

FAMILY ZONE CYBER SAFETY LIMITED
ACN 167 509 177

APPENDIX 4E
GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Reporting Period

Financial year end	30 June 2021
Previous corresponding reporting period	30 June 2020

Results for Announcement to Market

	30 June 2021 \$	30 June 2020 \$	% increase/ (decrease) over corresponding period
Revenue from ordinary activities	8,962,485	5,090,173	76.1%
Profit/(Loss) after tax from ordinary activities attributable to members	(22,518,112)	(17,617,120)	27.8%
Net profit/(loss) for the period attributable to members	(22,571,788)	(17,626,715)	28.1%

Dividends

No dividends have been declared or paid during the year ended 30 June 2021. The Directors do not recommend the payments of a dividend in respect of the year ended 30 June 2021.

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

Explanation of Results

The Group derives its operating revenue from its education business through the sale of its cyber safety services to schools through contracted student licenses (B2B) and its consumer business through the sale of its parental control service subscriptions to parents directly (B2C) and through its school networks (B2B2C).

The Group reported operating revenues of \$8.96 million for the current financial year representing a 76.1% increase from the prior year. The growth in revenue was driven by the US education business with sales being approximately \$4.94 million, representing an increase of 266% from the prior year.

The Company continued to invest in expanding the scale of its Platform to support the increasing number of users and scale of opportunities presented in the US education market as well as the development of new products and features. Family Zone's continued investment in R&D activities

during the year, resulted in the Group accruing government R&D grant income of approximately \$3.45 million at year end.

During the year the Group undertook a project to move its data and hosting from Amazon Web Services to Google Cloud Platform (GCP) which resulted in increased significant direct costs whilst these platforms were being run in parallel. Since the migration to GCP was completed in March 2021 however there has been a significant decrease in these data and hosting costs of a per student basis.

Employee benefits was a key expenditure item for the financial year being approximately \$18.1 million. As a technology business, employee wages and salary are a key business cost. During the year the Group significantly expanded its team increasing to have approximately [180] employees at 30 June 2021, with key growth in the engineering, product development and sales teams.

Non-cash share-based payments to employees and consultants during the period were approximately \$2.48 million. These equity incentives are designed to ensure employee interests were closely aligned with the achievement of the Group's operational and financial targets and also to reduce cash payments as part of the Group's commitment to reduce cash overheads. Another significant non-cash expenditure item was the depreciation and amortisation charge for the financial year of approximately \$2.61 million.

The Group reported a net loss attributable to members for the period of approximately \$22.57 million.

On 30 June 2021 Family Zone acquired an innovative classroom management technology business, NetRef. The acquisition provides the Group a new and innovative product line plus access to specialist and highly relevant technical and sales experts in the US which will aid in expanding the Company's footprint in the US. Consideration for the NetRef acquisition comprised an initial \$1.23 million share-based payment with deferred consideration payable of \$4.73 million as at 30 June 2021. The deferred consideration comprises cash and share based payments to be made on or before 31 January 2022.

During the year the Group raised approximately \$48.7 million through share placements to sophisticated and professional investors as well as a share purchase plan to existing investors.

The Group ended the year with \$34.93 million cash at 30 June 2021.

Net Tangible Assets per Security

Net Tangible Asset/(Liabilities) per share	30 June 2021	30 June 2020
Net tangible assets/(liabilities) (cents per share)	6.34	1.07

Controlled entities

The Company did not gain or lose control over any entities during the financial year. The Company's controlled entities as at 30 June 2021 are outlined below.

Controlled entities	Country of Incorporation	Date of incorporation / acquisition
Family Zone Inc.	USA	9 September 2016
Family Zone Cyber Safety Pte. Ltd.	Singapore	2 June 2017
Family Zone NZ Cyber Safety Ltd (formerly Linewize Services Ltd)	New Zealand	29 November 2017
Cyber Education Pty Ltd	Australia	1 July 2020

The Group did not have any associates or joint ventures during the year.

