

# FAMILY ZONE CYBER SAFETY LIMITED

ACN 167 509 177



## HALF YEAR FINANCIAL REPORT

for the period ended 31 December 2022

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## CORPORATE INFORMATION

### Directors

Tim Levy	Managing Director
Peter Pawlowitsch	Non-Executive Chairman
Crispin Swan	Executive Director (Resigned 8 February 2023)
Phil Warren	Non-Executive Director
Matthew Stepka	Non-Executive Director
Georg Ell	Non-Executive Director
Dr Jane Watts	Non-Executive Director

### Company secretary

Dan Robinson and Arron Canicaïs (Appointed 30 August 2022)

### Registered and principal administrative office:

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

### Principal place of business

Level 3, 45 St George Terrace  
PERTH WA 6000  
Telephone: +61 1300 398 326

### Share register

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
Perth WA 6000

### Solicitors

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

### Bankers

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

### Auditors

BDO Audit (WA) Pty Ltd  
Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
PERTH WA 6000  
Telephone: +61 8 6382 4600

### Securities exchange listing

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

## APPENDIX 4D INFORMATION

### Reporting period

Current period: Half year ended 31 December 2022  
 Previous corresponding period: Half year ended 31 December 2021

### Results for announcement to market

	% increase/ (decrease)	31 December 2022	31 December 2021
Revenue from ordinary activities	106%	36,935,460	17,928,259
Profit/(loss) from ordinary activities after tax attributable to members	25%	(38,962,801)	(31,280,430)
Net profit/(loss) for the period attributable to members	25%	(38,962,801)	(31,280,430)
Net profit/(loss) for the period attributable to members – excluding Qustodio share-based deferred consideration expense	(3%)	(30,458,757)	(31,280,430)
Underlying EBITDA*	(42%)	(9,086,488)	(15,589,901)

\*Underlying EBITDA is a non-IFRS measure calculated as profit before income tax, and before depreciation and amortisation, share based payments, net finance costs, acquisition costs and share based deferred consideration expense. The Company believes this non-IFRS and operational measure is useful in monitoring and understanding the Group's business and they should not be considered in isolation nor as a substitute for IFRS measures.

### Reconciliation of net loss for the period to Underlying EBITDA Measure:

	31 December 2022	31 December 2021
Net profit/(loss) for the period attributable to members	(38,962,801)	(31,970,552)
Less: Income Tax Benefit / (expense)	(1,998,018)	(690,122)
Less: Depreciation and amortisation	11,062,814	5,005,160
Less: Finance costs	2,296,385	160,634
Less: Acquisition related expenses	1,058,149	3,084,354
Less: Share based payments - employment related	8,952,939	8,820,619
Less: Share based payments - deferred consideration	8,504,044	-
<b>Underlying EBITDA</b>	<b>(9,086,489)</b>	<b>(15,589,907)</b>

### Dividends

No dividends have been declared or paid during the period ended 31 December 2022. The Directors do not recommend the payments of a dividend in respect of the period ended 31 December 2022.

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

### Explanation of results

Please refer to Results and Review of Operations within the Directors Report for an explanation of the results.

	31 December 2022 Cents per share	30 June 2022 Cents per share
Net tangible assets/ (liabilities) per share	(0.09)	(0.02)

### Other

The Group gained control of the Qustodio LLC Group on 1 August 2022 and EI Pty Ltd Group on 3 October 2022. Please refer to note 3 of the Financial Report for further details. There are no associate or joint ventures held by the Group.

### Audit

The Independent Auditor's Review Report included an unmodified opinion.

## DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of Family Zone Cyber Safety Limited (the 'Company') and its wholly owned subsidiaries (the 'Group' or 'Family Zone') for the financial period ended 31 December 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

### DIRECTORS

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

Mr Tim Levy	Managing Director
Mr Peter Pawlowitsch	Non-Executive Chairman
Mr Crispin Swan	Executive Director – Sales (resigned 8 February 2023)
Mr Phil Warren	Non-Executive Independent Director
Mr Matthew Stepka	Non-Executive Independent Director
Mr Georg Ell	Non-Executive Director
Dr Jane Watts	Non-Executive Independent Director

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

### COMPANY SECRETARY

On 30 August 2022, Dan Robinson and Arron Canicais were appointed as Joint Company Secretary.

Previously, Emma Wates held the position of Company Secretary, until 30 August 2022.

### PRINCIPAL ACTIVITIES

Family Zone is a technology group focussed on cyber safety. Meeting a growing demand to keep kids safe online and manage digital lifestyles, Family Zone has developed a unique ecosystem-based approach to cyber safety. The Family Zone ecosystem is a platform from which cyber safety settings, advice, and support can be delivered across any network and any device – offering a universal approach to cyber safety at home, at school and anywhere in between. The innovation of the Family Zone ecosystem is that it not only supports the needs of schools and parents.

The principal activities of the Group during the year have been the continued sales and distribution, marketing and customer support of its suite of cyber safety products and services. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

The Group reported total revenue and other income for the period ended 31 December 2022 of \$37,104,585 (6 months to December 2021: \$17,929,149) with revenue from ordinary activities being \$36,935,460 (6 months to 31 December 2021: \$17,928,259).

The net loss attributable to members of the Group for the period ended 31 December 2022 amounted to \$38,962,801 (6 months to 31 December 2021: \$31,280,424)

### OPERATING AND FINANCIAL REVIEW

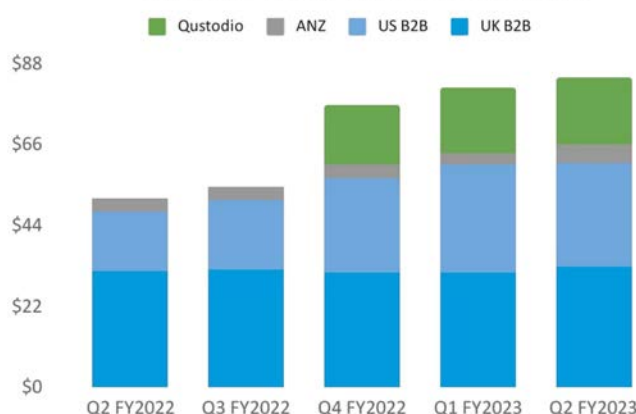
#### Highlights

The Group maintained its momentum during the half year period to 31 December 2022, continuing its growth trajectory and building on the successes of prior years. During the period, Family Zone:

## DIRECTORS' REPORT

- Added Qustodio, a world leader in parental control technology, to the Family Zone Group in a landmark deal that was finalised in August 2022. The Qustodio consumer product is being launched into the UK, US, Australian and New Zealand education technology ("edu-tech") markets during this financial year.
- Expanded its wellbeing offering with the addition of Educator Impact, an innovative student wellbeing provider, in October 2022. The Educator Impact "Pulse" product has almost immediately been launched to the Group's existing edu-tech customers, with a plan to offer this alongside existing Education offerings during the upcoming 2023 selling seasons.
- Experienced its first ever operating cash flow positive quarter, as announced on 27 October 2022, following a record \$23.5m in cash receipts and controlled costs.
- Continued to grow organically with both its existing and newly-added product offerings, achieving total ARR (Annual Recurring Revenue) in excess of \$85 million, despite the strengthening Australian Dollar placing downward pressure on this metric in recent months.

Annual Recurring Revenue  
Global Sales Mix | AUD Millions



### Business strategies

*To protect and support every child's digital journey.*

*Our mission is to protect and better children's lives. To empower communities through holistic online safety tools & advice. To support educators so that children can thrive. To be a global influence in online safety. We seek for our staff their best ever employment experience and to deliver exceptional returns for our investors.*

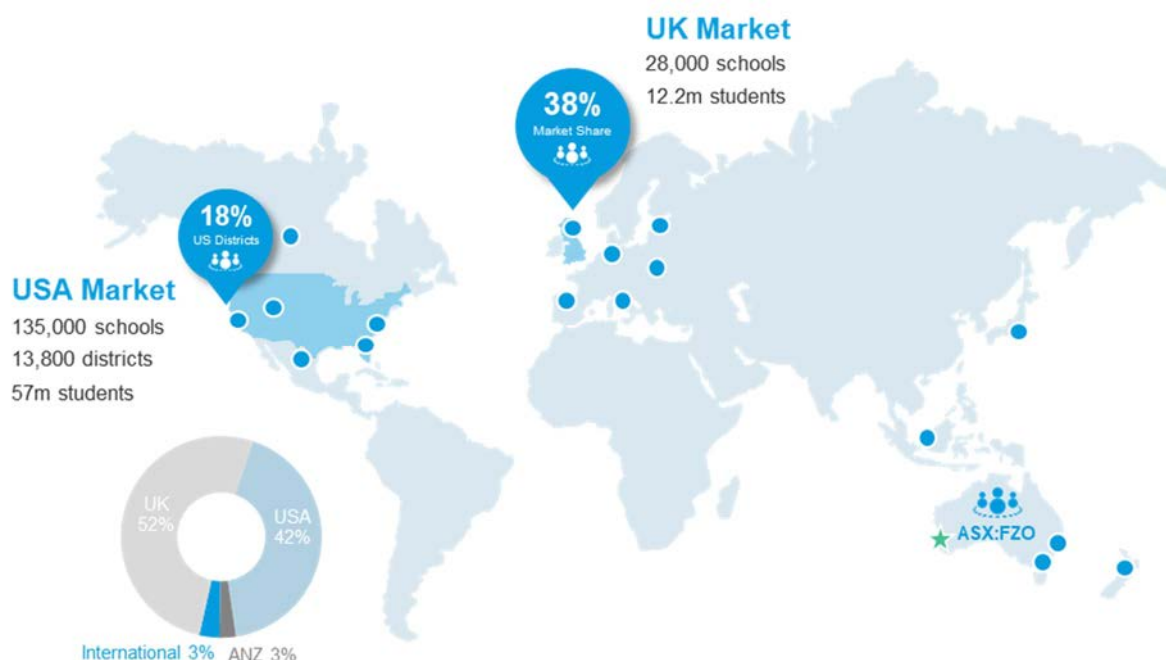
One of the Group's key objectives is to achieve scale and operating leverage in the provision of online safety tools and advice. This encompasses organic growth as well as growth through acquisition of other similar businesses to open the Company to new opportunities and leverage its past acquisitions and achievements.

The technologies acquired to date have been complementary to those which already existed within the Group. In this way, the Group is able to provide a 360 degree safety and wellbeing solution which protects children and school services, enables intervention when students are at risk and supports school and community safety and wellbeing programs.

