



Scout Security Limited

ABN 13 615 321 189

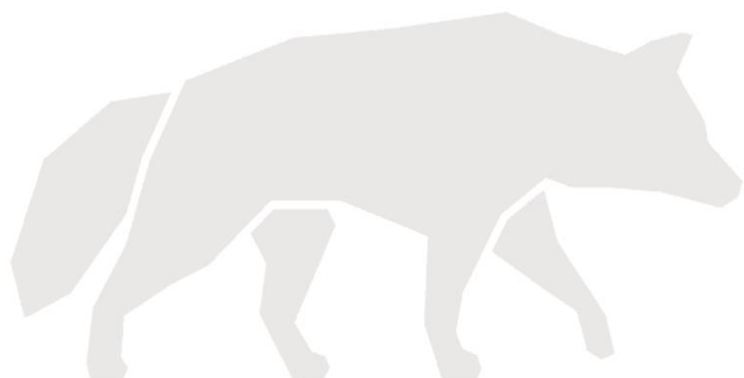
and its controlled entities

APPENDIX 4E

Preliminary Final Report

30 June 2021

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SCOUT SECURITY LIMITED

AND CONTROLLED ENTITIES

ABN 13 615 321 189

APPENDIX 4E

Preliminary final report

30 June 2021

Corporate directory

Current Directors

Mr Daniel Roberts	<i>Chief Executive Officer</i>
Mr Martin Pretty	<i>Non-executive Chairman</i>
Mr David Shapiro	<i>Non-executive Director</i>
Mr Anthony Brown	<i>Non-executive Director</i>
Mr Solomon Majteles	<i>Non-executive Director</i>

Company Secretary

Mr Stuart Usher

Registered Office - Australia

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Facsimile: +61 (0)8 6141 3599

Email: investors@scoutalarm.com

Website: www.scoutalarm.com

Registered Office – United States

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Unit 3S, Chicago, IL 60607
United States of America

Auditors

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283 Rokeby Road
SUBIACO WA 6008
Telephone: +61 (0)8 9426 0666

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Share Registry

Advanced Share Registry Limited
Street + Postal: 110 Stirling Highway
NEDLANDS WA 6009

Telephone: 1300 113 258 (within Australia)
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Securities Exchange

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Perth WA 6000

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ASX Code SCT

Bankers

Westpac Banking Corporation
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Company Update

1. Operating and financial review

1.1. Nature of Operations: Principal Activities

Scout Security Limited (ASX: SCT or the Company) was founded in Chicago, USA in 2013 and spent 7 years building a self-installed, wireless, home security platform. Scout's open, affordable, design-centric offering gives users complete flexibility around connected home security, allowing the system to integrate with other best-in-class connected home devices and offering flexible monthly subscriptions. Scout is an official partner of Amazon Alexa (including Alexa Guard) and Google's Assistant. Scout is also an Amazon Alexa Fund portfolio company.

The platform has proved itself attractive to large, iconic, global brands who have entered into white label partnership agreements with Scout which in the next phase of the Company's development will aid the roll out of systems in the United States and beyond.

1.2. Operations Review

BUSINESS DEVELOPMENT

The Company's focus in during FY21 was to deliver its integrated platform and product to its two key partners laying the foundation for sales growth. Key business development announcements during the period included:

July 2020:	White Label Partnership with Prosegur ¹
August 2020:	Integration with Amazon Alexa Guard
October 2020:	Receipt of Prosegur's first purchase order
November 2020:	White Label Partnership with US Telco Windstream ²
January 2021:	Receipt of first orders totalling more than \$1 million from Telco partner under continuing order program
March 2021:	Prosegur's launch of Qido in Peru and delivery of their first shipment
June 2021:	Shipment of first product to Telco partner, received and announced on 7 July 2021. Market launch imminent.

Scout has this financial year delivered stock to partners in two key markets on two continents. In doing so, Scout has been successful in working with its partners to reduce prices and improve quality, all the while maintaining margins and remaining within agreed delivery schedules.

