MAXSEC

MAXSEC GROUP LIMITED

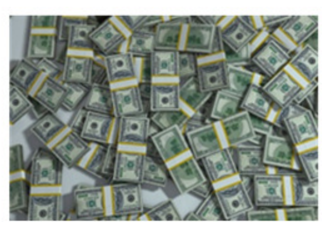
2017 Annual Financial Report

ABN 89 000 029 265

bqt SOLUTIONS

AVA

THINK GLOBAL



Corporate Directory

MaxSec Group Limited
ABN 89 000 029 265

Directors
Robert A Broomfield
(Chairman, Non-Executive Director)

Geoffrey J Cleaves
(CEO and Executive Director)

Christopher Fergus
(Executive Director)

Jacobus J (Johan) Landsberg
(Non-Executive Director)

Company Secretaries
Jared Pearson
Geoffrey J Cleaves

Registered Office
Unit 29, 1 Talavera Road
North Ryde NSW 2113
Tel: +61 2 8817 2800
Fax: +61 2 8817 2811
Web: www.maxsec.com
Email: investors@maxsec.com

Bankers
Westpac Banking Corporation
60 Martin Place
Sydney NSW 2000

Australia and New Zealand Banking Group Limited
Level 4 Shop 433
Macquarie Shopping Centre, Herring Road
North Ryde NSW 2113

Share Register
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000
Tel: +61 8 8236 2300
Fax: +61 8 8236 2305

Auditors
Wong & Mayes Audit Pty Limited
Level 16, 309 Kent Street
Sydney NSW 2000

Australian Stock Exchange Listing
ASX: MSP
Home Exchange Sydney, NSW

About Us

MaxSec Group is a leading global provider of integrated security, turn-key solutions and secure international logistics services.

MaxSec Group has a world class research and development team, a strong portfolio of proprietary products and, where relevant, sources products through partnerships with leading manufacturers to meet the supply requirements of its customers.

The product portfolio of the Group consists of smart card based access control, biometric solutions and electromechanical locking devices, which are installed in thousands of locations globally.

MaxSec Group has also established a new business, Ava, to provide secure international logistics of high value cargo on a fully insured door to door basis. Ava offer a truly global service capability, delivered from its own strategically located offices (New York, London, Frankfurt, Dubai and Singapore) with support from a network of specialist and strategic partners in over 100 countries.

Notice of Annual General Meeting

The AGM of MaxSec Group Limited will be held on 6th November 2017 at 2:00pm (Sydney time) at:

North Shore Corporate Centre
810 Pacific Highway
Gordon NSW 2072

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CHAIRMAN'S REPORT

Dear Shareholders,

It is my pleasure to present the 2017 Annual Report for MaxSec Group Limited.

The 2017 Financial Year saw the Group further progress the expansion of its secure international logistics division, Ava and the establishment of further resources to expand the BQT Solution's business market reach.

As a result of this investment in progressing business growth, the Group generated a net loss of $3.435 million for the year. Revenue of $7.449 million was reported for the financial year, a 71% increase on the previous year.

The CEO's report further details the progress by management and staff against the company's strategic objectives and goals, including the expansion of the global sales capabilities, the augmentation and improvement to the BQT Solution access control solutions, and AVA's expansion of service level agreements.

Some of the highlights include:-

- The Group's secure international logistics division, Ava has executed service level agreements with key foundation clients who have a total annual international logistics spend in excess of $45 million;
- BQT Solutions appointed additional sales resources in the US, European and MENA markets; and
- Further expansion of BQT's highly secure smart readers.

On behalf of the Board I would like to sincerely thank management and staff for their dedication and effort during the year.

Robert A Broomfield
Chairman

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

It is my pleasure to report that the Group is continuing in achieving its strategic objectives of building its business in the Security industry.

Revenue was up 71.46% to $7.449 million on the previous year (2016: $4.344 million).

The net loss for the year of $3.435 million (2016: $1.391 million) is as a result of the continued investment in the establishment of Ava and the capability and capacity expansion in the Group.

Year ended		Net Profit / (Loss)	Revenue
30 June, 2017	($000's)	(3,435)	7,449
30 June, 2016	($000's)	(1,391)	4,344
30 June, 2015	($000's)	411	5,202

Ava, our secure international logistics division,continued building its portfolio of foundation clients and is succesfully contributing to the Group's revenues. Ava has established service level agreements with clients that have a total combined logistics annual spend of $45 million and are in advanced discussions with a pipeline of clients who have a a total combined logistics annual spend in excess of $60 million.

Our Access Control Products business BQT Solutions strengthened its sales team during the year with appointments of additional Business Development Managers in the Americas, MENA and Europe and a new Global Sales and Marketing Executive to manage and drive the sales team to expand our relationships with global blue chip clients and other product opportunities.

BQT Solution's product portfolio remained leading edge with further developments during the year of our miPASS Access template management system, range of managed biometric products, miPASS Strata offline access control system, OSDP output readers, Phase and Amplitude modulation shift migration readers and improvements to our range of highly secure smart readers.

At the end of the Financial Year Net Cash available for completion of the establishment of Ava and the expansion of the current business of the consolidated group was $1.587 million (2016: $4.968 million). We have subsequently raised an additional $1.845 million through a private placement of 61,500,000 shares to Future Fibre Technologies Limited on 24 August, 2017 for the purposes of increasing working capital and to fuel growth.

On the 24 August, 2017 Future Fibre Technologies Limited (FFT) and the Company announced that FFT would make a takeover bid to acquire the issued capital of the Company. The Directors believe that there are substantial benefits of a merged business with FFT including greater sales opportunites over a complementary client base supported by an increased geographical footprint. The merger creates further cost and overhead efficiency opportunities together with a much bigger balance sheet to provide greater credibility to the market.

Your Directors remain committed on continuing to execute and deliver the Group's stated strategic objectives and we remain committed to support management in implementing and executing these objectives to increase shareholder value

Geoffrey J Cleaves
CEO and Director

OPERATION AND FINANCIAL REVIEW

Principal Activities

The principal activities of the consolidated group during the financial year were:-

- the investment, development and marketing of security access control products; and
- establishing and growing an international valuable logistics division which is operated under Ava Global DMCC, a wholly owned subsidiary of BQT Solutions (UK) Limited, incorporated in UAE in Jun 2016.

Operating Results

The Financial Report shows the following results for the consolidated MaxSec Group Limited ("MSP" or the "Group") entity.

(a) Revenue and Profit

Revenue from ordinary activities for the year ended 30 June, 2017 increased 71% to $7.449 million from the previous year (2016: $4.344 million). The consolidated group generated a net loss of $3.435 million during the year to 30 June, 2017 (2016: $1.391 million).

The increase in revenue was principally due to the and growth of operations in Ava, our secure logistics division and the increased sales and marketing activity of the BQT Solutions division. The net loss for the financial year is $3.435 million (2016: $1.391 million) and represents the Group's costs in establishing and developing Ava as well as the establishment of additional resources to support the BQT Solutions business growth into developing markets.

(b) Net Cash

Net Cash used by Operating Activities was $2.845 million (2016: $1.276 million), receipts from customers amounted to $7.237 million (2016: $4.764 million) and payments to suppliers and employees amounted to $10.490 million (2016: $6.272 million). The net cash used in Operating Activities is reflective of the costs of operation and development of the BQT Solutions business and the establishment and development of the secure international logistics division, Ava.

Net cash used in investing activities amounted to $532K (2016: $545K) and relates primarily to our investment in new products and technology platforms which will provide both revenue benefits and cost savings in future periods.

There was no cash raised in financing activities for the year (2016: $6.121 million). This amount raised in the previous year was for the establishment of secure international logistics division, Ava and for the expansion of the BQT Solutions business.

Net cash available to the consolidated Group was $1.587 million (2016: $4.968 million).

