olson as a Non-Executive Director of the Company. Mr Olson is a Chartered Accountant and professional public company director with a 25 year career in finance and the capital markets, and has helped numerous companies move from private to public status via the ASX.

Simon Whybrow was appointed as Chief Financial Officer in May 2016, and was also subsequently appointed to Company Secretary in June 2016. He has had over 10 years of experience at corporate level and has broad experience across a range of industry sectors and ASX listed companies - including mining, mining services, energy and information technology.

### Capital Funding

16 February 2016, the Company raised \$3,087,000 before costs through the issue of 102,899,995 shares via a placement.

The Company also recently secured \$3.775 million of credit facilities with National Australia Bank including the refinancing of \$2.0 million of existing borrowings, resulting in a significant reduction in interest expenses going forward. The balance of the business acquisition financing facility (\$1.140 million as at 30 June 2016) is available for acquisition opportunities as they arise.

## OPERATIONS REVIEW

### Monitoring

In conjunction with the reverse acquisition, Threat Protect completed the acquisition and integration of Monitoring Excellence (Chipla Holdings Pty Ltd) and Hillstone Security Monitoring. These acquisitions have been earnings accretive since 1 October 2015 and were integrated on time and on budget.

Specifically, the strategy is to generate growth for shareholders by leveraging the existing fixed cost infrastructure, namely the Company's Security Control Room, by expanding the number of clients it services. This facility is graded A1, which is the highest possible grade and has capacity for significant growth in clientele.

Prior to the acquisition of Monitoring Excellence in October 2015, the gross contribution margin of the security monitoring business was 19% and following the acquisition and continued cessation of duplicate costs, the gross contribution margin has now risen to over 47% for the month of June 2016. The company expect margins to continue to increase over the long term through economies of scale and fixed cost leverage in the security monitoring business.

As disclosed in the prospectus, a major focus of the Company's growth strategy is to convert wholesale clients of the electronic monitoring service to retail clients through acquisition. Such acquisitions have virtually no impact on operating expenses or the capacity of the control room, which is currently running at 20%, providing scope for further acquisitions of monitored clients.

### Industry Dynamics

According to the 2014 Ibis World Industry Report 07712 Investigation and Security Services in Australia, the Australian Security industry is forecast to generate approximately \$6.275 billion in annual revenue, of which alarm monitoring represents approximately \$1 billion. The industry is highly fragmented with a number of small operators and is moving away from labour-intensive guards and patrols to electronic surveillance and monitoring.

### Guarding and Alarm System Service

The guarding and alarm system service industries are highly competitive, especially in Western Australia. These business units however are imperative for the provision of a complete security solution and the retention of our monitored clients.

As part of the strategy to expand the business footprint across Australia, on 1 March 2016 the Company acquired Sydney-based Integral Risk Group ("IRG") and Perth-based Australian Event Protection ("AEP") from a privately-owned UK-based vendor for a total consideration of \$750,000 comprising \$500,000 in fully paid ordinary shares of the Company and \$250,000 in cash, plus a potential performance fee payable after 12 months. Focused on providing security and consulting services to government and large corporate clientele, these acquisitions have provided Threat Protect with a high quality client base to cross sell monitoring services.

The acquisitions of IRG and AEP, which had combined annual revenue of \$7 million in the year to 30 June 2015, were immediately earnings - accretive to Threat Protect from 1 March 2016.

Associated with this acquisition, the company received its NSW Security Master Licence on 8 June 2016 which enables the provision of security services, including the monitoring of security systems in NSW.

The Guarding core business growth is anticipated to be generating strong operating profitability after a restructure of the operation, and is well positioned for significant earnings growth for many years.

### Safe Haven

To assist driving organic growth, Threat Protect has focused on expanding its services to the monitoring of people and not just premises through the Safe Haven mobile phone application which was officially launched on 15 December 2015 following 12 months of development.

This personal duress application continues to leverage the existing fixed cost infrastructure of the secure control room. Safe Haven is attracting new clients to Threat Protect as well as increasing income streams from existing clients with minimal expense.

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## OPERATIONS REVIEW

### Statutory and Normalised Financial Results Reconciliation

Statutory Results for the year ended 30 June 2016 (000's)		
Revenue	7,245	
Other Income	159	
Statutory Profit/(Loss) before tax	(5,749)	
Statutory Profit/(Loss) after tax	(5,371)	
Statutory EBITDA (Loss)	(5,026)	
Reconciliation of Statutory EBITDA to Normalised EBITDA (000's)		
EBITDA (Loss) reported for the year	(5,026)	
Add: Corporate Transaction Accounting Expense	2,407	Difference between the fair value of theoretical consideration paid for Threat Protect business at the date of the RTO and represents a one off non-cash cost to the Group.
Add: Business Acquisition and Integration Costs	872	Costs associated with acquisitions by the Threat Protect, and costs for integrating into the business.
Add: Share Based Payments	984	Non-cash expense incurred by the Company in relation to provision of option incentive packages for the board of the Company at the November 2015 annual general meeting.
Add: Other identifiable non-recurring costs incurred during the period	278	Additional costs incurred by the Company of a one off or extraordinary basis associated with the integration of the new security businesses, organisational change and the listing process.
<b>Normalised EBITDA (Loss) FY2016</b>	<b>(485)</b>	

### Outlook

The outlook for Threat Protect looks very promising with the Company's acquisition strategy and rationalisation of operating costs driving a positive profit expectation outlook for 2017.

Threat Protect will continue to explore a number of similar acquisition opportunities within its current reseller base, and with the recent achievement of the New South Wales Security Master Licence the Company is commencing its national expansion strategy into the larger East Coast markets.

Based on the progress to date, Threat protect is confident of significantly increasing full year FY2017 EBITDA, subject to any costs specifically associated with acquisitions that must be expensed under accounting standards.

As previously outlined, the Company is rapidly increasing its scale, with a much improved balance sheet and revenue mix which will continue to generate greater economies of scale and efficiencies across all spheres of its operations.

## 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 2016.

### 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 ( <i>Appointed 3 September 2015</i> )
 Demetrios Pynes	Managing Director ( <i>Appointed 3 September 2015</i> )
 Paolo (Paul) Ferrara	Executive Director ( <i>Appointed 3 September 2015</i> )
 Ian Olson	Non-executive Director ( <i>Appointed 23 October 2015</i> )
 Katina Law	Non-executive Director ( <i>Resigned 7 October 2015</i> )
 Robert Kirtlan	Non-executive Chairman ( <i>Resigned 3 September 2015</i> )
 Michael Richard Griffiths	Non-executive Director ( <i>Resigned 3 September 2015</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

During the financial year, on 4 September 2015, the Group acquired Threat Protect Group Pty Ltd (formerly known as Threat Protect Australia Pty Ltd) and the nature of the principal activities of the Group changed significantly.

The principal activity of the Group has now changed from the exploration of uranium and gold projects in Tanzania to the provision of security, monitoring and risk management services in Australia.

### 4. Operating Results

The consolidated loss for the year amounted to \$5,371,110 (2015: \$2,365,609 loss).

### 5. Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2016.

### 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 \$1,124,723 at 30 June 2016 (2015: (\$6,425,109))

### 8. Significant Changes in State of Affairs

Threat Protect Australia Limited (Formerly known as East Africa Resources Limited) (the **Company**) has experienced a significant change in the state of its affairs during the period. Previously, the Company was involved in mineral exploration for commercially significant uranium deposits in Tanzania, East Africa.

On 24 April 2015 the company announced that it would be acquiring Threat Protect Group Pty Ltd (formerly known as Threat Protect Australia Pty Ltd) (**Threat Protect**), a security, monitoring and risk management services company based in Australia. The transaction was completed on 3 September 2015, and on this date Threat Protect became a wholly-owned legal subsidiary of the Company.

For accounting purposes, Threat Protect Group Pty Ltd is deemed to be the accounting acquirer in the business combination. As such, the acquisition of Threat Protect Group Pty Ltd is accounted for as a reverse acquisition. Accordingly, the 2016 financial report for the Company will be prepared as a continuation of the financial report of Threat Protect Group Pty Ltd. Please refer to note 1(a)iv for further details regarding the basis of preparation of this financial report as a result of the reverse acquisition.

# THREAT PROTECT AUSTRALIA LIMITED

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## DIRECTORS' REPORT

### 9. Subsequent Events

Since the end of the financial year (30 June 2016) the Company announced that it has bolstered its security monitoring client base in Western Australia through the acquisition of two existing retail client bases serviced by existing resellers of the Company's monitoring business.

These acquisitions provide an increase to the monthly monitoring revenue by virtue of the Company now receiving 100% of the retail revenue received, with no associated increase in cost due to the fact the Company already services the clients - and having no impact on the available operational capacity of the control room.

The Company recognises that this acquisition strategy can add significant value to the current reseller base, and has already identified other similar opportunities to maximise this recurring revenue.

There were no significant subsequent events since reporting date other than the transactions identified above.

### 10. Likely Developments

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.

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

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

*(Appointed 3 September 2015)*

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).

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, OTOC Limited and Cashmere Iron Limited. He is a fellow of the Australian Institute of Company Directors and a Mentor under its Chair's Mentoring Program.

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

*(Appointed 3 September 2015)*

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.

## DIRECTORS' REPORT

**Paolo (Paul) Ferrara** - Executive Director  
(Appointed 3 September 2015)  
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.

**Ian Olson** - Non-Executive Director  
(Appointed 23 October 2015)  
CA, B.Com, MAICD

An experienced Chartered Accountant, Ian Olson brings 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 holds 5,000,000 Options as at the date of this report. Please refer to the Remuneration Report below for further details.

**Simon Whybrow** - Company Secretary and Chief Financial Officer  
(Appointed 18 May 2016)  
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.