Furthermore, the Company has overcome challenges presented by COVID's impact on the international supply chains.

¹ Prosegur Global Alarms ROW, S.L., a subsidiary of the European multinational

² Windstream Services LLC

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Company Update

Prosegur partnership

Under the white label partnership with Prosegur, Scout agreed to deliver its integrated white label home security solution to be marketed and sold by Prosegur. Scout received US\$500,000 to fund the customisation of Scout's platform and granted Prosegur a license to sell products based on Scout's technology in markets outside of the US.

The five-year agreement marked a significant milestone for Scout. Prosegur is a global leader in security services with revenue of more than €3.5 billion (~A\$5.7 billion) for the year ended December 2020. The partners defined an international growth strategy which centred on a rollout through the various markets where Prosegur had established operations, leveraging its extensive business development capability, financial resources and expertise in 26 non-English speaking geographies.

Peru was selected as the first market to launch Prosegur's home security range under the Qido brand in the second quarter. This was followed by first orders of hardware from Prosegur and the conclusion of final product, sales and post-sales support details.

The Qido home security range was officially launched in March 2021. The milestone saw the Qido.com website go live as part of a jointly-developed marketing plan aimed at building brand awareness and early sales momentum. The co-developed product range offered customers a full suite of home security products, including central alarm hubs, motion sensors, HD cameras and remote controls, along with a mobile app that provides full control of all functions and 24/7 monitoring plans.

In the fourth quarter Scout was involved in ongoing marketing activities in Peru while also preparing for the launch of Qido in a second market. The commercial partnership with Prosegur built on Scout's existing relationship with the European security leader as a strategic investor in the Company.

Windstream partnership

Scout announced a second major white label partnership in November after entering an agreement with Windstream, a US telecommunications company with more than a million customers and revenue of over US\$5 billion. The agreement provided for Windstream to license and sell Scout's home security product range to new and existing Windstream customers in the US under Windstream's "Kinetic Secure Home" brand.

Key terms of the agreement included set monthly license and service fees for each active system sold by Windstream as part of the cloud video storage and security monitoring services that are provided by Scout.

Following on from the initial Master Services Agreement, a scope of work was agreed with Windstream early in the second quarter, which defined a forecast order program and the terms of customisation work required. The start of the third quarter also saw total orders under the partnership reach exceed \$US1 million as Windstream readied its hardware inventory ahead of the market release.

By the end of FY21, development had been completed and Windstream was preparing to launch its home security systems after taking delivery of the first shipment of hardware. A planned launch in the last quarter of FY21 was postponed to early FY22 due to supply chain limitations.

Amazon Alexa integration

Early in FY21, Scout completed the development work to integrate its technology with Alexa Guard, Amazon's "smart home" security capability. Alexa Guard uses the capability of Amazon's smart speaker for home security applications, with extended functionality offered through Guard Plus. Scout was one of three alarms system providers to be selected by Amazon as an early integration partner for Alexa Guard.

With a positive outlook for growth in the "smart home" market of electronics and subscription-based services, the successful integration with Amazon's home security offering established a unique point of difference for Scout and provided a significant market validation win.

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Company Update

CORPORATE

Appointments

In the fourth quarter Scout announced the appointment of a new sales director in the US to accelerate growth in the strategically significant telecommunications market. The sales professional was selected for the depth of his experience with tier one telecommunications providers in the US and established networks.

Subsequent to year end, Martin Pretty was appointed chairman of the board. Mr Pretty has served as a non-executive director since July 2020 and is also managing director of the boutique fund manager, Equitable Investors, and a non-executive director of financial services group Centrepont Alliance Ltd (ASX: CAF) and technology communications company Spacetalk Ltd (ASX: SPA).

Scout also announced the appointment of a new Senior Program Manager subsequent to year end. Working from the Company's Chicago office, the staff member brings over two decades of experience in consumer electronics and will support Scout's international growth activities.