Audit

This Appendix 4E is based on the financial report for year ended 30 June 2021, which is in the process of being audited.

Attachments

The Preliminary Final Report of Family Zone Cyber Safety Limited for the year ended 30 June 2021 is attached.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue			
Revenue from ordinary activities	3	8,962,485	5,090,173
Other revenue	3	4,255,261	3,375,692
Expenses			
Direct costs		(7,033,473)	(2,248,493)
Share based payments	4	(2,484,620)	(2,915,880)
Employee benefits		(18,105,878)	(10,048,900)
Administration		(4,023,909)	(5,502,107)
Finance costs		(197,302)	(214,404)
Depreciation and amortisation	7, 8	(2,605,522)	(4,164,248)
Other		(1,285,154)	(988,953)
Loss before income tax		(22,518,112)	(17,617,120)
Income tax benefit/(expense)		-	-
Loss after tax for the period attributable to the members of Family Zone Cyber Safety Limited		(22,518,112)	(17,617,120)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(53,676)	(9,595)
Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety Limited		(22,571,788)	(17,626,715)
Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety Limited	5	(6.16)	(7.48)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	34,933,166	5,807,193
Trade and other receivables		8,971,405	4,739,118
Prepayments		1,944,985	188,611
Inventory		372,927	249,993
Total Current Assets		46,222,483	10,984,915
Non-Current Assets			
Intangibles	7	5,973,314	1,251,177
Trade and other receivables		-	53,156
Plant and equipment	8	2,764,399	1,540,565
Right to use assets		2,552,116	365,740
Total Non-current Assets		11,289,829	3,210,638
TOTAL ASSETS		57,512,312	14,195,553
LIABILITIES			
Current Liabilities			
Trade and other payables		6,116,544	3,121,307
Deferred revenue		4,911,243	2,314,320
Provisions		1,201,546	655,028
Borrowings		442,295	1,272,510
Lease liability		590,186	225,642
Deferred consideration		4,734,492	-
Total Current Liabilities		17,996,305	7,588,807
Non-current Liabilities			
Deferred revenue		3,593,245	1,917,795
Contingent consideration		68,307	22,117
Provisions		237,762	103,563
Lease Liability		2,278,971	156,625
Total Non-current Liabilities		6,178,285	2,200,100
TOTAL LIABILITIES		24,174,590	9,788,907
NET ASSETS		33,337,722	4,406,646
EQUITY			
Issued capital	9	106,052,956	56,673,575
Reserves	10	12,505,095	10,435,288
Accumulated losses		(85,220,329)	(62,702,217)
TOTAL EQUITY		33,337,722	4,406,646

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	45,567,979	7,454,897	(45,085,097)	(3,310)	7,934,469
Loss for the year	-	-	(17,617,120)	-	(17,617,120)
Total other comprehensive income	-	-	-	(9,595)	(9,595)
Total comprehensive loss for the year	-	-	(17,617,120)	(9,595)	(17,216,004)
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of Ordinary Shares, net of transaction costs	11,105,596	-	-	-	11,105,596
Issue of Options, Performance Rights & Performance Shares	-	3,054,036	-	-	3,054,033
Reversal of performance rights	-	(20,833)	-	-	(20,833)
Reversal of employee options	-	(39,907)	-	-	(39,907)
Total transactions with owners	11,105,596	2,993,296	-	-	14,098,892
Balance at 30 June 2020	56,673,575	10,448,193	(62,702,217)	(12,905)	4,406,646

