ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

MaxSec Group Limited *ACN 000 029 265* and controlled entities

CORPORATE INFORMATION

ABN 89 000 029 265

DIRECTORS

Robert A Broomfield, Chairman and Non-Executive Director
Christopher Fergus, Executive Director
Jacobus J (Johan) Landsberg, Non-Executive Director

COMPANY SECRETARY

Leigh Davis

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Unit 29, 1 Talavera Road, North Ryde, NSW 2113, Australia
Telephone: +61 2 8817 2800
Facsimile: +61 2 8817 2811

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street, Adelaide SA 5000, Australia
Telephone (outside Australia): +61 8 8236 2300
Facsimile: +61 8 8236 2305

STOCK EXCHANGE

MaxSec Group Limited shares are quoted on the Australian Securities Exchange (ASX). ASX Code: MSP

BANKERS

Westpac Banking Corporation
60 Martin Place, Sydney, NSW 2000, Australia

AUDITORS

Ernst & Young
Level 21, 8 Exhibition Street, Melbourne, Victoria 3000, Australia

WEBSITE

www.MaxSec.com

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CHAIRMAN'S LETTER

Dear Shareholders,

It is my pleasure to present the 2018 Annual Report for MaxSec Group Limited.

Revenue was up 68% to $12.497 million on the previous year (2017: $7.429 million).

The net loss for the year of $2.855 million (2017: $3.434 million) is as a result of the continued investment in the establishment of Ava Group and the capability and capacity expansion in the Group.

Year ended	Net Profit / (Loss) $000's	Revenue $000's
30 June 2018	(2,855)	12,497
30 June 2017	(3,434)	7,429
30 June 2016	(1,391)	4,344
30 June 2015	411	5,202

Ava Group, our secure international logistics division, continued building its portfolio of foundation clients and is successfully contributing to the Group's revenues. Ava Global 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 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 after completion of the establishment of Ava Global and the expansion of the current business of the consolidated group was $1.144 million (2017: $1.587 million). During the financial year Maxsec raised an additional $1.845 million through a private placement of 61,500,000 shares to Ava Risk Group Limited ("Ava Group") on 24 August 2017 for the purposes of increasing working capital and to fuel growth.

On the 24 August 2017, Ava Group and the Company announced that Ava Group 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 Ava Group including greater sales opportunities 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.

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

ABOUT MAXSEC GROUP

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

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

The Group has also established a new business, Ava Global, to provide secure international logistics of high value cargo on a fully insured door to door basis. Ava Global 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.

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity (referred to hereafter as the "Group", "MaxSec" or "Consolidated Entity") consisting of MaxSec Group Limited and the entities it controlled for the financial year ended 30 June 2018 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Directors

The names of directors in office at any time during or since the end of the year are detailed in the table below.

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

Information on Company Directors and Company Secretary

Name, qualifications, and independence status	Experience, special responsibilities and other directorships
Robert A. Broomfield *Chairman of the Board* *Non-Executive Director*	Mr. Robert Broomfield is an experienced business executive with more than 20 years of management experience, including the past 19 years in senior positions within companies operating in the security industry. Mr. Broomfield is currently the Chief Operating Officer and Executive Director of security technology company Ava Group, 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 Ava Group 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 MaxSec Board on 5 October 2010 and holds no positions on Boards of other Australian listed companies other than Ava Group.
Geoffrey John Cleaves *Chief Executive Officer* *Executive Director (resigned 24 September 2018)*	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 holds a master's degree in professional accounting, he also holds the following professional designations: FIPA and SA Fin. Mr. Cleaves joined the MaxSec Board on 5 October 2010 and holds no positions on Boards of other Australian listed companies. In line with the MaxSec takeover underway and the changes in the management structure, Mr Cleaves will leave the business on or around 7 December 2018, and pending other commitments the Company intends to obtain ongoing consultancy services from Mr Cleaves in support of the transition.