By offering a suite of complementary technologies to a range of closely related markets the Group is able to cross-sell and upsell its full suite of products to its existing customer base as well as to new customers. Strategically, this allows the Company to leverage existing customer relationships and satisfy customers' growing needs, adding value where it is increasingly demanded. For example, the launch of the Educator Impact Pulse product, which provides a tool for educators to help understand their students' wellbeing, has been instantly well received with the existing school customers. The financial impact of this strategy is a stable, growing recurring revenue stream with incremental customer acquisition costs that reduce with growth. It also allows for operating efficiencies achieved through scale by combining functions across the Group.

The Group targets the United States, United Kingdom and European markets, as well as local markets in Australia and New Zealand with its core Education products that are generally marketed to schools. With the introduction of Qustodio during the period, the Group's customer footprint has now expanded to more than 100 countries around the world. The Qustodio product is offered in 9 languages.

## DIRECTORS' REPORT



Financially, the Group's focus is on the execution of its plan to reach an operational break-even point by the end of this financial year. Simplistically, management's strategy is a combination of effective cost control combined with continued growth in Group revenues. A large portion of cost synergies resulting from recent acquisitions are expected to be realised in the second half of the 2023 financial year.

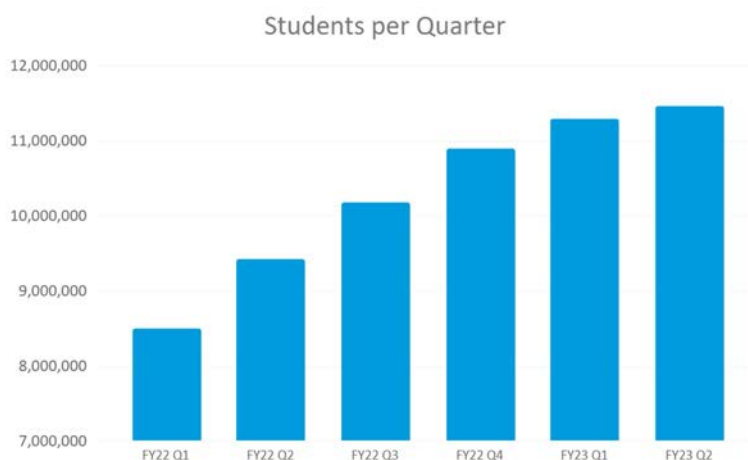
### Impact of key developments and relevant events throughout the reporting period

The acquisitions of Qustodio on 1 August 2022 and Educator Impact on 1 October 2022 added to the revenue growth during the half-year ended 31 December 2022. Both have added to the Group's drive to cross-sell into the existing customer base and the Group is beginning to see these products being purchased by new and existing customers.

The first quarter of this half-year saw record customer receipts of \$23.5 million and a net operating cash inflow of \$1.1 million stemming from a strong selling season in the US market along with some positive contributions from Qustodio. The second quarter, though historically much lower in collections, was well-supported by the cash flows of Qustodio and Educator Impact which actually peak toward the end of the calendar year.

The Group continues to drive toward cash-flow break-even point, and indicative run rate analysis is showing significant progress toward this goal during the half-year. Further initiatives are planned for the second half which, combined with increased volumes should continue this progress.

## DIRECTORS' REPORT



As part of the acquisition of Qustodio, 18,241,404 ordinary shares were issued to vendors on 1 August 2022 along with 7,489 convertible notes with a face value of US\$1,000 each and 80,527,017 deferred consideration rights.

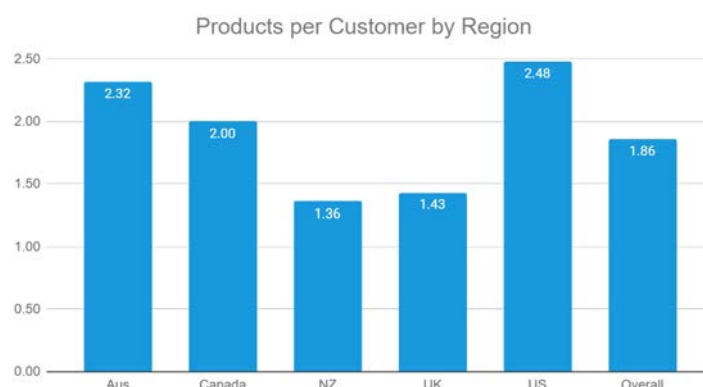
The Educator Impact transaction resulted in 9,744,567 ordinary shares being issued to vendors on 1 October 2022. A number of other minor share issues were performed throughout the period (Refer to Note 13 – Issued capital for further details). The Group's share capital comprised 902,077,099 fully paid ordinary shares as at 31 December 2022.

### Current and upcoming strategic initiatives

The Group has been working on a deliberate commercialisation strategy aimed at building scale, profit-fit and capability. Each of the Group's education segments are focussed on layering products for new and net new growth.

As the emerging global leader in student digital wellbeing the Company is well positioned for its next strategic steps:

- **Rebranding (2023/2024)** - Commencing in mid-2023 the Group is moving to a single global brand. This will transition via corporate into each region through an "endorsed by" strategy.
- **Unification (2023/2024)** - Ongoing unification program to deliver platform efficiencies and CX value.
- **Product expansion** - Investment being made into expanding the Group's high margin, low touch education and wellbeing product suite, such as launches of the Group's Pulse product and the Online Safety Hub to the Group's existing customers. In addition, the Group will consider strategic acquisitions of specific products. This is part of a corporate objective to drive ARPU to \$10 and grow service margins to over 90%.



- **Market expansion** - By the end of 2023 the Group will have internationalised the EDU UX and launching in Spain for Western Europe. The Group will also look to leverage its global EDU and telecommunication service provider partnerships to further expand outside of English-speaking markets.



## DIRECTORS' REPORT

A number of regulatory, funding and industry tailwinds are present in the industry which positions the Group well to deliver further growth over the coming years. The UK Department of Education's *Keeping Children Safe in Education* legislation has been in place since 2014, however recently has been amended to include what schools must do to comply with the legislation.

In the US, over US\$125 billion of residual funding will be apportioned to the industry over time with a portion likely to be relevant to Family Zone's online safety product offering in US schools. This includes US\$65 billion in funding for early detection & intervention and US\$53 billion for education. Cyber security and children's online safety is an ever-growing area of focus with more of our daily lives spent online, the Group provides services whose core purpose is to create a safer environment for children.

Family Zone is now firmly established as a world leader in online safety tools and advice, supporting educators so that children can thrive. The group now has over 500 employees across Australia, the UK, US and Europe, serving more than 24,000 schools and 12 million students.

The Group is well positioned to continue to grow through key markets, plus through the cross sell of additional products within education and of the Qustodio consumer product to its existing students.

### Material Business Risks

The Group's key business risk is the material financial risk surrounding the profitability of the Company. The Company continues to trade in a loss-making position, incurring operating cash outflows and net operating cash flow as it strives to achieve positive operating cash flows through growth.

#### Going Concern

The financial statements for the period ended 31 December 2022 have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. During the 6 month period the entity recorded a loss of \$38,962,801 (6 months to 31 December 2021: \$31,280,424) and incurred net cash outflows from operating activities of \$7,889,679 (6 months to 31 December 2021: \$18,788,716 net cash outflows). As at 31 December 2022, the Group had working capital deficit of \$48,226,761 (30 June 2022: \$4,399,552 surplus working capital).

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from its business operations. If this is not achieved, it would indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The availability of the \$10m working capital facility to support future expenditure;
- The Directors expect the business will trade profitably and generate positive future operating cash flow;
- The Directors note that \$11,006,465 of convertible notes, while classified as current, are equity-settled if settled within 12 months of the reporting date;
- The entity has historically demonstrated its ability to raise funds to satisfy its cash requirements, including the completion of \$188,471,839 worth shares (net of costs) issued during the financial year ended 30 June 2022, as well as the completion of successful share-based acquisitions during the current period;
- Management have considered the future capital requirements of the entity and will consider all funding options as required; and
- The Group is undertaking an efficiency drive to extract more value from existing resources rather than adding extra cost and has the ability to scale back certain activities that are non-essential so as to conserve cash.

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Some of the other material business risks associated with the Group and its business are detailed below:

#### i. Competition risk

The K-12 education and parental controls market is highly competitive. Competition within these markets arises from a number of sources including companies with greater capital resources. Family Zone's competitors include telecommunication companies, internet companies and computer, software and hardware manufacturers. The Company's performance could be adversely affected

## DIRECTORS' REPORT

if existing or new competitors limit the Company's subscriber growth strategy through aggressive price competition; marketing, and increasing their competing product and service offerings.

### *ii. Commercialisation strategy execution risk*

The success of the Group's operations relies on consumers subscribing to the Group's consumer services through both retail and wholesale distribution channels. The number of users/subscribers is crucial for the Company to generate income. A slower or reduced uptake in both retail and wholesale subscriber numbers will affect the Company's earnings ability.

### *iii. International business risks*

The Group has operations internationally, notably in the USA, UK, Europe, Australia and New Zealand. Wherever the Group sets up operations it is exposed to a range of multi-jurisdictional risks such as risks relating to labour practices, environmental matters, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in foreign jurisdictions in which the Company operates. Businesses that operate across multiple jurisdictions face additional complexities from the unique business requirements in each jurisdiction.

### *iv. Information technology security & privacy risks*

The Group provides a range of products and services reliant on digital technology. As with any digital services, there are inherent risks in terms of security, data protection, regulatory compliance and with respect to the performance and obsolescence of chosen technology which cannot be entirely mitigated.

#### *- Security and privacy compliance*

Much of the Group's technology is built in-house however, as is normal, much of the platform utilises third party technology and software and runs on technology provided by third party hosting providers. The Group employs both internal and external security and privacy capability to ensure a dedicated approach to security and privacy compliance is in place both internally and with third party providers.

There is a risk that the Group is subjected to technological, security or privacy failures such as data loss, corruption or theft. By way of example, the systems or the suppliers' systems could be subject to a malicious attack resulting in the compromise of services or data, customers networks or customer data. Such events could also result in some or all services being temporarily or permanently disrupted, the loss of intellectual property and the imposition of regulatory fines which may negatively impact the Group's reputation and performance.

#### *- Technology choices*

Should the services sought after by the Group's existing or prospective customers change overtime and should the Group be unable to accommodate such changes due to existing technology choices, then the Group's products and services may be rendered uncompetitive which could materially adversely affect the business, operating results and financial prospects. In these circumstances the Group would be required to commit resources to developing or acquiring and then deploying new technologies for use in operations and to ensure competitive positioning of its services.

### *v. Legal and regulatory risks*

The Group provides various services. Amongst other things, the Group's services involve controlling and monitoring online activity in the classroom and at home. Such services are subject to consumer and privacy laws in many jurisdictions. There is a risk that key markets may change laws in areas which may impact the Group's ability to innovate, to trade or may create unexpected costs for the Group. The Group may be subject to other laws in jurisdictions in which it plans to operate and the applicable laws may change from time to time.