Review of Operations

The development of our secure logistics business unit, Ava is progressing to plan. Ava is building its portfolio of foundation clients and is well positioned to develop its' business through a dedicated team in a global network of offices and with established strategic partnerships across six continents.

Ava has now executed service level agreements with key foundation clients who have a total annual international logistics spend in excess of $45 million and are in advanced discussions with clients that spend in excess of $60 million annually.

During the year BQT Solutions have appointed additional sales resources in the US, European and MENA markets and have focused our sales and marketing team with the appointment of a Global Sales and Marketing Executive who is responsible to lead relationships development with our blue chip clients and establishing new opportunities globally.

OPERATION AND FINANCIAL REVIEW (CONT.)

New Products
BQT Solution's product portfolio expanded during the year with the development and addition of our miPASS Access template management system, range of managed biometric products, miPASS Strata offline access control system, OSDP output readers, Phase and Amplitude modulation shift migration readers, as well as improvements to our existing range of highly secure smart readers.

Summary and Outlook
The financial performance of MaxSec Group Limited consolidated group is in line with our expectation, considering the investment into the Ava business and our ongoing BQT Solutions expansion program.

Year ended		Net Profit / (Loss)	Revenue
30 June, 2017	($000's)	(3,435)	7,449
30 June, 2016	($000's)	(1,391)	4,344
30 June, 2015	($000's)	411	5,202

The Directors remain focused on delivering the Group's stated strategic objectives as noted below and continue to support management in implementing and executing these objectives to increase shareholder value, these are:-

- Develop and launch new products to increase market share and profitability;
- Targeted acquisitions to grow the product portfolio, revenue and profits;
- Implementation and continued development of a direct sales model for BQT's traditional core markets and a distribution model for developing and other markets;
- Integrated sales approach offering holistic security solutions to Group clients; and
- Cost control and working capital maximization initiatives.

Significant Changes in State of Affairs
There was no significant changes in the state of affairs of the parent entity during the financial year.

Events after the Reporting Period
There were 2 events after the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

i. On 24 August 2017, the company issued 61,500,000 ordinary shares at 3 cents each under private placement to Future Fibre Technologies Ltd (FFT).

ii. On 24 August 2017, Future Fibre Technologies Limited (FFT) has announced it intends to make an off-market takeover bid (Offer) for all of the shares it does not hold in the Company. FFT currently holds 61,500,000 shares. Our Board of Directors has indicated it currently intends to recommend the Offer, in the absence of a superior proposal.
Under the terms of the Offer, MaxSec Shareholders will be offered one FFT share for every four MSP Shares.

Environmental Issues
The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

CORPORATE GOVERNANCE STATEMENT

MaxSec Group Limited's Corporate Governance Arrangements

The objective of the Board of MaxSec Group Limited is to create and deliver long-term shareholder value through a range of diversified manufacturing and wholesaling activities. While each area of the company's business activities holds significant value and makes a substantial contribution towards achieving the Board's objective, management of the synergies arising from the interrelations between the various business activities is critical to achieving the objective of creating and delivering long-term shareholder value.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between Board members, management, employees, customers and suppliers.

MaxSec Group Limited and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic group.

MaxSec Group Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2014 amendments) as well as current standards of best practice for the entire financial year ended 30 June 2017. The corporate governance statement is current as at 30 June 2017 and has been approved by the Board.

Composition of the Board

The Board comprises 4 Directors, 2 of whom (including the Chair) are non-executive and meet the Board's criteria to be considered independent. The names of the non-executive/independent Directors are:

Robert A Broomfield	Non-Executive Chairman
Jacobus J Landsberg	Non-Executive Director

An independent Director is a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonable be perceived to materially interfere with, the independent exercise of their judgment. For a Director to be considered independent, they must meet all of the following materiality thresholds:

- not hold, either directly or indirectly through a related person or entity, more than 10% of the company's outstanding shares;
- not benefit, either directly or through a related person or entity, from any sales to or purchases from the company or any of its related entities; and
- derive no income, either directly or indirectly through a related person or entity, from a contract with the company or any of its related entities.

A complete listing of the Board's Directors for the year ended 30 June 2017, along with their biographical details, is provided in the Directors' report.

The Board considers that the current Board composition reflects an appropriate balance between executive and non-executive Directors that promotes both the generation of shareholder value and effective governance.

CORPORATE GOVERNANCE STATEMENT (CONT.)

The Board also considers that the current Board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the company is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise. As security access control constitutes a significant part of the company's overall operations, Directors are required to have detailed knowledge and understanding of this industry. Nevertheless, Directors need to have a strong understanding of a range of other areas, including finance, contract law and occupational health and safety requirements.

Although the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual Directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number of ways, including training and the employment of specialist staff. Details of the skills, expertise and experience of each Director are provided in the Directors' report.

Ethical Standards

The Board is committed to its core governance values of integrity, respect, trust and openness among and between Board members, management, employees, customers and suppliers. These values are enshrined in the Board's Code of Conduct policy.

The Code of Conduct policy requires all Directors, management and employees to at all times:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with both the letter and spirit of the law;
- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Corporate Governance policy.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent.

Share Ownership and Share Trading Policy

The Board's policy regarding Directors and employees trading in MaxSec Group Limited shares is set under the Corporate Governance Policy. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the company's share price. A detailed description of the Board's policy regarding Directors and employees trading in MaxSec Group Limited shares is available from the Corporate Governance Policy.

Directors and key management personnel (KMP) are prohibited from limiting risk attached to incentives paid in the form of options or rights by use of derivatives or other means. Further information on the Board's policy regarding the use of hedging arrangements by Directors over MaxSec Group Limited shares is provided in the remuneration report.

CORPORATE GOVERNANCE STATEMENT (CONT.)

Audit Committee

The role of the audit committee is to assist the Board in monitoring the processes and controls associated with the financial reporting function that ensure the integrity of the company's financial statements. Specifically, the audit committee oversees:

- the appointment, independence, performance and remuneration of the external auditor;
- the integrity of the audit process;
- the effectiveness of the internal controls; and
- compliance with applicable regulatory requirements.

The audit committee comprises 2 Directors (including the Chair of the Board), all of whom are non-executive/independent Directors. Consistent with the ASX's Corporate Governance Principles and Recommendations (3rd edition), the Chair of the audit committee is independent and does not hold the position of Chair of the Board.

The names and qualifications of the audit committee members and their attendance at meetings of the committee are included in the Directors' report.

Board Roles and Responsibilities

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the company's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the company's performance.

As a part of its corporate governance arrangements, the Board has established a strategy for engaging and communicating with shareholders that includes:

- regular meetings with institutional shareholders;
- quarterly reporting to all shareholders; and
- actively encouraging shareholders to attend and participate in the company's Annual General Meeting.

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

The Board has delegated to the Chief Executive Officer (CEO), Geoffrey J Cleaves, all authorities appropriate and necessary to achieve the Board's objective to create and deliver long-term shareholder value. Notwithstanding these delegations of authority by the Board, the CEO remains accountable to the Board for the authority delegated to him and for the performance of the company's business activities at all times. As noted above, the Board regularly monitors the decisions and actions of the CEO as well as the performance of the company's business activities.

A key plank of the Board Corporate Governance policy is the requirement for all Directors to demonstrate honesty, integrity, and preparedness to critically evaluate all aspects of the company's operations. Inherent in all of this is the expectation that Directors:

- commit the necessary time and energy to fulfill their responsibilities as Directors; and
- place the interests of the company before their personal interests.

CORPORATE GOVERNANCE STATEMENT (CONT.)

The Chair is responsible for ensuring individual Directors, the Board as a whole and KMP comply with both the letter and spirit of the Board's governance arrangements. The Chair discharges their responsibilities in a number of ways, primarily through:

- setting agendas in collaboration with other Directors and KMP;
- encouraging critical evaluation and debate among Directors;
- managing Board meetings to ensure that all critical matters are given sufficient attention; and
- communicating with stakeholders as and when required.

