THREAT PROTECT AUSTRALIA LIMITED

ABN 36 060 774 227

Appendix 4D

Half-Year Report Period

Results for announcement to the Market

Reporting Periods

Current period:	Period ended 31 December 2017
Previous corresponding period:	Period ended 31 December 2016

		Percentage Change		31 December 2017 $'000s	31 December 2016 $'000s
Revenue	Up	51%	to	6,952	4,591
Other Income	Down	(96%)	to	38	901
Profit/(Loss) before tax	Down	Significant	to	(1,339)	636
Profit/(Loss) after tax	Down	Significant	to	(1,102)	636
EBITDA	Down	Significant	to	(255)	952

Dividends

	Amount per security $	Franked amount $
Current period:		
Interim Dividend	Nil	N/A
Date the Dividend is Payable:	N/A	N/A
Record Date for determining entitlements to the Dividend:	N/A	N/A
Previous corresponding period:		
Interim Dividend	Nil	N/A

Net Tangible Assets (NTA) per Security Dividends

				31 December 2017 ¢	30 June 2017 ¢
NTA backing per ordinary share on a post-consolidation basis	Down	(51%)	to	(12.49)	(8.26)

Details of entities over which control has been gained or lost during the period

On 5 December 2017, Threat Protect Australia Limited acquired Alpha Alarms Pty Ltd, a Security Monitoring business based in New South Wales for consideration of approximately $2.7M. Please refer to note 2, Business Combinations in the condensed consolidated financial statements for the half-year ended 31 December 2017 for further details in relation to this acquisition.

Commentary on Results

Full commentary on the results for the reporting period can be found in the Director's Report and the consolidated financial statements for the half-year ended 31 December 2017.

DEMETRIOS PYNES
Managing Director
Dated this Tuesday, 27 February 2018

THREAT PROTECT

THREAT PROTECT AUSTRALIA LIMITED
ABN 36 060 774 227

INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2017

The information contained in this condensed report is to be read in conjunction with Threat Protect Australia Limited's 2017 annual report and announcements to the market by Threat Protect Australia Limited during the half-year period ending 31 December 2017

Corporate directory

Current Directors

Derek La Ferla	*Non-Executive Chairman*
Demetrios Pynes	*Managing Director*
Paolo (Paul) Ferrara	*Executive Director*
Dimitri Bacopanos	*Non-executive Director*

Company Secretary

Simon Whybrow

Registered Office

Street:	Level 1, 672 Murray Street West Perth WA 6005
Postal:	PO Box 1920 West Perth WA 6872
Telephone:	1300 THREAT (1300 847 328)
Facsimile:	+61 (0)8 9322 9711
Email:	info@threatprotect.com.au
Website:	www.threatprotect.com.au

Principal Place of Business

Street:	Level 1, 672 Murray Street West Perth WA 6005
Postal:	PO Box 1920 West Perth WA 6872
Telephone:	1300 THREAT (1300 847 328)
Facsimile:	+61 (0)8 9322 9711

Securities Exchange

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

Telephone:	131 ASX (131 279) (within Australia)
Telephone:	+61 (0)2 9338 0000
Facsimile:	+61 (0)2 9227 0885
Website:	www.asx.com.au
ASX Code:	TPS

Share Registry

Link Market Services Limited
Level 4, 152 St Georges Terrace
PERTH WA 6000

Telephone:	1300 554 474 (investors within Australia)
Telephone:	+61 1300 554 474 (international)
Website:	www.linkmarketservices.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

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Telephone:	+61 (0)8 6382 4600
Facsimile:	+61 (0)8 6382 4601
Website:	www.bdo.com.au

Contents

Directors' report

Your directors present their report on the consolidated entity, consisting of Threat Protect Australia Limited (**Threat Protect** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2017.

1. Directors

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

- Derek La Ferla — Non-executive Chairman
- Demetrios Pynes — Managing Director
- Paolo (Paul) Ferrara — Executive Director
- Dimitri Bacopanos — Non-executive Director

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

2. Operating and financial review

2.1. Operations Review

Total revenue for the half-year of $6.99 million is in line with expectations and the growth strategy continues to increase the Group's scale of operations with revenue year-to-date tracking at around 54% of FY2017 total revenue.

Cash generation continues to build momentum with positive cash flow from operations of $1.18 million, prior to non-recurring outflows of $0.42 million comprising of acquisition and integration costs.

Monitoring revenue for the half-year totals $3.8 million and continued growth is expected as the full integration of the new eastern states acquisitions continue in the second half of the year. Ongoing organic growth of the Company's current monitoring customer base, both directly and through the development of our reseller base continues to improve the existing revenue stream.