Funding activities

In the second quarter Scout raised \$3.5 million from investors with the issue of 25.93 million shares priced at 13.5 cents per share. The initial share placement raised \$3 million from sophisticated and professional investors before all eligible existing shareholders were offered the opportunity to participate in a share purchase plan. The components of the equity issue that required shareholder approval were passed with close to unanimous support at Scout's annual general meeting held in December.

1.3. Outlook

Through the latter half of FY21, we did see our hardware sales and revenue increase, earning more revenue in the last quarter than the other quarters combined. This trend is expected to continue into FY22 as its underpinned by an agreed order program with one customer and we anticipate new geographical launches with another. As these systems are sold into the market by our partners, we expect to see our Recurring Monthly Revenue increase.

As previously stated, it is the goal of the Company to reach breakeven on a cashflow basis by the end of CY21. This would include all revenue sources (Development Fees, Hardware Sales and RMR). It is a further goal of the Company for RMR alone to balance monthly cash burn. This should be achieved in CY22. The Company currently has enough orders for cameras and kits from its white label partners, that if all those units were sold into the end-user market, the resulting boost to recurring revenue would allow Scout to achieve cash flow breakeven on an RMR-only basis.

1.4. Financial Review

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred an increment in loss for the year to A\$3,943,796 (2020: A\$1,593,246 loss).

The Group's revenue for the year ended 30 June 2020 was recorded at \$1,671,133 as compared with the previous year ended 30 June 2019 which recorded \$3,124,846.

Through the latter half of FY21, we did see our hardware sales and revenue increase, earning more revenue in the last quarter than the other quarters combined. This trend is expected to continue into FY22 as its underpinned by an agreed order program with one customer and we anticipate new geographical launches with another. As these systems are sold into the market by our partners, we expect to see our Recurring Monthly Revenue increase.

The net assets of the Group have increased from 30 June 2020 by \$1,353,650 to \$(59,999) at 30 June 2021 (2020: \$(1,413,649)).

As at 30 June 2021, the Group's cash and cash equivalents increased from 30 June 2020 by \$1,840,265 to \$1,902,575 at 30 June 2021 (2020: \$62,310) and had a working capital deficit of \$32,558 (2020: \$(1,207,048) working capital deficit). Please refer to the Operations Review above for additional business segment performance.

Company Update

1.5. Future Developments, Prospects and Business Strategies

Likely developments in the operations of the Group have been disclosed in the Operating and Financial Review section of the Directors' Report.

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

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Results for announcement to the Market

for the year ended 30 June 2021

1 REPORTING PERIOD (item 1)			
■ Report for the financial year ended:	30 June 2021		
■ Previous corresponding period is the year months ended:	30 June 2020		
2 RESULTS FOR ANNOUNCEMENT TO THE MARKET			
	Movement	Percentage %	Amount \$
■ Decrease in revenues from ordinary activities (item 2.1)	↓	(46.52) to	1,671,133
■ Increase in loss from ordinary activities after tax attributable to members (item 2.2)	↑	147.53 to	(3,943,796)
■ Increase in loss from after tax attributable to members (item 2.3)	↑	147.53 to	(3,943,796)
a. Dividends (item 2.4)		Amount per Security ¢	Franked amount per security %
■ Interim dividend		nil	n/a
■ Final dividend		nil	n/a
■ Record date for determining entitlements to the dividend (item 2.5)	n/a		
b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Refer to the attached Operations Review.			
3 PRELIMINARY FINAL REPORT			
a. Statement of comprehensive income (item 3): Refer to Consolidated statement of profit or loss and other comprehensive income on page 8			
b. Statement of financial position (item 4): Refer to Consolidated statement of financial position on page 9			
c. Statement of cash flows (item 5): Refer to Consolidated statement of cash flows on page 11			
d. Statement of changes in equity (item 6): Refer to Consolidated statement of changes in equity on page 10			
4 DIVIDENDS (item 7) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS (item 14.2)			
Nil.			
a. Details of dividend or distribution reinvestment plans in operation are described below (item 8): Not applicable			