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	56,673,575	10,448,193	(62,702,217)	(12,905)	4,406,646
Loss for the year	-	-	(22,518,112)	-	(22,518,112)
Total other comprehensive income	-	-	-	(53,676)	(53,676)
Total comprehensive loss for the year	-	-	(22,518,112)	(53,676)	(22,571,788)
<i>Transaction with owners, directly recorded in equity:</i>					
Issue of Ordinary Shares, net of transaction costs	49,379,381	-	-	-	49,379,381
Issue of Options, Performance Rights & Performance Shares	-	3,500,853	-	-	3,500,853
Reversal of performance rights	-	(1,300,382)	-	-	(1,300,382)
Reversal of employee options	-	(76,988)	-	-	(76,988)
Total transactions with owners	49,379,381	2,123,483	-	-	51,502,864
Balance at 30 June 2021	106,052,956	12,571,676	(85,220,329)	(66,581)	33,337,722

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

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 June 2020

	Not e	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		10,406,435	5,888,149
Government grants received		2,094,471	1,943,696
Payments to suppliers and employees		(28,054,979)	(16,090,303)
Interest (paid)/received		(3,621)	(18,516)
Net cash flows (used in) operating activities	6	(15,557,693)	(8,276,974)
Cash flows from investing activities			
Purchase of plant & equipment		(2,169,309)	(1,261,159)
Net cash flows (used in) investing activities		(2,169,309)	(1,261,159)
Cash flows from financing activities			
Proceeds from issue of shares, net of issue costs		47,783,224	10,440,512
Proceeds from borrowings		442,295	1,522,017
Repayments of borrowings		(1,206,711)	(1,523,106)
Payment of principal portion of lease liabilities		(412,674)	(185,671)
Net cash flows from financing activities		46,606,134	10,253,752
Net increase in cash and cash equivalents		28,879,131	715,619
Cash and cash equivalents at beginning year		5,807,193	5,116,523
Effects of foreign exchange rates		246,842	(24,949)
Cash and cash equivalents at end year	6	34,933,166	5,807,193

The above Consolidated Statement of Cashflows is to be read in conjunction with the accompanying notes.

Non-cash financing and investing activities

During the year the Group issued equity securities as payment for services to the value of \$111,213 (2020: \$507,143). These issue costs are not reflected in the Statement of Cashflows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

NOTE 1: BASIS OF PREPARATION OF THE YEAR END FINANCIAL REPORT

The preliminary financial report has been prepared in accordance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with the Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*. This year end financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this preliminary report is to be read in conjunction with the annual financial report for the year ended 30 June 2020, the interim financial report for the half-year ended 31 December 2020 and any public announcement made by Family Zone Cyber Safety Limited during the reporting period in accordance with the continuous disclosure requirement of the *Corporations Act 2001*.

NOTE 2: SEGMENT REPORTING

The chief operating decision maker has been identified as the Board of Directors.

The Group has three main operating segments being, information technology (and more specifically the provision of cyber safety services) in Australia, New Zealand and United States of America. The Group also operates in Asia, however this is in the early stages of development, and has been allocated to other. Other also includes head office & corporate expenditure. This is consistent with the internal reporting provided to the chief operating decision maker.

30 June 2021	Australia	New Zealand	USA	Corporate	Total
Segment Income	\$	\$	\$	\$	\$
Sales revenue	3,048,256	977,635	4,936,374	220	8,962,485
Other income	4,306,202	2,743	(53,688)	4	4,255,261
Total Income	7,354,458	980,378	4,882,686	224	13,217,746
30 June 2021	Australia	New Zealand	USA	Corporate	Total
Segment Expenses	\$	\$	\$	\$	\$
Direct Costs	(5,985,077)	(149,714)	(898,682)	-	(7,033,473)
Operating expenses	(15,971,730)	(1,157,693)	(5,211,707)	(51,255)	(22,392,385)
Research and Development	(1,017,866)	(18,520)	(183,473)	-	(1,219,859)
Share-based payments	-	-	-	(2,484,620)	(2,484,620)
Loss before depreciation and amortisation	(15,620,214)	(345,549)	(1,411,176)	(2,535,651)	(19,912,591)
Depreciation and amortisation	(741,906)	(1,294,538)	(569,077)	-	(2,605,521)
Loss before Income Tax	(16,362,120)	(1,640,087)	(1,980,253)	(2,535,651)	(22,518,112)