Guarding and security consulting revenue have been steadily improving throughout the first half of the year due to the commencement of the summer and new year events calendar. This seasonally strong performance is anticipated to escalate into the March quarter 2018 which includes several high-profile events such as the City of Perth Australia Day celebrations.

The Company's growth strategy is focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing monitored security business through the acquisition of monitored security client bases across Australia. Security Monitoring is a readily scalable business model whereby new monitoring revenue can generate increased margin and significant earnings uplift.

Threat Protect announced the acquisition of seven security monitoring client bases on the east coast of Australia in October 2017 for $0.6 million. These were previously serviced by resellers of the Company's Monitoring Excellence business and increase the number of direct connections serviced directly by Threat Protect by 16% to around 6,000 from a total of around 37,000 monitored connections.

In December 2017 the Group announced the acquisition of Alpha Alarms Pty Ltd. This acquisition added a further 2,100 direct monitored connections, both residential and commercial customers located in New South Wales, Victoria and Queensland.

The agreed acquisition prices of these monitoring businesses will total approximately $2.7 million, which comprises:

- $2.43 million in cash which was transferred as the first tranche payment of the Acquisition; and
- The balance to be paid 12 months post completion, subject to a reconciliation of acquired debtors and creditors

These acquisitions were fully funded by the Company's Convertible Note facility with Fist Samuel Limited, announced in November 2016. The Company has recently issued 2.7 million Convertible Notes to First Samuel Limited to fund the first tranche of the acquisition. The conversion of the Convertible Notes into shares at a price of $0.21 cents will be subject to approval by the Company's shareholders.

Financial position

The Group incurred a loss before tax for the half-year of $1,338,686 (December 2016: $636,108 profit).

The 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. Details of the Company's assessment in this regard can be found in note 1, Statement of Significant Accounting Policies: Going Concern.

Directors' report

The net assets of the Group have decreased from 30 June 2017 by $552,080 to $3,853,952 at 31 December 2017 (June 2017: $4,406,032)

As at 31 December 2017, the Group's cash and cash equivalents decreased from 30 June 2017 by $477,304 to $686,060 at 31 December 2017 (June 2017: $1,163,364) and had a working capital deficit of $3,745,934 (June 2017: $2,601,121 working capital deficit).

2.2. Events Subsequent to Reporting Date

On 27 February 2018, the Group obtained an additional $8,000,000 debenture from First Samuel Limited. The full details of this are provided at note 15, Events Subsequent to Reporting Date.

There were no significant after balance date events that are not covered in this Directors' Report or within the financial statements at note 15.

2.3. Future Developments, Prospects and Business Strategies

Likely developments, prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

3. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2017 has been received and can be found on the following page.

This report is signed in accordance with a resolution of the Board of Directors.

DEMETRIOS PYNES
Managing Director
Dated this Tuesday, 27 February 2018

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Fax: +61 8 6382 4601
www.bdo.com.au

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor for the review of Threat Protect Australia Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 27 February 2018

Condensed consolidated statement of profit or loss and other comprehensive income

for half-year ended 31 December 2017

	Note	31 December 2017 $	31 December 2016 $
Continuing operations			
Revenue	3	6,952,151	4,591,168
Other income	3	38,011	901,105
		6,990,163	5,492,273
Costs of sales		(5,441,428)	(3,546,487)
		1,548,734	1,945,786
Administrative expenses	4, 9	(1,605,173)	(585,823)
Business acquisition and integration costs		(400,430)	(151,294)
Compliance and regulatory costs		(130,564)	(175,100)
Finance costs		(366,928)	(98,545)
Legal and consulting fees		(13,448)	(29,647)
Marketing and business development		(228,083)	(164,460)
Occupancy costs		(142,794)	(104,809)
Profit / (loss) before tax		(1,338,686)	636,108
Income tax benefit / (expense)		236,606	-
Net profit / (loss) for the half-year	4	(1,102,080)	636,108
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(1,102,080)	636,108
Earnings per share:			
Basic and diluted earnings / (loss) per share (cents per share)		(0.99)	0.63