### *vi. Key personnel risk*

The Company has a number of key management personnel, and its future depends on retaining and attracting these and other suitable qualified personnel. There is no guarantee the Company will be able to attract and retain suitable qualified personnel, and a failure to do so could materially adversely affect the business, operating results and financial prospects.

### *vii. Due diligence risk*

The Group has undertaken due diligence on the businesses which it has acquired. There is a risk that the due diligence conducted by the Group will not identify issues that are material and may have affected its decision to pursue an Acquisition (or proceed to completion of an Acquisition). A material adverse issue which is not identified prior to completion of an Acquisition could have an adverse impact on the assumed financial position, financial performance or operations of the combined group. As is usual in the conduct of acquisitions, a due diligence process undertaken by the Group will identify a number of risks associated with an Acquisition, which the Group will have to evaluate and manage. The mechanisms used by the Group to manage these risks may, in certain circumstances, include the acceptance of particular risks as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by the Group may be insufficient to mitigate these risks, or that the materiality of these risks may be underestimated, and hence they may have a material adverse impact on the Group's financial position or performance.

## DIRECTORS' REPORT

### *viii. Integration risks*

An Acquisition may consume significant management time, attention and effort during the integration phase. The diversion of management time in this manner may result in adverse outcomes elsewhere in the Group's business. The Group's decision to proceed with an Acquisition is premised on a variety of assumptions, including the realisation of various synergy benefits (primarily costs) that can be reduced or removed from the combined group to improve its overall financial performance through cross selling and growth opportunities). The Group may fail to achieve the synergy benefits that it has forecast. Any failure to realise those benefits in any material respect will likely mean that the Group's forecast financial performance of the combined group will not be achieved. Where companies acquire customers, the potential risk of churn is heightened, given that integration of the new customers may involve product changes or disruptions, pricing changes and service disruptions as a result of poorly executed integration planning. If customer churn in respect of any acquisition is material then the revenue contribution assumptions that the Company has made may not be realised.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

During the period, the Group acquired the Qustodio business. With the acquisition of this Spanish-based business, the Group has expanded its presence globally and has significantly increased the size of its operations. The Group also acquired the Educator Impact business during the period. This acquisition has increased the business' operations in the Australian region.

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

### **LIKELY DEVELOPMENTS**

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

### **ENVIRONMENTAL REGULATION**

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

### **DIVIDENDS**

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

### **EVENTS AFTER BALANCE DATE**

On 12 January 2023, 129,505 shares were issued for the December quarter interest on the Qustodio acquisition convertible notes.

On 8 February 2023, Mr Crispin Swan resigned as Executive Director of the Company but remains as Chief Operating Officer of the Group.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court under Section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Group.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the period ended 31 December 2022 is provided in this report.

Signed in accordance with a resolution of the Directors.



**Mr Tim Levy**  
Managing Director  
27 February 2023

## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF FAMILY ZONE CYBER SAFETY LIMITED

As lead auditor for the review of Family Zone Cyber Safety Limited for the half-year ended 31 December 2022, 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 Family Zone Cyber Safety Limited and the entities it controlled during the period.



**Jarrad Prue**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth  
27 February 2023

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

For the period ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
<b>Revenue</b>			
Revenue from ordinary activities	4	36,935,460	17,928,259
Other income		169,125	890
<b>Expenses</b>			
Direct costs		(7,471,295)	(6,139,445)
Employee benefits costs		(32,178,303)	(21,379,459)
Administration costs		(6,541,475)	(5,310,023)
Finance costs		(2,296,385)	(160,634)
Depreciation and amortisation		(11,062,814)	(5,005,160)
Acquisition related expenses	3	(1,058,149)	(3,084,354)
Share-based payments – employment related	5	(8,952,939)	(8,820,619)
Share-based payments – deferred consideration <sup>1</sup>	5	(8,504,044)	-
<b>Loss before income tax</b>		<b>(40,960,819)</b>	<b>(31,970,546)</b>
Income tax benefit		1,998,018	690,122
<b>Loss after tax for the period attributable to the members of Family Zone Cyber Safety Limited</b>		<b>(38,962,801)</b>	<b>(31,280,424)</b>
<b>Other comprehensive (loss)</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Exchange differences on translating foreign operations, net of tax		385,475	(1,803,552)
<b>Total comprehensive (loss) for the period attributable to the members of Family Zone Cyber Safety Limited</b>		<b>(38,577,326)</b>	<b>(33,083,976)</b>
Basic and diluted loss per share (cents per share) for the year attributed to the members of Family Zone Cyber Safety Limited		(4.41)	(4.41)

<sup>1</sup>Deferred consideration for the acquisition of Qustodio contingent on the continued employment of the recipients. As the consideration is contingent on employment, AASB 3 – Business Combinations requires the consideration to be treated under AASB 2 – Share based payments and expensed over the service period. The balance is payable in two tranches 12 and 24 month from acquisition date and therefore the expense is recognised over the respective service periods of 12 and 24 months.

The above 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 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,487,175	32,746,157
Trade and other receivables	6	10,885,782	12,012,607
Prepayments		2,104,003	2,063,394
Inventory		1,653,909	1,118,019
Contract assets		3,006,045	3,381,735
<b>Total current assets</b>		<b>24,136,914</b>	<b>51,321,912</b>
<b>Non-current assets</b>			
Intangible assets	7	237,409,298	182,208,713
Financial assets		206,329	189,740
Plant and equipment	8	3,619,214	3,161,989
Right-of-use assets	9	4,101,556	3,249,322
Contract assets		949,278	1,143,106
<b>Total non-current assets</b>		<b>246,285,675</b>	<b>189,952,870</b>
<b>Total assets</b>		<b>270,422,589</b>	<b>241,274,782</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	14,110,350	10,957,788
Contract liabilities		38,929,744	29,312,838
Deferred consideration	12	2,152,303	1,731,101
Provisions		3,430,220	2,943,041
Borrowings	11	12,213,357	662,199
Lease liability	9	1,527,701	1,315,393
<b>Total current liabilities</b>		<b>72,363,675</b>	<b>46,922,360</b>
<b>Non-current liabilities</b>			
Contract liabilities		11,919,069	12,289,822
Deferred consideration	12	6,716,552	1,836,071
Provisions		592,747	374,179
Borrowings	11	2,296,257	203,339
Lease Liability	9	2,969,914	2,336,868
Deferred tax liability	20	18,893,057	12,002,697
<b>Total non-current liabilities</b>		<b>43,387,596</b>	<b>29,042,976</b>
<b>Total liabilities</b>		<b>115,751,271</b>	<b>75,965,336</b>
<b>Net assets</b>		<b>154,671,318</b>	<b>165,309,446</b>
<b>EQUITY</b>			
Issued capital	13	306,091,456	294,524,795
Reserves	14	36,190,737	19,432,725
Accumulated losses	15	(187,610,875)	(148,648,074)
<b>Total equity</b>		<b>154,671,318</b>	<b>165,309,446</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2022

		Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>		294,524,795	30,862,024	(148,648,074)	(11,429,299)	165,309,446
Loss for the period		-	-	(38,962,801)	-	(38,962,801)
Total other comprehensive loss		-	-	-	385,475	385,475
<b>Total comprehensive loss for the period</b>		-	-	<b>(38,962,801)</b>	<b>385,475</b>	<b>(38,577,326)</b>
<i>Transaction with owners, directly recorded in equity:</i>						
Issue of Ordinary Shares, net of transaction costs	13	11,566,661	-	-	-	11,566,661
Issue of Options, Performance Rights & Performance Shares	14	-	16,721,909	-	-	16,314,530
Reversal of performance rights	14	-	(349,372)	-	-	(349,372)
Total transactions with owners		11,566,661	16,372,537	-	-	27,939,198
<b>Balance at 31 December 2022</b>		<b>306,091,456</b>	<b>47,234,561</b>	<b>(187,610,875)</b>	<b>(11,043,824)</b>	<b>154,671,318</b>

		Issued Capital	Share-based Payment Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>		106,052,956	11,983,960	(84,632,613)	(66,581)	33,337,722
Loss for the period		-	-	(31,280,424)	-	(31,280,424)
Total other comprehensive loss		-	-	-	(1,803,552)	(1,803,552)
<b>Total comprehensive loss for the period</b>		-	-	<b>(31,280,424)</b>	<b>(1,803,552)</b>	<b>(33,083,976)</b>
<i>Transaction with owners, directly recorded in equity:</i>						
Issue of Ordinary Shares, net of transaction costs		140,649,128	-	-	-	140,649,128
Grant of Options, Performance Rights & Performance Shares		1,229,375	7,591,244	-	-	8,820,619
Total transactions with owners		141,878,503	7,591,244	-	-	149,469,747
<b>Balance at 31 December 2021</b>		<b>247,931,459</b>	<b>19,575,204</b>	<b>(115,913,036)</b>	<b>(1,870,133)</b>	<b>145,723,493</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2022

	31 December 2022 \$	31 December 2021 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	41,623,143	20,091,190
Payments to suppliers and employees	(49,301,143)	(38,819,152)
Government grants and incentives	73,200	-
Interest paid	(284,879)	(60,754)
<b>Net cash flows (used in) operating activities</b>	<b>(7,889,679)</b>	<b>(18,788,716)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant & equipment	(1,484,001)	(877,020)
Payment for acquisition of subsidiary, net of cash acquired	(17,887,891)	(141,327,164)
<b>Net cash flows (used in) investing activities</b>	<b>(19,371,892)</b>	<b>(142,204,184)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net of costs)	946,422	139,506,349
Payment of principle portion of lease liabilities	(804,975)	(419,714)
Proceeds from borrowings	-	2,767,205
Repayments of borrowings	(802,548)	(154,236)
<b>Net cash flows (used in) financing activities</b>	<b>(661,102)</b>	<b>141,699,604</b>
Net increase / (decrease) in cash and cash equivalents	(27,922,673)	(19,293,296)
Cash and cash equivalents at the beginning of the period	32,746,157	34,933,166
Effects of foreign exchange rates	1,663,691	392,217
<b>Cash and cash equivalents at the end of the period</b>	<b>6,487,175</b>	<b>16,032,087</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 1: BASIS OF PREPARATION

Family Zone Cyber Safety Limited (Company) is a listed public company incorporated and domiciled in Australia and is the head of the Group. The half-year financial statements of the Group are as at and for the period ended 31 December 2022.

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

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

#### *a. Basis of preparation*

The half-year financial statements are general purpose financial statements prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, including AASB 134 Interim Financial Reporting.