Christopher Fergus *Executive Director*	Mr. Christopher Fergus is an Executive Director of MaxSec and CEO of the secure logistics division and has over 20 years of global experience within the security industry. Mr. Fergus is also Group CEO for Ava Group. 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 Ava Group.
Jacobus J Landsberg *Non-Executive Director*	Mr. Landsberg 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 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 joined the MaxSec Board on 6 May 2010 and holds no positions on Boards of other Australian listed companies.

Joint Company Secretaries

Mr. Jared Pearson, CA, B. Com
Appointed 29 July 2015 - *Resigned 18 September 2018*
Jared is a Chartered Accountant 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
Appointed 30 July 2010 - *Resigned 24 September 2018*
Mr. Cleaves is a Company Secretary and has broad experience in corporate finance & accounting and commercial and funds management.

Leigh Davis CPA, B. Bus, MBA, GAICD
Appointed 24 September 2018
Leigh is a CPA with more than 21 years' finance and accounting experience across a range of industries including energy, technology and telecommunications. Leigh has served as Chief Financial Officer and Company Secretary of both ASX listed and unlisted companies and has previously held Commercial Finance and Corporate Reporting roles in Australia, the United Kingdom and Europe for NYSE, NASDAQ and FTSE listed companies. Leigh holds a Bachelor of Business (Accounting) degree and an MBA from London Business School. He is also a graduate of the Australian Institute of Company Directors.

Directors' Meetings

The number of Directors' Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

	Board of Directors' Meetings		Meetings of Audit & Risk Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Robert A Broomfield	16	16	3	3
Geoffrey J Cleaves	16	16	-	-
Christopher Fergus	16	16	-	-
Jacobus J Landsberg	16	16	3	3

Remuneration and Nomination Committee

Due to the structure of the Board of Directors, there is no separate Remuneration and Nomination Committee. All matters in relation to remuneration and nominations are dealt with as part of the Board Meetings.

Gender Diversity Policy

The board has set an objective to increase the representation of women across the business to 25%, women in key executive level positions to 25%, and women on the Board to 20%. Whilst MaxSec particularly focuses on narrowing the gap in gender representation across all levels, it strives for equal development opportunities for all employees, irrespective of gender, cultural, physical capabilities or other differences.

Directors' Interests in shares or options

As at the date of this report, there were no shares or options held by directors in MaxSec. As part of the off-market takeover of MaxSec by Ava Group all shareholdings in MaxSec of directors were exchanged as part of the terms of takeover offer.

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 June 2016.

OPERATING AND FINANCIAL REVIEW

Review and results of operations

The Financial Report shows the following results for the consolidated Group entity.

Highlights:

- Revenue from ordinary activities of $12.497 million for the twelve months to 30 June 2018 (FY2018):
  - 68% increase on FY2017 ($7.429 million) primarily due to growth in sales for the international valuable logistics business.
- Gross margin of 35% (FY2017: 37%) as a result of higher sales from the lower margin international valuable logistics business.
- Non-operating income of $0.301 million (FY2017: $0.412 million) comprising:
  - Interest Income of $6k
  - R&D tax incentive of $222k
  - Gains on foreign exchange of $61k
  - Other Income of $12k
- Operating expenses excluding depreciation and amortisation, foreign exchange, interest and taxes of $7.081 million (FY2017 $6.279 million) due to:
  - Increased spending in advertising and marketing
  - Reduced travel and entertainment spending
  - Higher facilities and office costs due to international expansion; and
  - Employee expenses increased due to a shift from longer term projects which are capital in nature to shorter term projects and an increase in headcount in sales resources.
- Net loss from ordinary activities of $2.855 million - a 17% decrease on FY2017 loss of $3.434 million.
- EBITDA loss of $2.336 million - a 25% decrease on FY2017 loss of $3.121 million.
- Net assets of $3.294 million (FY2017 $4.813 million) due to working capital requirements and operating losses.