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

Condensed consolidated statement of financial position
as at 31 December 2017

	Note	31 December 2017 $	30 June 2017 Restated $
Current assets			
Cash and cash equivalents		686,060	1,163,364
Trade and other receivables		4,283,153	3,946,763
Financial assets		183,569	182,669
Inventories		42,517	32,386
Other current assets		466,624	248,423
Total current assets		5,661,923	5,573,605
Non-current assets			
Plant and equipment		1,009,965	718,294
Intangible assets	5	17,789,908	13,601,882
Total non-current assets		18,799,873	14,320,176
Total assets		24,461,796	19,893,781
Current liabilities			
Trade and other payables	6	7,035,021	5,995,425
Provisions		612,862	471,915
Borrowings	7	1,759,974	1,707,386 *
Total current liabilities		9,407,858	8,174,726
Non-current liabilities			
Provisions		81,636	71,168
Borrowings	7	8,921,903	5,603,295 *
Deferred tax liability		2,196,447	1,638,560
Total non-current liabilities		11,199,987	7,313,023
Total liabilities		20,607,844	15,487,749
Net assets		3,853,952	4,406,032
Equity			
Issued capital	8	14,760,082	14,710,082
Reserves		1,647,135	1,147,135
Accumulated losses		(12,553,266)	(11,451,186)
Total equity		3,853,952	4,406,032

**The classification of borrowings has been restated for balances as at 30 June 2017. Please refer note 7c for further details.*

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

Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2017

	Note	Issued Capital $	Accumulated Losses $	Option Reserve $	Total $
Balance at 1 July 2016		13,284,696	(13,143,522)	983,549	1,124,723
Profit for the half-year attributable owners of the parent		-	636,108	-	636,108
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	636,108	-	636,108
Transaction with owners, directly in equity					
Shares issued during the half-year		1,500,000	-	-	1,500,000
Transaction costs		(74,609)	-	-	(74,609)
Balance at 31 December 2016		14,710,087	(12,507,414)	983,549	3,186,222
Balance at 1 July 2017		14,710,087	(11,451,186)	1,147,135	4,406,032
Profit for the half-year attributable owners of the parent		-	(1,102,080)	-	(1,102,080)
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	(1,102,080)	-	(1,102,080)
Transaction with owners, directly in equity					
Share-based payments issued during the period	9	50,000	-	500,000	550,000
Balance at 31 December 2017	8	14,760,087	(12,553,266)	1,647,135	3,853,952

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

Condensed consolidated statement of cash flows
for the half-year ended 31 December 2017

		31 December 2017 $	31 December 2016 $
Cash flows from operating activities			
Receipts from customers		7,405,900	5,063,054
Interest received		1,003	1,709
Interest and borrowing costs paid		(314,677)	(253,258)
Government grant received		772,370	-
Payments to suppliers and employees		(7,127,991)	(4,748,130)
Net cash provided by operating activities		736,605	63,375
Cash flows from investing activities			
Purchase of subsidiary, net of cash acquired	2	(2,358,355)	-
Purchase of intangible assets		(1,606,585)	(812,760)
Proceeds from sale of intangible assets		28,364	-
Purchase of financial assets		(900)	-
Proceeds from disposal of plant and equipment		-	5,480
Purchase of plant and equipment		(367,625)	(8,610)
Net cash used in investing activities		(4,305,101)	(815,890)
Cash flows from financing activities			
Net proceeds from issue of shares		-	1,425,391
Proceeds from borrowings		3,598,900	146,000
Repayment of borrowings		(507,708)	(115,438)
Net cash provided by financing activities		3,091,192	1,455,953
Net increase / (decrease) in cash held		(477,304)	703,438
Cash and cash equivalents at the beginning of the half-year		1,163,364	448,581
Cash and cash equivalents at the end of the half-year		686,060	1,152,019

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

Notes to the consolidated financial statements

for the half-year ended 31 December 2017

Note 1 Statement of significant accounting policies

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

The financial statements were authorised for issue on 27 February 2018 by the directors of the Company.

a. Basis of preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Threat Protect and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half-year.

i. Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

ii. Going Concern

The condensed consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

The consolidated half year 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 recorded a loss for the half year of $1,102,080 (Dec 2016: $636,108 profit) and had a working capital deficiency of $3,745,934 (30 June 2017: $2,601,121). Notwithstanding this, the Group has $1,200,000 remaining as at 31 December 2017 of the $9,000,000 convertible note facility that is available from First Samuel Limited. The facility is primarily intended to be used for funding business acquisitions, but can be drawn on for working capital purposes. In addition, as disclosed in note 15, subsequent to period end, the Group obtained an additional $8,000,000 debenture from First Samuel Limited.

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.

b. Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2017 that have been applied by the Group. The 30 June 2017 annual report disclosed that Threat Protect anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2017.

c. Critical Accounting Estimates and Judgments

The following critical estimates and judgements have been employed in the preparation of the 31 December 2017 financial report:

i. Key estimate: Collectability of trade receivables

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

Notes to the consolidated financial statements
for the half-year ended 31 December 2017

Note 1 Statement of significant accounting policies

ii. Key estimate: Convertible Notes

On initial recognition the value of the convertible notes equate to the value of proceed received under the agreement. Subsequently the fair value of the convertible notes liability is accreted up to its face value by taking into account the changes in the value of the conversion option of $0.21 (post-share-consolidation) and the value of the ratchet feature embedded in the contract.