Independent Directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as Directors at the company's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the company.

Shareholder Rights and Investors Relations

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of Directors, changes to the constitution and receipt of annual and interim financial statements. The Board actively encourages shareholders to attend and participate in the Annual General Meetings of MaxSec Group Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

Risk Management

The company does not have a risk committee. However, the Board is entrusted with the identification and management of key risks associated with the business that are vital to creating and delivering long-term shareholder value.

The Board is not aware of any material exposure to economic, environmental or social sustainability risks to which the company may be subject.

ASX Corporate Governance Principles

The Directors of MaxSec Group Ltd support the principles of the ASX Corporate Governance Guidelines. To date, due to the size of the company the Board has not formally adopted all policies or guidelines required for compliance with the ASX's guidelines.

Principle 1 – Lay Sound Foundations for Management and Oversight

The Board has adopted a corporate governance policy which sets out clear guidelines to ensure proper management and control over the affairs of the company

Principle 2 – Structure the Board to Add Value

The Board currently includes two independent Directors, one of whom is the Chairman. Information on the experience and competencies are included in the Annual Report. The company will seek to establish a remuneration committee, which due to the company's size has not as yet been done.

Principle 3 – Promote Ethical and Responsible Decision-Making

The corporate governance policy ensures Ethical and Responsible Decision making through formal processes and delegated authorities.

CORPORATE GOVERNANCE STATEMENT (CONT.)

Principle 4 – Safeguard Integrity in Financial Reporting
An audit committee was established on 4 June 2003 being made up of the non-executive members of the Board. The structure consists of only non-executive Directors who are independent and the chairman is not chairman of the Board.

Principle 5 – Make Timely and Balanced Disclosure
The Directors have always adhered to the principles of continuous disclosure. Written policies and procedures designed to ensure compliance have been introduced during the year and will be continually reviewed.

Principle 6 – Respect the Rights of Shareholders
The company believes that it adequately communicates relevant information to all shareholders on a timely basis. The company encourages shareholder participation at shareholder meetings. The external auditor is requested to attend the annual general meeting to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7 – Recognise and Manage Risk
The Directors are aware of the need to identify and manage risk, no formal policies or procedures have been established to date, given the size of the company. The chief executive officer and the chief financial officer (or equivalent) should state to the Board in writing that the statement given in accordance with best practice concerning the integrity of the financial statements and is founded on a sound system of risk management and internal compliance and controls which implement the policies adopted by the Board; the statement also should confirm that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 – Encourage Enhanced Performance
Formal performance evaluation criteria and processes will be established in the future. Given the current size and direction of the company this was not formally introduced during the year.

Principle 9 – Remunerate Fairly and Responsibly
Remuneration of the Company's Directors has been disclosed in the Annual Report. Due to its size no formal structure for the remuneration of Directors has been established as yet but the company plans to do so when appropriate.

Principle 10 – Recognise the Legitimate Interests of Stakeholders
The Directors recognize the importance of compliance with legal and other obligations. The Directors believe they, together with their advisors, have the necessary experience to ensure these interests are protected.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to herein as the Group) consisting of MaxSec Group Limited and its controlled entities for the financial year ended 30 June 2017. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2017 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were Directors of MaxSec Group Limited during or since the end of the financial year up to the date of this report:

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

Particulars of each Director's experience and qualifications are set out later in this report.

Dividends Paid or Recommended

No dividends have been paid or declared since the end of the previous financial year.

Indemnifying Officers or Auditor

During the financial year the Company has paid insurance premiums to insure certain officers of the Company. Officers of the Company include the Company's Directors and secretaries. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or related body corporate, other than conduct involving a willful breach of duty in relation to the Company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Wong & Mayes for non-audit services during the year ended 30 June 2017:

	$
Taxation services	15,000
Total	15,000

DIRECTORS' REPORT (CONT.)

Auditor's Independence Declaration
The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 19 of the financial report.

Options
At the date of this report, the unissued ordinary shares of MaxSec Group Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
03/11/2011	31/12/2017	$0.030	6,700,000
19/05/2015	19/05/2020	$0.025	6,500,000
17/02/2016	31/12/2020	$0.030	8,000,000
			21,200,000

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.
There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to Directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2017, no shares were issued on the exercise of options granted.

Information Relating to Directors and Company Secretary

Mr. Robert Andrew Broomfield, Chairman
Mr. Robert Broomfield is a business executive with more than 20 years of management experience, including the past 18 years in senior positions within companies operating in the security industry.

Mr. Broomfield is currently the CEO and Executive Director of security technology company Future Fibre Technologies Ltd (FFT), which has achieved significant success and is now rated as one of the world's leading manufacturers of Fibre Optic based Intrusion Detection Systems.

Prior to joining FFT he was with Vision Systems Ltd, where he served as the General Manager of Asia Pacific for their Fire and Security systems.

In addition to his international sales and marketing success, Mr. Broomfield has extensive experience in operations management, including product engineering, procurement, manufacturing and operations. He has previously had 10 years' experience with IBM in Australia and the United States.

Mr. Broomfield joined the MSP Board on 5 October 2010 and holds no positions on Boards of other Australian listed companies other than FFT.

DIRECTORS' REPORT (CONT.)

Mr. Geoffrey John Cleaves, Chief Executive Officer

Mr. Geoffrey Cleaves has over 25 years' experience in finance and operations management within the property, media, print, manufacturing, oil and gas and investment sectors, last 20 years in senior management positions with both listed and unlisted corporations.

During Mr. Cleaves' career he has held senior management positions with organisations such as Stockland Group, Chase Corporation, Milton Corporation, Trafalgar Corporate Group, Australian Petroleum Fund and the Independent Print Media Group.

Mr. Cleaves is a professional manager and his core competencies include general management, investment, asset and funds management, treasury and finance.

Mr. Cleaves' highest educational qualification is a Master degree in Professional Accounting, he also holds the following professional designations: FIPA and SA Fin.

Mr. Cleaves joined the MSP Board on 5 October 2010 and holds no positions on Boards of other Australian listed companies.

Mr. Christopher Fergus, Executive Director

Mr. Christopher Fergus is the Executive Director and SVP Strategy and Business Development, as well as the CEO of the secure logistics division, Ava Global and has over 20 years of global experience within the security industry. Based in Dubai, Mr. Fergus is a UK national and previously worked for the FTSE 100 and world's leading security services provider, G4S. Joining the company as a graduate trainee in 1994, he worked across a number of continents, most recently as Regional Managing Director, Middle East, managing a significant portfolio of Security & FM joint ventures.

Mr. Fergus has a wealth of commercial and business development experience and has extensive general management experience within the security integration and services sectors.

Mr. Fergus joined MaxSec in March 2016 and joined the board in June 2016 and holds no positions on Boards of other Australian listed companies other than FFT.

Mr. Jacobus J (Johan) Landsberg, Non-Executive Director

Mr. Johan Landsberg was born in 1969 in South Africa. He served as an Officer in the South African Defence Force before starting his professional career in the services industry. Mr. Landsberg holds qualifications in Business Management and Marketing as well as various safety and security related certifications.

Mr. Landsberg was previously a senior executive of MaxSec Group Limited and holds both a good understanding of the Company's history and a wealth of experience gained in the industry.

Mr. Landsberg migrated to Australia in 1999. He joined the security industry as a senior executive in various capacities in the successful implementation of large technology deployments in Australia. He has broad experience in related areas including distribution, contract, and risk management. Mr. Landsberg was also engaged until late 2014 by the public sector to provide commercial and technical guidance on the deployment of technologies in large scale implementations which included the implementation of new transport ticketing system on rail in NSW.

Mr. Landsberg is currently the Group General Manager of a privately owned Group of Companies and is responsible for the strategic and commercial direction of this Group globally.