The financial year was a period of capital raising, merger related activity and continued growth due to the development of our market sectors and channels. Key milestones and achievements during the period are:

- MaxSec became a controlled entity of Ava Group on 29 November 2017 with Ava Group acquiring a controlling 86.8% stake in the business.
- MaxSec raised $1.845 million for working capital and development requirements from the issue of 61,500,000 ordinary shares at $0.03 cents each to Ava Group.
- During the period 04 May to 29 June 2018, MaxSec cancelled 18,276,192 shares through a combination of on-market buy-back and an unmarketable parcel buy-back of its own shares.
- The International Valuables Logistics business continues to grow both in terms of execution of new service level agreements and increasing market share from existing group clients. The gross margin percentage continues to improve with increasing economies of scale and due to a focus on a higher margin sectors.
- BQT Solutions was a new Product Showcase award winner in the category of Lock Systems and Secure Storage Containers at ISC West, Las Vegas for it`s YG10 locking solution.
- BQT Solutions has further increased investment in sales, marketing and promotion activity growing our pipeline of opportunities.
- BQT Solutions was awarded as Preferred Tenderer and subsequent execution of an agreement with the Australian Government for the supply of BQT smart readers to the Department of Human Services (DHS) in the new year. The contract estimates that requirements will be for the provision of approximately 6,500 readers and additional associated equipment over a planned implementation period of approximately two years.
- BQT Solutions executed distribution agreements with Dormakaba Australia Pty. Limited and Dormakaba NZ Limited for the respective non-exclusive and exclusive distribution of BQT Solutions co-branded locking products within Australia and New Zealand.

Following this the company has reported a consolidated loss for the year of $2.855 million (2017: Loss $3.434 million). The loss is reflective of the resourcing of International Valuable Logistics business segment during the establishment period and increased sales, marketing and promotion activity in the BQT Solutions operations. During the period the Company also incurred non-recurring direct costs of $262k in relation to the bid by Ava Group. If these costs had not been incurred by the Company the net loss for the period would have been $2.593 million.

The Company ended the year with a cash balance of $1.144 million (30 June 2017: $1.587 million). Trade receivables at the end of the year amounted to $1.192 million (30 June 2017: $1.907 million).

Outlook

The Directors remain focused on continuing along the path of 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 and services to increase market share and profitability;
- 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 client; and
- Cost control and working capital maximisation initiatives.

Significant changes in state of affairs

AVA Group Takeover

MaxSec became a Controlled Entity of Ava Group on 29 November 2017. On 29 June 2018 Ava Group announced that it had acquired 90.3% of the shareholding in MaxSec and intended to acquire the remaining shares. As at the report date, Ava Group holds 90.3% in MaxSec and is eligible under *Section 664C of the Corporations Act* to apply to compulsory acquire the remaining 9.7% shareholding.

Share Buy Back

The Company announced a share buy-back of its own shares on 9 March 2018. During the period 04 May to 29 June 2018, MaxSec cancelled 18,276,192 shares through a combination of on-market buy-back and an unmarketable parcel buy-back.

There were no other significant changes in the state of affairs of the Group during the financial year.

After balance date events

On 17 July 2018 the Company announced that Ernst & Young had been appointed auditors of the company effective immediately.

On 24 September 2018, Geoffrey J Cleaves resigned as Executive Director and Company Secretary. Leigh Davis, Group Chief Financial Officer, has replaced Mr. Cleaves as Company Secretary. In line with the MaxSec takeover underway and the changes in the management structure, Mr Cleaves will leave the business on or around 7 December 2018, and pending other commitments the Company intends to obtain ongoing consultancy services from Mr Cleaves in support of the transition.

Other than the matters noted above there has been no matter or circumstance, which has arisen subsequent to 30 June 2018 that has significantly affected or may significantly affect the operations of the consolidated entity, or the results of those operations, or the state of affairs of the consolidated entity.

Likely developments

Likely development of the operations of the Group are encompassed in the Operating and Financial Review section of this report.