The accounting for the notes assumes that shareholders' approval on the mandatory conversion on or before maturity date will be passed. The value of the note is impacted by the changes in the share price of the company. At 31 December 2017 there has been no movement in the value of the note given that there were no material movements in the share of the entity that would increase the value of the note. Furthermore, there were no shares that were issued by the entity that readjust the conversion price (due to the ratchet feature within the note), which impacted the value of the note. Refer note 7, Borrowings, for details regarding convertible notes issued during the period.

iii. Key estimate: Government Grant Receivable

Expected income from government grants relating directly to costs incurred during the period totalling $395,974 have been recognised as other receivables based on taxation advice that these are reasonably expected to be receivable in the following period, once grant applications are finalised and lodged.

iv. Key estimate: Customer-related intangible assets

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

v. Key estimate: Capitalised Development

Development costs have been capitalised as development assets in accordance with the Group's accounting policy. At 31 December 2017, management has assessed that all of the net capitalised development expenditure carried forward at year end, totalling $1,544,099 (30 June 2017: $1,042,415), comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

vi. Key estimates: Business Combinations

(1) Deferred consideration relating to Alpha Alarms Pty Ltd business combination

Fair value of deferred consideration totaling $300,000 was determined with reference to the contractual terms of the agreement that was entered into for the transaction.

Deferred consideration relating to the Alpha Alarms Pty Ltd business combination comprises:

	Fair value ($)
Consideration relating to final values of assets and liabilities acquired as part of the transaction	300,000
Total fair value of deferred consideration	300,000

The amount of $300,000 is management's estimate of the final consideration payable and relates to interim adjustments which will be made on 5 March 2018 and 5 December 2018 and will be based on the final values of assets and liabilities for the business. The amount of $300,000 is management's estimate of the total consideration payable at those dates (30 June 2017: nil). It is considered to be highly unlikely that actual deferred consideration will be higher than these amounts due to the nature of the contractual terms which they are based on. Refer note 2, Business Combinations for further information regarding the transaction.

vii. 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.

viii. 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.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2017

Note 2 Business Combinations

Alpha Alarms Pty Ltd

On 5 December 2017, the Group acquired 100% of the ordinary share capital and voting rights of Alpha Alarms Pty Ltd ("Alpha Alarms") a New South Wales based business whose principal activities are the provision of security monitoring services in New South Wales.

a. Purchase consideration

	Fair value $
Cash paid	2,436,370
Fair value of deferred consideration	300,000
Total purchase consideration	2,736,370

Refer note 1(c)vi for further detail regarding the fair value of deferred consideration recognised as part of the transaction.

b. Assets and liabilities acquired

	Fair value $
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash	78,015
Trade and other receivables	224,831
Property, plant and equipment	31,283
Inventory	10,000
Customer related intangible assets	2,648,310
Goodwill	977,404
Trade and other payables	(311,697)
Provisions	(86,645)
Borrowings	(40,638)
Deferred tax liability	(794,493)
Net assets acquired	2,736,370

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

c. Summary of acquisition

i. Acquired receivables

The fair value of acquired trade and other receivables is $224,831 which is equal to the gross contractual amounts.

ii. Revenue and profit contribution

The acquired business contributed revenues of $253,301 and net profit of $149,322 to the Group during the period 5 December 2017 to 31 December 2017. If the acquisition had occurred on 1 July 2017, pro-forma revenue and profit for the 6 months ended 31 December 2017 would have been $628,476 and $414,497 respectively.

Acquisition-related costs of $37,308 are included in business acquisition and integration costs in profit or loss and in operating cash flows in the statement of cash flows.

iii. Purchase consideration – cash outflow

	Fair value $
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash consideration	2,436,370
Less: Cash balances acquired:	(78,015)
Net outflow of cash – investing activities	2,358,355

Note 3 Revenue and Other Income

	31 December 2017 $	31 December 2016 $
a. Revenue		
Revenue from the provision of goods and services	6,950,766	4,589,459
Interest income	1,385	1,709
	6,952,151	4,591,168
b. Other Income		
Gain on disposal of property, plant, and equipment	-	5,455
Gain on disposal of intangible assets	28,364	-
Government grants relating to prior period	-	895,624
Other income	9,647	26
	38,011	901,105