**Katina Law** – Former Non-Executive Director (Resigned 7 October 2015)

**Robert Kirtlan** – Former Non-Executive Chairman (Resigned 3 September 2015)

**Michael Richard Griffiths** – Former Non-Executive Director (Resigned 3 September 2015)

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## DIRECTORS' REPORT

### 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	7	7
Demetrios Pynes	7	7
Paul Ferrara	7	7
Ian Olson	7	7
Katina Law ( <i>Resigned 7 October 2015</i> )	0	0
Robert Kirtlan ( <i>Resigned 3 September 2015</i> )	0	0
Michael Griffiths ( <i>Resigned 3 September 2015</i> )	0	0

### 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:

Expiry Date	Exercise Price (cents per share)	Number of Options
29 Nov 2017	13.36	300,000
29 Nov 2017	40.00	300,000
29 Nov 2017	60.00	300,000
4 Sept 2018	2.50	100,000,000
31 Oct 2020	4.85	15,000,000
31 Oct 2020	3.80	10,000,000
31 Oct 2020	4.67	10,000,000
31 Oct 2020	5.11	10,000,000
		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 the year or since the end of the year.

### 14. Non-Audit Services

During the year ended 30 June 2016, taxation consulting services were provided to the Company by a party related to the auditors (Bentleys Taxation). These services amounted to \$21,015 in 2016 (2015: NIL).

The Board has considered the non-audit services provided during the year by the auditor 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 2011 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.

## DIRECTORS' REPORT

### 15. Adjustments made subsequent to the lodgement of the ASX Appendix 4E

Subsequent to the lodgement of the ASX Appendix 4E on 31 August 2016:

Loss after tax decreased by \$378,015 due to:

Deferred tax liabilities recognised in relation to intangible assets recognised during the period on acquisition of the Chipla Holdings Pty Ltd (Monitoring Excellence) entity were offset against unrecognised deferred tax assets of the Group. This resulted in an income tax benefit of \$378,015, an increase in the value of intangible assets from \$4,163,165 to \$4,541,180 and a resulting increase in net assets of the group from \$746,708 to \$1,124,723.

### 16. 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.

### 17. Environmental Issues

In the normal 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.

### 18. 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)

### 19. Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on the following page of this annual report.



**Bentleys Audit & Corporate  
(WA) Pty Ltd**

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Level 3,

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Cloisters Square WA 6850

ABN 33 121 222 802

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F +61 8 9226 4300

[bentleys.com.au](http://bentleys.com.au)

To The Board of Directors

### **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

As lead audit director for the audit of the financial statements of Threat Protect Australia Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



**BENTLEYS**  
Chartered Accountants



**MARK DELAURENTIS CA**  
Director

Dated at Perth this 30<sup>th</sup> day of September 2016

## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

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

### 1. Remuneration Policy

The remuneration policy of Threat Protect Australia 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. Options given 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.
- ▶ 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 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.

### 2. 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 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 current financial year in the table 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 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.

No comparative information is disclosed as Threat Protect Group Pty Ltd (accounting acquirer) was not subject to section 300A of the Corporations Act 2001 in that period.

# THREAT PROTECT AUSTRALIA LIMITED

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## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

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

#### 2016 – Consolidated Group

	Short-term benefits <sup>4</sup>				Post-employment Benefits		Equity-settled share-based payments		Total
	Salary, fees and leave \$	Profit share and bonuses \$	Non-monetary \$	Other \$	Superannuation \$	Termination Benefits \$	Equity \$	Options \$	Total \$
Derek La Ferla	41,667	-	-	-	-	-	-	215,667	257,334
Demetrios Pynes <sup>1</sup>	183,009	-	-	-	16,796	-	-	330,024	529,829
Paul Ferrara <sup>1</sup>	183,009	-	-	-	16,796	-	-	330,024	529,829
Ian Olson	24,750	-	-	-	-	-	-	107,834	132,584
Katina Law <sup>2</sup>	-	-	-	-	-	-	-	-	-
<b>Other Current Key Management Personnel</b>									
Simon Whybrow <sup>3</sup>	14,157	-	-	-	1,261	-	-	-	15,418
<b>Total</b>	<b>446,592</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,853</b>	<b>-</b>	<b>-</b>	<b>983,549</b>	<b>1,464,994</b>

<sup>1</sup>Tactical Conflict Solutions Pty Ltd, a company controlled by Mr Pynes and Mr Ferrara, provides security personnel training services to Threat Protect Australia Limited. 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>2</sup>Ms Law resigned on 7 October 2015.

<sup>3</sup>Mr Whybrow was appointed as Chief Financial Officer on 18 May 2016 and Company Secretary on 23 June 2016.

<sup>4</sup>Short term benefits include the effects of leave accrued and used during the period.

### 3. Service Agreements

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

#### 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:

Mr Pynes' remuneration comprises a salary of \$176,800 per annum (which includes a motor vehicle allowance of \$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 Pynes 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:

Mr Ferrara's remuneration comprises a salary of \$176,800 per annum (which includes a motor vehicle allowance of \$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.

**DIRECTORS' REPORT – AUDITED REMUNERATION REPORT****3. Service Agreements (Continued)****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:*

Mr Whybrow's remuneration comprises a salary of \$150,000 per annum, 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.

**4. Share-based Remuneration**

Incentive Options were granted to the Directors of Threat Protect Australia Limited during the period. The following table summarises the details of the options granted to each Director on these dates:

Non-Executive Director Incentive Options					
Exercise Price	4.85 cents		Derek La Ferla	Ian Olson	Total
Grant Date	26 November 2015	Number of Options	10,000,000	5,000,000	15,000,000
Vesting Date	26 November 2015	Total Valuation (\$)	215,667	107,834	323,501
Expiry Date	31 October 2020				
Tranche 1 Executive Incentive Options					
Exercise Price	3.79 cents		Demetrios Pynes	Paul Ferrara	Total
Grant Date	26 November 2015	Number of Options	5,000,000	5,000,000	10,000,000
Vesting Date	26 November 2015	Total Valuation (\$)	114,789	114,789	229,578
Expiry Date	31 October 2020				
Tranche 2 Executive Incentive Options					
Exercise Price	4.67 cents		Demetrios Pynes	Paul Ferrara	Total
Grant Date	26 November 2015	Number of Options	5,000,000	5,000,000	10,000,000
Vesting Date	26 November 2015	Total Valuation (\$)	108,921	108,921	217,842
Expiry Date	31 October 2020				
Tranche 3 Executive Incentive Options					
Exercise Price	5.11 cents		Demetrios Pynes	Paul Ferrara	Total
Grant Date	26 November 2015	Number of Options	5,000,000	5,000,000	10,000,000
Vesting Date	26 November 2015	Total Valuation (\$)	106,314	106,314	212,628
Expiry Date	31 October 2020				
Summary of All Options Granted as Remuneration During the Period					
	Derek La Ferla	Demetrios Pynes	Paul Ferrara	Ian Olson	Total
Total Number of Options	10,000,000	15,000,000	15,000,000	5,000,000	45,000,000
Total Valuation (\$)	215,667	330,024	330,024	107,834	983,549

There was no other share-based remuneration made to Directors during the period.

# THREAT PROTECT AUSTRALIA LIMITED

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## DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

### 5. Key Management Personnel Equity Holdings

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

2016 - Group	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. Please refer "Details of Board Remuneration", above, for resignation dates of individual Directors.

Comparative information for 2015 is not included as the accounting acquirer (Threat Protect Group Pty Ltd was not subject to the provisions of section 300A of the *Corporations Act 2001 (Cth)* during this period.

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

2016 - Group	Opening balance	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Consolidation of share capital	Balance at end of year	Vested and Exercisable
	No.	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

Comparative information for 2015 is not included as the accounting acquirer (Threat Protect Group Pty Ltd was not subject to the provisions of section 300A of the *Corporations Act 2001 (Cth)* during this period.

<sup>1</sup>Balance at end of year represents Directors' interests as of their respective resignation dates. Please refer "Details of Board Remuneration", above, for resignation dates.

**DIRECTORS' REPORT – AUDITED REMUNERATION REPORT****6. 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**

There were no loans made to Directors or KMP during the period or as at 30 June 2016 (2015: NIL)

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

2016

\$

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	458
Derek La Ferla	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, provides 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
Staffing provided to TCS (Group income)	10,306
Trade payables balance	(64,335)
Trade receivables balance	12,116
Loan from TCS to Threat Protect Australia Limited balance	19,609

**Employment of Directors' spouses (Group expense)**

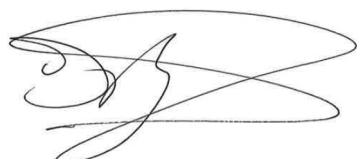
*Directors' spouses were employed within the business during the period.*

*Amounts include salary, fees and superannuation.*

Demetrios Pynes' spouse (Group expense)	(48,243)
Paolo Ferrara's spouse (Group expense)	(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 30th day of September 2016

# THREAT PROTECT AUSTRALIA LIMITED

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

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Continuing operations</b>			
Revenue	3	7,244,718	4,808,618
Other income	3	159,113	42,627
		7,403,831	4,851,245
Costs of sales		(5,836,157)	(3,798,612)
		1,567,674	1,052,633
Administrative expenses		(220,023)	(223,308)
Business acquisition and integration costs		(871,750)	(185,299)
Compliance and regulatory costs		(454,382)	(763,747)
Depreciation and amortisation	4	(293,073)	(83,846)
Employment costs	4	(1,175,493)	(1,282,547)
Finance costs		(399,772)	(443,837)
Impairment		(30,560)	(6,209)
Legal and consulting fees		(57,397)	(73,794)
Marketing and business development		(135,807)	(27,462)
Occupancy costs		(287,549)	(328,193)
Share-based payments		(983,549)	-
Corporate transaction accounting expense		(2,407,444)	-
Loss before income tax	4	(5,749,125)	(2,365,609)
Income tax benefit / (expense)	6	378,015	-
<b>Loss from continuing operations</b>		<b>(5,371,110)</b>	<b>(2,365,609)</b>
<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:		-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(5,371,110)</b>	<b>(2,365,609)</b>
<b>Earnings per share (Cents)</b>			
Basic and diluted loss per share (cents)	7	(0.95)	(1.81)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2016