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Results for announcement to the Market

for the year ended 30 June 2021

5 RATIOS	Current period	Previous corresponding period
a. Financial Information relating to 5b and 5c:	\$	\$
Earnings for the period attributable to owners of the parent	(3,943,796)	(1,593,246)
Net liabilities	(59,999)	(1,413,649)
Less: Intangible assets (including net deferred tax balances)	-	-
Net tangible assets	(59,999)	(1,413,649)
	No.	No.
Fully paid ordinary shares	145,672,677	119,211,053
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	133,871,005	114,341,215
	¢	¢
b. Net tangible assets backing per share (cents) (item 9):	(0.041)	(1.186)
c. Earnings per share attributable to owners of the parent (cents) (item 14.1):	(2.946)	(1.393)
The Group does not report diluted earnings per share, as dilution is not applied to annual losses generated by the Group. During the 2021 financial year the Group had 14,833,468 unissued shares under option and 44,808,751 performance shares which are anti-dilutive.		
6 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 10)		
a. Control gained over entities		
■ Name of entities (item 10.1)	Nil	
■ Date(s) of gain of control (item 10.2)		
b. Loss of control of entities		
■ Name of entities (item 10.1)	Nil	
■ Date(s) of loss of control (item 10.2)	N/A	
c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 10.3).	Nil	
d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	Nil	
7 DETAILS OF ASSOCIATES AND JOINT VENTURE: (item 11)		
■ Name of entities (item 11.1)	Nil	
■ Percentage holding in each of these entities (item 11.2)	n/a	
	Current period	Previous corresponding period
	\$	\$
■ Aggregate share of profits (losses) of these entities (item 11.3)	N/A	N/A

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Results for announcement to the Market

for the year ended 30 June 2021

8 Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position. (item 12):

Refer to commentary update accompanying this 4E

9 The financial information provided in the Appendix 4E is based on the preliminary final report (attached), which has been prepared in accordance with Australian Accounting Standards (item 13)

10 **A COMMENTARY ON THE RESULTS FOR THE PERIOD** (item 14)

Refer to Company Update on page 1 . The Group had revenue of \$1,671,133 (2020: \$3,124,846) for the period.

11 The preliminary final report has been prepared based on the 30 June 2021 accounts which are in the process of being audited by an independent Audit Firm in accordance with the requirements of s.302 of the *Corporations Act 2001* (Cth). (item 15)

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APPENDIX 4E

Preliminary final report

30 June 2021

SCOUT SECURITY LIMITED

AND CONTROLLED ENTITIES

ABN 13 615 321 189

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
<i>Continuing operations</i>			
Revenue	1.1	1,671,133	3,124,846
Cost of sales		(814,924)	(1,133,243)
		856,209	1,991,603
Other income	1.2	190,094	31
Consultancy and professional fees		(959,673)	(772,327)
Depreciation and amortisation		-	(27,646)
Employment costs	2.1	(1,621,556)	(1,519,176)
Finance costs		(715,294)	(52,074)
Information technology costs		(268,886)	(284,942)
Occupancy costs		(127,358)	(129,103)
Share-based payments expense	6	(620,180)	-
Sales and marketing		(38,455)	(364,275)
Shipping and postage		(15,678)	(13,537)
Travel and accommodation		(6,211)	(44,136)
Other expenses		(616,808)	(377,664)
Loss before tax		(3,943,796)	(1,593,246)
Income tax expense		-	-
Net loss for the year		(3,943,796)	(1,593,246)
<i>Other comprehensive income, net of income tax</i>			
■ Items that may be reclassified subsequently to profit or loss:			
□ Foreign currency movement		103,930	14,386
Other comprehensive income for the period, net of tax		103,930	14,386
Total comprehensive income attributable to members of the parent entity		(3,839,866)	(1,578,860)