Note 4 Profit / (Loss) Before Income Tax

	Note	31 December 2017 $	31 December 2016 $
The following significant revenue and expense items are relevant in explaining the financial performance:			
Depreciation property, plant and equipment		(107,236)	(67,176)
Amortisation of intangible assets		(611,300)	(150,285)
Impairment		(82,331)	(4,105)
Share-based payments (Included in administrative expenses)	9	(550,000)	-
Employee benefits		(2,698,154)	(2,607,472)

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2017

Note 5 Intangible Assets

Half-year ended 31 December 2017	Development assets $	Customer related intangible assets $	Intellectual property $	Goodwill $	Total $
Intangible asset	1,589,968	13,357,223	17,087	5,178,845	20,143,123
Accumulated amortisation	(45,869)	(1,477,156)	(2,190)	-	(1,525,216)
Accumulated impairment	-	(828,000)	-	-	(828,000)
Carrying amount at the end of the year	1,544,099	11,052,067	14,896	5,178,845	17,789,907
Carrying amount at the beginning of the year	1,042,415	8,342,275	15,751	4,201,441	13,601,882
Additions during the period	910,284	3,307,611	-	977,404	5,195,299
Government grant income not recognisable	(395,974)				(395,974)
Adjustments during the period		-	-	-	-
Amortisation expense	(12,627)	(597,818)	(854)	-	(611,299)
Carrying amount at the end of the year	1,544,099	11,052,067	14,896	5,178,845	17,789,908

Year ended 30 June 2017	Development assets $	Customer related intangible assets $	Intellectual property $	Goodwill $	Total $
Intangible asset	1,075,657	10,058,876	17,087	4,201,441	15,353,061
Accumulated amortisation	(33,242)	(888,601)	(1,336)	-	(923,179)
Accumulated impairment	-	(828,000)	-	-	(828,000)
Carrying amount at the end of the year	1,042,415	8,342,275	15,751	4,201,441	13,601,882
Carrying amount at the beginning of the year	67,818	1,803,145	6,065	2,664,153	4,541,179
Additions during the period	1,813,834	7,105,478	11,022	1,693,511	10,623,846
Government grant income not recognisable	(816,225)	-	-	-	(816,225)
Adjustments during the period	-	156,223	-	(156,223)	-
Amortisation expense	(23,012)	(722,571)	(1,336)	-	(746,918)
Carrying amount at the end of the year	1,042,415	8,342,275	15,751	4,201,441	13,601,882

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2017

Note 6 Trade and other payables

	Note	31 December 2017 $	30 June 2017 $
Current			
Unsecured			
Trade payables	6a	1,035,674	1,077,243
Deferred consideration payable	6b	3,467,156	3,204,156
Accrued expenses		473,349	419,043
Interest payable		325,563	291,921
ATO liabilities		1,197,272	669,417
Payroll tax liabilities		193,721	175,211
Superannuation payable		108,910	106,126
Other payables		233,376	52,309
		7,035,021	5,995,426

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

b. $3,155,156 deferred consideration payable relates to the Apollo business combination (30 June 2017: $3,155,156). $300,000 deferred consideration payable relates to the Alpha Alarms Pty Ltd business combination as detailed in note 2a (30 June 2017: nil) The remaining $12,000 relates to minor acquisitions of retail monitoring contracts which are due to settle within 12 months of balance date (30 June 2017: $49,000).

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2017

Note 7 Borrowings	Note	31 December 2017 $	30 June 2017 Restated $
Current			
Hire purchase and finance leases		110,587	100,108
Less: unexpired interest		(14,654)	(15,199)
Short-term borrowings	7a	203,141	60,477
Working capital facility	7b	481,000	481,000
Bank loan facilities	7c	979,900	1,081,000
		1,759,974	1,707,386
Non-current			
Convertible notes – First Samuel Limited	7d	7,800,000	4,500,000
Less: capitalised borrowing costs	7d	(78,097)	(96,705)
Bank loan facilities	7c	1,200,000	1,200,000
		8,921,903	5,603,295

a. Short-term borrowings comprise premium funding for insurance policies and equipment finance, repayable within 12 months.

b. Working capital facility comprises a $500,000 working capital facility issued by National Australia Bank. $19,000 remains available as at 31 December 2017 (30 June 2017: $19,000). Interest is currently payable at 5.56% per annum, and drawings are repayable 12 months from the commencement date.

c. Bank loans comprise these facilities on the following terms and conditions:

Lender	Facility	Interest rate and type	Loan balance 31 December 2017 $	30 June 2017 $
National Australia Bank	Business Acquisition Facility – Current	5.56% pa	579,900	681,000
National Australia Bank	Group Loan Refinancing Facility – Current	5.56% pa	400,000	400,000
National Australia Bank	Group Loan Refinancing Facility – Non Current	5.56% pa	1,200,000	1,200,000
			2,179,900	2,281,000

The National Australia Bank Business Acquisition Facility has a total limit of $1,212,000 of which $632,100 is available at reporting date)

The National Australia Bank Group Loan Refinancing Facility totalled $2,000,000 and has been repaid to $1,600,000 as at reporting date (30 June 2017: 1,600,000). Repayments of $400,000 are due annually in June and as such the group is expected to repay this facility by June 2021.