	Note	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	8	448,581	51,338
Trade and other receivables	9	1,138,018	407,943
Financial assets	10	167,969	305,172
Inventories		13,005	3,982
Other current assets	11	137,764	45,301
<b>Total current assets</b>		<b>1,905,337</b>	<b>813,736</b>
<b>Non-current assets</b>			
Plant and equipment	12	375,962	246,799
Intangible assets	13	4,541,180	-
<b>Total non-current assets</b>		<b>4,917,142</b>	<b>246,799</b>
<b>Total assets</b>		<b>6,822,479</b>	<b>1,060,535</b>
<b>Current liabilities</b>			
Trade and other payables	15	1,803,249	2,772,405
Provisions	16	1,027,277	815,058
Borrowings	17	2,783,826	3,878,572
<b>Total current liabilities</b>		<b>5,614,352</b>	<b>7,466,035</b>
<b>Non-current liabilities</b>			
Provisions	16	63,795	-
Borrowings	17	19,609	19,609
<b>Total non-current liabilities</b>		<b>83,404</b>	<b>19,609</b>
<b>Total liabilities</b>		<b>5,697,756</b>	<b>7,485,644</b>
<b>Net assets</b>		<b>1,124,723</b>	<b>(6,425,109)</b>
<b>Equity</b>			
Issued capital	18	13,284,696	1,347,303
Reserves	19	983,549	-
Accumulated losses		(13,143,522)	(7,772,412)
<b>Total equity</b>		<b>1,124,723</b>	<b>(6,425,109)</b>

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



# THREAT PROTECT AUSTRALIA LIMITED

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Note	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance at 1 July 2014		1,111,339	(5,406,803)	-	(4,295,464)
Loss for the year attributable owners of the parent		-	(2,365,609)	-	(2,365,609)
Other comprehensive income for the year attributable owners of the parent		-	-	-	-
Total comprehensive income for the year attributable owners of the parent		-	(2,365,609)	-	(2,365,609)
Transaction with owners, directly in equity					
Shares issued during the year		235,964	-	-	235,964
Balance at 30 June 2015		1,347,303	(7,772,412)	-	(6,425,109)
Balance at 1 July 2015		1,347,303	(7,772,412)	-	(6,425,109)
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 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		(246,636)	-	-	(246,636)
Options 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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		7,604,399	5,506,087
Interest received		5,374	-
Interest and borrowing costs		(282,036)	(331,751)
Payments to suppliers and employees		(10,912,913)	(6,331,814)
<b>Net cash used in operating activities</b>	8a	<b>(3,585,176)</b>	<b>(1,157,478)</b>
<b>Cash flows from investing activities</b>			
Purchase of businesses, net of cash acquired	2	2,098,578	(10,519)
Purchase of intangible assets	13	(841,772)	-
Purchases of property, plant and equipment		(15,215)	(279,940)
<b>Net cash used in investing activities</b>		<b>1,241,592</b>	<b>(290,459)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,850,364	235,964
Proceeds from borrowings		2,616,000	1,711,758
Repayment of borrowings		(2,725,538)	(446,198)
<b>Net cash provided by financing activities</b>		<b>2,740,826</b>	<b>1,501,524</b>
<b>Net increase/(decrease) in cash held</b>		<b>397,243</b>	<b>53,587</b>
Cash at beginning of year		51,338	(2,249)
<b>Cash at end of year</b>	8	<b>448,581</b>	<b>51,338</b>

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 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 30 September 2016 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 2011 (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 incurred a loss for the year of \$5,371,110 (June 2015: \$2,365,609 loss) and had a net cash in-flow of \$397,242 (June 2015: \$53,587 in-flow). The net assets of the Group have increased from 30 June 2015 by \$7,549,832 to \$1,124,723 at 30 June 2016 (June 2015: \$(6,425,109)). As at 30 June 2016, the Group's cash and cash equivalents increased from 30 June 2015 by \$397,243 to \$448,581 at 30 June 2016 (June 2015: \$51,338) and had a working capital deficit of \$3,709,015 (June 2015: \$(6,652,299) working capital deficit).

During the period, the Group failed to meet one of its banking covenant compliance obligations. The Group has received a letter of waiver from National Australia Bank (“**NAB**”) confirming that they have waived their right to take action on this breach of obligation. To comply with Accounting Standards, the Group has reclassified \$1,600,000 of its bank loan facilities from non-current liabilities to current liabilities in the consolidated statement of financial position in this report. Please refer Note 17 Borrowings for further details.

The ability of Company and the Consolidated Group to continue to pay its debts as and when they fall due is dependent upon the Consolidated Group successfully raising capital from equity markets, acquiring new businesses, generating profits from existing businesses and managing cash flows in line with available funds. These conditions indicate a material uncertainty that may cast doubt about the ability of the Consolidated Group to continue as a going concern.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2016

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows as well as the following factors:

- /// In February 2016 the Group successfully raised \$2,935,122 after costs from the issue of ordinary shares at \$0.03 per share and believes that it has the ability to do so in the future if required through the strong support of its shareholders
- /// The Group has acquired new businesses during the year which have contributed positively to the Group result and are expected to continue doing so
- /// Business acquisition and integration costs are to be minimal in relation to past acquisitions as these businesses have been fully integrated
- /// It is expected that the Group's operations will become cash flow positive in the coming period
- /// The Group will continue to seek out additional acquisition opportunities in order to take advantage of economies of scale and improve the profitability of the Group
- /// Management is actively pursuing capital raising opportunities to contribute to the Group's acquisition strategy and working capital requirements

Should the Group not achieve the matters set out above, there is material uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

## iv. Reverse acquisition

Threat Protect Australia Limited (Formerly East Africa Resources Limited) is listed on the Australian Securities Exchange (ASX). The Company completed the legal acquisition of Threat Protect Group Pty Ltd (Formerly Threat Protect Australia Pty Ltd) on 3 September 2015.

Threat Protect Group Pty Ltd (the legal subsidiary) was deemed to be the acquirer for accounting purposes as it has obtained control over the operations of the legal acquirer Threat Protect Australia Limited (the accounting subsidiary). Accordingly, the consolidated financial statement of Threat Protect Australia Limited have been prepared as a continuation of the financial statements of Threat Protect Group Pty Ltd. Threat Protect Group Pty Ltd (as the deemed acquirer) has accounting for the acquisition of Threat Protect Australia Limited from 3 September 2015. The comparative information (2015) presented in the consolidated financial statements is that of Threat Protect Group Pty Ltd.

The impact of the reverse acquisition on each of the primary statements is as follows:

- /// The consolidated statement of comprehensive income:
  - ▶ For the year ended 30 June 2016 comprises twelve months of Threat Protect Group Pty Ltd and is then consolidated with Threat Protect Australia Limited for the period from 3 September 2015 to 30 June 2016
  - ▶ For the comparative period (2015) comprises Threat Protect Group Pty Ltd for the full financial year.
- /// The consolidated statement of financial position:
  - ▶ As at 30 June 2016 represents the consolidated group of Threat Protect Group Pty Ltd including Threat Protect Australia Limited.
  - ▶ As at 30 June 2015 represents the consolidated group of Threat Protect Group Pty Ltd.

# THREAT PROTECT AUSTRALIA LIMITED

AND CONTROLLED ENTITIES  
ACN 060 774 227

ANNUAL REPORT 30 JUNE 2016

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- ▀ The consolidated statement of changes in equity:
  - ▶ For the year ended 30 June 2016 comprises Threat Protect Group Pty Ltd's balance at 1 July 2015, its loss for the year and transactions with equity holders for twelve months. It also includes Threat Protect Australia Limited's transactions with equity holders from 3 September 2015 to 30 June 2016 and the consolidated equity balances of both Threat Protect Group Pty Ltd and Threat Protect Australia Limited.
  - ▶ For the comparative period (2015) comprises the transactions with equity holders for Threat Protect Group Pty Ltd the full financial year.

- ▀ The consolidated statement of cash flows:
  - ▶ For the year ended 30 June 2016 comprises cash and cash equivalents balance at 1 July 2015 along with cash transactions from that date until 2 September 2015 for Threat Protect Group Pty Ltd. From 3 September 2015 until 30 June 2016 the statement comprises the cash transactions and closing balance of cash and cash equivalents of Threat Protect Group Pty Ltd and Threat Protect Australia Limited, consolidated.
  - ▶ For the comparative period (2015) comprises the cash transactions and balances of cash and cash equivalents of Threat Protect Group Pty Ltd for the full financial year.

#### v. 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 1o.

#### vi. Comparative figures

Where required by AASBs comparative (2015) 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 consideration payable is recognised at fair value at the acquisition date. 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 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, than 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.

### 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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2016

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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:

	2016 %	2015 %
 Information technology	10.00 – 50.00	10.00 – 50.00
 Motor vehicles	12.50	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 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. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

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

Customer-related intangible assets are amortised over their estimate life, being six to ten years.

##### 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. Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

##### ii. 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 workers 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2016

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****iii. 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.

**iv. Equity-settled compensation**

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

**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 income statement 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.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(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) *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.

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 income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2016

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****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.

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.

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

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy 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 income statement, 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 income statement. 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 and other income**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 income statement 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 1m Goods and Services Tax).

#### m. Goods and Services Tax

Goods and Services Tax (GST) is the term for the broad-based consumption taxes that the Group is exposed to in Australia.

