



**MAXSEC GROUP LIMITED
AND
CONTROLLED ENTITIES
(ABN 89 000 029 265)**

**APPENDIX 4D - INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

**PROVIDED TO THE ASX
UNDER LISTING RULE 4.2A.3**

This half-year financial report constitutes the Appendix 4D prepared in accordance with the Australian Securities Exchange Listing Rules and the half year financial report in accordance with the Corporations Act 2001. This report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 30 June 2016 and any public announcements made by MaxSec Group Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Appendix 4D

Interim Financial Report for the Half-Year Ended 31 December 2016

Name of entity: MaxSec Group Limited (ABN 89 000 029 265)

1. Reporting period

Report for the half year ended: 31 December 2016

Previous corresponding period is the financial year ended 30 June 2016 and half year ended 31 December 2015.

2. Results for announcement to the market

Key Information	Half-year Ended 31-Dec-16 \$A'000	Half-year Ended 31-Dec-15 \$A'000	% Change
Revenue from ordinary activities	2,998	2,063	+45.33%
Profit/(loss) after tax from ordinary activities attributable to members	-1,613	142	-1,236.59%
Net Profit/(loss) attributable to members	-1,613	142	-1,236.59%
Dividends paid and Proposed <i>(item 2.4)</i>	Amount per security (cents)	Franked amount per security at 30% of Tax (cents)	
2015 Final dividend	N/A	N/A	
2016 Interim dividend	N/A	N/A	
2016 Final dividend	N/A	N/A	
Previous corresponding period	N/A	N/A	
Record date for determining entitlements to the dividends <i>(item 2.5)</i>			
Explanation of Key Information and Dividends <i>(item 2.6)</i> :			
An explanation of the above figures is contained in the "Review of Operations" included within the attached Directors' Report.			

3. Net tangible assets per security (item 3)

	Half-year Ended 31-Dec-16 \$/share	Half-year Ended 31-Dec-15 \$/share
Net tangible asset per share	1.182 cents	1.280 cents

4. Details of control gained or lost over entities in the half-year: (item 4)

Control gained over entities

Name of entity (item 4.1)	N/A
Date(s) of gain of control (item 4.2)	N/A
Contribution to consolidated profit / (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	A\$'000 N/A
Profit/(loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	A\$'000 N/A

Loss of control over entities

Name of entity (item 4.1)	N/A
Date(s) of gain of control (item 4.2)	N/A
Contribution to consolidated profit/(loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	A\$'000 N/A
Profit/(loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	A\$'000 N/A

5. Dividend details (item 5)

	Date of payment	Total Amount of dividend
Interim dividend - year ended 30 June 2016	N/A	N/A
Final dividend - year ended 30 June 2015	N/A	N/A

Amount per security

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Total Dividend	Current year	N/A	N/A	N/A
	Previous year	N/A	N/A	N/A

Total dividend on all securities

	Current Period \$A'000	Previous Period \$A'000
Ordinary securities (each class separately)	N/A	N/A
Preference securities (each class separately)	N/A	N/A
Other equity instruments (each class separately)	N/A	N/A

6. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

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

7. Investment in associates and joint venture (item 7)

Material investment in associates or joint ventures are as follows:	% Securities held
BQT Polito Space Technologies Spa	40

Aggregate share of profits/(losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2016 A\$'000	2015 A\$'000
Profit/(loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
Net profit/(loss) from ordinary activities after tax	N/A	N/A
Adjustments	N/A	N/A
Share of net profit/(loss) of associates and joint venture entities	N/A	N/A

8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached), which has been prepared in accordance with Australian accounting standards.

The half year condensed financial report attached.

9. Independent review of the financial report (item 9)

The financial report has been independently reviewed. The financial report is not subject to any qualified independent review statement.

10. Matters relating to a qualified independent review statement

There is no dispute or qualification in the respect of the independent review of the half-year financial report.



MAXSEC GROUP LIMITED

(ABN 89 000 029 265)

Interim Financial Report

For The Half-Year Ended 31 December 2016



TABLE OF CONTENTS

	Page
Directors' Report	3
Auditor's Independence Declaration	5
Consolidated Statement of Profit and Loss and other Comprehensive income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	13
Independent Auditor's Review Report	14

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2016.