Restatement of borrowings

Due to a misclassification during the year ended 30 June 2017 $400,000 of borrowings were retrospectively restated as current liabilities in order to reflect their true nature as of that date.

d. The Group issued a further 3,300,000 convertible notes to First Samuel Limited at a face value of $1 per note, raising a total of $3,300,000. The total aggregate value of convertible notes available under the convertible note deed is $9,000,000, of which $1,200,000 remains unissued as at 31 December 2017 and available for issue at the Group's discretion. Terms of the notes are consistent with those disclosed in annual financial statements of the Group for the year ended 30 June 2017.

The convertible notes are presented in the statement of financial position at the transaction price of $7,800,000 less borrowing costs which are capitalised at issue date and applied to the Group finance expense over the 5 year term of the convertible note using the effective interest method.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2017

Note 8 Issued Capital

	Note	6 months to 31 December 2017 No.	12 months to 30 June 2017 No.	6 months to 31 December 2017 $	12 months to 30 June 2017 $
Ordinary shares					
Fully paid ordinary shares at no par value		111,631,634	779,423,331	14,760,082	14,710,082
At the beginning of the period		779,423,331	721,898,331	14,710,082	13,284,696
7 November 2016 share issue		-	30,000,000	-	900,000
2 December 2016 share issue		-	20,000,000	-	600,000
19 June 2017 share issue		-	7,525,000	-	-
28 August 2017 share-based payment	9	2,000,000	-	50,000	-
29 November 2017 consolidation of share capital	8a	(669,791,697)	-	-	-
Transaction costs relating to share issues		-	-	-	(74,614)
At reporting date		111,631,634	779,423,331	14,760,082	14,710,082

	Note	31 December 2017 No.	30 June 2017 No.
Options			
Unlisted share options on issue as at balance date		20,714,269	145,900,000
At the beginning of the period		145,900,000	145,900,000
29 November 2017 options expired		(900,000)	-
29 November 2017 consolidation of options	8a	(124,285,731)	-
Unlisted share options on issue as at reporting date	8b, 9	20,714,269	145,900,000

a. On 29 November 2017, the Company's securities were consolidated on the basis that:
   i. Every 7 fully paid ordinary shares be consolidated into 1 fully paid ordinary share; and
   ii. Every 7 share options be consolidated into 1 share option.

   Fractional entitlements were rounded down to the nearest whole number. Following the consolidation, there were 111,631,634 fully paid ordinary shares on issue at 31 December 2017 (30 June 2017: 779,423,331).

b. On 23 November 2017, shareholders approved the issue of 50,000,000 share options on a pre-consolidation basis (Post-consolidation: 7,142,856) to directors of the Company. These share options remained unissued as at 31 December 2017 and were subsequently issued on 12 February 2018. Please refer note 9, Share Based Payments, for further details.

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

Grant Date	Expiry Date	Exercise Price (cents per share) 31 December 2017 (Post-Consolidation)	Number of Options 31 December 2017 (Post Consolidation)	Exercise Price (cents per share) 30 June 2017 (Pre-Consolidation)	Number of Options 30 June 2017 (Pre-Consolidation)
7 Sept 2012	29 Nov 2017	-	-	13.36	300,000
7 Sept 2012	29 Nov 2017	-	-	40.00	300,000
7 Sept 2012	29 Nov 2017	-	-	60.00	300,000
4 Sept 2015	4 Sept 2018	17.50	14,285,703	2.50	100,000,000
26 Nov 2015	31 Oct 2020	33.95	2,142,856	4.85	15,000,000
26 Nov 2015	31 Oct 2020	26.60	1,428,570	3.80	10,000,000
26 Nov 2015	31 Oct 2020	32.69	1,428,570	4.67	10,000,000
26 Nov 2015	31 Oct 2020	35.77	1,428,570	5.11	10,000,000
			20,714,269		145,900,000

Note 9 Share Based Payments

	31 December 2017 $	31 December 2016 $
Total value of share based payments expensed during the period	550,000	-

Share options for directors approved by shareholders on 23 November 2017

On 23 November 2017, shareholders approved the issue of 50,000,000 share options on a pre-consolidation basis (Post-consolidation: 7,142,856) to Directors of the Company.