Dividends paid, recommended or declared

No dividends were paid, declared or recommended since the start of the financial year. (2017: Nil).

Share options granted to directors and executives

There were no options over unissued ordinary shares granted by MaxSec to directors during or since the financial year end.

Shares under option

There are no unissued ordinary shares of MaxSec under option at the date of this report.

For details of share option transactions during the financial year to Directors and executives as remuneration, refer to the remuneration report.

Shares issued on exercise of options

During the year 30 June 2018, there were no shares issued on the exercise of options granted.

Proceedings on behalf of the consolidated entity

No person has applied for leave of Court to bring proceedings against the consolidated entity.

Environmental regulation and performance

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws. The Group has complied with all environmental regulations to which it is subject.

Indemnification and Insurance of Directors and Officers

MaxSec maintains a Directors and Officers insurance policy that, subject to some exceptions provides insurance cover to past, present and future directors and officers of the consolidated entity and its subsidiaries. The company has paid a premium for the policy.

In addition, under the Constitution of the company, and to the extent permitted by law, each director of the company is indemnified by the company against liability incurred to another person (other than the company or related body corporate) except where the liability arises out of conduct involving a lack of good faith. Accordingly, each director is indemnified against any liability for costs and expenses incurred by the director in defending proceedings, whether civil or criminal, in which judgement is given in favour of the director or in which the director is acquitted, or in connection with an application in relation to such proceedings in which a court grants relief to the officer under the *Corporations Act 2001*.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors Ernst & Young Australia, as part of the terms of its annual engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payments have been made to indemnify Ernst & Young during or since the financial year.

The company has not otherwise during or since the financial year, indemnified or agreed to indemnify a director or auditor of the company or any related body corporate against a liability incurred as a director or auditor.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

DIRECTORS' REPORT – REMUNERATION REPORT (AUDITED)

The directors present the consolidated entity's 2018 audited remuneration report which details the remuneration information for MaxSecs executive directors, non-executive directors and other key management personnel.

1. DETAILS OF KEY MANAGEMENT PERSONNEL (KMP)

(i) Non-executive Directors

Robert A Broomfield	Chairman and Non-executive Director
Jacobus J Landsberg	Non-executive Director

(ii) Executive Directors

Geoffrey J Cleaves	Executive Director (Resigned 24 September 2018)
Christopher Fergus	Executive Director

A KMP are those persons 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.

There were no other changes to KMP after reporting date and before the date the financial report was authorised for issue.

2. REMUNERATION POLICIES

The remuneration policy of MaxSec 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 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 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. 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 in Australia 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 Board 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.

Remuneration Report (Audited) (continued)

2. REMUNERATION POLICIES (CONTINUED)

Performance conditions linked to remuneration

The Group seeks to emphasize 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 gross and net profit targets, expense ratios and continued employment with the Group. This condition provides management with a performance target which focus upon organic sales growth utilising existing group resources.

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.

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.

Non-executive director remuneration arrangements

The remuneration of Non-executive directors (NEDs) consists of directors' fees, which includes attendance at Committee meetings. NEDs do not receive retirement benefits other than compulsory superannuation scheme contributions.

Each NED, including the Chairman receives a base fee of $27,397 per annum exclusive of post-retirement benefits for being a director of the Company.

As part of their remuneration NEDs receive share options in the Company and are encouraged to hold shares in the Company. This is in line with the Company's overall remuneration philosophy and aligns NEDs with shareholder interests.

The remuneration of NEDs for the year ended 30 June 2018 and 30 June 2017 is detailed in Tables 1 and 2 respectively of this report.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The Company's current aggregate fee pool is $250,000 per year.

Executive remuneration arrangements

For executives, the company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for service between the Company and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment thereby aligning executive and shareholder interests.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Short-Term Incentive (STI)

The objective of the STI program is to link the achievement of the Group's annual operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level that provides sufficient reward to the executive for exceeding the operational targets and at such a level that the cost to the Group is reasonable in the circumstances.