Revenues, expenses, and assets are recognised net of the amount of 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 balance sheet.

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.

#### n. 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 Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### o. 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 judgment: Going Concern

Refer Note 1(a)iii Going concern.

##### ii. Key estimate: Business Combinations

Refer Note 2 Business combinations.

##### iii. 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. As a result of this review, the Group has determined that no material impairment was required.

##### iv. 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.

# THREAT PROTECT AUSTRALIA LIMITED

AND CONTROLLED ENTITIES  
ACN 060 774 227

ANNUAL REPORT 30 JUNE 2016

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### v. Key estimate: Impairment of Goodwill

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 2016 was \$2,664,153 (30 June 2015: nil).

#### vi. Key estimate: Provision for fines and penalties

The Group has carried forward a provision of \$555,782 for fines and penalties relating to the historic late-payment of Superannuation by the Group in a previous period. The provision represents fines and penalties as well as additional charges and interest that are or may be imposed by the Australian Taxation Office relating to the late payment of superannuation in prior periods. The Group has now brought these superannuation balances up to date and is in the process of appealing against these fines and penalties. It is the opinion of management that the Group is reasonably likely to be successful in its appeal which may result in the fines and penalties being withdrawn. This matter is expected to reach a conclusion within the next 12 months.

#### p. 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.

#### q. 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 2016. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 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.

### NOTE 2 BUSINESS COMBINATIONS AND ACQUISITIONS OF CONTROLLED ENTITIES

#### a. Threat Protect Australia Limited (formerly East Africa Resources Limited)

On 4 September 2015, Threat Protect Australia Limited (formerly East Africa Resources Limited)(**Threat Protect**), acquired 100% of the ordinary share capital and voting rights in Threat Protect Group Pty Ltd (formerly Threat Protect Australia Pty Ltd) (**TPG**) as detailed in the prospectus and supplementary prospectus announced by the Company.

Under AASB 3 *Business Combinations* (**AASB 3**) this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be TPG and Threat Protect is deemed to be the accounting acquiree. Refer to the effect upon the basis of preparation at note 1a.iv Reverse acquisition.

##### i. Acquisition consideration

As consideration for the issued capital of TPG, Threat Protect issued 165,000,000 shares to the shareholders of Threat Protect at \$0.02 for a total consideration of \$3,300,000. No cash was paid as part of the acquisition consideration

##### ii. Fair value of consideration transferred

Under the principles of AASB 3, the transaction between Threat Protect and TPG is treated as a reverse acquisition. As such, the assets and liabilities of the legal subsidiary (the accounting acquirer), being TPG, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Threat Protect are measured at fair value on the date of acquisition.

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (TPG) in the form of equity instruments issued to the shareholders of the legal parent entity (Threat Protect). The acquisition-date fair value of the consideration transferred has been determined by reference to the fair value of the number of shares the legal subsidiary (TPG) would have issued to the legal parent entity Threat Protect to obtain the same ownership interest in the combined entity.

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#### NOTE 2 BUSINESS COMBINATIONS AND ACQUISITIONS OF CONTROLLED ENTITIES (CONTINUED)

##### iii. Goodwill (Corporate transaction accounting expense)

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the legal parent, being Threat Protect. Details of the transaction are as follows:

	Fair value \$
Fair value of consideration transferred	7,363,964
<i>Fair value of assets and liabilities held at acquisition date:</i>	
▀ Cash	5,189,003
▀ Trade and other receivables	27,075
▀ Trade and other payables	(259,558)
Fair value of identifiable assets and liabilities assumed	4,956,520
Goodwill (Corporate transaction accounting expense)	2,407,444

The goodwill calculated above represents goodwill in Threat Protect; however this has not been recognised. Instead the deemed fair value of the interest in TPG issued to existing Threat Protect shareholders to effect the combination (the consideration for the acquisition of the public shell company) was recognised as an expense in the income statement. This expense has been presented as a "Corporate transaction accounting expense" on the face of the consolidated statement profit or loss and comprehensive income.

##### b. Chipla Holdings Pty Ltd (Monitoring Excellence)

On 1 October 2015, Threat Protect Australia Limited acquired 100% of the ordinary share capital and voting rights in Chipla Holdings Pty Ltd (Monitoring Excellence) whose principle activities are the provision of security monitoring services in Western Australia.

##### i. Acquisition consideration

Consideration exchanged (being cash consideration comprising an option fee of \$279,940 in 2015 and \$2,582,583 in 2016).

##### ii. Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the acquired. Details of the transaction are as follows:

	Fair value \$
Fair value of consideration transferred	2,862,523
<i>Carrying value of assets and liabilities held at acquisition date:</i>	
▀ Cash and cash equivalents	22,098
▀ Trade and other receivables (net of \$7,161 provision for doubtful debts)	274,917
▀ Customer related intangible asset	1,260,049
▀ Deferred Tax Liability arising on Customer related intangible asset	(378,015)
▀ Inventory	8,967
▀ Property, plant, and equipment	52,286
▀ Trade and other payables	(179,887)
▀ Provisions	(63,512)
Carrying value assets and liabilities assumed	996,903
Goodwill	1,865,620

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**NOTE 2 BUSINESS COMBINATIONS AND ACQUISITIONS OF CONTROLLED ENTITIES (CONTINUED)****i. 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 base acquired as part of the acquisition. A estimated average life of 10 years, based on historical evidence, was applied to expected future revenues and discounted using a weighted average cost of capital of 11.69%.

**ii. Impact on results of the Group**

Since acquisition date (1 October 2015) to 30 June 2016, the Chipla Holdings Pty Ltd entity contributed \$233,046 to the final result of the Group, which is after \$253,642 in identifiable business acquisition and integration expenses and net of various group employment and operating costs which have been transferred into the entity from other Group operations since acquisition date.

**c. Australian Event Protection**



On 1 March 2016, Threat Protect Australia Limited 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 (Note 2d, below).

**iii. Acquisition consideration**

Consideration exchanged was \$250,000 in cash.

**iv. Goodwill**

Goodwill has been accounted for provisionally in accordance with AASB 3 and is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the acquired. Details of the transaction are as follows:

	Fair value \$
Fair value of consideration transferred	250,000
<i>Carrying value of assets and liabilities held at acquisition date:</i>	
 Property, plant, and equipment	4,420
 Provisions	(11,068)
Carrying value of assets and liabilities assumed	(6,648)
Goodwill (provisionally accounted for as at 30 June 2016)	256,648

**v. Impact on results of the Group**

As the business was acquired simultaneously with the Integral Risk Group business (refer note 2d Integral Risk Group) and involves the same business processes and assets, the results of the businesses are reviewed by management on a combined basis. Australian Event Protection and Integral Risk Group contributed a combined profit of \$64,751 for the period from acquisition date (1 March 2016) to year end during the integration period of the combined businesses.

**vi. Contingent consideration**

As a part of the purchase agreement, there is a performance fee payable of 10% of revenue attributable to the Australian Event Protection business in excess of \$4,600,000 for the 2017 financial reporting period. As of the date of this report, management's best assessment is that this is an unlikely event and therefore there has been no fair value assigned to this contingent consideration as part of the provisional calculation of goodwill in (vii) above.



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### NOTE 2 BUSINESS COMBINATIONS AND ACQUISITIONS OF CONTROLLED ENTITIES (CONTINUED)

#### d. Integral Risk Group

On 1 March 2016, Threat Protect Australia Limited 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 Australian Event Protection business (Note 2c, above).

##### i. Acquisition consideration

Consideration exchanged was \$500,000 in a share-based payment of fully paid ordinary shares of Threat Protect Australia Limited at 3 cents per share.

##### ii. Goodwill

Goodwill has been accounted for provisionally in accordance with AASB 3 and is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the acquired. Details of the transaction are as follows:

	Fair value \$
Fair value of consideration transferred	500,000
<i>Carrying value of assets and liabilities held at acquisition date:</i>	
Provisions	(41,886)
Carrying value of assets and liabilities assumed	(41,886)
Goodwill (provisionally accounted for at 30 June 2016)	541,886

##### iii. Impact on results of the Group

As the business was acquired simultaneously with the Australian Event Protection business (refer note 2c Australian Event Protection) and involves the same business processes and assets, the results of the businesses are reviewed by management on a combined basis. Australian Event Protection and Integral Risk Group contributed a combined profit of \$64,751 for the period from acquisition date (1 March 2016) to year end during the integration period of the combined businesses.

### 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

Supplier bonuses

Other

	2016 \$	2015 \$
Revenue from provision of goods and services	7,239,344	4,808,618
Interest income	5,374	-
	7,244,718	4,808,618
Gains on disposal of property, plant and equipment	41,812	-
Supplier bonuses	50,890	-
Other	66,411	42,627
	159,113	42,627

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

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

**Depreciation and amortisation**

Depreciation of property, plant and equipment

Amortisation of intangible assets

**Employment costs**

Directors remuneration

Increase / (decrease) in employee benefits provision

General wages, salaries and superannuation

Other employment related costs

	2016 \$	2015 \$
	116,813	83,846
	176,260	-
	293,073	83,846
	481,445	354,927
	17,470	68,366
	583,377	816,317
	93,201	42,937
	1,175,493	1,282,547

**NOTE 5 AUDITORS REMUNERATION**
**Auditing or reviewing the financial reports**

Bentleys

**Non-audit services**

Taxation services provided by Bentleys Taxation

	2016 \$	2015 \$
	56,428	70,231
	56,428	70,231
	21,015	-
	21,015	

**NOTE 6 INCOME TAX**
**a. Income tax expense / (benefit)**

Current tax (benefit) / expense

Deferred tax expense / (benefit)

	2016 \$	2015 \$
	-	-
	(378,015)	-
	(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:

Loss from continuing operations before income tax expense

Australian tax rate

Tax amount at the Australian tax rate

Add / (Less) the tax effect of:

- ▀ Other non-deductible depreciation and amortisation
- ▀ Unrecognised income tax benefit in respect of current year losses
- ▀ Non-deductible expenses
- ▀ Tax offset for timing differences
- ▀ Benefit from previously unrecognised temporary difference

	-	-
	(5,749,125)	(2,365,609)
	30%	30%
	(1,724,738)	(709,683)
	24,527	-
	697,318	491,960
	1,026,466	144,256
	(23,573)	73,466
	(378,015)	-
	(378,015)	-

Total income tax expense/(benefit)

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### c. Tax losses

Unused tax losses for which no deferred tax asset has been recognised	5,630,904	3,257,183
Potential tax benefit at 30% Australian tax rate	1,689,271	977,155

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;
- The company and the consolidated entity continue to comply with the conditions for deductibility imposed by law; and
- No changes in tax legislation adversely affect the ability of the Company and consolidated entity to realise these benefits.