Fair value at grant date of $500,000 was calculated using the Black-Scholes pricing model which takes into account the term of the share options, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used for the valuation were as follows, on a pre-consolidation basis:

Exercise Price	4.85 cents	**Market price at grant date**	2.6 cents
Grant Date	23 November 2017	**Risk Free Interest Rate**	1.5 percent
Vesting Date	23 November 2017	**Expected Volatility**	81%
Expiry Date	31 October 2020	**Valuation Per Employee Share**	1 cent

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

The value of the instruments has been expensed to remuneration in its entirety as there were no vesting restrictions on the shares issued. $500,000 has been accounted for in the share option reserve during the period ended 31 December 2017.

Refer note 12, Related Party Transactions, for further details regarding the share options issued to each Director of the Company.

Fully paid ordinary shares issued to MKT Taxation Advisors

On 28 August 2017, 2,000,000 fully paid ordinary shares were issued to MKT Taxation Advisors as consideration for professional services rendered during the period which were valued at $50,000. The share-based payment was ratified by shareholders at the Company's Annual General Meeting on 23 November 2017.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2017

Note 10 Operating Segments

a. Segment Performance

Half-year ended 31 December 2017	Monitoring $	Guarding $	Services $	Total $
Revenue				
Revenue	3,784,158	2,625,630	540,978	6,950,766
Total segment revenue	3,784,158	2,625,630	540,978	6,950,766
Reconciliation of segment to group revenue				
Interest				1,385
Other income				38,011
Total group revenue and other income				6,990,163
Segment net profit / (loss) from continuing operations before tax	1,376,885	87,619	44,834	1,509,338
(i) Amounts not included in segment results but reviewed by Board:				
Interest				1,385
Other income				38,011
Administrative expenses				(1,605,173)
Business acquisition and integration costs				(400,430)
Compliance and regulatory costs				(130,564)
Finance costs				(366,928)
Legal costs				(13,448)
Marketing and business development				(228,083)
Occupancy expenses				(142,794)
Profit before income tax				(1,338,686)

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2017

Note 10 Operating Segments (Continued)

Half-year ended 31 December 2016	Monitoring $	Guarding $	Services $	Total $
Revenue				
Revenue	1,699,438	2,626,860	263,161	4,589,459
Total segment revenue	1,699,438	2,626,860	263,161	4,589,459
Reconciliation of segment to group revenue				
Interest				1,709
Other income				901,105
Total group revenue and other income				5,492,273
Segment net profit / (loss) from continuing operations before tax	827,907	145,763	69,301	1,042,971
(ii) Amounts not included in segment results but reviewed by Board:				
Interest				1,709
Other income				901,105
Administrative expenses				(585,823)
Business acquisition and integration costs				(151,294)
Compliance and regulatory costs				(175,100)
Finance costs				(98,545)
Legal costs				(29,647)
Marketing and business development				(164,460)
Occupancy costs				(143,817)
Share-based payments				-
Profit before income tax				636,108

b. Segment Assets and Liabilities

As at 31 December 2017	Monitoring $	Guarding $	Services $	Total $
Segment Assets	18,326,443	1,418,368	73,800	19,818,611
Reconciliation of segment to group assets				
Unallocated assets				4,643,186
Total assets				24,461,796
Segment Liabilities	4,948,100	771,393	39,521	5,759,014
Reconciliation of segment to group liabilities				
Unallocated liabilities				14,848,830
Total liabilities				20,607,844

As at 30 June 2017	Monitoring $	Guarding $	Services $	Total $
Segment Assets	15,121,773	1,198,329	32,387	16,352,489
Reconciliation of segment to group assets				
Unallocated assets				3,541,292
Total assets				19,893,781
Segment Liabilities	674,391	650,146	8,417	1,332,954
Reconciliation of segment to group liabilities				
Unallocated liabilities				14,154,795
Total liabilities				15,487,749

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2017

Note 11 Financial Risk Management

i. Recurring fair value measurements

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

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

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

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

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

	31 December 2017 $	30 June 2017 $
Level 3 – Convertible notes (equity component)	-	-
Level 3 – Deferred consideration	3,467,156	3,204,156

ii. Valuation techniques used to derive level 3 fair values

Convertible notes at fair value through profit or loss

The fair value of the convertible notes are determined based on the accretion of their carrying amount recognised at inception up to the value of the shares on conversion. The value of the notes are mainly impacted by changes in the share price of the entity. The ratchet feature has no value until a capital raising of below $0.21 (post-consolidation) takes place.