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

SCOUT SECURITY LIMITED

AND CONTROLLED ENTITIES

ABN 13 615 321 189

APPENDIX 4E

Preliminary final report

30 June 2021

Consolidated statement of financial position

as at 30 June 2021

	Note	2021 \$	2020 \$
<i>Current assets</i>			
Cash and cash equivalents	3.1	1,902,575	62,310
Trade and other receivables	3.2	55,353	19,963
Inventories	4.1	493,882	885,726
Other current assets	3.3	204,747	68,257
Total current assets		2,656,557	1,036,256
<i>Non-current assets</i>			
Financial assets	3.4	934,184	-
Total non-current assets		934,184	-
Total assets		3,590,741	1,036,256
<i>Current liabilities</i>			
Trade and other payables	3.5	741,897	1,212,519
Unearned revenues	3.6	1,947,218	1,030,785
Total current liabilities		2,689,115	2,243,304
<i>Non-current liabilities</i>			
Borrowings	3.7	712,500	206,601
Financial liabilities	3.8	249,125	-
Total non-current liabilities		961,625	206,601
Total liabilities		3,650,740	2,449,905
Net liabilities		(59,999)	(1,413,649)
<i>Equity</i>			
Issued capital	5.1	15,413,387	12,179,075
Reserves	5.4	5,359,116	3,295,982
Accumulated losses		(20,832,502)	(16,888,706)
Total equity		(59,999)	(1,413,649)

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

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Consolidated statement of changes in equity

for the year ended 30 June 2021

	Note	Contributed equity	Foreign Currency Translation Reserve	Share-based Payments Reserve	Accumulated Losses	Total equity
		\$	\$	\$	\$	\$
<i>Balance at 1 July 2019</i>		12,179,075	31,780	3,249,816	(15,295,460)	165,211
Loss for the year attributable owners of the parent		-	-	-	(1,593,246)	(1,593,246)
Other comprehensive income for the year attributable owners of the parent		-	14,386	-	-	14,386
Total comprehensive income for the year attributable owners of the parent		-	14,386	-	(1,593,246)	(1,578,860)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	5.1	-	-	-	-	-
Balance at 30 June 2020		12,179,075	46,166	3,249,816	(16,888,706)	(1,413,649)
<i>Balance at 1 July 2020</i>		12,179,075	46,166	3,249,816	(16,888,706)	(1,413,649)
Loss for the year attributable owners of the parent		-	-	-	(3,943,796)	(3,943,796)
Other comprehensive income for the year attributable owners of the parent		-	103,930	-	-	103,930
Total comprehensive income for the year attributable owners of the parent		-	103,930	-	(3,943,796)	(3,839,866)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	5.1	3,234,312	-	-	-	3,234,312
Options granted during the year	5.3	-	-	1,339,024	-	1,339,024
Performance shares	5.2	-	-	620,180	-	620,180
Balance at 30 June 2021		15,413,387	150,096	5,209,020	(20,832,502)	(59,999)

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

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SCOUT SECURITY LIMITED

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Preliminary final report

30 June 2021

Consolidated statement of cash flows

for the year ended 30 June 2021

Note	2021 \$	2020 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	2,831,943	3,618,180
Payments to suppliers and employees	(4,977,194)	(4,085,990)
Interest received	220	31
Finance costs	(8,453)	(51,826)
Net cash used in operating activities	(2,153,484)	(519,605)
<i>Cash flows from investing activities</i>		
Net cash used in investing activities	-	-
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	3,500,000	-
Payments for capital raising costs	(251,346)	-
Proceeds from convertible debt securities	750,000	-
Proceeds of borrowings	-	500,000
Repayment of borrowings	-	(500,000)
Government grants	-	216,601
Net cash provided by financing activities	3,998,654	216,601
Net increase / (decrease) in cash and cash equivalents held	1,845,170	(303,004)
Cash and cash equivalents at the beginning of the year	62,310	365,314
Change in foreign currency held	(4,905)	-
Cash and cash equivalents at the end of the year	1,902,575	62,310