The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year condensed financial statements, the half-year has been treated as a discrete reporting period. These condensed interim financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

It is recommended that this half-year report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Family Zone Cyber Safety Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. Family Zone Cyber Safety Limited is a company limited by shares. The half-year report is presented in Australian currency and all amounts noted are in Australian dollars unless otherwise noted. Family Zone Cyber Safety Limited is a for-profit entity.

Except as disclosed in note 1(c), the accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

#### *b. Going concern*

The financial statements for the period ended 31 December 2022 have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. During the 6 month period the entity recorded a loss of \$38,962,801 (6 months to 31 December 2021: \$31,280,424) and incurred net cash outflows from operating activities of \$7,889,679 (6 months to 31 December 2021: \$18,788,716 net cash outflows). As at 31 December 2022, the Group had working capital deficit of \$48,226,761 (30 June 2022: \$4,399,552 surplus working capital).

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from its business operations. If this is not achieved, it would indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The availability of the \$10m working capital facility to support future expenditure;
- The Directors expect the business will trade profitably and generate positive future operating cash flow;
- The Directors note that \$11,006,465 of convertible notes, while classified as current, are equity-settled if settled within 12 months of the reporting date;
- The entity has historically demonstrated its ability to raise funds to satisfy its cash requirements, including the completion of \$188,471,839 worth shares (net of costs) issued during the financial year ended 30 June 2022, as well as the completion of successful share-based acquisitions during the current period;
- Management have considered the future capital requirements of the entity and will consider all funding options as required; and
- The Group is undertaking an efficiency drive to extract more value from existing resources rather than adding extra cost and has the ability to scale back certain activities that are non-essential so as to conserve cash.

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### c. Borrowings – Convertible notes

Convertible notes issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder or at the option of the issuer in certain circumstances. The notes include embedded derivative liability representing conversion feature to convert a variable amount of liability in the functional currency based on a fixed conversion price. The company had elected upon initial recognition of the convertible notes (including its embedded derivative) to recognise the whole instrument as a financial liability carried at fair value through profit or loss. On initial recognition the fair value of the convertible note will equate to the fair value of consideration paid, as no gain or loss on initial recognition can be recognised per the requirements of the accounting standards AASB9. The financial liability will subsequently be measured at fair value at each reporting period or until settlement and fair value movements will be recognised in the profit or loss as finance cost.

The fair value of the financial liabilities carried at fair value through profit or loss (i.e. the convertible note portion) is calculated based on the present value of estimated cashflows taking into account credit risk profile of the company, market interest rates, share price of the company and foreign exchange rates. The convertible notes are classified as a current liability given the noteholder's ability to settle via conversion into shares at any time between issue date and maturity date.

### d. Adoption of new and revised accounting standards

The half-year report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2022, except for the impact of the new and amended standards and interpretations issued by Australian Accounting Standards ('AASB') effective of 1 July 2022. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective, except for the following:

*Early adoption of AABS 2020-1: Amendments to Australian Accounting Standards: Classification of Liabilities as Current or Non-current.*

Effective for annual reporting periods beginning on or after 1 January 2023, there are four main changes to the classification requirements within AASB 101 Presentation of financial statements:

- The requirement for an 'unconditional' right has been deleted from paragraph 69(d) because covenants in banking agreements would rarely result in unconditional rights.
- The right to defer settlement must exist at the end of the reporting period. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants), the right to defer only exists at reporting date if the entity complies with those conditions at reporting date.
- Classification is based on the right to defer settlement, and not intention (paragraph 73), and
- If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under IAS 32.

### e. Changes to critical accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liabilities affected in future periods. Please refer to the Group's 30 June 2022 financial statements for information on the Group's judgements, estimates and assumptions, with the exception of new key judgements and estimates disclosed below:

#### (i) Business combinations

As discussed in note 3, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. The fair value of intangible assets acquired have been determined using the income approach, including the excess earnings method and relief from royalty method. Significant judgement is required in determination of the inputs applied in these models (including discount rate and growth rate).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### (ii) Share-Based Payments

The Company measures the cost of equity-settled transactions with suppliers by reference to the fair value of the goods or services received provided this can be estimated reliably. For equity-settled transactions with employees, the fair value is determined indirectly by reference to the fair value of the equity instruments granted. For share-based payments relating to deferred consideration for the Qustodio acquisition, the Company made an assessment on the probability of the achievement of non-market based vesting hurdles, and the expected timing of these hurdles being achieved in assessing the ongoing vesting of the value of the equity instruments granted. Please refer to note 3, note 5 and note 17 for further details.

### (iii) Deferred Consideration

Deferred consideration resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the deferred consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date, including a present-value adjustment for any long term deferred consideration payable. For deferred consideration relating to the Educator Impact acquisition, significant judgements have been made regarding the probability of the performance target being met as well as the timing of that event.

## NOTE 2: SEGMENT REPORTING

The Group has four main operating segments being the provision of educational technology services in the United Kingdom ("UK"), the United States of America ("USA"), Spain ("Europe") and Australia & New Zealand ("ANZ"). Previously, during the year ended 30 June 2022, the group operated within three main operating segments being Australia, New Zealand and the United States of America. This is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

31 December 2022	ANZ \$	UK \$	USA \$	Europe \$	Total \$
<b>Segment Income</b>					
Sales revenue	2,513,999	13,886,550	13,890,219	6,644,692	36,935,460
Other income	(68,795)	36,476	87,054	114,390	169,125
<b>Total Income</b>	<b>2,445,204</b>	<b>13,923,026</b>	<b>13,977,273</b>	<b>6,759,082</b>	<b>37,104,585</b>
<b>Segment Expenses</b>					
Direct Costs	(3,729,447)	(2,336,675)	(976,298)	(428,875)	(7,471,295)
Operating expenses	(15,828,432)	(10,215,290)	(9,746,230)	(6,284,360)	(42,074,312)
Share-based payments	(5,383,254)	(1,690,822)	(1,640,653)	(8,742,254)	(17,456,983)
<b>Loss before depreciation and amortisation</b>	<b>(22,495,929)</b>	<b>(319,761)</b>	<b>1,614,092</b>	<b>(8,696,407)</b>	<b>(29,898,005)</b>
Depreciation and amortisation	(833,400)	(3,518,926)	(2,066,959)	(4,643,528)	(11,062,813)
<b>Loss before income tax</b>	<b>(23,329,329)</b>	<b>(3,838,687)</b>	<b>(452,867)</b>	<b>(13,339,935)</b>	<b>(40,960,818)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 2: SEGMENT REPORTING (CONTINUED)

31 December 2021	ANZ	UK	USA	Europe	Total
	\$	\$	\$	\$	\$
<b>Segment Income</b>					
Sales revenue	1,883,144	9,943,076	6,102,039	-	17,928,259
Other income	875	-	15	-	890
<b>Total Income</b>	<b>1,884,018</b>	<b>9,943,077</b>	<b>6,102,054</b>	<b>-</b>	<b>17,929,149</b>
<b>Segment Expenses</b>					
Direct Costs	(667,865)	(1,840,996)	(3,630,584)	-	(6,139,445)
Operating expenses	(6,737,322)	(8,643,930)	(14,553,218)	-	(29,934,470)
Share-based payments	(6,051,933)	(1,734,535)	(1,034,151)	-	(8,820,619)
<b>Loss before depreciation and amortisation</b>	<b>(11,573,101)</b>	<b>(2,276,385)</b>	<b>(13,115,899)</b>		<b>(26,965,385)</b>
Depreciation and amortisation	(1,513,213)	(2,781,143)	(710,804)	-	(5,005,160)
<b>Loss before income tax</b>	<b>(13,086,314)</b>	<b>(5,057,528)</b>	<b>(13,826,703)</b>		<b>(31,970,545)</b>
<b>31 December 2022</b>	<b>ANZ</b>	<b>UK</b>	<b>USA</b>	<b>Europe</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Segment Assets</b>	16,276,583	174,454,591	25,475,572	54,215,843	<b>270,422,589</b>
<b>Segment Liabilities</b>	(18,608,819)	(35,846,378)	(40,363,571)	(20,932,503)	<b>(115,751,271)</b>
<b>30 June 2022</b>	<b>ANZ</b>	<b>UK</b>	<b>USA</b>	<b>Europe</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Segment Assets</b>	39,849,999	177,805,195	23,619,588	-	<b>241,274,782</b>
<b>Segment Liabilities</b>	(12,161,259)	(39,787,160)	(24,016,917)	-	<b>(75,965,336)</b>

### NOTE 3: BUSINESS COMBINATIONS

#### Qustodio Acquisition

On 2 May 2022, The Group announced an agreement to acquire Qustodio LLC and its controlled entities ("Qustodio"), a leading global parental control provider. The acquisition was subject to a number of pre-completion conditions including Spanish Foreign District Investment approval which was subsequently obtained on 21 July 2022. The acquisition was to be funded by a fully underwritten institutional placement of \$42 million before transaction costs.

The acquisition offers Family Zone the opportunity to cross-sell the Qustodio products into its existing K-12 customer base, increase its global presence, expand consumer offerings and realise operating efficiencies across the Group.

A total of 123,529,412 ordinary shares were issued under Equity Raising at a price of \$0.34 per Share across two tranches on 12 May 2022 and 1 July 2022.

The company completed the acquisition of the Qustodio business on 1 August 2022. The total purchase consideration was USD\$25 million (AUD\$35.6 million) with USD\$24.2 million payable upfront in the form of cash (USD\$12.6 million), issue of shares (USD\$4.1 million) and issue of notes (USD\$7.5 million). The remaining USD\$0.8 million is deferred consideration payable in Family Zone shares in two tranches 8 and 16 months from the acquisition date.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 3: BUSINESS COMBINATIONS (CONTINUED)

#### Purchase consideration

	USD
Upfront cash consideration <sup>1</sup>	12,618,293
Upfront non-cash consideration <sup>2</sup>	11,595,731
Deferred non-cash consideration <sup>3</sup>	861,271
Total purchase consideration – USD	25,075,295
USD:AUD exchange rate applied	1.4217
Total consideration – AUD	35,649,470
<b>Total purchase consideration – AUD</b>	<b>35,649,470</b>

<sup>1</sup>Includes USD\$2.6 million cash held in escrow for indemnification claims.

<sup>2</sup>18,241,407 shares issued on 1 August 2022 at a share issue price of \$0.320 (1 August 2022 closing rate) and 7,490 notes issued on 1 August 2022 at a face value of USD\$1,000 per note. Refer to Note 11 – Borrowings.

<sup>3</sup>50% of shares (\$430,635 USD equivalent at the time of settlement) to be issued 8 months from completion and the remaining 50% (\$430,635 USD equivalent at the time of settlement) to be issued 16 months from completion. Fixed value of consideration will be settled via a variable number of shares, depending on the share price at settlement date. Amounts have been classified as a financial liability accordingly. Refer to Note 12 – Deferred consideration.