Deferred consideration

Deferred consideration relating to the Alpha Alarms Pty Ltd business combination relates to an interim adjustments which will be made on 5 March 2018 and 5 December 2018 and will be based on the final values of assets and liabilities for the business. The amount of $300,000 is management's estimate of the total consideration payable at those dates (30 June 2017: nil).

Deferred consideration relating to actual revenues achieved relating to the Apollo business combination within 12 months of acquisition date is calculated as the lower of (a), twenty four times the actual revenue achieved in the first month following the acquisition date and (b), two times the actual revenue achieved in the first twelve months following the acquisition date, 1 March 2017, less consideration already transferred. Consideration calculated is based on (a) being the most probably outcome. Consideration calculated in this way totalled $3,070,832 as at 31 December 2017 (30 June 2017: $3,070,832).

Deferred consideration relating to actual trade receivables received relating to the Apollo business combination within 12 months of acquisition date is calculated based on the actual trade receivables amounts collected at anniversary date in relation to the opening trade receivables aged less than 90 days as of acquisition date, 1 March 2017, less consideration already transferred. Consideration calculated in this way totalled $84,324 as at 31 December 2017 (30 June 2017: $84,324).

Deferred consideration relating to actual revenues achieved by minor acquisition of retail monitoring contracts, less consideration already transferred totalled $12,000 as at 31 December 2017 (30 June 2017: $49,000).

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2017

Note 12 Related Party Transactions

On 23 November 2017, shareholders approved the issue of 50,000,000 share options on a pre-consolidation basis (Post-consolidation: 7,142,856) to Directors of the Company. Share options vested immediately, are exercisable at 4.85 cents on a pre-consolidation basis (Post-consolidation: 33.95 cents) and expire on 31 October 2020.

Fair value at grant date of $500,000 was calculated using the Black-Scholes pricing model which takes into account the term of the share options, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate. Refer note 9 for details regarding the valuation of share-based payments during the period.

Share options in Threat Protect Australia Limited held by each Key Management Personnel have varied as a result, as follows:

Half-year ended 31 December 2017	Opening balance	Granted as remuneration during the period[1]	Exercised during the period	Other changes during the period	Consolidation of share capital	Balance at end of year[1]	Vested and Exercisable
	No.	No.	No.	No.	No.	No.	No.
Derek La Ferla	15,000,000	10,000,000	-	-	(21,428,573)	3,571,427	3,571,427
Demetrios Pynes	20,000,000	15,000,000	-	-	(30,000,003)	4,999,997	4,999,997
Paul Ferrara	20,000,000	15,000,000	-	-	(30,000,003)	4,999,997	4,999,997
Dimitri Bacopanos	-	10,000,000	-	-	(8,571,429)	1,428,571	1,428,571
	55,000,000	50,000,000	-	-	(90,000,008)	14,999,992	14,999,992

[1] Share options granted during the period were issued subsequent to year end, on 12 February 2018.

Year ended 30 June 2017	Opening balance	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Consolidation of share capital No.	Balance at end of year	Vested and Exercisable
	No.	No.	No.	No.	No.	No.	No.
Derek La Ferla	15,000,000	-	-	-	-	15,000,000	15,000,000
Demetrios Pynes	20,000,000	-	-	-	-	20,000,000	20,000,000
Paul Ferrara	20,000,000	-	-	-	-	20,000,000	20,000,000
Ian Olson[2]	5,000,000	-	-	-	-	5,000,000	5,000,000
	60,000,000	-	-	-	-	60,000,000	60,000,000

[2] Balance at end of year represents Mr Olson's interests as of the date of his resignation, 29 November 2016.

There have been no other significant changes to related party transactions since 30 June 2017.

Note 13 Commitments

There have been no significant changes in the Group's commitments since the year ended 30 June 2017.

Note 14 Contingent Liabilities

There have been no changes in the Company's contingent liabilities since the year ended 30 June 2017.

Note 15 Events Subsequent to Reporting Date

On 27 February 2018, the Group obtained an additional $8,000,000 from First Samuel Limited through an 18 month debenture. Interest is payable monthly at 6.00% per annum for the first six months until 27 August 2018 and at 7.00% per annum thereafter.

There were no significant after balance date events other than those mentioned above.

Directors' declaration

The Directors of the Company declare that:

(a) 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; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

DEMETRIOS PYNES
Managing Director
Dated this Tuesday, 27 February 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Threat Protect Australia Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Threat Protect Australia Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 27 February 2018