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30 June 2020	Australia	New Zealand	USA	Corporate	Total
	\$	\$	\$	\$	\$
Segment Income					
Sales revenue	2,687,735	984,428	1,347,139	70,871	5,090,173
Other income	3,061,685	4,916	309,064	27	3,375,692
Total Income	5,749,420	989,344	1,656,203	70,898	8,465,865
30 June 2020	Australia	New Zealand	USA	Corporate	Total
	\$	\$	\$	\$	\$
Segment Expenses					
Direct Costs	(3,480,280)	(170,400)	(158,226)	(19,405)	(3,828,311)
Operating expenses	(9,296,966)	(1,330,566)	(3,439,684)	86,529	(13,980,687)
Research and Development	(1,016,596)	(51,309)	(125,954)	-	(1,193,859)
Share-based payments	-	-	-	(2,915,880)	(2,915,880)
Loss before depreciation and amortisation	(8,044,423)	(562,931)	(2,067,661)	(2,777,857)	(13,452,872)
Depreciation and amortisation	(930,055)	(3,046,688)	(187,505)	-	(4,164,248)
Loss before Income Tax	(8,974,477)	(3,609,619)	(2,255,167)	(2,777,857)	(17,617,120)
30 June 2021	Australia	New Zealand	USA	Other	Total
	\$	\$	\$	\$	\$
Segment Assets	49,110,470	482,595	7,898,132	21,115	57,512,312
Segment Liabilities	(15,278,329)	(741,101)	(8,155,158)	-	(24,174,588)
30 June 2020	Australia	New Zealand	USA	Other	Total
	\$	\$	\$	\$	\$
Segment Assets	8,839,090	1,618,708	3,598,089	139,664	14,195,551
Segment Liabilities	(5,215,037)	(549,167)	(4,005,739)	(18,964)	(9,788,907)

NOTE 3: REVENUE AND OTHER INCOME

	2021 \$	2020 \$
Operating Revenue		
Service revenue	8,698,595	4,775,644
Hardware revenue	263,890	314,529
	8,962,485	5,090,173
Other Income		
Interest revenue	62,179	3,742
Other	747,903	981,806
Research and development grant	3,445,179	2,390,144
	4,255,261	3,375,692

NOTE 4: SHARE BASED PAYMENTS

Share based payments made during the year ended 30 June 2021 are summarised below:

	2021 \$	2020 \$
Broker and advisor options issued in lieu of services provided	111,213	1,062,579
Shares issued to consultants in lieu of services provided	-	115,807
Options issued to employees and directors as incentive	250,084	377,789
Shares issued to employees and directors as incentive	200,080	313,920
Performance rights issued to Directors and employees as incentive and for services	3,022,480	1,540,599
Performance share issued to employees as incentive and for services	-	73,069
Reversal of SBP expenses as vesting conditions were not met	(1,371,509)	(60,740)
Shares issued to for internet filtering services pursuant to Collaboration Agreement	272,272	-
Less amounts recognised within equity	-	(507,143)
Total share based payment expense	2,484,620	2,915,880

NOTE 5: EARNINGS PER SHARE

Loss per share	2021	2020
Basic and diluted loss per share (cents per share)	(6.16)	(7.48)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	365,463,540	235,571,555

NOTE 6: CASH AND CASH EQUIVALENTS

	2021 \$	2020 \$
Cash at Bank	34,933,166	5,807,193
Total cash and cash equivalents	34,933,166	5,807,193

Reconciliation to Statement of Cashflows

	2021 \$	2020 \$
Loss for the year	(22,518,112)	(17,617,120)
<i>Non-cash items</i>		
Share-based payments	2,484,620	2,915,880
Depreciation and amortisation	2,605,522	4,164,248
Revaluation of contingent consideration	46,190	87,582
Interest expense	-	31,881
Loan forgiveness	-	(327,124)
<i>Changes in Assets and Liabilities</i>		
Increase/(Decrease) in Trade and Other Payables	2,929,437	938,605
Increase/(Decrease) in Deferred Revenue	4,272,372	2,270,051
(Increase)/Decrease in Inventory	(122,935)	(92,841)
(Increase)/Decrease in Trade and Other Receivables	(5,935,503)	(855,080)
Increase/(Decrease) in Provisions	680,716	206,944
Cash flows used in operations	(15,557,693)	(8,276,974)