In addition to the total purchase consideration accounted for above under the provisions of AASB 3: Business Combinations, there are also amounts of share-based payments owed to some of the vendors of Qustodio which have been treated as share-based payments under the provisions of AASB 2: Share-based payments as they are contingent on the continued employment of these vendors. Refer Note 5, share-based payments, for further details.

The Group has applied provisional accounting on its measurement of its purchase price allocation for this business combination as per AASB 3 Business Combinations. The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$
<b>Assets acquired</b>	
Cash and cash equivalents	1,603,320
Trade and other receivables	3,522,107
Prepayments	32,878
Property, plant and equipment	128,814
Right of use asset	709,008
Customer relationships	21,902,959
Software	8,674,904
<b>Total assets acquired</b>	<b>36,573,990</b>
<b>Liabilities assumed</b>	
Trade and other payables	(3,738,119)
Contract liabilities	(6,890,768)
Provisions	(347,745)
Borrowings	(3,080,978)
Lease liability	(709,008)
Deferred tax liabilities	(7,644,466)
<b>Total liabilities assumed</b>	<b>(22,411,084)</b>
<b>Net identifiable assets acquired</b>	<b>14,162,906</b>
<b>Add: Goodwill<sup>1</sup></b>	<b>21,486,564</b>
<b>Acquisition date fair value of total consideration</b>	<b>35,649,470</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 3: BUSINESS COMBINATIONS (CONTINUED)

<sup>1</sup>Goodwill of \$21,486,564 is attributable to the customer contracts acquired, software technology, workforce, know-how and the expected synergies from merging this business acquired into Family Zone's existing operations.

The fair value of the acquired customer relationships was determined with reference to an excess earnings methodology and the fair value of the software was determined with reference to a relief from royalty methodology. Both of these methods required key assumptions to be made around discount rate, royalty rate, forecasted revenues and attrition rates.

<b>Cash used to acquire business, net of cash</b>	<b>\$</b>
Acquisition-date fair value of the total consideration transferred	35,649,470
Less: cash and cash equivalents acquired	(1,603,320)
Less: upfront non-cash and deferred consideration	(17,710,081)
<b>Net cash used to acquire the Qustodio business</b>	<b>16,336,069</b>

#### Acquisition related costs

Acquisition related costs of \$1,145,936 were included in the statement of profit or loss in the reporting period ending 31 December 2022 in relation to the Qustodio acquisition.

#### Revenue and profit contribution

Since acquisition, Qustodio has contributed revenue of \$6,644,676 and a loss of \$4,048,519 (including acquisition amortisation) which is included within the profit or loss of the Group. Excluding acquisition amortisation Qustodio returned a profit of \$438,486. Hypothetically, if this business had formed part of the group from 1 July 2022, on an extrapolated basis it would have contributed revenue of \$7,990,983 and a loss of \$4,868,807 (profit of \$527,330 excluding acquisition amortisation).

#### Educator Impact Acquisition

On 3 October 2022, The Group acquired EI Pty Ltd and its controlled entities ("Educator Impact"), an Australian based provider of student wellbeing technology.

Educator Impact's flagship product, Pulse, has the opportunity to be cross sold expeditiously to the Group's entire existing customer base and through channel partners to new clients.

The total purchase consideration was \$7,900,000 with 9,744,567 shares issued at \$0.32 per share (valued at \$3,118,261) upfront and the remaining \$4,781,739 consideration deferred until 30 June 2024.

Deferred consideration is subject to the satisfaction of a revenue-based target "Annual Recurring Revenue" of \$2,100,000 relating to the Educator Impact "Pulse" product. If the milestone is achieved prior to that date, the deferred consideration and interest charges may be converted into shares, at the election of the vendors, at \$0.60 per fully paid ordinary share. Should the target not be reached entirely by 30 June 2024, the value of this deferred consideration will be reduced by a factor of revenue, and the deferred consideration will be payable 50% in cash and 50% in fully paid ordinary shares of the Company, at \$0.60 per fully paid ordinary share, unless taken entirely in shares upon election of the vendors.

#### Purchase Consideration

Upfront non-cash consideration	3,118,261
Deferred non-cash consideration	4,781,739
<b>Total purchase consideration</b>	<b>7,900,000</b>

The Group has applied provisional accounting on its measurement of its purchase price allocation for this business combination as per AASB 3 Business Combinations. The assets and liabilities recognised as a result of the acquisition are as follows:



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 3: BUSINESS COMBINATIONS (CONTINUED)

	Fair value \$
<b>Assets acquired</b>	
Cash and cash equivalents	50,485
Trade and other receivables	98,547
Customer relationships	3,660,618
Software	94,200
<b>Total assets acquired</b>	<b>3,903,850</b>
<b>Liabilities assumed</b>	
Trade and other payables	(156,665)
Contract liabilities	(651,988)
Provisions	(181,991)
Deferred tax liabilities	(938,705)
<b>Total liabilities assumed</b>	<b>(1,929,349)</b>
<b>Net identifiable assets acquired</b>	<b>1,974,502</b>
<b>Add: Goodwill</b>	<b>5,925,498</b>
<b>Acquisition date fair value of total consideration</b>	<b>7,900,000</b>

Goodwill of \$5,925,498 is attributable to the customer contracts acquired, software technology, workforce, know-how and the expected synergies from merging this business acquired into Family Zone's existing operations.

The fair value of the acquired customer relationships was determined with reference to an excess earnings methodology and the fair value of the software was determined with reference to a relief from royalty methodology. Both of these methods required key assumptions to be made around discount rate, royalty rate, forecasted revenues and attrition rates.

#### Acquisition related costs

Nil acquisition related costs were included in the statement of profit or loss in the reporting period ending 31 December 2022 in relation to the Educator Impact acquisition.

#### Revenue and profit contribution

Since acquisition, Educator Impact has contributed revenue of \$480,916 and a loss of \$74,636 which is included within the profit or loss of the Group. Hypothetically, if this business had formed part of the group from 1 July 2022, on an extrapolated basis it would have contributed revenue of \$994,253 and a loss of \$154,303.

### NOTE 4: REVENUE

	31 December 2022 \$	31 December 2021 \$
<b>Operating Revenue</b>		
Service revenue <sup>1</sup>	36,526,575	15,969,468
Hardware revenue <sup>2</sup>	408,885	1,958,791
	<b>36,935,460</b>	<b>17,928,259</b>

<sup>1</sup> Service revenue is recognised over the life of the service contract as the service obligations under the contract are satisfied. Service revenue includes bundled hardware and software contracts.

<sup>2</sup> Hardware revenue is recognised at the point in time when control of the asset is transferred to the customer and over the life of the service as the supply obligations under the contract are satisfied.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 4: REVENUE (CONTINUED)

#### Disaggregation of revenue from contracts with customers

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled over time and at a point in time. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

Timing of revenue recognition 31 December 2022	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue	Total
At a point in time	-	-	408,885	408,885
Over time	30,836,577	5,689,998	-	36,526,575
<b>Total</b>	<b>30,836,577</b>	<b>5,689,998</b>	<b>408,885</b>	<b>36,935,460</b>

Geographical Regions 31 December 2022	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue	Total
Australia	2,165,058	174,636	65,857	2,405,551
New Zealand	658,439	-	-	658,439
UK	13,130,290	-	-	13,130,290
USA	14,732,974	-	343,028	15,076,002
Europe	-	5,515,362	-	5,515,362
Canada	10,739	-	-	10,739
Asia	105,977	-	-	105,977
Rest of the world	33,099	-	-	33,099
<b>Total</b>	<b>30,836,577</b>	<b>5,689,998</b>	<b>408,885</b>	<b>36,935,460</b>

Timing of revenue recognition 31 December 2021	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue	Total
At a point in time	-	-	146,669	146,669
Over time	15,774,264	195,204	1,812,122	17,781,590
<b>Total</b>	<b>15,774,264</b>	<b>195,204</b>	<b>1,958,791</b>	<b>17,928,259</b>

Geographical Regions 31 December 2021	Service Revenue: Education	Service Revenue: Consumer	Hardware Revenue	Total
Australia	1,547,975	188,655	146,512	1,883,142
New Zealand	-	-	-	0
USA	5,783,417	6,549	312,074	6,102,040
United Kingdom	8,442,872	-	1,500,205	9,943,077
<b>Total</b>	<b>15,774,264</b>	<b>195,204</b>	<b>1,958,791</b>	<b>17,928,259</b>

#### Contract liabilities

Contract liabilities recognised relate to amounts invoiced in advance of the transfer of services to customers for its subscription service offerings. Revenue is recognised for these amounts over time, over the life of the service contract, as the Group's service performance obligations are satisfied.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 4: REVENUE (CONTINUED)

Reconciliation of movements in contract liabilities

<b>Contract Liabilities</b>	<b>\$</b>
Balance at 1 July 2021	9,628,607
Additions – Smoothwall	33,577,266
Additions – Cipafilter	1,904,082
Additions	38,646,162
Recognised within service revenue	(44,377,054)
Other including foreign exchange movements	2,223,597
<b>Balance at 30 June 2022</b>	<b>41,602,660</b>
Additions – Qustodio <sup>1</sup>	6,890,768
Additions – Educator Impact <sup>1</sup>	651,988
Additions	37,692,792
Recognised within service revenue	(36,526,575)
Other including foreign exchange movements	537,181
<b>Balance at 31 December 2022</b>	<b>50,848,813</b>

<sup>1</sup>Refer to Note 3 – Business Combinations

At 31 December 2022 \$38,929,744 has been recognised as current contract liabilities representing services to be provided within the next 12 months (30 June 2022: \$29,312,838). A further \$11,919,069 represents contracts signed for services to be delivered in the next 2-5 years (30 June 2022: \$12,289,822).

The group recognises a contract asset or liability in relation to services fixed-price contracts whereby the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. \$29,312,838 revenue was recognised in the current reporting period relating to carried-forward contract liabilities at 1 July 2022 or performance obligations not yet satisfied in a prior period. \$50,848,813 (2022: \$41,602,660) of transaction price relates to unsatisfied performance obligations that will be satisfied in the future financial periods.