Mr. Landsberg joined the MSP Board on 6 May 2010 and holds no positions on Boards of other Australian listed companies.

DIRECTORS' REPORT (CONT.)

Company Secretaries
The following persons held the position of company secretary at the end of the financial year:

Mr. Jared Pearson CA, BCom is a Chartered Accountant, who was appointed on 29 July 2015. He has been involved in public practice for 12 years and has considerable experience in accounting, taxation law and business practices.

Mr. Geoffrey John Cleaves MPA, FIPA, SAFIN is a Company Secretary, who was appointed on 30 July 2010. He has broad experience in corporate finance & accounting and commercial and funds management.

Interests in the Shares and Options of the Company and Related Bodies Corporate
As at the date of this report, the interests of the Directors in the shares and options of MaxSec Group Limited were:

	Ordinary Shares	Options over Ordinary Shares
Robert A Broomfield	3,750,000	1,000,000
Geoffrey J Cleaves	-	5,000,000
Christopher Fergus	12,000,000	-
Jacobus J Landsberg	-	500,000

Meetings of Directors
During the financial year, 16 meetings of Directors (including audit committees) were held. Attendances by each Director during the year were as follows:

	Director's Meetings	Audit Committee Meetings
Number eligible to attend / (Number attended):		
Robert A Broomfield	13 / (13)	3/(3)
Geoffrey J Cleaves	12 / (12)	0/(0)
Christopher Fergus	12 / (12)	0/(0)
Jacobus J Landsberg	13 / (13)	3/(3)

REMUNERATION REPORT

Remuneration Policy

The remuneration policy of MaxSec Group Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The Board of MaxSec Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members of the economic entity is as follows:

– All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
– Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
– Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE).

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy was effective in increasing shareholder wealth.

REMUNERATION REPORT (CONT.)

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue targets, return on equity ratios, and continued employment with the Group. This condition provides management with a performance target which focuses upon organic sales growth utilising existing group resources.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders. There has been no alteration to the terms of the bonuses paid since grant date.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group and publicly available market indices, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with any other measures or factors external to the Group at this time.

Employment Details of Members of Key Management Personnel

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors. The method applied in achieving this aim, being the issue of options to the majority of Directors to encourage the alignment of personal and shareholder interests.

Details of the nature and amount of each major element of the remuneration of each Director of the Company are as follows:

2017	Salary/fees	Other benefits	Options issued	Superannuation	Total
Directors-Non executive	$	$	$	$	$
Robert A Broomfield	27,397	-	2,969	2,603	32,969
Jacobus J Landsberg	27,397	-	1,485	2,603	31,485
Directors-Executive					
Geoffrey J Cleaves	182,648	-	14,845	17,352	214,845
Christopher Fergus	281,584	211,412	-	70,411	563,407

2016	Salary/fees	Other benefits	Options issued	Superannuation	Total
Directors-Non executive	$	$	$	$	$
Robert A Broomfield	27,397	-	5,323	2,603	35,323
Jacobus J Landsberg	27,397	-	2,662	2,603	32,662
Directors-Executive					
Geoffrey J Cleaves	230,594	-	26,627	21,906	279,127
Christopher Fergus	19,622	13,606	-	2,452	35,680

REMUNERATION REPORT (CONT.)

Options and Rights Granted as Remuneration

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price $	Value per Option at Grant Date $	Amount Paid/ Payable by Recipient $
19/05/2015	MaxSec Group Limited	Ordinary Share	19/05/2020	0.025	0.0090	-

Option values at grant date were determined using the Black-Scholes method.

Securities Received that Are Not Performance-related

No members of KMP are entitled to receive securities that are performance-based as part of their remuneration package.

KMP Shareholdings

The number of ordinary shares in MaxSec Group Limited held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
Robert A Broomfield	3,750,000	-	-	-	3,750,000
Christopher Fergus	12,000,000	-	-	-	12,000,000
	14,500,000	-	-	-	14,500,000

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

KMP Loans Exceeding $100,000

There have been no loans made to KMP.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This Directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Geoffrey J Cleaves
CEO and Director
Sydney, 27th September 2017

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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 year ended 30 June 2017 there have been no contraventions of :

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

WONG & MAYES AUDIT PTY LIMITED

Silas Chan | Director

Sydney

23 September 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Group	
		2017	2016
		$	$
Continuing operations			
Revenue	3a	**7,448,724**	4,344,273
Other income	3a	**391,975**	251,576
Raw materials, consumables used and services provision costs	4	**(4,662,817)**	(1,656,787)
Employee benefits expense		**(4,014,572)**	(1,303,094)
Depreciation and amortisation expense		**(329,842)**	(275,561)
Finance costs		**(3,212)**	(5,118)
Other expenses		**(2,264,793)**	(2,745,843)
Profit/(loss) before income tax		**(3,434,537)**	(1,390,554)
Tax expense		**-**	-
Net profit/(loss) from continuing operations		**(3,434,537)**	(1,390,554)
Discontinued operations			
Profit/(Loss) for the year from discontinued operations after tax		**-**	-
Net profit/(loss) for the year		**(3,434,537)**	(1,390,554)
Other comprehensive income:		**-**	-
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**(3,434,537)**	(1,390,554)
Net profit attributable to:			
Members of the parent entity		**(3,434,537)**	(1,390,554)
Non-controlling interest		**-**	-
		(3,434,537)	(1,390,554)
Total comprehensive income attributable to:			
Members of the parent entity		**(3,434,537)**	(1,390,554)
Non-controlling interest		**-**	-
		(3,434,537)	(1,390,554)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)	19	**-0.837 cents**	-0.339 cents
Diluted earnings per share (cents)	19	**-0.796 cents**	-0.332 cents

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Consolidated Group	
		2017	2016
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**1,587,055**	4,967,862
Trade and other receivables	7	**1,907,206**	1,770,706
Inventories	8	**1,101,862**	1,042,706
Other assets	9	**90,146**	117,145
TOTAL CURRENT ASSETS		**4,686,269**	7,898,419
NON-CURRENT ASSETS			
Property, plant and equipment	11	**96,857**	104,580
Intangible assets	12	**2,334,715**	2,148,563
TOTAL NON-CURRENT ASSETS		**2,431,572**	2,253,143
TOTAL ASSETS		**7,117,841**	10,151,562
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**2,069,957**	1,015,038
Provisions	14	**194,928**	159,438
TOTAL CURRENT LIABILITIES		**2,264,885**	1,174,476
NON-CURRENT LIABILITIES			
Provisions	14	**39,823**	53,663
TOTAL NON-CURRENT LIABILITIES		**39,823**	53,663
TOTAL LIABILITIES		**2,304,708**	1,228,139
NET ASSETS		**4,813,133**	8,923,423
EQUITY			
Issued capital	15	**66,857,280**	66,857,280
Reserves	16	**23,950,674**	24,626,427
Retained earnings/(accumulated losses)		**(85,994,821)**	(82,560,284)
Parent interest		**4,813,133**	8,923,423
Non-controlling interest		**-**	-
TOTAL EQUITY		**4,813,133**	8,923,423