Actual STI payments granted to each executive depend on the extent to which specific annual operational targets set at the beginning of the financial year are met or exceeded. The CEO's targets are set by the Board. The targets for all other executives are set by the Ava Group CEO and CEO of MaxSec.

STI rewards are assessed annually and are usually paid in cash.

Long-Term Incentive (LTI)

Long-term incentives are provided to certain employees through the issuance of options. The options are designed to provide long-term incentives for employees to deliver long-term shareholder returns.

The options are usually issued for nil or nominal consideration and are granted in accordance with the Company's Employee Share Option Plan (ESOP).

Remuneration Report (Audited) (continued)

2. REMUNERATION POLICIES (CONTINUED)

Options are issued for a specified period and are convertible into ordinary shares. The exercise price of the options are determined by the Directors having regards to the market price of a share on invitation date, grant date, or another specified date after grant close and desirable performance hurdles that are aligned with shareholder interests. All options expire on the earlier of their expiry date or on the date of termination of the employee's employment subject to Directors' discretion. Options do not vest until any vesting or performance criteria set at granting have been met in accordance with the terms and conditions of the ESOP.

There are no voting or dividend rights attached to the options. Voting rights will attach to the ordinary shares when the options have been exercised. Unvested options and performance rights cannot be transferred and will not be quoted on the ASX.

3. EXECUTIVE CONTRACTUAL ARRANGEMENTS

The company has entered into service agreements with the following key management personnel:

Geoffrey J Cleaves *Chief Executive Officer* *Executive Director (resigned 24 September 2018)*	**Contract of Employment** Geoffrey J Cleaves is employed by MaxSec as a permanent, full-time employee. Mr. Cleaves commenced his position in November 2011. His current base salary is $200,000 inclusive of superannuation. He has a notice period of three months. **Performance Conditions** Mr. Cleave's remuneration includes a bonus, payable on performance of key performance indicators (KPIs), which include non-financial indicators, such as corporate finance activities and obtaining global distribution agreements. The KPIs also include financial performance conditions such as net profit, gross profit and expense ratio improvements. Mr Cleaves was awarded a bonus of $10,000 in the 2018 financial year, (2017: $20,622). The bonus for FY2018 related to the achievement of non-financial indicators only. In line with the MaxSec takeover underway and the changes in the management structure, Mr Cleaves will leave the business on or around 7 December 2018, and pending other commitments the Company intends to obtain ongoing consultancy services from Mr Cleaves in support of the transition.
Christopher Fergus *Executive Director*	**Contract of Employment** Mr. Christopher Fergus is employed by MaxSec as a permanent, full-time employee through a shared services agreement with Ava Global DMCC. Mr. Fergus commenced employment with Ava Global DMCC in May 2017 with a salary of AED1,818,936 per annum inclusive of superannuation and allowances. He has a notice period of 3 months. **Performance Conditions** Ava Global DMCC has a performance plan which allows for senior employees of the company to share in a pooled allocation of up to 32.7% of the exit value of Ava Global DMCC in excess of AU$5 million or the debt and equity funding provided to Ava Global to run the business, whichever is greater. In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates. The incentives are payable in cash conditional upon meeting pre-defined KPIs by the executives. 16.2% of the exit value and net profits of Ava Global business unit has been allocated to Mr Fergus. Mr Fergus was not paid and did not accrue any benefits under the Performance Plan during the 2018 financial year. The performance plan expires if the executive resigns from their employment or is terminated by the company within the first 3 years. Otherwise the performance plan terminates on 1 February 2021.