### d. Deferred tax assets

The balance comprises temporary differences attributable to:

Employee benefits	193,653	258,021
Accrued expenses	106,694	67,381
Provision for doubtful debts	5,603	3,488
Capital raising costs	59,193	-
Tax losses	1,689,271	977,155
Total deferred tax assets	2,054,413	1,306,045
Set-off deferred tax liabilities pursuant to set-off provisions	(17,283)	(19,601)
Less deferred tax assets not recognised	(2,037,130)	(1,286,444)
Net deferred tax assets	-	-

### e. Deferred tax liabilities

The balance comprises temporary differences attributable to:

Prepaid expenses	17,283	19,601
Total deferred tax liabilities	17,283	19,601
Set-off deferred tax liabilities pursuant to set-off provisions	(17,283)	(19,601)
Net deferred tax liabilities	-	-

## NOTE 7 EARNINGS PER SHARE (EPS)

### a. Reconciliation of earnings to profit or loss

Loss used in the calculation of basic and diluted EPS

2016	2015
\$	\$

(5,371,110)	(2,365,609)
-------------	-------------

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

562,633,880	130,762,296
-------------	-------------

### c. Basic EPS (cents per share)

(0.95)	(1.81)
--------	--------

- 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 2016 financial year, the Group had 145,900,000 unissued shares under option that were "out of the money" which were anti-dilutive (2015: NIL).

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- e. As noted in 1(a)iv, the equity structure in these consolidated financial statements following the reverse acquisition 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.

The basic EPS for the period ended 2015 shall be calculated by dividing:

- the profit or loss of Threat Protect Group Pty Ltd attributable to ordinary shareholders in each of those periods by
- Threat Protect Group Pty Ltd's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

**NOTE 8 CASH AND CASH EQUIVALENTS**

	2016 \$	2015 \$
Cash at bank	448,581	51,338
	448,581	51,338
<b>a. Reconciliation of cash flow from operations to loss after income tax</b>		
Loss after income tax	(5,371,110)	(2,365,609)
Non-cash flows in profit from ordinary activities:		
▀ Depreciation	293,073	83,846
▀ Gain on disposal of property, plant and equipment	(41,812)	-
▀ Corporate transaction accounting expense	2,407,444	-
▀ Impairment	30,560	6,209
▀ Share-based payments expense	983,549	-
▀ Interest converted to equity	21,752	-
▀ Income tax benefit	(378,015)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
▀ (Increase)/decrease in trade and other receivables	(433,536)	173,980
▀ (Increase)/decrease in other assets and prepayments	44,740	15,265
▀ (Increase)/decrease in inventories	(56)	94,195
▀ Increase/(decrease) in trade and other payables	(1,418,622)	370,150
▀ Increase/(decrease) in provisions	276,857	464,486
Cash flow from operations	(3,585,176)	(1,157,478)

**b. Credit standby facilities**

At 30 June 2016 the Group had \$19,000 available in unused credit standby facilities for working capital as well as \$1,140,000 available specifically for the acquisition of new businesses (2015: None).

**c. Non-cash investing and financing activities**

Refer to note 8d below

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		2016 \$
<b>d. Business combinations' effect on cash</b>		
<b>i. Threat Protect Australia Limited</b>		
On 3 September 2015, Threat Protect Australia Limited acquired 100% of the ordinary share capital and voting rights of Threat Protect Group Pty Ltd as described in note 2a		
<i>Purchase consideration:</i>		
Value of theoretical equity consideration issued under reverse acquisition (non-cash)		7,363,964
<i>Cash acquired:</i>		
Cash held by Threat Protect Australia Limited at acquisition date		5,189,003
Cash inflow on acquisition		5,189,003
<i>Other assets and liabilities held at acquisition date excluded from the consolidated statement of cash flows:</i>		
Trade and other receivables		27,075
Trade and other payables		(259,558)
<b>ii. Chipla Holdings Pty Ltd (Monitoring Excellence)</b>		
On 1 October 2015, Threat Protect Australia Limited acquired 100% of the ordinary share capital and voting rights of Chipla Holdings Pty Ltd as described in note 2b		
<i>Purchase consideration:</i>		
Value of cash consideration exchanged (Option fee of \$279,940 in 2015 and \$2,582,583 in 2016).		2,862,523
<i>Cash acquired:</i>		
Cash held by Chipla Holdings Pty Ltd at acquisition date		22,098
Cash inflow on acquisition		22,098
<i>Other assets and liabilities held at acquisition date excluded from the consolidated statement of cash flows:</i>		
Trade and other receivables		274,917
Customer related intangible asset		1,260,049
Inventory		8,967
Property, plant, and equipment		52,286
Deferred tax liability		(378,015)
Trade and other payables		(179,887)
Provisions		(63,512)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### iii. Australian Event Protection

On 1 March 2016, Threat Protect Australia Limited acquired the business assets of Australian Event Protection as described in note 2c

 *Purchase consideration:*


Value of cash consideration exchanged

250,000

 *Cash acquired:*

Cash inflow on acquisition (no cash acquired)

-

 *Other assets and liabilities held at acquisition date excluded from the consolidated statement of cash flows:*

Property, plant, and equipment

4,420


Provisions

(11,068)

2016  
\$

### iv. Integral Risk Group

On 1 March 2016, Threat Protect Australia Limited acquired the business assets of Integral Risk Group as described in note 2c

 *Purchase consideration:*


Value of consideration exchanged (non-cash)

500,000

 *Cash acquired:*

Cash inflow on acquisition (no cash acquired)

-

 *Other assets and liabilities held at acquisition date excluded from the consolidated statement of cash flows:*

Provisions

(41,886)

2016  
\$

## NOTE 9 TRADE AND OTHER RECEIVABLES

### Current

Trade debtors

831,927

341,978

Less: provision for impairment

(18,676)

(11,627)

Accrued income receivable

271,568

47,592

Other receivables

31,060

30,000

Goods and Services Tax receivable

22,139

-

1,138,018

407,943

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23 Financial risk management.

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### NOTE 10 FINANCIAL ASSETS

#### a. Current

Security bonds and guarantees	
Option fee relating to business acquisition	
Total Financial Assets	

	2016 \$	2015 \$
	167,969	25,232
	-	279,940
	167,969	305,172

#### b. Fair value hierarchy

No assets were held at fair value during the year (2015: None).

### NOTE 11 OTHER CURRENT ASSETS

#### Current

Prepayments

Total other assets

	2016 \$	2015 \$
	137,764	45,301
	137,764	45,301

### NOTE 12 PROPERTY, PLANT AND EQUIPMENT CURRENT YEAR 2016

	Information Technology \$	Monitoring Centre \$	Motor Vehicles \$	Plant & Equipment \$	Total \$
Balance at cost	213,593	429,791	141,865	447,175	1,232,424
Accumulated depreciation	(196,367)	(220,383)	(67,534)	(372,179)	(856,462)
Carrying amount at the end of the year	17,226	209,408	74,331	74,996	375,962
Carrying amount at the beginning of the year	13,429	107,196	98,238	27,936	246,799
Additions during the period	12,309	171,040	-	78,169	261,518
Disposals	-	-	(6,186)	(9,356)	(15,542)
Depreciation during the period	(8,512)	(68,828)	(17,722)	(21,751)	(116,813)
Carrying amount at the end of the year	17,226	209,408	74,331	74,996	375,962

### PRIOR YEAR 2015

	Information Technology \$	Monitoring Centre \$	Motor Vehicles \$	Plant & Equipment \$	Total \$
Balance at cost	201,284	258,750	157,908	124,946	742,888
Accumulated depreciation	(187,855)	(151,554)	(59,670)	(97,010)	(496,089)
Carrying amount at the end of the year	13,429	107,196	98,238	27,936	246,799
Carrying amount at the beginning of the year	19,557	155,550	118,034	26,349	319,490
Additions during the period	2,789	-	-	8,366	11,155
Disposals	-	-	-	-	-
Depreciation during the period	(8,917)	(48,354)	(19,795)	(6,779)	(83,846)
Carrying amount at the end of the year	13,429	107,196	98,238	27,936	246,799

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NOTE 13 INTANGIBLE ASSETS	Intellectual property Software \$	Intellectual property Trademarks \$	Customer related Intangible Assets \$	Goodwill (a) \$	Total \$
<b>CURRENT YEAR 2016</b>					
Intangible asset	78,049	6,065	2,797,174	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	6,065	1,803,144	2,664,153	4,541,180
Carrying amount at the beginning of the year	-	-	-	-	-
Additions during the period	78,049	6,065	1,969,174	2,664,153	4,717,441
Disposals	-	-	-	-	-
Amortisation expense	(10,231)	-	(166,030)	-	(176,261)
Carrying amount at the end of the year	67,818	6,065	1,803,144	2,664,153	4,541,180
<b>PRIOR YEAR 2015</b>					
Intangible asset	-	-	828,000	-	828,000
Accumulated amortisation	-	-	-	-	-
Accumulated impairment	-	-	(828,000)	-	(828,000)
Carrying amount at the end of the year	-	-	-	-	-

There were no movements during the 2015 period relating to Intangible Assets.