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Note	Share Capital	Share Based Expenses Reserve	Capital Profit Reserves	Foreign Currency Translation Reserves	Retained Earnings	Total Equity
		$	$	$	$	$	$
Balance at 1 July 2015		60,761,198	23,276,902	1,031,042	106,490	(81,169,730)	4,005,904
Comprehensive income							
Loss for the year		-	-	-	-	(1,390,554)	(1,390,554)
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	(1,390,554)	(1,390,554)
Transactions with owners, in their capacity as owners, and other transfers							
Shares based payment		-	59,722	-	-	-	59,722
Dividends recognised for the year		-	-	-	-	-	-
Share issued during the year		6,096,082	-	-	-	-	6,096,082
Total transactions with owners and other transfers		6,096,082	59,722	-	-	-	6,155,804
Other							
Foreign currency translation reserve		-	-	-	152,270	-	152,270
Total other		-	-	-	152,270	-	152,270
Balance at 30 June 2016		66,857,280	23,336,624	1,031,042	258,760	(82,560,284)	8,923,423
Balance at 1 July 2016		**66,857,280**	**23,336,624**	**1,031,042**	**258,760**	**(82,560,284)**	**8,923,423**
Comprehensive income							
Loss for the year		**-**	**-**	**-**	**-**	**(3,434,537)**	**(3,434,537)**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(3,434,537)**	**(3,434,537)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Share Capital	Share Based Expenses Reserve	Capital Profit Reserves	Foreign Currency Translation Reserves	Retained Earnings	Total Equity
		$	$	$	$	$	$
Transactions with owners, in their capacity as owners, and other transfers							
Shares issued during the year		-	-	-	-	-	-
Shares based payment		-	19,299	-	-	-	-
Dividends recognised for the year		-	-	-	-	-	-
Total transactions with owners and other transfers		-	19,299	-	-	-	-
Other							
Foreign currency translation reserve		-	-	-	(695,051)	-	(675,752)
Total other		-	-	-	(695,051)	-	(675,752)
Balance at 30 June 2017		66,857,280	23,355,923	1,031,042	(436,291)	(85,994,821)	4,813,133

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Group	
		2017	2016
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**7,236,668**	4,763,768
Other Receipts	3a	**391,975**	207,924
Payments to suppliers and employee		**(10,490,137)**	(6,272,393)
Interest received	3a	**19,929**	30,161
Finance costs		**(3,212)**	(5,118)
Income tax paid		**-**	-
Net cash provided by (used in) operating activities	22	**(2,844,777)**	(1,275,658)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for product development expenses		**(499,854)**	(492,300)
Purchase of property, plant and equipment		**(31,662)**	(51,769)
Patent Registration		**-**	(907)
Loan to related parties – payment made		-	-
Net cash used in investing activities		**(531,516)**	(544,976)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**-**	6,485,105
Payment for capital raising		**-**	(363,916)
Net cash provided by (used in) financing activities		**-**	6,121,189
Net increase in cash held		**(3,376,293)**	4,300,555
Cash and cash equivalents at beginning of financial year		**4,967,862**	681,621
Exchange Adjustment		**(4,514)**	(14,314)
Cash and cash equivalents at end of financial year		**1,587,055**	4,967,862

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These consolidated financial statements and notes represent those of MaxSec Group Limited and Controlled Entities (the "consolidated group" or "Group").

The separate financial statements of the parent entity, MaxSec Group Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 26th September 2017 by the Directors of the company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (MaxSec Group Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 10.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i the consideration transferred;

ii any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

iii the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognized in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method)*. In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or Groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

b. **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of assembled products includes direct materials costs plus any costs associated with the outsourcing of the assembly process.

d. **Plant and Equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	10-30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives and intangible assets not yet available for use.

f. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

g. **Intangible Assets other than Goodwill**

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when technical feasibility studies identify that the product is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

h. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

– assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
– income and expenses are translated at average exchange rates for the period; and
– retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

i. **Employee Benefits**

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

j. **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 2 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

l. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

m. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

n. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

o. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

p. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

q. **Government Grant**

Government Grants are recognized at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

r. **Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

s. **New Accounting Standards for Application in Future Periods**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

– AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the Directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

2. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2017 $	2016 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**1,000,695**	4,782,447
Non-Current assets	**30,178,579**	26,424,795
TOTAL ASSETS	**31,179,274**	31,207,242
LIABILITIES		
Current liabilities	**94,304**	132,818
Non-Current liabilities	**-**	-
TOTAL LIABILITIES	**94,304**	132,818
NET ASSETS	**31,084,970**	31,074,424
EQUITY		
Issued capital	**66,857,280**	66,857,280
Retained earnings/(Accumulated Losses)	**(60,022,551)**	(60,013,799)
Capital profits reserve	**1,031,041**	1,031,041
Foreign exchange reserve	**(136,724)**	(136,723)
Share Based Expenses Reserves	**23,355,924**	23,336,625
TOTAL EQUITY	**31,084,970**	31,074,424

	2017 $	2016 $
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit/(loss)	**(8,752)**	(104,879)
Total comprehensive income	**(8,752)**	(104,879)

Guarantees
During the reporting period, MaxSec Group Limited has not entered into any guarantees in relation to the debts of its subsidiaries.

Contingent liabilities
As at 30 June 2017, MaxSec Group Limited did not have any contingent liabilities.

Contractual commitments
As at 30 June 2017, MaxSec Group Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. REVENUE AND OTHER INCOME

		Note	Consolidated Group 2017 $	2016 $
a.	**Revenue from continuing operations**			
	Sales revenue:			
	– sale of goods		**7,428,796**	4,314,112
	– provision of services		**-**	-
			7,428,796	4,314,112
	Other revenue:			
	– interest received			
	- unrelated parties		**19,929**	30,161
			19,929	30,161
	Total interest revenue on financial assets not at fair value through profit or loss			
	– R & D Tax Concession received		**224,832**	207,924
	– other revenue		**167,143**	43,618
			391,975	251,542
	Total revenue		**7,840,699**	4,595,849
	Other income:			
	– gain on disposal of property, plant and equipment		**-**	-
			-	-
b.	**Total revenue and other income from continuing operations**			
	– attributable to members of the parent entity		**7,840,699**	4,595,849
	– attributable to non-controlling interests		**-**	-
			7,840,699	4,595,849
c.	**Income from continuing operations and discontinued operations**			
	– attributable to members of the parent entity		**7,840,699**	4,595,849
	– attributable to non-controlling interests		**-**	-
			7,840,699	4,595,849

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. PROFIT/(LOSS) FOR THE YEAR

	Note	Consolidated Group 2017 $	2016 $
Profit/(loss) before income tax from continuing operations includes the following specific expenses:			
Expenses			
Cost of sales		**4,662,817**	1,656,787
Impairment of non-current investments		-	-
Foreign currency translation losses		-	-
Bad and doubtful debts:			
– trade receivables		-	-
Total bad and doubtful debts		-	-
Write-off of obsolete stock		-	-

5. DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year.

6. CASH AND CASH EQUIVALENTS

	Consolidated Group 2017 $	2016 $
Cash at bank and on hand	**1,587,055**	4,967,862
Short-term bank deposits	**-**	-
	1,587,055	4,967,862

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2017 $	2016 $
Cash and cash equivalents	**1,587,055**	4,967,862
Bank overdrafts	**-**	-
	1,587,055	4,967,862

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

7. TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2017	2016
		$	$
Trade and other receivables (Current)			
Trade debtors		**1,908,856**	1,772,472
Provision for impairment		**(1,650)**	(1,766)
Total current trade and other receivables		**1,907,206**	1,770,706

Provision for Impairment of Receivables

Movement in the provision for impairment of receivables is as follows:

Opening Balance	**(1,766)**	(1,774)
Change for the year	**116**	8
Amounts Written Off	**-**	-
Closing Balance	**(1,650)**	(1,766)

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

8. INVENTORIES

	Consolidated Group	
	2017	2016
	$	$
At cost:		
Direct materials	**512,069**	433,844
Finished goods	**589,793**	608,862
Total inventories at cost	**1,101,862**	1,042,706

9. OTHER ASSETS

	Consolidated Group	
	2017	2016
	$	$
Other Assets (Current)		
Security Deposit	**30,859**	17,497
Prepayments	**41,675**	45,152
Other Current Assets	**17,612**	54,496
	90,146	117,145