Remuneration Report (Audited) (continued)

3. EXECUTIVE CONTRACTUAL ARRANGEMENTS (CONTINUED)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2018

	Short-term			Post-Employment		Long Term	Share-based Payment		
	Salary and Fees	Cash Bonus#	Other Benefits*	Super-annuation	Termination benefits	Long Service Leave	Options	Total	Performance Related
	$	$	$	$	$	$	$	$	%
Non-executive directors									
Robert A Broomfield	27,397	-	-	2,603	-	-	708	**30,708**	2%
Jacobus J Landsberg	27,397	-	-	2,603	-	-	354	**30,354**	1%
Sub-total non-executive directors	54,794	-	-	5,206	-	-	1,061	**61,061**	
Executives									
Geoffrey J Cleaves	182,648	59,230	-	22,028	-	20,035	3,538	**287,479**	22%
Christopher Fergus	332,543	-	234,055	83,326	-	5,692	-	**655,616**	0%
Sub-total executive KMP	515,191	59,230	234,055	105,354	-	25,727	3,538	**943,095**	
Totals	**569,985**	**59,230**	**234,055**	**110,560**	**-**	**25,727**	**4,599**	**1,004,156**	

 # Includes bonuses in relation to FY2018 of $10,000, FY2017 of $20,662 and FY2016 $30,234 inclusive of superannuation. Refer to page 21 for further details.

** Other benefits include allowances for housing, car and school fees applicable to salary packages in Dubai.*

Table 2: Remuneration for the year ended 30 June 2017

	Short-term			Post-Employment		Long Term	Share-based Payment		
	Salary and Fees	Cash Bonus	Other Benefits	Super-annuation	Termination benefits	Long Service Leave	Options	Total	Performance Related
	$	$	$	$	$	$	$	$	%
Non-executive directors									
Robert A Broomfield	27,397	-	-	2,603	-	-	2,969	**32,969**	9%
Jacobus J Landsberg	27,397	-	-	2,603	-	-	1,485	**31,485**	5%
Sub-total non-executive directors	54,794	-	-	5,206	-	-	4,454	**64,454**	
Executives									
Geoffrey J Cleaves	182,648	-	-	17,352	-	-	14,845	**214,845**	7%
Christopher Fergus	281,584	-	205,849	70,411	-	5,563	-	**563,407**	0%
Sub-total executive KMP	464,232	-	205,849	87,763	-	5,563	14,845	**778,252**	
Totals	**519,026**	**-**	**205,849**	**92,969**	**-**	**5,563**	**19,299**	**842,706**	

Remuneration Report (Audited) (continued)

4. RELATIONSHIP BETWEEN REMUNERATION 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 directors and executives to encourage the alignment of personal and shareholder interests.

(a) Remuneration not dependent on satisfaction of performance condition

The non-executive directors' remuneration policy is not directly related to company performance. The board seeks to align remuneration policies to the long-term creation of wealth by the company for shareholders.

(b) Remuneration dependent on satisfaction of performance condition

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonuses (STIs). Performance-based remuneration granted to key management personnel has regard to company performance over a 12-month period.

The Chief Executive Officer`s remuneration includes a bonus, payable on performance of key performance indicators (KPIs), which include non-financial indicators, such as corporate finance activities and obtaining global distribution agreements. The KPIs also include financial performance conditions such as net profit, gross profit and expense ratio improvements.

These performance conditions are selected to align the goals and incentives of the KMP with the creation of shareholder wealth during the relevant period.

Quantitative financial performance conditions are assessed against the Group's financial report for the year. Other performance conditions are assessed by the CEO, or in the case of the CEO's performance conditions, the Board giving consideration to outcomes achieved, external influences and a range of other qualitative factors. These assessments ensure clearly defined and objective assessment of financial and quantitative targets and promote fair and reasonable judgements in respect of qualitative performance conditions.

The following table sets out the terms and conditions of each grant of the performance-linked bonus affecting compensation in current and future years:

2018	Amount included in Remuneration $	Awarded %	Forfeited %	Estimated Maximum total value of Bonus $
Geoffrey J Cleaves	60,896	97%	3%	62,562
Christopher Fergus	-	0%	0%	-

Assessment of these executives' achievement of their performance conditions was conducted during October 2017 and August 2018. The remuneration associated with the achievement of these awards relating to FY2017 was paid during the year ended 30 June 2018. The award relating to FY2018 is to be paid in the year ended 30 June 2019.