**a. Goodwill**
**i. Provisional Goodwill relating to Australian Event Protection and Integral Risk Group businesses.**

Goodwill associated with Australian Event Protection and Integral Risk Group has a carrying value of \$798,533 at 30 June 2016 (2015: nil). The Company has provisionally accounted for this goodwill at year end and management is expecting to identify intangible assets relating to these businesses before the end of the financial period following the acquisition (in the year ended 30 June 2017). Refer note 2 Business combinations for further details regarding these balances.

**ii. Goodwill relating to Monitoring Excellence (Chipla Holdings Pty Ltd)**

The remaining balance of Goodwill of \$1,865,620 relates to Goodwill on acquisition of Monitoring Excellence. Please refer note 2 Business combinations for further details regarding this balance.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors, covering a five year period, and using a discount rate of 11.69% per annum.

Cash flow projections during the budgeted period are based on the same expected gross margins and cost inflation throughout the budget period. The cash flows beyond that five year period have been extrapolated using a 5% per annum growth rate which is a conservative estimate based on historical data from the business. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.



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### NOTE 14 CONTROLLED ENTITIES

#### a. Legal parent entity

Threat Protect Australia Limited is the ultimate parent of the Group (refer to note 1(a)iv).

#### i. Legal subsidiaries

	Country of Incorporation	Class of Shares	Percentage Owned	
			30 June 2016	30 June 2015
Threat Protect Group Pty Ltd	Australia	Ordinary	100.0%	-
Aust East Africa Mining Ltd	Tanzania	Ordinary	100.0%	100.0%
AVMC (Aust) Pty Ltd	Australia	Ordinary	100.0%	-
Chipla Holdings Pty Ltd	Australia	Ordinary	100.0%	-
EAF Resources Rwanda Ltd	Rwanda	Ordinary	100.0%	100.0%
Frontier Resources Ltd	Tanzania	Ordinary	100.0%	100.0%
Goldfields Commercial Security Pty Ltd	Australia	Ordinary	100.0%	-
Savanna Mineral Resources Pty Ltd	Australia	Ordinary	100.0%	100.0%
Sterling Resources Ltd	Tanzania	Ordinary	100.0%	100.0%
Tanganyika Uranium Corp	Canada	Ordinary	100.0%	100.0%
TZU Resources Pty Ltd	Australia	Ordinary	100.0%	100.0%
VIP Security Industries Pty Ltd	Australia	Ordinary	100.0%	-

#### b. Account parent entity

Threat Protect Group Pty Ltd is the accounting parent of the Group (refer to note 1(a)iv).

#### i. Accounting subsidiaries

	Country of Incorporation	Class of Shares	Percentage Controlled	
			31 December 2015	30 June 2015
Threat Protect Australia Ltd	Australia	Ordinary	100.0%	-
Aust East Africa Mining Ltd	Tanzania	Ordinary	100.0%	-
AVMC (Aust) Pty Ltd	Australia	Ordinary	100.0%	100.0%
Chipla Holdings Pty Ltd	Australia	Ordinary	100.0%	-
EAF Resources Rwanda Ltd	Rwanda	Ordinary	100.0%	-
Frontier Resources Ltd	Tanzania	Ordinary	100.0%	-
Goldfields Commercial Security Pty Ltd	Australia	Ordinary	100.0%	100.0%
Savanna Mineral Resources Pty Ltd	Australia	Ordinary	100.0%	-
Sterling Resources Ltd	Tanzania	Ordinary	100.0%	-
Tanganyika Uranium Corp	Canada	Ordinary	100.0%	-
TZU Resources Pty Ltd	Australia	Ordinary	100.0%	-
VIP Security Industries Pty Ltd	Australia	Ordinary	100.0%	100.0%

c. Investments in subsidiaries are accounted for at cost.

### NOTE 15 TRADE AND OTHER PAYABLES

#### Current

#### Unsecured

		2016 \$	2015 \$
Trade payables	15a	611,736	345,847
Accrued expenses		298,569	356,067
Interest payable		310,421	214,436
ATO liabilities		344,213	1,128,555
Payroll tax liabilities		119,959	245,244
Superannuation payable		110,219	474,206
Other payables		8,132	8,050
		1,803,249	2,772,405

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- 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. 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.

**NOTE 16 PROVISIONS**

	2016 \$	2015 \$
<b>Current</b>		
Provision for current employee benefits	471,495	385,865
Provision for fines and penalties	555,782	429,193
	<b>1,027,277</b>	<b>815,058</b>
<b>Non-current provisions</b>		
Provision for non-current employee benefits	63,795	-
	<b>63,795</b>	<b>-</b>

**NOTE 17 BORROWINGS**

	Note	2016 \$	2015 \$
<b>Current borrowings</b>			
Hire purchase and finance lease arrangements		145,811	79,197
Less: unexpired interest		(23,631)	(5,368)
Short-term borrowings (a)	17a	45,646	40,774
Working capital facility (b)	17b	481,000	-
Bank loan facilities (c)	17c	2,135,000	-
Short term loans (d)		-	2,320,535
Convertible note		-	590,000
Director loans		-	294,958
Vendor finance		-	558,476
		<b>2,783,826</b>	<b>3,878,572</b>
<b>Non-current borrowings</b>			
Related entity loans	22	19,609	19,609
		<b>19,609</b>	<b>19,609</b>

- 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 5.68% per annum, and drawings are repayable 12 months from the commencement date.
- c. Bank loan facilities comprise these facilities on the following terms and conditions:

Lender	Facility Type	Interest rate	Loan balance	
			2016 \$	2015 \$
National Australia Bank	Business Acquisition Facility	5.68% pa	135,000	-
National Australia Bank	Group Loan Refinancing Facility (Current Portion)	5.68% pa	2,000,000	-
			<b>2,135,000</b>	<b>-</b>

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The National Australia Bank Business Acquisition Facility has a limit of \$1,275,000 (\$1,140,000 available at reporting date)

The National Australia Bank Group Loan Refinancing Facility totals \$2,000,000 and is fully drawn at reporting date.

During the period, the Group failed to meet one of its banking covenant compliance obligations. The Group has received a letter of waiver from National Australia Bank ("NAB") confirming that they have waived their right to take action on this breach of obligation. To comply with Accounting Standards, the Group has reclassified \$1,600,000 of its bank loan facilities from non-current liabilities to current liabilities in the consolidated statement of financial position in this report.

d. Short term loans comprise these facilities on the following terms and conditions:

Lender	Security	Interest rate and type	Loan balance	
			2016 \$	2015 \$
Cape Equity Pty Ltd	General property of the Group	15% pa - simple	-	587,500
Quicksilver Asset Pty Ltd	General property of the Group	15% pa - simple	-	1,125,000
Siren Nominees Pty Ltd	Nil	12% pa - simple	-	608,035
			-	2,320,535

e. Loans are secured over the general property of the Group, or in the case of hire purchase and finance lease arrangements, the equipment to which the borrowing relates.

Note	18	ISSUED CAPITAL	Note	2016 No.	2015 No.	2016 \$	2015 \$
		Fully paid ordinary shares at no par value		721,898,331	17,554	13,284,696	1,347,303
a.		<b>Ordinary shares</b>					
		At the beginning of the period		17,554	10,000	1,347,303	1,111,339
		Shares issued during the period:					
		23 December 2014 share issue		-	7,554	-	235,964
		Balance before reverse acquisition		17,554	-	1,347,303	-
		3 September 2015 reverse acquisition					
		Elimination of existing legal acquiree (Threat Protect Group Pty Ltd) shares		(17,544)	-	-	-
		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	-
		Transaction costs relating to share issues		-	-	(246,636)	-
		At reporting date		721,898,331	17,554	13,284,696	1,347,303

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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**b. Options**

	2016 No.	2015 No.
Unlisted options on issue as at balance date.	145,900,000	-
At the beginning of the period	-	-
▀ 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	-

**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.

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

		2016 \$	2015 \$
Cash and cash equivalents	8	448,581	51,338
Trade and other receivables	9	1,138,018	407,943
Financial assets	10	167,969	305,172
Inventories		13,005	3,982
Other current assets	11	137,764	45,301
Trade and other payables	15	(1,803,249)	(2,772,405)
Short-term provisions	16	(1,027,277)	(815,058)
Short-term borrowings	17	(2,783,826)	(3,878,572)
Working capital position		(3,709,015)	(6,652,299)

**NOTE 19 RESERVES**

	2016 \$	2015 \$
Option reserve	983,549	-
Total reserves	983,549	-

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

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### NOTE 20 SHARE BASED PAYMENTS

The following share-based payments were made during the year ended 30 June 2016 (2015: None).