### NOTE 5: SHARE-BASED PAYMENTS

Share-based payments made during the year ended 31 December 2022 are summarised below:

#### Recognised share-based payment expense

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>\$</b>	<b>\$</b>
Expense recognised relating to options <sup>(a)</sup>	1,652,320	40,670
Expense recognised relating to performance rights <sup>(b)</sup>	6,158,167	209,416
Expense recognised relating to shares issues during the period	1,491,824	1,700,536
Reversal of share-based payments for vesting conditions not met	(349,372)	-
	<b>8,952,939</b>	<b>1,950,622</b>
Expense recognised relating to deferred consideration <sup>1</sup>	8,504,044	-
	<b>8,504,044</b>	<b>-</b>

<sup>1</sup>Deferred consideration for the acquisition of Qustodio contingent on the continued employment of the recipients. As the consideration is contingent on employment, AASB 3 – Business Combinations requires the consideration to be treated under AASB 2 – Share based payments and expensed over the service period. The balance is payable in two tranches 12 and 24 month from acquisition date and therefore the expense is recognised over the respective service periods of 12 and 24 months. Refer to Note 17 for further information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 5: SHARE-BASED PAYMENTS (CONTINUED)

#### (a) Options

Details of the Options granted as at 31 December 2022 is detailed below:

Options granted	Exercise price (\$)	Number on issue as at 31 December 2022	Total expense for the period (\$)
Employee options	0.21	500,000	-
Director Options	0.21	1,000,000	-
Advisor options	0.18	500,000	-
Advisor options	0.24	700,000	-
Director options <sup>4</sup>	0.50	4,500,000	342,728
Company secretary options	0.55	500,000	-
Director ZEPOs <sup>4</sup>	-	2,000,000	455,178
Director options <sup>4</sup>	0.60	700,000	124,960
Director options <sup>4</sup>	0.60	700,000	60,356
Director options <sup>4</sup>	0.60	700,000	39,749
Working capital facility options <sup>1</sup>	0.60	5,000,000	225,572
Director options <sup>4</sup>	0.60	2,100,000	135,700
ZEPOs <sup>2</sup>	-	120,000	98,400
Director & company secretary options <sup>3</sup>	0.60	2,450,000	169,676
<b>Closing balance - 31 December 2022</b>		<b>21,470,000</b>	<b>1,652,320</b>

<sup>1</sup>Refer to the working capital facility options note (i) below.

<sup>2</sup>Refer to ZEPOs note (ii) below.

<sup>3</sup>Refer to Director & company secretary options note (iii) below.

<sup>4</sup>Continued vesting expense for options granted during previous financial periods.

#### i. Working capital facility options

These options were issued to the working capital facility as tranche 1 of the deferred facility fee under the working capital agreement and are treated as finance costs.

	Working capital facility options
Grant Date	1-Aug-22
No of Options	2,000,000
Underlying share price	\$0.32
Exercise price	\$0.60
Expected volatility	70%
Expiry date (years)	3.50
Expected dividends	Nil
Risk free rate	2.73%
Value per option (rounded)	\$0.11
Total share-based payment expense for the period	\$225,572

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 5: SHARE-BASED PAYMENTS (CONTINUED)

#### ii. ZEPOs

These options have been valued using the share price on grant date. Key details of the options granted are noted below:

	ZEPOs
Grant Date	16-Aug-22
No of Options	240,000
Value per option (rounded)	\$0.41
Exercise price	Nil
Total valuation	98,400
Expense recognised in the period	98,400
Vesting date	Vests immediately
Expiry date	30/06/2025

#### iii. Director & company secretary options

These options were granted to the previous Company Secretary, Emma Wates (350,000 options), and Non-Executive Director Jane Watts (2,100,000 options) and have been valued using the Black-Scholes option pricing model applying the following inputs:

	Director & Co sec Options
Grant Date	22-Aug-22
No of Options	2,450,000 <sup>1</sup>
Underlying share price	\$0.40
Exercise price	\$0.60
Expected volatility	70%
Expiry date (years)	3.36
Expected dividends	Nil
Risk free rate	3.30%
Value per option (rounded)	\$0.16
Total share-based payment expense for the period	\$386,244

<sup>1</sup>The Company Secretary options vested immediately. The director options were granted over 3 tranches with service conditions to 30 June 2023, 30 June 2024 and 30 June 2025. The fair value at grant date has been recognised across these vesting periods.

#### (b) Performance rights

Details of the performance rights granted as at 31 December 2022 are below:

Performance Rights	Number at 31 Dec 2022	Total Expense for the period (\$)	Current Period Grants - Fair Value per Right
Class A Employee Performance Rights - FY20	591,430	-	N/A
Class B Employee Performance Rights - FY20	429,684	-	N/A
Class B1 Employee Performance Rights - FY20 <sup>8</sup>	-	2,141	N/A
Class C Employee Performance Rights - FY20 <sup>8</sup>	1,434,717	24,256	N/A
Class C1 Employee Performance Rights - FY20 <sup>8</sup>	32,001	2,366	N/A
Incentive Performance Rights - FY20	4,292,000	-	N/A
Remuneration Performance Rights - FY20	1,083,102	-	N/A
Class A, B, C & D TL SP Performance Rights	1,000,000	-	N/A
Class A3 Employee Performance Rights - FY22	510,199	-	N/A
Class B3 Employee Performance Rights - FY22 <sup>8</sup>	860,140	112,210	N/A

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 5: SHARE-BASED PAYMENTS (CONTINUED)

Performance Rights (Continued)	Number at 31 Dec 2022	Total Expense for the period (\$)	Current Period Grants - Fair Value per Right
Class C3 Employee Performance Rights - FY22 <sup>8</sup>	860,140	73,722	N/A
Class D3 Employee Performance Rights - FY22	31,283	-	N/A
Class E3 Employee Performance Rights - FY22 <sup>8</sup>	2,000,656	345,520	N/A
Class F3 Employee Performance Rights - FY22 <sup>8</sup>	1,407,945	145,447	N/A
Class G3 Employee Performance Rights - FY22 <sup>8</sup>	1,329,057	95,767	N/A
Class H3 Employee Performance Rights - FY22	105,021	-	N/A
Sign On Employee Performance Rights - FY22 <sup>3</sup>	3,131,481	620,095	\$0.36
Class A2 Employee Performance Rights - FY21	66,984	-	N/A
Class B2 Employee Performance Rights - FY21 <sup>8</sup>	267,494	31,038	N/A
Class C2 Employee Performance Rights - FY21 <sup>8</sup>	167,494	12,620	N/A
STI Performance Rights 2022 - TL and CS	1,764,286	-	N/A
STI Performance Rights 2023 - TL and CS	2,000,000	284,208	N/A
LTI Performance Rights 2023 - TL and CS	3,000,000	426,312	N/A
LTI Performance Rights - 2023 <sup>5</sup>	2,300,000	63,086	\$0.48
STI Performance Rights - 2023 <sup>4</sup>	4,770,360	452,983	\$0.32 - \$0.48
STI Performance Rights - 2022	3,196,500	445,107	N/A
Class T4 Remuneration Performance Rights - FY21	-	-	N/A
Class T6 Remuneration Performance Rights - FY21	128,677	-	N/A
STI 2022 Performance Rights (perf milestones vesting 30 June 2022)	-	-	N/A
STI 2023 Performance Rights (perf milestone vesting 2023)	-	-	N/A
Executive Performance Rights - Replacement - FY22	1,602,442	-	N/A
Class A Employee Performance Rights - FY22 <sup>3</sup>	205,986	37,427	\$0.36
Class B Employee Performance Rights - FY22 <sup>3</sup>	205,986	19,673	\$0.36
Class C Employee Performance Rights - FY22 <sup>3</sup>	205,989	13,378	\$0.36
Remuneration Performance Rights - FY22	276,724	15,739	N/A
Class T3 Remuneration Performance Rights - FY22	297,399	-	N/A
Rights based pay - FY22 <sup>7</sup>	517,933	167,235	\$0.32 - \$0.36
Class A Employee Performance Rights POT - FY22 <sup>1</sup>	4,849,999	719,941	\$0.36
Class B Employee Performance Rights POT - FY22 <sup>1</sup>	4,849,999	328,994	\$0.36
Class C Employee Performance Rights POT - FY22 <sup>1</sup>	4,850,002	213,419	\$0.36
Replacement rights - 2022 <sup>8</sup>	1,456,954	157,551	\$0.36
Class A Employee Performance Rights - FY23 <sup>2</sup>	4,328,429	648,392	\$0.32 - \$0.36
Class B Employee Performance Rights - FY23 <sup>2</sup>	4,328,429	303,620	\$0.32 - \$0.36
Class C Employee Performance Rights - FY23 <sup>2</sup>	4,328,429	201,221	\$0.32 - \$0.36
STI Performance Rights - 2024 <sup>6</sup>	1,070,360	84,785	\$0.32 - \$0.48
<b>Total</b>	<b>131,108,509</b>	<b>6,048,253</b>	

<sup>1</sup>Employee performance rights issued to certain non-KMP during the period, valued using the share price at grant date. Granted across 3 equal tranches and vests subject to achievement of an underlying service condition to remain employed by the Group at each vesting date. The fair value at grant date has been vested accordingly from grant date over the respective service hurdle.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 5: SHARE-BASED PAYMENTS (CONTINUED)

<sup>2</sup>Employee performance rights issued to certain non-KMP during the period, valued using the share price at grant date. Granted across 3 equal tranches and vests subject to achievement of an underlying service condition to remain employed by the Group at each vesting date. The fair value at grant date has been vested accordingly from grant date over the respective service hurdle.

<sup>3</sup>Additional catch-up employee performance rights issued to certain non-KMP during the period, valued using the share price at grant date. Granted across 3 equal tranches and vests subject to achievement of an underlying service condition to remain employed by the Group at each vesting date. The fair value at grant date has been vested accordingly from grant date over the respective service hurdle.

<sup>4</sup>1,070,360 executive STI Employee Performance Rights granted to certain non-KMP during the period, valued using the share price at grant date and includes various non-market vesting conditions, in addition to a service condition to remain employed by the Group at 30 June 2023. The value of the rights has been vested from grant date over the applicable service period. Management have applied a 100% achievement probability to the other non-market vesting hurdles in determining the expense for the current period. Continued vesting expense in relation to 3,700,000 performance rights granted in previous financial periods.

<sup>5</sup>1,000,000 executive LTI Employee Performance Rights granted to a non-KMP during the period, valued using the share price at grant date and includes various non-market vesting conditions, in addition to a service condition to remain employed by the Group at 30 June 2025. The value of the rights has been vested from grant date over the applicable service period. Management have applied a 100% achievement probability to the other non-market vesting hurdles in determining the expense for the current period. Continued vesting expense in relation to 1,300,000 performance rights granted in previous financial periods.

<sup>6</sup>Executive STI Employee Performance Rights granted to certain non-KMP during the period, valued using the share price at grant date and includes various non-market vesting conditions, in addition to a service condition to remain employed by the Group at 30 June 2024. The value of the rights has been vested from grant date over the applicable service period. Management have applied a 100% achievement probability to the other non-market vesting hurdles in determining the expense for the current period.