Directors

The names of directors who held office during or since the end of the half-year:

Robert Andrew Broomfield	- Chairman
Geoffrey John Cleaves	- Chief Executive Officer
Christopher Fergus	- Executive Director
Jacobus J (Johan) Landsberg	- Non-Executive Director

Review of Operations

The six months to 31 December 2016 has been a period of continued growth and expansion of our market sectors and channels. Key achievements during the period are:

- AVA commenced operations and building client revenue;
- AVA establishing foundation client service level agreements;
- Access Hardware Group appointed as a BQT Solutions Distributor;
- Appointment of a new sales resource in the MENA market;
- Development and Launch of IP based Biometric Scanners;
- Development of a new 125khz phase shift card reader product; and
- Launch of our new range of OSDP output readers.

Revenue

The Company's consolidated sales revenue for the half year to 31 December 2016 was \$2,997,715 (\$2,062,637 : half year to 31 December 2015). This represents an improvement of \$935,078 (45.3%) over the corresponding period last year and is reflective of increased marketing efforts, new distribution agreements and the establishment of AVA operations.

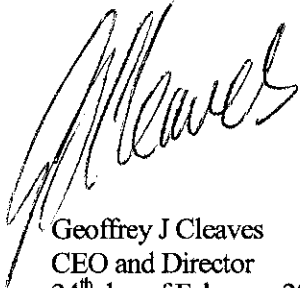
Consolidated Result

The consolidated loss of the Company for the half year ended 31 December 2016 amounted to \$1,613,271 (\$141,939 profit: half year to 31 December 2015). The loss is reflective of the resourcing of the AVA during the establishment period.

Auditor's Independence Declaration

The leading auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2016.

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

A handwritten signature in black ink, appearing to read 'G. Cleaves', is positioned above the printed name and title.

Geoffrey J Cleaves
CEO and Director
24th day of February 2017

WONG & MAYES AUDIT PTY LTD
CHARTERED ACCOUNTANTS
A.B.N 48 601 181 533

LEVEL 16 309 KENT STREET
SYDNEY, N.S.W. 2000
P.O. BOX H169
AUSTRALIA SQUARE SYDNEY 1215
TELEPHONE: (02) 8245 0600
FACSIMILE: (02) 8245 0632
<mailto:mailbox@wongmayes.com.au>
www.wongmayes.com.au

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MAXSEC GROUP LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been no contraventions of :

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

WONG & MAYES



Silas Chan | Director

Sydney

20 February 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated Group	
	Note	Half-year Ended 31/12/2016	Half-year Ended 31/12/2015
		\$	\$
Revenue	2	2,997,715	2,062,637
Other income	2	268,456	207,945
Other comprehensive income		-	-
Raw materials and consumables used		(1,684,767)	(846,521)
Employee benefits expense		(2,135,009)	(634,873)
Depreciation and amortisation expense		(152,983)	(135,114)
Finance costs		(1,603)	(2,868)
Other expenses		(905,080)	(509,267)
Profit/(loss) before income tax		(1,613,271)	141,939
Income tax expense		-	-
Profit/(loss) from continuing operations		(1,613,271)	141,939
Profit/(loss) from discontinued operations		-	-
Profit/(loss) for the period		(1,613,271)	141,939
Net Profit/(loss) attributable to:			
- members of the parent entity		(1,613,271)	141,939
- non-controlling interest		-	-
		(1,613,271)	141,939
Earnings per share			
From continuing and discontinued operations:			
- basic earnings per share (cents)		-0.393	0.070
- diluted earnings per share (cents)		-0.374	0.065
From continuing operations:			
- basic earnings per share (cents)		-0.393	0.070
- diluted earnings per share (cents)		-0.374	0.065