NOTE 7: INTANGIBLES

	2021 \$	2020 \$
Intellectual Property at cost	13,759,986	13,759,986
Less: Accumulated amortisation and impairment	(13,756,182)	(12,555,817)
Customer Contracts at cost	339,181	339,181
Less: Accumulated amortisation and impairment	(339,181)	(292,172)
Goodwill	5,969,510	-
	5,973,314	1,251,177

a) Reconciliation of movements in intangible assets

Intangible Assets	\$
Balance at 1 July 2019	4,826,403
Additions	-
Impairment expense	-
Amortisation expense	(3,575,226)
Balance at 30 June 2020	1,251,177
 Balance at 1 July 2020	 1,251,177
Additions ¹	5,969,510
Impairment expense	-
Amortisation expense	(1,247,373)
Balance at 30 June 2021	5,973,314

- (1) On 30 June 2021, Family Zone acquired the NetRef Business from a US based company, Verite Educational Services LLC. Total consideration paid and payable for the acquisition of the NetRef business is approximately \$5.9million (US\$4.1million). The NetRef business contributed to \$nil profit or loss to the Group for the year ended 30 June 2021.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2021	2020
	\$	\$
Property, plant & equipment – at cost	4,339,440	2,327,301
Less: Accumulated depreciation	(1,575,041)	(786,736)
Total property, plant and equipment	2,764,399	1,540,565

a) Reconciliation of movements in fixed assets

Property, Plant and Equipment	\$
Balance at 1 July 2019	682,757
Additions	1,446,830
Depreciation expense	(589,022)
Balance at 30 June 2020	1,540,565
Additions	2,169,309
Depreciation expense	(945,475)
Balance at 30 June 2021	2,764,399

NOTE 9: ISSUED CAPITAL

	2021 Number of Shares	2020 Number of Shares
Issued Ordinary Shares - no par value (fully paid)	391,266,604	295,543,169
Total	391,266,604	295,543,169

	Number of Shares	Value \$
Opening balance – 1 July 2019	200,627,835	45,567,979
Closing balance – 30 June 2020	295,543,169	56,673,575

Issue of Tranche 2 Placement Shares on 7 July 2020	30,833,333	3,700,440
Shares issued on exercise of Performance rights	6,218,074	-
Shares issued on exercise of Broker and Advisor options	7,005,792	1,426,183
Shares issued on exercise of employee options	435,034	78,306
Issue of Placement Shares Oct/Nov 2020	45,454,545	20,000,000
Issue of Share Purchase Plan Shares 25 Nov 2020	4,679,466	2,053,505
Issue of Shares to Netsweeper for services on 3 Dec 2020	680,680	272,272
Shares issued in lieu of cash remuneration or as incentive	416,511	200,080
Shares to be issued - Placement shares May 2021	-	23,000,000
Shares to be issued - NetRef Tranche 1 share consideration	-	1,235,018
Costs of shares issued	-	(2,586,424)
Closing Balance – 30 June 2021	391,266,604	106,052,955

NOTE 10: RESERVES

Nature and Purpose of Reserve

The share based payment reserve records the value of options, performance rights and performance shares issued to the Group's directors, employees, and third parties. The value of the amount disclosed during the year reflects the value of options and performance shares issued by the Group.

	2021 \$	2020 \$
Performance Shares	1,660,671	5,146,818
Performance Rights	5,362,803	1,660,671
Options	5,548,202	3,640,704
Foreign Currency Translation Reserve	(66,581)	(12,905)
Total Reserves	12,505,095	10,435,288