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

10. INTERESTS IN SUBSIDAIRIES

Information about Principal Subsidiaries
The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiaries	Principal Place of Business	Ownership Interest (%)* held by the Group	
		2017	2016
Subsidiaries of MaxSec Group Limited:			
BQT Solutions (Australia) Pty Ltd	Australia	**100**	100
BQT Solutions (UK) Limited #	UK	**100**	100
BQT Solutions America Inc. #	USA	**100**	100
BQT Solutions (SEA) Pte. Ltd #	Singapore	**100**	100
BQT Solutions (NZ) Limited #	New Zealand	**100**	100
BQT Intelligent Security Systems Pty Ltd	Australia	**60**	60
4C Satellites Limited	Australia	**60**	60
Ava Global DMCC #	U.A.E.	**100**	100
Ava USA Inc. #	USA	**100**	100
Ava Germany GmbH #	Germany	**100**	100

** Percentage of voting power is in proportion to ownership*
 # Not audited by the parent entity's auditor

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Significant Restrictions
There are no significant restrictions over the Group

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2017	2016
	$	$
Plant & equipment		
At cost	**675,559**	662,118
Accumulated depreciation	**(593,770)**	(573,100)
	81,789	89,018
Furniture, fixtures and fittings		
At cost	**87,903**	87,903
Accumulated depreciation	**(72,835)**	(72,341)
	15,068	15,562
Total plant and equipment, furniture & fixture	**96,857**	104,580
Total at cost	**762,967**	750,021
Accumulated depreciation and amortisation	**(666,110)**	(645,441)
Total Plant & equipment, furniture and fittings	**96,857**	104,580

Movement in carrying amounts

Movement in the carrying amount of each class of property, plant and equipment between the beginning and the end of the current financial year:

Plant and Equipment		
Balance at beginning of year	**89,018**	63,801
Additions/(Disposals)	**12,744**	44,764
Depreciation expense	**(19,973)**	(19,547)
Balance at end of year	**81,789**	89,018
Furniture, Fixtures and Fittings		
Balance at beginning of year	**15,562**	-
Additions/(Disposals)	**361**	16,418
Depreciation expense	**(855)**	(856)
Balance at end of year	**15,068**	15,562

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

12. INTANGIBLES ASSETS

	Consolidated Group	
	2017	2016
	$	$
Goodwill - deemed cost	**702,302**	731,772
Less: Accumulated amortisation	**-**	-
	702,302	731,772
Research and development	**2,929,666**	2,929,666
Less: Accumulated amortisation	**(2,929,666)**	(2,929,666)
	-	-
Patents	**257,515**	266,086
Less: Accumulated amortisation	**(254,674)**	(261,618)
	2,841	4,468
Product development costs	**2,372,926**	1,885,761
Less: Accumulated amortisation	**(743,354)**	(473,438)
	1,629,572	1,412,322
Total intangibles	**2,334,715**	2,148,563
Reconciliations		
Goodwill		
Balance at beginning of year	**731,772**	705,506
Exchange Adjustment	**(29,470)**	26,266
Additions	**-**	-
Amortisation	**-**	-
Closing value at end of year	**702,302**	731,772
Patents		
Balance at beginning of year	**4,468**	3,562
Additions	**-**	906
Amortisation	**(1,627)**	-
Impairment	**-**	-
Closing value at end of year	**2,841**	4,468
Product Development Costs		
Balance at beginning of year	**1,412,322**	1,183,910
Additions	**499,854**	478,087
Amortisation	**(282,604)**	(249,675)
Impairment	**-**	-
Closing value at end of year	**1,629,572**	1,412,322

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill has an infinite life.

Impairment disclosures

Goodwill is allocated to cash-generating unit which is based on the Group's reporting segments:

	2017	2016
	$	$
Security locks segment	**702,302**	731,772
Total	**702,302**	731,772

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

12. INTANGIBLES ASSETS (Cont.)

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using the interest rate of 15%.

The following assumptions were used in the value-in-use calculations:

	Discount Rate
Security locks segment	15%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets are based on the expectation of a program of comercialisation of products to project revenue. Costs are calculated taking into account historical gross margins. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

13. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2017	2016
	$	$
Trade and Other Payables (Current)		
Trade creditors	**1,796,088**	890,782
Sundry creditors and accrued expenses	**273,869**	124,256
Total current trade and other payables	**2,069,957**	1,015,038

14. PROVISIONS

	Consolidated Group	
	2017	2016
	$	$
Provisions (Current)		
Employee Benefits	**155,352**	119,862
Others	**39,576**	39,576
	194,928	159,438
Provisions (Non-Current)		
Employee Benefits	**39,823**	53,663
	39,823	53,663

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

15. ISSUED CAPTIAL

	2017 Number of shares	**2017** $	2016 Number of shares	2016 $
(a) Issued and paid up capital				
410,510,928 ordinary shares fully paid	**410,510,928**	**66,857,280**	410,510,928	66,857,280
(b) Movements in shares on issue				
Beginning of the financial year	**410,510,928**	**66,857,280**	189,673,643	60,761,198
Shares issued during the year:				
- 7 September 2015	**-**	**-**	14,000,000	280,000
- 28 January 2016	**-**	**-**	70,000,000	1,987,009
- 1 March 2016	**-**	**-**	136,837,285	3,829,073
End of the financial year	**410,510,928**	**66,857,280**	410,510,928	66,857,280

(c) Share Options

A summary of the movements of all company options issues is as follows:

	Number	**Weighted Average Exercise Price**
Options outstanding as at 30 June 2015	28,200,000	2.4 cents
Granted	8,000,000	3.0 cents
Forfeited	-	-
Exercised	14,000,000	2.0 cents
Expired	1,000,000	2.0 cents
Options outstanding as at 30 June 2016	21,200,000	2.8 cents
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2017	21,200,000	2.8 cents

For information relating to the Company's employee options, including details of options issued, exercised & lapsed during the financial year & the options outstanding at year end refer to Note 17.

16. RESERVES

	Consolidated Group **2017** **$**	2016 $
Capital Profits Reserve *	**1,031,042**	1,031,042
Share Based Expenses Reserve **	**23,355,923**	23,336,625
Foreign Currency Translation Reserve	**(436,291)**	258,760
	23,950,674	24,626,427

* Relates to profit on sale of listed investments

** Relates to share based expenses

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

17. INTERESTS OF KEY MANAGEMENT PERSONNEL

a. Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial year are:

Directors

Robert A Broomfield	- Chairman – Non-Executive Director
Geoffrey J Cleaves	- Chief Executive Officer
Christopher Fergus	- Executive Director
Jacobus J Landsberg	- Non-Executive Director

b. Directors' Remuneration

Refer to the remuneration report contained in the Directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	Consolidated Group	
	2017	2016
	$	$
Short-term employee benefits	**730,438**	318,616
Post-employment benefits	**92,969**	29,564
Other long-term benefits	**-**	-
Share-based payments	**19,299**	34,612
Total KMP Compensation	**842,706**	382,792

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's superannuation & pension contributions.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors' report.

c. Shares Issued on Exercise of Remuneration Options

No options were exercised during the year, which were previously granted as remuneration.

d. Options and Rights Holdings

Details of these options are provided in the Directors' report. The options hold no voting or dividend rights. The options lapse when a director ceases their employment with the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

17. INTERESTS OF KEY MANAGEMENT PERSONNEL (Cont.)

e. Shareholdings

Number of Shares Held by Parent Entity Directors as follows:-

	Balance 01.07.2016	Received as Remuneration	Options Exercised	Private Placement	Balance 30.06.2017
Parent Entity Directors					
Christopher Fergus	12,000,000	-	-	-	12,000,000
Robert A Broomfield *	3,750,000	-	-	-	3,750,000

* Ms. Lynette Joy Sanders, who is associated with Mr. Robert A Broomfield, held 1,875,000 shares as at 25 September 2017.