<sup>7</sup>Performance rights issued as remuneration in lieu of cash valued using the share price at grant date.

<sup>8</sup>Continued vesting expense in relation to performance rights granted in previous financial periods.

#### (c) **Shares issued to employees as remuneration in lieu of cash**

Details of the shares granted during the period are detailed in the table below:

Shares granted in lieu of cash remuneration or as an incentive	Number issued at 31 December 2022	Total expense for the period (\$)
Shares issued in lieu of cash remuneration or as an incentive <sup>1</sup>	4,037,214	1,463,221
Shares granted in lieu of cash remuneration or as an incentive but not yet issued <sup>2</sup>	-	-

<sup>1</sup>Shares issued to certain employees, valued using share price at grant date and fully expensed.

<sup>2</sup>Shares granted to certain employees but not issued initially valued based on a fixed agreed dollar value at grant date and fully expensed.

### NOTE 6: TRADE AND OTHER RECEIVABLES

	31 December 2022 \$	30 June 2022 \$
<b>Current:</b>		
Trade receivable	8,191,397	10,465,928
Less: Provision for expected credit losses	(271,990)	(268,375)
	<b>7,919,407</b>	<b>10,197,553</b>
<b>Other current receivables:</b>		
GST receivable	1,392,160	780,905
Other receivables	1,574,215	1,034,149
<b>Total Current Trade and Other Receivables</b>	<b>10,885,782</b>	<b>12,012,607</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 7: INTANGIBLE ASSETS

	31 December 2022 \$	30 June 2022 \$
Goodwill at cost	159,127,446	130,698,211
Software at cost <sup>1</sup>	60,474,536	50,738,191
Less: Accumulated amortisation and impairment	(24,477,662)	(19,531,378)
Customer contracts and relationships at cost <sup>2</sup>	42,019,617	15,545,349
Less: Accumulated amortisation and impairment	(5,360,422)	(1,166,278)
Branding at cost <sup>3</sup>	6,191,810	6,163,109
Less: Accumulated amortisation and impairment	(566,028)	(238,491)
	<b>237,409,297</b>	<b>182,208,713</b>

<sup>1</sup>Software is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 - 7 years. The useful life was determined using the following judgements: life cycles of related products, expected technical or commercial obsolescence and economic life of other related assets.

<sup>2</sup>Customer lists and relationships are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-10 years. The useful life was determined using the following judgements: life cycles of related products, expected technical or commercial obsolescence and economic life of other related assets.

<sup>3</sup>Branding is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 15 years. The useful life was determined using the following judgements: life cycles of related products, expected technical or commercial obsolescence and economic life of other related assets.

#### Reconciliation of movements in intangible assets

Intangible Assets	\$
Balance at 1 July 2021	<b>5,973,314</b>
Additions arising from business combinations – Goodwill - Smoothwall	129,436,090
Additions arising from business combinations – Customer lists - Smoothwall	13,785,971
Additions arising from business combinations – Software - Smoothwall	34,657,003
Additions arising from business combinations – Branding - Smoothwall	6,619,537
Additions arising from business combinations – Goodwill - Cipafilter	9,719,326
Additions arising from business combinations – Customer lists - Cipafilter	1,370,568
Additions arising from business combinations – Software - Cipafilter	263,575
Impairment expense	-
Amortisation expense	(7,670,969)
Other including foreign exchange movements	(11,945,702)
<b>Balance at 30 June 2022</b>	<b>182,208,713</b>
Additions arising from business combinations – Goodwill – Qustodio <sup>1</sup>	21,486,564
Additions arising from business combinations – Customer relationships - Qustodio <sup>1</sup>	21,902,959
Additions arising from business combinations – Software - Qustodio <sup>1</sup>	8,674,904
Additions arising from business combinations – Goodwill - Educator Impact <sup>1</sup>	5,925,498
Additions arising from business combinations – Customer relationships - Educator Impact <sup>1</sup>	3,660,618
Additions arising from business combinations – Software - Educator Impact <sup>1</sup>	94,200
Amortisation expense	(8,905,630)
Other including foreign exchange movements	2,361,471
<b>Balance at 31 December 2022</b>	<b>237,409,297</b>

<sup>1</sup>Refer to Note 3 – Business Combinations

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 8: PLANT & EQUIPMENT

	31 December 2022	30 June 2022
	\$	\$
Plant & equipment – at cost	7,877,728	6,482,846
Less: Accumulated depreciation	(4,258,514)	(3,320,857)
	<b>3,619,214</b>	<b>3,161,989</b>

Reconciliation of movements in fixed assets:

#### Plant and Equipment

	\$
Balance at 1 July 2021	2,764,399
Additions arising from business combination - Smoothwall	235,868
Additions arising from business combination - Cipafilter	135,858
Additions	1,559,039
Depreciation expense	(1,653,271)
Other including foreign exchange movements	120,096
<b>Balance at 30 June 2022</b>	<b>3,161,989</b>
Additions arising from business combination – Qustodio <sup>1</sup>	128,814
Additions	1,764,084
Depreciation expense	(1,469,803)
Other including foreign exchange movements	34,130
<b>Balance at 31 December 2022</b>	<b>3,619,214</b>

<sup>1</sup>Refer to Note 3 - Business Combination

### NOTE 9: RIGHT OF USE ASSET AND LEASE LIABILITIES

Amounts recognised in the balance sheet:

#### Lease Assets

	31 December 2022	30 June 2022
	\$	\$
Land and Building – right of use assets	5,932,024	5,052,812
Less: Accumulated Amortisation	(1,830,468)	(1,803,490)
	<b>4,101,556</b>	<b>3,249,322</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 9: RIGHT OF USE ASSET AND LEASE LIABILITIES (CONTINUED)

#### Lease Liabilities

##### Current

	31 December 2022	30 June 2022
	\$	\$
Lease Liability	1,527,701	1,315,393
<b>Total Current Lease Liability</b>	<b>1,527,701</b>	<b>1,315,393</b>

##### Non-Current

Lease Liability	2,969,914	2,336,868
<b>Total Non-Current Lease Liability</b>	<b>2,969,914</b>	<b>2,336,868</b>
<b>Total Lease Liabilities</b>	<b>4,497,615</b>	<b>3,652,261</b>

### NOTE 10: TRADE AND OTHER PAYABLES

	31 December 2022	30 June 2022
	\$	\$
Trade payables <sup>1</sup>	5,053,381	4,576,523
Accruals & other payables	9,056,969	6,381,265
<b>Total Trade and Other Payables</b>	<b>14,110,350</b>	<b>10,957,788</b>

<sup>1</sup> Current trade payables are non-interest bearing and are normally settled on 30-day terms.

### NOTE 11: BORROWINGS

	31 December 2022	30 June 2022
	\$	\$
<b>Current:</b>		
Insurance premium funding arrangements	94,898	418,317
Oracle loan financing	198,269	169,252
Convertible notes <sup>1</sup>	11,006,465	-
Other loan facilities	913,725	74,630
<b>Total Current Borrowings</b>	<b>12,213,357</b>	<b>622,199</b>
<b>Non-Current:</b>		
Oracle loan financing	-	203,339
Other loan facilities	2,594,676	-
<b>Total Non-Current Borrowings</b>	<b>2,594,676</b>	<b>203,339</b>

<sup>1</sup> 7,490 notes issued on 1 August 2022 at a face value of USD\$1,000. 3,328 of the notes are convertible at the option of the holder for an 18-month period at a conversion price of USD\$0.429 per share. The other 4,162 are convertible at the option of the holder for an 24-month period at a conversion price of USD\$0.429 per share. Note holders can also elect to have all or a portion of their debt repaid in cash if they do not wish to convert at the end of the conversion period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 12: DEFERRED CONSIDERATION

	31 December 2022	30 June 2022
	\$	\$
<b>Current:</b>		
Deferred Consideration – Cipafilter <sup>1</sup>	1,519,481	1,731,101
Deferred Consideration – Qustodio <sup>2</sup>	632,822	-
Total current deferred consideration	2,152,303	1,731,101
<b>Non-Current:</b>		
Deferred Consideration – Cipafilter <sup>1</sup>	1,301,991	1,836,071
Deferred Consideration – Qustodio <sup>2</sup>	632,822	-
Deferred Consideration – Educator Impact <sup>3</sup>	4,781,739	-
Total non-current deferred consideration	6,716,552	1,836,071
<b>Total Deferred Consideration</b>	<b>8,868,855</b>	<b>3,567,172</b>

<sup>1</sup>Cash paid in equal instalments over the period of 30 months from acquisition date on 1 March 2022.

<sup>2</sup>50% payable on 1 August 2023 and the remaining 50% on 1 August 2024. Refer to Note 3 – Business Combinations.

<sup>3</sup>Convertible performance consideration due 30 June 2024 unless revenue-based performance target is met sooner. Refer to Note 3 – Business Combinations. Convertible performance consideration and any accrued interest is convertible at the election of the sellers at \$0.60 per fully paid ordinary share. Management has exercised its judgement to determine that this performance target will be met based on its forecasts.

### NOTE 13: ISSUED CAPITAL

	2022 Number of Shares	2022 Number of Shares
Issued Ordinary Shares - no par value (fully paid)	902,077,999	821,925,392
Treasury shares	(2,775,262)	-
<b>Total</b>	<b>899,302,737</b>	<b>821,925,392</b>

#### (a) Ordinary Shares

Movement in ordinary share capital:

	Number of Shares	Value \$
<b>Opening balance - 1 July 2021</b>	391,266,604	106,052,956
Shares issued on exercise of Performance rights	6,158,131	-
Shares issued on exercise of Broker and Advisor options	1,507,500	303,075
Shares issued on exercise of employee options	1,502,697	270,485
Issue of Placement Shares	355,587,242	163,858,818
Issue of Cipafilter shares	13,116,316	5,508,853
Issue of NetRef consideration	4,225,921	1,358,854
Shares issued in lieu of cash remuneration or as incentive	3,312,679	1,874,674
Shares issued on exercise of Director options	686,753	-
Issue of Retail entitlement offer shares	44,561,551	24,508,853
Costs of shares issued	-	(9,211,773)
<b>Closing Balance – 30 June 2022</b>	<b>821,925,394</b>	<b>294,524,795</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 13: ISSUED CAPITAL (CONTINUED)

	Number of Shares	Value \$
Issue of placement shares <sup>1</sup>	32,494,312	-
Shares issued as interest settlement	91,216	102,543
Shares issued on exercise of performance rights	8,262,030	-
Shares issued on exercise of Seller/Advisor options	1,506,600	316,386
Shares issued on exercise of Director options	3,000,000	630,000
Issue of Qustodio consideration	18,241,404	5,837,249
Issue of Educator Impact consideration	9,744,567	3,118,261
Shares issued in lieu of cash remuneration or as incentive	4,037,214	1,463,221
Cost of shares issued	-	99,000
<b>Closing Balance – 31 December 2022</b>	<b>899,302,737</b>	<b>306,091,456</b>
Add: Closing balance of shares in FZO Trustee Account	2,775,262	
	<b>902,077,999</b>	

<sup>1</sup>Consideration for 32,494,312 shares issued by Placement were received before 30 June 2022 and shares subsequently issued on 1 July 2022.