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

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APPENDIX 4E

Preliminary final report
30 June 2021

SCOUT SECURITY LIMITED

AND CONTROLLED ENTITIES

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Notes to the Appendix 4E preliminary final report
for the year ended 30 June 2021

Note	1	Revenue and other income	2021	2020
			\$	\$
1.1		Revenue		
		Product sales	489,568	982,196
		Subscription revenues	518,279	619,507
		Development fees	649,895	933,403
		Licensing and support fees	13,391	589,740
			1,671,133	3,124,846
1.2		Other Income		
		Interest income	220	31
		Other	189,874	-
			190,094	31
Note	2	Loss before income tax	2021	2020
			\$	\$
The following significant revenue and expense items are relevant in explaining the financial performance:				
2.1		Employment costs		
		■ Salary and wages	1,519,254	1,419,196
		■ Director Fees	97,964	95,642
		■ Superannuation	4,338	4,338
			1,621,556	1,519,176

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Notes to the Appendix 4E preliminary final report
for the year ended 30 June 2021

Note 3 Financial assets and financial liabilities

		2021	2020
		\$	\$
3.1	Cash and cash equivalents		
	Cash at bank	1,902,575	62,310
		1,902,575	62,310
3.2	Trade and other receivables		
		\$	\$
3.2.1	<i>Current</i>		
	Trade receivable	55,353	19,963
		55,353	19,963
3.3	Other assets		
		\$	\$
3.3.1	<i>Current</i>		
	Deposits	180,370	-
	Other current assets	24,377	68,257
		204,747	68,257
3.4	Financial assets		
		\$	\$
3.4.1	<i>Current</i>		
	Convertible notes – transaction costs		
	Facilities, broker and T1 investors Options	1,220,073	-
	Fees	70,000	-
	Convertible note – Embedded Derivative at initial recognition	568,190	-
	Unwound during the period	(924,079)	-
		934,184	-
3.4.2	The transaction costs were incurred in relation to the raising of funds under the convertible note facility (note 3.7.2). These costs are required to be offset against the convertible note liability and amortised over the term of the convertible note and are treated as finance costs in profit or loss.		

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Notes to the Appendix 4E preliminary final report

for the year ended 30 June 2021

Note 3 Financial assets and financial liabilities (cont.)

3.5 Trade and other payables		2021	2020
		\$	\$
3.5.1	<i>Current</i>		
	<i>Unsecured</i>		
	Trade payables	542,120	960,671
	Accruals and other payables	199,777	251,848
		741,897	1,212,519
3.6 Unearned revenues		2021	2020
		\$	\$
3.6.1	<i>Current</i>		
	<i>Unsecured</i>		
	Unearned revenues	1,947,218	1,030,785
		1,947,218	1,030,785
3.7 Borrowings		2021	2020
		\$	\$
3.7.1	<i>Non-current</i>		
	Convertible notes – face value	712,500	-
	Government loans	-	206,601
		712,500	206,601

3.7.2 On 16 July 2020, the Company has entered into a Convertible Note Deed (“Note”) with clients of Gleneagle Securities (Aust) Pty Limited (“Gleneagle”) and existing shareholders of the Company, to raise up to \$2 million. The investors in the Note include institutional and sophisticated investors. The key features of the Note are summarised below:

- **Term:** The term of the Note is 2 years.
- **Conversion:** Each Note may be converted into one fully paid ordinary share in the capital of the Company at the Conversion Price (below).
- **Conversion Price:** The conversion price of the Note will be the lower of:
 - 7c (which is a 40% premium to Scout’s last traded price of 5c) and;
 - a 20% discount to any future equity issuance by the Company, subject to a floor price of 3c.
- **Variation to Conversion Price:** In the event the Company undertakes a bonus issue, rights issue or capital reorganization (including consolidation, subdivision, reduction or return), the conversion price (including the floor price) will be varied to the extent applicable and subject to the ASX Listing Rules to place investors in substantially the same position as they would have been had no such event occurred.
- **Facility Options:** In consideration for participation in the Note, Investors will be paid a Facility Fee in the form of 2,980,276 Options (issued proportionate to their individual investment).
- **Initial Instalment:** Scout will draw \$750,000 in an Initial Instalment at completion:
 - In consideration for participation in the Initial Instalment, Investors will be issued a total of 8,035,715 Options (proportionate to their investment in the Initial Instalment), Shareholders approved the issue at the Annual General Meeting held on 23 December 2020.
 - The Investors will have the right to convert the Initial Instalment at any time.