18. AUDITORS' REMUNERATION

	Consolidated Group	
	2017	2016
	$	$
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	**84,460**	74,590
– taxation services	**15,000**	23,960
	99,460	98,550

19. EARNINGS PER SHARE

	Consolidated Group	
	2017	2016
	$	$
Profit/(loss) used in calculation of earnings per share	**(3,434,537)**	(1,390,554)
Basic Profit/(loss) per share	**-0.837 cents**	-0.339 cents
No of ordinary shares on issue used in the calculation of basic profit/(loss) per share	**410,510,928**	410,510,928
Diluted Profit/(loss) per share	**-0.796 cents**	-0.322 cents
No of ordinary shares on issue used in the calculation of diluted profit/(loss) per share	**431,710,928**	431,710,928

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

20. RELATED PARTY TRANSACTIONS

a. **The Group's main related parties are as follows:**

i. *Key management personnel (KMP):*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 17: Interests of Key Management Personnel (KMP).

ii. *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel exercise significant influence.

b. **Transactions with related parties:**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

i. BQT Solutions America Inc, a controlled entity, shares a sales resource on a 50/50 basis with Future Fibre Technologies (USA) Inc, a company of which our Chairman is CEO and Director.

ii. BQT Solutions (SEA) Pte Ltd, a controlled entity, shares a sales resource on a 30/70 basis with Future Fibre Technologies Ltd, a company of which our Chairman is CEO and Director.

iii. Controlled entities of the Company have entered into reciprocal reseller arrangements with Future Fibre Technologies Limited, a company which our Chairman is CEO and Director.

21. OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The Group operates in the smart card access control and security locks industries. For smart card access control system, it operates in three main geographic areas being Australia, United Kingdom and Middle East, United States of America. For security locks, it operates under the company of BQT Solutions (SEA) Pte. Ltd and its wholly owned subsidiary – BQT Solutions (NZ) Limited in Southeast Asia and New Zealand.

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

b. **Intersegment transactions**

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs.

c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. Segment information

i. Segment performance

	Australia	UK	US	SEA	AVA	Total
	$	$	$	$	$	$
30-Jun-17						
Revenue						
External sales	2,141,227	893,565	50,728	2,346,510	1,996,765	7,428,796
Intersegment sales	1,051,217	-	-	754,454	-	1,805,671
Interest Income	17,753	2,120	-	56	-	19,929
Total segment revenue	3,210,197	895,685	50,728	3,101,021	1,996,765	9,254,395
Reconciliation of segment revenue to group revenue:						
Other revenue	224,832	-	-	167,142	-	391,974
Intersegment elimination	(1,051,217)	-	-	(754,454)	-	(1,805,671)
Revenue from discontinued operations	-	-	-	-	-	-
Total group revenue	2,383,812	895,685	50,728	2,513,709	1,996,765	7,840,699
Segment net profit/(loss) from continuing operations before tax	400,390	(239,553)	(140,987)	(178,726)	(3,275,661)	(3,434,537)
Net profit/(loss) before tax from continuing operations						(3,434,537)
30-Jun-16						
Revenue						
External sales	2,110,328	919,788	46,606	1,237,392	-	4,314,112
Intersegment sales	824,395	-	-	640,522	-	1,464,917
Interest revenue	30,161	-	-	-	-	30,161
Total segment revenue	2,964,884	919,788	46,606	1,877,914	-	5,809,190
Reconciliation of segment revenue to group revenue:						
Other revenue	251,576	-	-	-	-	251,576
Intersegment elimination	(824,395)	-	-	(640,522)	-	(1,464,917)
Revenue from discontinued operations	-	-	-	-	-	-
Total group revenue	2,392,065	919,788	46,606	1,237,392	-	4,595,849
Segment net profit/(loss) from continuing operations before tax	493,739	(121,711)	(104,897)	(197,612)	(1,460,075)	(1,390,554)
Net profit/(loss) before tax from continuing operations						(1,390,554)

21. OPERATING SEGMENTS (CONT.)

ii. Segment assets

	Australia	UK	US	SEA	AVA	Total
	$	$	$	$	$	$
30-Jun-17						
Segment assets	2,471,797	478,831	45,664	2,875,759	1,245,790	7,117,841
Segment asset increases for the period:						
– capital expenditure	-	-	-	-	-	-
– acquisitions	-	-	-	-	-	-
Total group assets	2,471,797	478,831	45,664	2,875,759	1,245,790	7,117,841
30-Jun-16						
Segment assets	6,302,109	378,142	67,448	2,832,092	571,771	10,151,562
Segment asset increases for the period:						
– capital expenditure	-	-	-	-	-	-
– acquisitions	-	-	-	-	-	-
Total group assets	6,302,109	378,142	67,448	2,832,092	571,771	10,151,562

iii. *Segment liabilities*

	Australia	UK	US	SEA	AVA	Total
	$	$	$	$	$	$
30-Jun-17						
Segment liabilities	20,282,550	8,958,707	2,590,310	3,202,616	6,042,195	41,076,378
Reconciliation of segment liabilities to group liabilities:						
Intersegment eliminations	(16,081,166)	(9,958,414)	(5,057,768)	(2,573,973)	(5,100,349)	(38,771,670)
Total group liabilities	4,201,384	(999,707)	(2,467,458)	628,643	941,846	2,304,708
30-Jun-16						
Segment liabilities	20,729,597	9,210,593	2,554,511	2,975,006	1,983,381	37,453,088
Reconciliation of segment liabilities to group liabilities:						
Intersegment eliminations	(16,760,588)	(9,898,125)	(5,002,773)	(2,712,945)	(1,850,518)	(36,224,949)
Total group liabilities	3,969,009	(687,532)	(2,448,262)	262,061	132,863	1,228,139

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

22. CASH FLOW INFORMATION

	Consolidated Group	
	2017	2016
	$	$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) after income tax	**(3,434,537)**	(1,390,554)
Non-cash flows in profit:		
– Amortization & depreciation	**329,842**	275,561
– Share based expenses	**19,299**	34,603
– net gain on disposal of property, plant and equipment	**-**	-
– Unrealised gain/(loss) on exchange	**59,501**	14,948
Share of associated companies net profit after income tax and dividends	**-**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and term receivables	**(192,128)**	420,310
– (increase)/decrease in prepayments	**3,477**	15,414
– (increase)/decrease in inventories	**(59,156)**	(164,193)
– (increase)/decrease in other assets	**23,522**	(38,226)
– increase/(decrease) in trade payables and accruals	**383,753**	(441,400)
– increase/(decrease) in income tax payable	**-**	-
– increase/(decrease) in provisions	**21,650**	(2,121)
Cash flow from operations	**(2,844,777)**	(1,275,658)

23. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were 2 events after the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

i. On 24 August 2017, the company issued 61,500,000 ordinary shares at 3 cents each under private placement to Future Fibre Technologies Ltd (FFT); and

ii. On 24 August 2017, Future Fibre Technologies Limited (FFT) has announced it intends to make an off-market takeover bid (Offer) for all of the shares it does not hold in the Company. FFT currently holds 61,500,000 shares. Our Board of Directors has indicated it currently intends to recommend the Offer, in the absence of a superior proposal.

    Under the terms of the Offer, MaxSec Shareholders will be offered one FFT share for every four MSP Shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

24. SHARE-BASED PAYMENTS

On 19 May 2015, 6,500,000 share options were granted to key management personnel (KMP) under the MaxSec Group Limited employee option plan to take up ordinary shares at an exercise price of 2.5 cents each. The options are exercisable on or before 19 May 2020. The options hold no voting or dividend rights and are not transferable.

The details of options granted to key management personnel are as follows:

Grant Date	Number	Vesting Date
19 May 2015	3,250,000	21-11-2016
19 May 2015	3,250,000	21-11-2017

The weighted average remaining contractual life of options outstanding at year-end was 2.90 years.