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Consolidated Group	
	As at 31/12/2016	As at 30/06/2016
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,823,691	4,967,862
Trade and other receivables	1,480,956	1,770,706
Inventories	1,131,811	1,042,706
Other assets	432,763	117,145
TOTAL CURRENT ASSETS	5,869,221	7,898,419
NON-CURRENT ASSETS		
Property, plant and equipment	113,769	104,580
Intangible assets	2,307,414	2,148,563
TOTAL NON-CURRENT ASSETS	2,421,183	2,253,143
TOTAL ASSETS	8,290,404	10,151,562
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	917,515	1,015,038
Provisions	159,221	159,438
TOTAL CURRENT LIABILITIES	1,076,736	1,174,476
NON-CURRENT LIABILITIES		
Provisions	53,663	53,663
TOTAL NON-CURRENT LIABILITIES	53,663	53,663
TOTAL LIABILITIES	1,130,399	1,228,139
NET ASSETS	7,160,005	8,923,423
EQUITY		
Issued capital	66,857,280	66,857,280
Reserves	24,476,280	24,626,427
Retained earnings	(84,173,555)	(82,560,284)
Parent entity interest	7,160,005	8,923,423
Non-controlling interest	-	-
TOTAL EQUITY	7,160,005	8,923,423

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated Group	Ordinary Share Capital	Share Based Expenses Reserves	Capital Profit Reserve	Foreign Currency Translation Reserves	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	60,761,198	23,276,902	1,031,042	106,490	(81,169,728)	4,005,904
Comprehensive income						
Profit for the period	-	-	-	-	141,939	141,939
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	141,939	141,939
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period	280,000	-	-	-	-	280,000
Foreign currency translation reserve	-	-	-	235,934	-	235,934
Total transactions with owners and other transfers	280,000	-	-	235,934	-	515,934
Balance at 31 December 2015	61,041,198	23,276,902	1,031,042	342,424	(81,027,789)	4,663,777
Balance at 1 July 2016	66,857,280	23,336,624	1,031,042	258,760	(82,560,284)	8,923,423
Comprehensive income						
Profit for the period	-	-	-	-	(1,613,271)	(1,613,271)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(1,613,271)	(1,613,271)
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period	-	-	-	-	-	-
Foreign currency translation reserve	-	-	-	(150,146)	-	(150,146)
Total transactions with owners and other transfers	-	-	-	(150,146)	-	(150,146)
Balance at 31 December 2016	66,857,280	23,336,624	1,031,042	108,614	(84,173,555)	7,160,005

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated Group	
	Half-year Ended 31/12/2016	Half-year Ended 31/12/2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,498,901	2,664,611
Payments to suppliers and employees	(5,360,063)	(2,556,414)
Dividends received	-	-
Interest received	13,396	3,752
Finance Costs	(1,603)	(742)
Income tax paid	-	-
R & D Tax Refund	-	-
Net cash (used in)/provided by operating activities	(1,849,369)	111,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	-	-
Purchase of capital expenditure (Product Capitalisation)	(265,907)	(205,435)
Purchase of property, plant and equipment	(28,251)	-
Net cash used in investing activities	(294,158)	(205,435)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	280,000
Repayment of borrowings	-	-
Net cash (used in)/provided by financing activities	-	280,000
Net decrease in cash held	(2,143,527)	185,772
Cash and cash equivalents at beginning of period	4,967,862	681,621
Exchange Adjustment	(644)	(6,983)
Cash and cash equivalents at end of period	2,823,691	860,410

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant accounting policies

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of MaxSec Group Limited and its controlled entities (referred to as the “consolidated group” or “group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 22 February 2017.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

2. Profit for the Period

	Consolidated Group	
	Half-year Ended 31/12/2016	Half-year Ended 31/12/2015
	\$	\$
Revenue from continued operations		
Sales revenue	2,984,317	2,056,829
Other revenue		
- R & D Tax Refund	224,832	207,945
- Others	43,624	-
Interest income	13,398	5,808
Total revenue and other income from continued operation	3,266,171	2,270,582

3. Dividends

No dividend was declared or paid during the current and previous interim periods.