Notes to the Appendix 4E preliminary final report

for the year ended 30 June 2021

Note 3 Financial assets and financial liabilities (cont.)**3.7 Borrowings(cont.)**

- **Subsequent Instalments:** Scout may draw, but is under no obligation to draw, Subsequent Instalments totalling \$1.25 million. Until such time as Scout elects to draw a Subsequent Instalment, Scout will be under no obligation to issue any securities beyond those issued to investors under the Initial Instalment and will not be penalized in any way should it elect not to draw any Subsequent Instalment.
 - It is a condition precedent to Scout electing to draw a Subsequent Instalment that it has sufficient placement capacity at the time the drawing is made to issue the Subsequent Instalment, including all shares and options to be issued in connection with the Subsequent Instalment.
 - Subsequent Instalments may be drawn monthly on 21 days' notice in instalments of either \$250,000 or \$500,000, subject to Scout's share price being greater than 80% of the conversion price (determined based on the conversion price as at the date of the drawdown request and the proposed issue date of the Note, respectively).
 - In consideration for participation a Subsequent Instalment, Investors will be issued a number of Options proportionate to their investment, calculated on the basis that 2 Options will be issued for the equivalent of 1 converted share, with the potential of issuing a total of 35,714,286 Options.
 - The Company may elect to redeem any Subsequent Instalments ahead of any conversion rights.
 - **Interest:** Interest of 5% p.a. is payable on drawn funds, accruing daily and payable quarterly.
 - **Gleneagle Fee:** A further 2,384,221 Options will be issued to Gleneagle and supporting brokers as part of their fee.
 - **Option terms:** All Options in the transaction will be exercisable at 7c and will expire on 16 July 2024.
- \$37,500 of the initial instalment of \$750,000 were converted to shares during the year.

3.7.3 On 21 April 2020, the Company has been approved by the US Small Business Administration (SBA) to access non-dilutive, forgivable funding as part of the Paycheck Protection Program ("PPP"), pursuant to the recently adopted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

Under the PPP, the US government has authorised up to US\$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. The program provides eligible companies with 2.5x their expected monthly payroll costs to support them through the COVID-19 crisis.

The Company has been approved for an unsecured loan of US\$141,790, based on its calculation of the maximum amount it is permitted given the current guidance provided by the United States Department of Treasury. The loan is due in two years, attracts a fixed annual interest rate of 1% and all payments are deferred for 6 months; however, interest will continue to accrue over this period.

3.8 Financial liabilities**3.8.1 Non-current**

Convertible note – Embedded Derivative liability

	2021	2020
	\$	\$
	249,125	-
	249,125	-

3.8.2 On 16 July 2020, the Company has entered into a Convertible Note Deed (Note 3.7.2). On application of AASB 9 Financial Instruments the Group accounts for convertible security financing on a fair value basis. As the terms of the conversion feature was not fixed for fixed number of shares, the conversion feature was deemed to be an embedded derivative liability. On initial recognition the fair value of the conversion rights granted was included in the transaction costs as detailed in note 10. The conversion rights will be recognised as equity on the extinguishment of the convertible note for shares if exercised, otherwise they will be recouped in profit or loss if not converted.