The fair value of options granted was $58,500. These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	2.5 cents	
Weighted average life of the option:	4.90 years	
Expected share price volatility:	17.38%	
Risk-free interest rate:	2.5%	*Australian Government Bond 10Y

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the expiry date of the options.

In accordance with Accounting Standard AASB2, the Company has presumed that the services to be rendered by the KMP as consideration for those options will be delivered over the vesting period. Accordingly the Group is accounting for these services as they are rendered and are being expensed over the years.

	$
2016	34,602
2017	19,299
2018	4,599
Total	58,500

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

25. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries.
The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2017	2016
		$	$
Financial assets			
Cash and cash equivalents	3	**1,587,055**	4,967,862
Loans and receivables	7	**1,907,206**	1,770,706
Total financial assets		**3,494,261**	6,738,568
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	13	**2,069,957**	1,015,038
– borrowings		**-**	-
Total financial liabilities		**2,069,957**	1,015,038

Financial Risk Management Policies

The Board of Directors reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk.

The overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk).

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 30 days from the invoice date.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Group has significant credit risk exposures to Australia given the substantial operation in the region.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved internal control policy.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

– preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
– using derivatives that are only traded in highly liquid markets;
– monitoring undrawn credit facilities;
– obtaining funding from a variety of sources;
– maintaining a reputable credit profile;
– managing credit risk related to financial assets;
– only investing surplus cash with major financial institutions; and
– comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

c. Market risk

(i) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings, forward exchange contracts, fixed interest securities, and cash and cash equivalents.

(ii) *Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US dollar and UK pound sterling may impact on the Group's financial results unless those exposures are appropriately hedged.

(iii) *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

The Group is exposed to commodity price risk through its overseas materials sourcing. Contracts for the sale and physical delivery of components are executed whenever possible on a pricing basis intended to achieve a relevant index target. Where pricing terms deviate from the index, derivative commodity contracts may be used when available to return realised prices to the index.

The Group is also exposed to securities price risk on investments held for trading over the medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

25. FINANCIAL RISK MANAGEMENT (Cont.)

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded.

		2017		2016	
Consolidated Group	**Note**	**Carrying Amount $**	**Fair Value $**	Carrying Amount $	Fair Value $
Financial assets					
Cash and cash equivalents	(i)	**1,587,055**	**1,587,055**	4,967,862	4,967,862
Trade and other receivables	(i)	**1,907,206**	**2,004,844**	1,770,706	1,770,706
Total financial assets		**3,494,261**	**3,591,899**	6,738,568	6,738,568
Financial liabilities					
Trade and other payables	(i)	**2,069,957**	**2,069,957**	1,015,038	1,015,038
Total financial liabilities		**2,069,957**	**2,069,957**	1,015,038	1,015,038

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.

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 20 to 51, are in accordance with the Corporations Act 2001 and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group;
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 declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer.

Director ....

Geoffrey J Cleaves, CEO and Director

Dated this 27th day of September 2017

WONG & MAYES AUDIT PTY LTD
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAXSEC GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of MaxSec Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2017, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are independent of the Group in accordance with 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 (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment of Goodwill and Intangible Assets	
The impairment of goodwill and development costs capitalised is a key audit matter as: • Goodwill and development costs represent 33% of the Group's total assets; • The markets, sectors and geographic areas in which the Group operates are subjective to strong competition, changes in habits and trends of users relating to content and product availability; • There is a significant level of judgement when considering management's assessment of impairment. We focused on the Group's valuation methodologies and the key inputs such as forecast cash flows, discount rates applied, forecast growth rates, inflation and terminal value.	• We assessed managements determination of the Group's cash generating unit (CGU) 's based on our understanding of the nature of the Groups business. We also analysed internal reporting of the Group to assess how results are monitored and reported. • We compared the cash flows forecasts to Board approved forecasts. We also evaluated the forecasting process undertaken by the Group assessing the accuracy of prior year forecast cash flows by comparing actual outcomes. We used knowledge from this evaluation to form our approach. • We challenged - managements forecast cash flow and long term growth rates by comparing to historical performance. - Discount rate used by assessing cost of capital for the Group by comparing it to market data and industry research • We stress – tested the assumptions used by analysing the impact on results from using lower growth rates and discount rates which were within a reasonably forseeable range.

Other Information

The directors of MaxSec Group Limited are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 16 to 18 of the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of MaxSec Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of MaxSec Group Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Name of Firm: **Wong & Mayes Audit Pty Ltd**
Chartered Accountants

Name of Auditor: ______________________

Silas Chan

Address: **Level 16, 309 Kent Street, Sydney**

Dated this 27th **day of September 2017**

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 11 September 2017.

1. Ordinary fully paid shares

(a) Distribution of shareholders

Category (size of holding):

	Number of holders	Number of shares
1-1,000	651	322,944
1,001-5,000	634	1,511,870
5,001-10,000	150	1,097,893
10,001-100,000	475	19,886,158
100,001 and over	266	449,192,063

(b) The number of shareholders holding less than a marketable parcel of 18,519 shares are:	1,553	4,624,701

(c) The names of the substantial shareholders listed in the holding company's register are:

		Number of shares
1.	Future Fibre Technologies Limited	76,000,000
2.	Ben Price	47,242,056
3.	Pandon Holdings Pte Limited	29,049,351

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

ASX Additional Information (cont.)

(e) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Ordinary Shares	
		Number of shares	Percentage of ordinary shares
1	Future Fibre Technologies Limited	61,500,000	13.03%
2	HSBC Custody Nominees (Australia) Limited	30,295,254	6.42%
3	Dixson Trust Pty Ltd	21,257,707	4.50%
4	Pierce Atlantic Pte Ltd	20,836,289	4.41%
5	Bannaby Investments Pty Ltd	20,488,934	4.34%
6	Pandon Holdings Pte Limited	17,742,146	3.76%
7	Mr. David Malcom South	17,000,000	3.60%
8	4C Controls Inc	12,800,000	2.71%
9	Mr. Christopher Fergus	12,000,000	2.54%
10	Mr. Steven Gary Hirst	11,618,161	2.46%
11	Bell Potter Nominees Ltd <BB Nominees A/C>	9,019,905	1.91%
12	Mr. Neil Richard Hingston + Ms. Pauline Ruth Hingston	7,309,239	1.55%
13	Mr. Michael David Bevan	7,000,000	1.48%
14	Carrier International Pty Ltd <Kuiper Family A/C>	5,950,000	1.26%
15	Brownlow PR Pty Ltd	5,500,000	1.17%
16	Mr. Matthew Ian James + Mrs. Heather Bernice James <Stone Cold S/F A/C>	5,500,000	1.17%
17	Mr. Daniel James Harris	5,000,000	1.06%
18	Mr. Joseph Morrin	5,000,000	1.06%
19	Old Mutual Internationals Isle of Man Limited <ERBA 600010238 A/C>	5,000,000	1.06%
20	Twoinvest Pty Limited	5,000,000	1.06%

2. Options

(a) Distribution of equity securities

The number of option holders, by size of holding, in each class of option are:

	Number of holders	Number of options
1-1,000	0	0
1,001-5,000	0	0
5,001-10,000	0	0
10,001-100,000	0	0
100,001 and over	6	21,200,000

ASX Additional Information (cont.)

(b) Twenty largest option holders

The names of the twenty largest holders of quoted options are:

		Number of options	Percentage of quoted options
1.	Pandon Holdings Pte Limited	6,700,000	31.60%
2.	Mr. Geoffrey J Cleaves	5,000,000	23.58%
3.	Bannaby Investments Pty Ltd	4,000,000	18.87%
4.	IFM Pty Ltd	4,000,000	18.87%
5.	Mr. Robert A Broomfield	1,000,000	4.72%
6.	Mr. Jacobus Landsberg	500,000	2.36%
		21,200,000	100.00%

(c) Voting rights

Options do not carry voting rights