4. Business Combinations

No business combination has occurred during the current interim periods.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

5. Operating Segments

(i) Segment performance

	Australia	UK	US	SEA	AVA	Total
	\$	\$	\$	\$	\$	\$
Half-year ended 31 December 2016						
Revenue						
External sales	1,005,294	399,010	30,787	1,098,952	450,276	2,984,318
Intersegment sales	358,897	-	-	349,478	-	780,375
Other income	224,832	-	-	43,624	-	268,456
Interest revenue	13,396	-	-	-	-	13,396
Total segment revenue	1,646,044	399,010	30,787	1,448,430	450,276	3,974,547
Segment net profit before tax	640,743	(1,555)	(42,521)	83,154	(1,868,289)	(1,188,468)

Reconciliation of segment result to group net profit/(loss) before tax

Amounts not included in segment result but reviewed by the Board:

– depreciation and amortisation (152,983)

Unallocated items:

– finance costs (1,603)

– corporate charges (270,217)

Net profit before tax from continuing operations (1,613,271)

Half-year ended 31 December 2015

Revenue						
External sales	1,036,076	395,855	23,607	601,290	-	2,056,828
Intersegment sales	401,275	-	-	280,800	-	682,075
Other income	207,945	-	-	-	-	207,945
Interest revenue	5,808	-	-	-	-	5,808
Total segment revenue	1,651,104	395,855	23,607	882,090	-	2,952,656
Segment net profit before tax	526,664	(29,769)	(39,516)	73,477	-	530,857

Reconciliation of segment result to group net profit/(loss) before tax

Amounts not included in segment result but reviewed by the Board:

– depreciation and amortisation (135,115)

Unallocated items:

– finance costs (2,868)

– corporate charges (250,936)

Net profit before tax from continuing operations 141,939

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

5. Operating Segments (cont.)

(ii) Segment assets

	Australia	UK	US	SEA	AVA	Total
	\$	\$	\$	\$	\$	\$
Opening balance 1 July 2016	6,302,109	378,142	67,448	2,832,092	571,771	10,151,562
Additions	-	96,835	-	-	297,970	394,805
Disposals	(2,175,957)	-	(26,856)	(53,149)	-	(2,255,963)
Closing balance 31 December 2016	4,126,152	474,977	40,592	2,778,943	869,741	8,290,405
Opening balance 1 July 2015	2,137,943	304,626	44,384	3,301,024	-	5,787,957
Additions	622,953	-	5,959	-	-	508,169
Disposals	-	(515)	-	(358,804)	-	(25,202)
Closing balance 31 December 2015	2,760,896	304,111	50,343	2,949,220	-	6,057,570

(iii) Segment liabilities

	Australia	UK	US	SEA	AVA	Total
	\$	\$	\$	\$	\$	\$
Segment liabilities	20,440,316	8,771,270	2,643,209	2,912,156	4,211,145	38,978,096
Intersegment eliminations	(16,669,980)	(9,683,359)	(5,161,191)	(2,628,609)	(3,704,558)	(37,847,697)
Closing balance 31 December 2016	3,770,336	(912,089)	(2,517,982)	283,547	506,587	1,130,399
Segment liabilities	20,917,254	10,208,734	2,530,542	2,897,643	-	36,554,174
Intersegment eliminations	(17,084,113)	(10,870,838)	(5,077,869)	(2,127,561)	-	(35,160,381)
Closing balance 31 December 2015	3,833,141	(662,104)	(2,547,327)	770,083	-	1,393,793

Note 6: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting period.

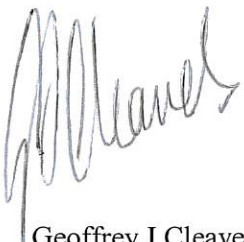
Note 7: Events After the end of the interim period

The directors are not aware of any significant events since the end of the interim period.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of MaxSec Group Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 12 are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declaration required by s 295A of the Corporations Act 2001 from the Chief Executive Officer.



Geoffrey J Cleaves
CEO and Director

Dated this 24th of February 2017

MAXSEC GROUP LIMITED AND CONTROLLED ENTITIES

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MAXSEC GROUP LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MaxSec Group Limited which comprises the consolidated condensed statement of financial position as at 31 December 2016 and the consolidated condensed statement of profit & loss, the consolidated statement of comprehensive income, consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of MaxSec Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including, giving a true and fair view of MaxSec Group Limited's financial position as at 31 December 2016 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. As the auditor of MaxSec Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of MaxSec Group Limited's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

WONG & MAYES AUDIT PTY LTD
Chartered Accountants



Silas Chan | Director

Dated at Sydney this ²⁴ day of February 2017