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APPENDIX 4E

 Preliminary final report
 30 June 2021

SCOUT SECURITY LIMITED

AND CONTROLLED ENTITIES

ABN 13 615 321 189

Notes to the Appendix 4E preliminary final report

for the year ended 30 June 2021

Note 4 Non-financial assets and financial liabilities
4.1 Inventories

	2021 \$	2020 \$
Finished goods - at cost	493,882	539,010
Prepayments – inventory orders	-	346,716
	493,882	885,726

Note 5 Equity
5.1 Issued capital

	2021 No.	2020 No.	2021 \$	2020 \$
Fully paid ordinary shares at no par value	145,672,677	119,211,053	15,413,387	12,179,075
5.1.1 Ordinary shares				
At the beginning of the year	119,211,053	119,211,053	12,179,075	12,179,075
Shares issued during the year:				
■ Conversion of convertible debt securities @ \$0.07 per share	535,714	-	37,500	-
■ Embedded derivative component on conversion of convertible debt	-	-	67,109	-
■ Tranche 1 Placement @ \$0.135 per share	13,723,980	-	1,852,737	-
■ Share purchase plan @ \$0.135 per share	1,496,282	-	202,000	-
■ Tranche 2 Placement @ \$0.135 per share	8,498,241	-	1,147,263	-
■ Shortfall share purchase plan @ \$0.135	2,207,407	-	298,000	-
■ Transaction costs relating to share issues				
■ Cash	-	-	(251,346)	-
■ Equity based	-	-	(118,951)	-
At end of the year	145,672,677	119,211,053	15,413,387	12,179,075

5.2 Performance shares

	2021 No.	2020 No.	2021 \$	2020 \$
Performance shares	44,808,751	36,000,000	620,180	-
At the beginning of the year	36,000,000	36,000,000	-	-
Performance shares movement during the year:				
■ Issued	8,808,751	-	620,180	-
At end of the year	44,808,751	36,000,000	620,180	-

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Notes to the Appendix 4E preliminary final report

for the year ended 30 June 2021

5.3 Options	Note	2021	2020	2021	2020
		No.	No.	\$	\$
Options		14,833,468	27,300,001	4,588,840	3,249,816
At the beginning of the year		27,300,001	42,972,175	3,249,816	3,249,816
Options issued/(lapsed) during the year:					
■ Options lapsed		(27,300,001)	(16,005,508)	-	-
■ Issue of loan options	5.3.1	-	333,334	-	-
■ Issue of facility options	5.3.2	2,980,276	-	271,351	-
■ Issue of brokers options	5.3.3	2,384,221	-	217,080	-
■ Issue of advisor options	5.3.4	1,433,256	-	118,951	-
■ Issue of T1 investor options	5.3.5	8,035,715	-	731,642	-
At end of the year		14,833,468	27,300,001	4,588,840	3,249,816

5.3.1 These options have been granted in accordance with a Loan agreement for a \$500,000 working capital loan. The loan was drawn down on 28 September 2018. As part of the loan agreement interest was payable at 12.25%, however the lender had the option to charge interest at 7.25% in exchange for options to buy shares in the company. The lower rate of interest was charged for the entire period. The value of the options comprises the difference in the interest charged between the two rates. The loan was repaid during the financial year ended 30 June 2019.

5.3.2 On 24 July 2020, 2,980,276 facility options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.3.3 On 24 July 2020, 2,384,221 brokers options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.3.4 On 21 December 2020, 1,433,256 advisors at exercise price of \$0.135 expiring 31 December 2024 were issued.

5.3.5 On 23 December 2020, 8,035,715 T1 Investor options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.4 Reserves

	2021	2020
	\$	\$
Foreign currency translation reserve	150,096	46,166
Share-based payment reserve	5,209,020	3,249,816
	5,359,116	3,295,982

Note 6 Share-based payments

	2021	2020
	\$	\$
6.1 Share-based payments:		
■ Recognised in profit and loss (expenses)	620,180	-
■ Recognised in equity (transaction costs)	118,951	-
■ Recognised in financial assets	1,220,073	-
Gross share-based payments	1,959,204	-