Incentive Options were granted to the Directors of Threat Protect Australia Limited during the period. The following table summarises the details of the options granted to each Director on these dates:

Non-Executive Director Incentive Options					
Exercise Price	4.85 cents		Derek La Ferla	Ian Olson	Total
Grant Date	26 November 2015	Number of Options	10,000,000	5,000,000	15,000,000
Vesting Date	26 November 2015	Total Valuation (\$)	215,667	107,834	323,501
Expiry Date	31 October 2020				
Tranche 1 Executive Incentive Options					
Exercise Price	3.79 cents		Demetrios Pynes	Paul Ferrara	Total
Grant Date	26 November 2015	Number of Options	5,000,000	5,000,000	10,000,000
Vesting Date	26 November 2015	Total Valuation (\$)	114,789	114,789	229,578
Expiry Date	31 October 2020				
Tranche 2 Executive Incentive Options					
Exercise Price	4.67 cents		Demetrios Pynes	Paul Ferrara	Total
Grant Date	26 November 2015	Number of Options	5,000,000	5,000,000	10,000,000
Vesting Date	26 November 2015	Total Valuation (\$)	108,921	108,921	217,842
Expiry Date	31 October 2020				
Tranche 3 Executive Incentive Options					
Exercise Price	5.11 cents		Demetrios Pynes	Paul Ferrara	Total
Grant Date	26 November 2015	Number of Options	5,000,000	5,000,000	10,000,000
Vesting Date	26 November 2015	Total Valuation (\$)	106,314	106,314	212,628
Expiry Date	31 October 2020				
Summary of All Options Granted as Remuneration During the Period					
	Derek La Ferla	Demetrios Pynes	Paul Ferrara	Ian Olson	Total
Total Number of Options	10,000,000	15,000,000	15,000,000	5,000,000	45,000,000
Total Valuation (\$)	215,667	330,024	330,024	107,834	983,549

The weighted average fair value of the share options granted during the financial year is \$0.0215. Options were valued using a Black-Scholes valuation model. Inputs into the valuation model were as follows:

	Non-Executive Options	Executive Incentive Options		
	Tranche 1	Tranche 1	Tranche 2	Tranche 3
Valuation date	26 Nov 2015	26 Nov 2015	26 Nov 2015	26 Nov 2015
Market price of shares at valuation date	3.4 cents	3.4 cents	3.4 cents	3.4 cents
Exercise price	4.85 cents	3.79 cents	4.67 cents	5.11 cents
Time until expiry	5 years	5 years	5 years	5 years
Risk free interest rate	2.24%pa	2.24%pa	2.24%pa	2.24%pa
Volatility	87.99%	87.99%	87.99%	87.99%

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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 ( <i>Appointed 3 September 2015</i> )
	Demetrios Pynes	Managing Director ( <i>Appointed 3 September 2015</i> )
	Paolo (Paul) Ferrara	Executive Director ( <i>Appointed 3 September 2015</i> )
	Ian Olson	Non-executive Director ( <i>Appointed 23 October 2015</i> )
	Simon Whybrow	Company Secretary and Chief Financial Officer ( <i>Appointed 18 May 2016</i> )

The amounts disclosed for the current financial year in the table below 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.

No comparative information is disclosed as Threat Protect Group Pty Ltd (accounting acquirer) was not subject to section 300A of the Corporations Act 2001 in that period.

	2016 \$
Short-term employee benefits	446,592
Other short-term benefits	-
Post-employment benefits	34,853
Share-based payments <sup>1</sup>	983,549
Other long-term benefits	-
Termination benefits	-
<b>Total</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.

#### Director loan balances

	2016 \$	2015 \$
Interest-free loan from Director payable: Mr Demetrios Pynes	-	(186,211)
Interest-free loan from Director payable: Mr Paolo Ferrara	-	(108,747)

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

	2016 \$	2015 \$
Demetrios Pynes	240	-
Paolo Ferrara	458	480
Derek La Ferla	1,544	16,728

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	2016 \$	2015 \$
<b>Related entity: Tactical Conflict Solutions Pty Ltd</b>		
<i>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.</i>		
Training services provided by TCS (Group expense)	(36,000)	(36,000)
Rent paid by TCS (Group income)	8,000	5,000
Staffing provided to TCS (Group income)	10,306	-
Trade payables balance	(64,335)	(34,100)
Trade receivables balance	12,116	-
Loan from TCS to Threat Protect Australia Limited balance	19,609	19,609
<b>Employment of Directors' spouses (Group expense)</b>		
<i>Directors' spouses were employed within the business during the period. Amounts include salary, fees and superannuation.</i>		
Demetrios Pynes' spouse (Group expense)	(48,243)	(106,612)
Paolo Ferrara's spouse (Group expense)	(49,179)	(52,054)

#### NOTE 23 CONTINGENT LIABILITIES

The Company has received legal advice, during the reverse acquisition process, that there may be liabilities outstanding relating to the Company's legacy Tanzanian mining exploration tenements, as was described in the Second Replacement Prospectus dated 30 July 2015. These contingent liabilities relate to potential outstanding rents and fees, including an estimation of penalties and interest, on lapsed mining exploration tenements based on an assessment of the requirements of Tanzanian law. The contingent liability is estimated at approximately \$1,322,534 which represents the Directors' understanding of the maximum amount that could be payable without taking into account any counter arguments and matters of practice the Company may raise to contest the extent of the liability if payment is sought.

To date, the Company has not received any request or correspondence from the Tanzanian Ministry of Energy and Minerals, or any equivalent body, that would suggest that the Company is liable for such rents or fees. The Company would contest any such claim. As such, the Board of Directors has assessed that it is highly improbable that there would be any resulting outflows from these contingent liabilities.

The contingent liabilities relate to the Group's Tanzanian subsidiaries. The Company intends to dispose of its Tanzanian mining exploration tenements and the entities which hold those tenements including any parent entities. The Company intends to pursue liquidation of these entities in the coming months and expects to have completed the liquidation before the end of the 2017 financial year.

There were no contingent liabilities not recognised in the financial statements of the parent entity and the consolidated entity as at 30 June 2016, other than those described above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 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 incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

##### v. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment in particular:

-  *Depreciation and amortisation*
-  *Gains or losses on sales of financial and non-financial assets*
-  *Investment income*
-  *Corporate transaction accounting expense*



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## NOTE 24 OPERATING SEGMENTS (CONTINUED)

### Year ended 30 June 2016

#### Revenue

Revenue

2016 Monitoring \$	2016 Guarding \$	2016 Services \$	2016 Total \$
--------------------------	------------------------	------------------------	---------------------

2,841,312      3,930,483      467,549      7,239,344

#### Total Segment Revenue

2,841,312      3,930,483      467,549      7,239,344

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

Interest

5,374

Other income

159,113

#### Total group revenue and other income

7,403,831

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

1,165,388      482,053      (363,712)      1,283,729

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

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

Administrative expenses

206,043

Business acquisition and integration costs

871,750

Compliance and regulatory

454,382

Depreciation

293,073

Employee benefits

1,175,493

Finance costs

399,772

Impairment

30,560

Legal costs

57,397

Marketing & business development

135,807

Occupancy expenses

182,071

Share-based payments

983,549

Corporate transaction accounting expense

2,407,444

Income tax (benefit)

(378,015)

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

(5,371,110)

#### Segment Assets

4,402,179      2,116,205      -      6,518,384

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

Unallocated assets

304,095

#### Total Assets

6,822,479

#### Segment Liabilities

547,595      337,490      25,515      910,600

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

Unallocated liabilities

4,787,156

#### Total Liabilities

5,697,756

**NOTE 24 OPERATING SEGMENTS (CONTINUED)**
**Year ended 30 June 2015**

	2015 Monitoring \$	2015 Guarding \$	2015 Services \$	2015 Total \$
<b>Revenue</b>				
Revenue	1,482,864	2,534,136	791,618	4,808,618
<b>Total Segment Revenue</b>	1,482,864	2,534,136	791,618	4,808,618
<i>Reconciliation of segment revenue to group revenue:</i>				
Other income				42,627
<b>Total group revenue and other income</b>				4,851,245
<b>Segment net profit / (loss) from continuing operations before tax</b>	420,458	505,907	(40,015)	886,350
<i>Reconciliation of segment profit / (loss) to group profit / (loss):</i>				
Amounts not included in segment results but reviewed by the board:				
Administrative expenses				222,606
Business acquisition and integration costs				185,299
Compliance and regulatory				763,748
Depreciation				15,696
Employee benefits				1,282,547
Finance costs				443,837
Impairment				6,209
Legal costs				73,794
Marketing & business development				27,463
Occupancy expenses				273,386
<b>Net (loss)/profit for the year</b>				(2,365,609)
<b>Segment Assets</b>	463,888	98,238	3,982	566,109
<i>Reconciliation of segment assets to group assets:</i>				
Unallocated assets				494,426
<b>Total Assets</b>				1,060,535
<b>Segment Liabilities</b>	622,466	73,829	-	696,295
<i>Reconciliation of segment liabilities to group liabilities:</i>				
Unallocated liabilities				6,789,350
<b>Total Liabilities</b>				7,485,645

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### 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 \$	2016 Total \$	Floating Interest Rate \$	Fixed Interest Rate \$	Non- Interest Bearing \$	2015 Total \$
<b>Financial Assets</b>								
Cash and cash equivalents	448,581	-	-	448,581	51,338	-	-	51,338
Trade and other receivables	-	-	1,138,018	1,138,018	-	-	407,943	407,943
Financial assets	167,969	-	-	167,969	25,232	-	279,940	305,172
<b>Total Financial Assets</b>	<b>616,550</b>	<b>-</b>	<b>1,138,018</b>	<b>1,754,568</b>	<b>76,570</b>	<b>-</b>	<b>687,883</b>	<b>764,453</b>
<b>Financial Liabilities</b>								
<b>Current</b>								
Trade and other payables	-	472,314	1,330,935	1,803,249	-	1,373,799	1,398,606	2,772,405
Short-term borrowings	-	2,783,826	-	2,783,826	-	3,878,572	-	3,878,572
<b>Total Current Financial Liabilities</b>	<b>-</b>	<b>3,256,140</b>	<b>1,330,935</b>	<b>4,587,075</b>	<b>-</b>	<b>5,252,371</b>	<b>1,398,606</b>	<b>6,650,977</b>
<b>Non Current</b>								
Long-term borrowings	-	-	19,609	19,609	-	-	19,609	19,609
<b>Total Non Current Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>19,609</b>	<b>19,609</b>	<b>-</b>	<b>-</b>	<b>19,609</b>	<b>19,609</b>
<b>Total Financial Liabilities</b>	<b>-</b>	<b>3,256,140</b>	<b>1,350,554</b>	<b>4,606,684</b>	<b>-</b>	<b>5,252,371</b>	<b>1,418,215</b>	<b>6,670,586</b>
<b>Net Financial Assets</b>	<b>616,550</b>	<b>(3,256,140)</b>	<b>(212,536)</b>	<b>(2,852,116)</b>	<b>76,570</b>	<b>(5,252,371)</b>	<b>(730,332)</b>	<b>(5,906,133)</b>

#### b. Specific financial risk exposures and management

The main 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.