#### (b) Treasury Shares

Treasury shares are shares issued in Family Zone Cyber Safety Limited that are held by the Company's Employee Share Trust for the purpose of issuing shares under the Employee Incentive Plan. Shares issued to employees are recognised on a first-in-first out basis:

Movement in treasury share capital:

	Number of Shares
<b>Opening balance - 1 July 2022</b>	-
Acquisition of shares by the Trust	7,300,000
Issued of deferred shares under the Company's Employee Incentive Plan	(4,524,738)
<b>Closing Balance – 31 December 2022</b>	<b>2,775,262</b>

### NOTE 14: RESERVES

#### Nature and Purpose of Share-Based Payment 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.

	31 December 2022 \$	30 June 2022 \$
Options	13,089,054	11,436,735
Performance Shares	10,326,802	1,660,671
Performance Rights	23,818,706	17,764,618
<b>Total Share-Based Payment Reserve</b>	<b>47,234,562</b>	<b>30,862,024</b>

#### Nature and Purpose of Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the Group's foreign controlled subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 14: RESERVES (CONTINUED)

	31 December 2022	30 June 2022
	\$	\$
Foreign Currency Translation Reserve	(11,043,825)	(11,429,299)
<b>Total Foreign Currency Translation Reserve</b>	<b>(11,043,825)</b>	<b>(11,429,299)</b>

*Movement in share-based payment reserve:*

	Performance Rights	Options	Performance Shares	Total
Balance at 1 July 2021	17,764,618	11,436,735	1,660,671	30,862,024
Performance rights expense recognised for the period - Remuneration	6,158,167	-	-	6,158,167
Options expense recognised for the period	-	1,652,319	-	1,652,319
Share based pay expense - Deferred consideration	-	-	8,504,044	8,504,044
Reversal of share-based payment expense as vesting conditions are not met	(349,372)	-	-	(349,372)
Other including foreign exchange movements	245,293	-	162,087	407,379
<b>Balance at 31 December 2022</b>	<b>23,818,706</b>	<b>13,089,054</b>	<b>10,326,802</b>	<b>47,234,561</b>

### NOTE 15: ACCUMULATED LOSSES

	31 December 2022	31 December 2021
	\$	\$
Accumulated Losses	(187,610,875)	(148,648,074)
Opening balance	(148,648,074)	(84,632,613)
Net loss for the period	(38,962,801)	(64,015,461)
<b>Total Accumulated Losses</b>	<b>(187,610,875)</b>	<b>(148,648,074)</b>

### NOTE 16: RELATED PARTY TRANSACTIONS

Other than as presented below, there were no material changes to the Group's related party transactions to those disclosed in the 30 June 2022 Annual Report.

#### Other Transactions with Key Personnel

##### Mr Peter Pawlowitsch

On 8 November 2022, 3,000,000 options were exercised by non-executive chairman Peter Pawlowitsch. Refer to Note 5 for further details.

##### Jane Watts

On 22 August 2022, 2,100,000 options were granted to director Jane Watts. Refer to Note 5 for further details.

##### Grange Consulting

Mr Phil Warren, a Director of the Company is also the Managing Director of Grange Consulting Group Pty Ltd ("Grange").

\$45,079 was paid to Grange for company secretarial services for the period ended 31 December 2022. No amounts were outstanding or payable to Grange as at 31 December 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 17: COMMITMENTS AND CONTINGENT LIABILITIES

The Directors are not aware of any other commitments or any contingent liabilities that may arise from the Group's operations as at 31 December 2022, other than as noted below:

As part of the acquisition of Qustodio, \$25,768,646 in deferred consideration is payable in the form of shares (estimated as 80,527,019 shares at 1 August 2022 closing rate of \$0.32 per share). 50% of the deferred consideration entitlement will be payable 12 months from closing date, on 1 August 2023, if both of the following conditions are met: a revenue-based target "monthly recurring revenue" ("MRR") reaches at least \$1,003,000 US Dollars by 1 August 2023 and the ratio of EBITDA to "gross billed revenue" for the business returns at least 9.5% margin for the 12-month period ending 1 August 2023.

The remaining 50% of the deferred consideration entitlement will be payable on 1 August 2024 if both of the following conditions are met: MRR reaches at least \$1,154,000 US Dollars by 1 August 2024 and the ratio of EBITDA to "gross billed revenue" for the business returns at least 9.5% margin for the 12-month period ending 1 August 2024.

The deferred consideration for the acquisition of Qustodio is contingent on the continued employment of the recipients. As result, AASB 3 – Business Combinations, requires the consideration to be treated under AASB 2 – Share Based Payments and expensed over the service period. As the balance is payable in two tranches 12 and 24 month from acquisition date, the expense is therefore recognised over the respective service periods of 12 and 24 months to 1 August 2023 and 1 August 2024 respectively.

Management has assessed a 100% probability of the performance milestones being met and have therefore recognised an expense of \$8,504,044 from 1 July to 31 December 2022 in relation to this share-based payment. An additional \$17,264,602 is expected to be recognised as share-based payment relating to this deferred consideration by 1 August 2024.

### NOTE 18: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 12 January 2023, 129,505 shares were issued for the December quarter interest on the Qustodio acquisition convertible notes. These shares were accrued for in the 31 December 2022 issued capital balance.

On 8 February 2023, Mr Crispin Swan resigned as Executive Director of the Company but remains as Chief Operating Officer of the Group.

### NOTE 19: CALCULATION OF LOSS PER SHARE

	31 December 2022	31 December 2021
	\$	\$
Loss after income tax attributable to the members of Family Zone Cyber Safety Ltd	38,962,801	31,280,424
Weighted average number of ordinary shares used in calculation basis loss per share	884,405,189	709,747,243
Basic and diluted (loss) per share attributable to equity holders (cents per share)	(4.41)	(4.41)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 20: DEFERRED TAX LIABILITIES

	31 December 2022	30 June 2022
	\$	\$
Deferred tax liabilities	18,893,057	12,002,697
<b>Total deferred tax liabilities</b>	<b>18,893,057</b>	<b>12,002,697</b>
		\$
Balance at 1 July 2021		-
Balance arising from business combinations fair value adjustments		14,330,048
Movements through income tax benefit		(1,414,093)
Other including foreign exchange movements		(913,258)
<b>Balance at 30 June 2022</b>		<b>12,002,697</b>
Balance arising from business combinations fair value adjustments – Qustodio <sup>1</sup>		7,644,466
Balance arising from business combinations fair value adjustments – Educator Impact <sup>1</sup>		938,705
Movements through income tax benefits		(1,998,018)
Other including foreign exchange movements		305,208
<b>Balance at 31 December 2022</b>		<b>18,893,057</b>

<sup>1</sup>Refer to Note 3 – Business combination.

### NOTE 21: FAIR VALUE MEASUREMENT

#### Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Unobservable inputs for the asset or liability.

Consolidated – 31 December 2022	Level 1	Level 2	Level 3	Total
<i>Liabilities</i>				
Deferred consideration payable – Cipafilter <sup>1</sup>	-	-	(2,821,471)	(2,821,471)
Deferred consideration payable – Educator Impact <sup>2</sup>	-	-	(4,781,739)	(4,781,739)
Convertible notes consideration – Qustodio <sup>3</sup>	-	(11,006,465)	-	(11,006,465)
<b>Total liabilities</b>	<b>-</b>	<b>(11,006,465)</b>	<b>(7,603,210)</b>	<b>(18,609,675)</b>
Consolidated – 30 June 2022	Level 1	Level 2	Level 3	Total
<i>Liabilities</i>				
Deferred consideration payable <sup>1</sup>	-	-	(3,567,172)	(3,567,172)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(3,567,172)</b>	<b>(3,567,172)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2022

### NOTE 21: FAIR VALUE MEASUREMENT (CONTINUED)

<sup>1</sup>Level 3 input of discount rate for Cipafilter deferred consideration.

<sup>2</sup>Level 3 input of annual recurring revenue for Educator Impact.

<sup>3</sup>Level 2 input of forward-looking foreign exchange rate for Qustodio convertible notes.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

	Deferred Consideration - Cipafilter & NetRef	Deferred Consideration - Educator Impact	Convertible note consideration - Qustodio	Total
<b>Balance at 1 July 2021</b>	(3,499,474)	-	-	<b>(3,499,474)</b>
Gains recognised in other comprehensive income	775,196	-	-	<b>775,196</b>
Consideration paid	2,724,278	-	-	<b>2,724,278</b>
Additions	(3,567,172)	-	-	<b>(3,567,172)</b>
<b>Balance at 30 June 2022</b>	<b>(3,567,172)</b>	-	-	<b>(3,567,172)</b>
Consideration paid	745,701	-	-	<b>745,701</b>
Additions	-	(4,781,739)	(11,006,465)	<b>(15,788,204)</b>
<b>Balance at 31 December 2022</b>	<b>(2,821,471)</b>	<b>(4,781,739)</b>	<b>(11,006,465)</b>	<b>(18,609,675)</b>

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Sensitivity
Deferred Consideration Payable – Cipafilter at 31 December 2022	Discount Rate	5% change would increase the fair value by \$18,882 and decrease by \$18,705
Deferred Consideration Payable – Educator Impact at 31 December 2022	Annual recurring revenue	5% change would increase the fair value by \$0 and decrease by \$105,000
Deferred Consideration Payable – Cipafilter at 30 June 2022	Discount Rate	5% change would increase the fair value by \$187,364 and decrease by \$173,427

## DIRECTORS' DECLARATION

In the Directors' opinion:

- a. the accompanying financial statements set out on pages 13 to 38 are 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 2022 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the half-year period ended on that date; and
  - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b. Subject to the matters set out in note 1b, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the period ended 31 December 2022.

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

On behalf of the Directors



Tim Levy  
Managing Director  
27 February 2023

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Family Zone Cyber Safety Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Family Zone Cyber Safety Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 1b in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



### **Responsibility of the directors for the 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 for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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.

**BDO Audit (WA) Pty Ltd**

The image shows a handwritten signature in black ink. The signature appears to be 'J Prue' with a stylized flourish at the end. Above the signature, the letters 'BDO' are handwritten in a simple, blocky font.

**Jarrad Prue**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth

27 February 2023