##### 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.

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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:

	2016 Gross \$	2016 Impaired \$	2016 Net \$	2016 Past due but not impaired \$
<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
<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>

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:

# THREAT PROTECT AUSTRALIA LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

	WITHIN 1 YEAR		GREATER THAN 1 YEAR		TOTAL	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
<b>Financial Assets</b>						
Cash and cash equivalents	448,581	51,338	-	-	448,581	51,338
Trade and other receivables	1,138,018	407,943	-	-	1,138,018	407,943
Financial assets	167,969	3,982	-	-	167,969	3,982
<b>Total anticipated inflows</b>	<b>1,754,568</b>	<b>463,263</b>			<b>1,754,568</b>	<b>463,263</b>
<b>Financial Liabilities</b>						
Trade and other payables	1,803,249	2,772,405			1,803,249	2,772,405
Borrowings	2,783,826	3,878,572	19,609	19,609	2,803,435	3,898,181
<b>Total contractual outflows</b>	<b>4,587,075</b>	<b>6,650,977</b>	<b>19,609</b>	<b>19,609</b>	<b>4,606,684</b>	<b>6,670,586</b>
<b>Net (outflow) / inflow from financial instruments</b>	<b>(2,832,507)</b>	<b>(6,187,714)</b>	<b>(19,609)</b>	<b>(19,609)</b>	<b>(2,852,116)</b>	<b>(6,207,323)</b>

During the period, the Group failed to meet one of its banking covenant compliance obligations. The Group has received a letter of waiver from National Australia Bank ("NAB") confirming that they have waived their right to take action on this breach of obligation. To comply with Accounting Standards, the Group has reclassified \$1,600,000 of its bank loan facilities from non-current liabilities to current liabilities in the consolidated statement of financial position in this report. This \$1,600,000 is not expected to be an outflow within 1 year of the reporting date. Please refer Note 17 Borrowings for further details.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts than presented, other than those relating to bank borrowings as noted above.

### 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.

#### 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.

#### 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.

#### 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.

### iv. Sensitivity analyses

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.

#### Interest rates on borrowings

	Profit Effect		Equity Effect	
	2016 \$	2015 \$	2016 \$	2015 \$
± 100 basis points change in interest rates	± 28,035	± 38,786	± 28,035	± 38,786

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2016

**v. 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.

**NOTE 26 PARENT ENTITY DISCLOSURES**
**a. Financial position of Threat Protect Australia Limited (Legal Parent Only)**
**Current assets**

Cash and cash equivalents	13,199	142,589
Trade and other receivables	22,139	14,466
Financial assets	14,460	-
Other current assets	85,100	-
<b>Total current assets</b>	<b>134,899</b>	<b>157,055</b>

**Non current assets**

Financial assets: Shares in legal subsidiaries at cost	1,269,239	-
<b>Total non current assets</b>	<b>1,269,239</b>	<b>-</b>
<b>Total assets</b>	<b>1,404,138</b>	<b>157,055</b>

**Current liabilities**

Trade and other payables	233,769	305,675
Short-term borrowings	45,646	-
<b>Total current liabilities</b>	<b>279,415</b>	<b>305,675</b>
<b>Total liabilities</b>	<b>279,415</b>	<b>305,675</b>
<b>Net assets</b>	<b>1,124,723</b>	<b>(148,620)</b>

**Equity**

Issued capital	61,708,517	48,738,699
Reserves	1,053,149	69,600
Accumulated losses	(61,636,942)	(48,956,919)
<b>Total equity</b>	<b>1,124,723</b>	<b>(148,620)</b>

**b. Financial performance of Threat Protect Australia Limited (Legal Parent Only)**

Profit / (loss) for the year	(12,676,139)	(4,138,407)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(12,676,139)</b>	<b>(4,138,407)</b>

**c. Guarantees entered into by Threat Protect Australia Limited (Legal Parent Only)**

There are no guarantees entered into by Threat Protect Australia Limited for the debts of its subsidiaries as at 2016 (2015: none).

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

#### NOTE 27 COMMITMENTS

The group had no material commitments as at 30 June 2016 or 30 June 2015.

#### NOTE 28 EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year (30 June 2016) the Company announced that it has bolstered its security monitoring client base in Western Australia through the acquisition of two existing retail client bases serviced by existing resellers of the Company's monitoring business.

These acquisitions provide an increase to the monthly monitoring revenue by virtue of the Company now receiving 100% of the retail revenue received, with no associated increase in cost due to the fact the Company already services the clients - and having no impact on the available operational capacity of the control room.

The Company recognises that this acquisition strategy can add significant value to the current reseller base, and has already identified other similar opportunities to maximise this recurring revenue.

There were no significant subsequent events since reporting date other than the transactions identified above.

#### 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: Unit 1/8 Fisher Street  
Belmont WA 6104  
Postal: PO Box 561  
Belmont WA 6984 Australia  
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

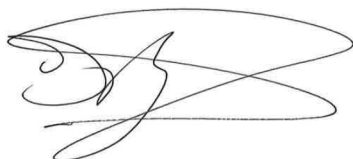
Street: Unit 1/8 Fisher Street  
Belmont WA 6104  
Postal: PO Box 561  
Belmont WA 6984 Australia  
Telephone: 1300 THREAT (1300 847 328)  
Facsimile: +61 (0)8 9322 9711

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 23 to 63 are in accordance with the *Corporations Act 2001* (Cth) and:
  - (a) comply with Accounting Standards;
  - (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 2016 and of the financial performance for the year ended on that date of the Company and the Consolidated Group.
2. The Chief Executive Officer (equivalent) and Chief Finance Officer (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**  
Operations Director

Dated this Friday, 30 September 2016



## Independent Auditor's Report

### To the Members of Threat Protect Australia Limited

We have audited the accompanying financial report of Threat Protect Australia Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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# Independent Auditor's Report

To the Members of Threat Protect Australia Limited (*Continued*)



## Independence

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

## Opinion

In our opinion:

- a. The financial report of Threat Protect Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 1(a.iii) in the financial report which indicates that the Consolidated Entity incurred a net loss of \$5,371,110 during the year ended 30 June 2016 and as at that date had a net asset deficiency of \$3,709,015. These conditions, along with other matters as set forth in note 1(a.iii), indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

## Opinion

In our opinion, the Remuneration Report of Threat Protect Australia Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

**BENTLEYS**  
Chartered Accountants

**MARK DELAURENTIS CA**  
Director

Dated at Perth this 30<sup>th</sup> day of September 2016

# THREAT PROTECT AUSTRALIA LIMITED

AND CONTROLLED ENTITIES  
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## 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	675,132,388
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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	1,830
Percentage of holdings by 20 largest shareholders	53.96%
The number of shareholdings held in less than marketable parcels	1,345

#### (d) Category (size of holding)

	Number Ordinary
1 – 1,000	954
1,001 – 5,000	209
5,001 – 10,000	55
10,001 – 100,000	218
100,001 – and over	394
	<hr/> <b>1,830</b> <hr/>

#### (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
Peter Pynes	40,156,744	5.56%

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

## (g) 20 Largest Shareholders — Ordinary Shares as at 27 September 2016.

NAME	Number of Ordinary Fully Paid Shares Held	% held of Issued Ordinary Capital
1. ROBERT GOUDIE FINANCIAL ADVISERS PTY LTD <R D GOUDIE FAMILY A/C>	33,366,666	4.62
2. MS ALISON ELIZABETH HOWE	31,018,571	4.30
3. MS MICHELLE PYNES <THE REN WA BUDO A/C>	30,696,778	4.25
4. MS CHRISTINA MICHAEL MICHAEL <THE M AND A A/C>	30,078,615	4.17
5. REDUN PTY LTD	30,069,215	4.17
6. MR PETER ARISTIDE PYNES+MRS LARA OLIMPIA PYNES<PYNES SUPERANNUATION A/C>	28,444,324	3.94
7. MS CONCETTA FERRARA <FERRARA FAMILY A/C>	28,417,068	3.94
8. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,442,255	3.66
9. MR RICHARD JAMES GOUDIE <R J GOUDIE FAMILY A/C>	24,000,000	3.32
10. SIREN NOMINEES PTY LTD	18,670,165	2.59
11. MR MARTIN LUKE SIMICH	14,016,666	1.94
12. INVIA CUSTODIAN PTY LIMITED <KOSOVICH INVESTMENT A/C>	13,333,333	1.85
13. LEMALE HOLDINGS PTY LTD <MAURICE KELLY SF A/C>	13,000,000	1.80
14. J P MORGAN NOMINEES AUSTRALIA LIMITED	12,372,853	1.71
15. TISCAM PTY LTD <TISMAC SUPER FUND A/C>	11,666,666	1.62
16. MS PAULA MARIE GRIEVES	10,969,295	1.52
17. MR JOHN JOSEPH PALERMO	9,399,567	1.30
18. SUNDOWNER INTERNATIONAL LTD	8,369,532	1.16
19. SUNDOWNER INTERNATIONAL LTD	7,892,770	1.09
20. TRUEBELL CAPITAL PTY LTD <TRUEBELL INVESTMENT FUND>	7,333,333	1.02
<b>TOTAL</b>	<b>389,557,672</b>	<b>53.96</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.



**THREAT  
PROTECT**