The amount payable to Geoffrey J Cleaves is $60,896 and includes FY2018 payable accrued of $10,000, an amount of $20,662 for FY2017 and FY2016 amounting to $30,234 inclusive of superannuation.

Remuneration Report (Audited) (continued)

4. RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE (CONTINUED)

(c) Impact of Company's performance on shareholder wealth

The following table summarises company performance and key performance indicators:

	2018	2017	2016	2015	2014
Revenues and other income excluding interest income ($'000)	12,792	7,820	4,565	5,373	3,398
% increase/(decrease) in revenue	64%	71%	(15)%	58%	(11%)
Profit/(Loss) before tax ($'000)	(2,855)	(3,434)	(1,391)	411	187
% increase/(decrease) in profit before tax	17%	(147%)	(438)%	120%	28%
Change in share price (%)	(10%)	(9%)	23%	37%	375%
Dividend paid to shareholders ($'000)	-	-	-	-	-
Return of capital ($'000)	-	-	-	-	-
Total remuneration of KMP ($)	1,004,516	842,706	382,792	267,539	280,172

5. KEY MANAGEMENT PERSONNEL'S SHARE-BASED COMPENSATION

Share options issued

There were no share options issued to KMP during the financial year. All options held by KMP were exchanged as part of the Ava Group off-market takeover. Each option holder received 1 Ava Group share option for every 4 MaxSec share options held.

The table below shows the number of share options granted, cancelled, vested, or lapsed during the year.

Name	Grant date	Option balance at 1 Jul 2017	Number of options vested at 1 Jul 2017	Number of options vested during the year	Number of options cancelled during the year	Vested	Value at lapse date**	Exercise Price	Expiry Date	First exercise Date	Last exercise date
						%	$	$			
Geoffrey J Cleaves	19/05/2015	5,000,000	2,500,000	2,500,000	(5,000,000)	100%	$114,208	$0.025	19/05/2020	21/11/2016	29/11/2017
Christopher Fergus	19/05/2015	1,000,000	500,000	500,000	(1,000,000)	100%	$22,842	$0.025	19/05/2020	21/11/2016	29/11/2017
Jacobus J Landsberg	19/05/2015	500,000	250,000	250,000	(500,000)	100%	$11,421	$0.025	19/05/2020	21/11/2016	29/11/2017

6. KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

(a) Number of options held by key management personnel:

2018	Balance at beginning of period 1-Jul-17	Granted as remuneration	Options exercised	Net change other*	Balance at end of period 30-Jun-18
Non-executive Directors					
Robert A Broomfield	1,000,000	-	-	(1,000,000)	-
Jacobus J Landsberg	500,000	-	-	(500,000)	-
Sub-total	1,500,000	-	-	(1,500,000)	-
Executives					
Geoffrey J Cleaves	5,000,000	-	-	(5,000,000)	-
Christopher Fergus	-	-	-	-	-
Sub-total	5,000,000	-	-	(5,000,000)	-
Total	**6,500,000**	**-**	**-**	**(6,500,000)**	**-**

** Options exchanged as part of Ava Group off-market takeover offer during the year ended 30 June 2018. Each option holder received 1 Ava Group share option for every 4 MaxSec share options held.*

(b) Number of shares held by key management personnel

2018	Balance at beginning of period 1-Jul-17	Granted as remuneration	Options exercised	Net change other*	Balance at end of period 30-Jun-18
Non-executive Directors					
Robert A Broomfield	3,750,000	-	-	(3,750,000)	-
Jacobus J Landsberg	-	-	-	-	-
Sub-total	3,750,000	-	-	(3,750,000)	-
Executives					
Geoffrey J Cleaves	-	-	-	-	-
Christopher Fergus	12,000,000	-	-	(12,000,000)	-
Sub-total	12,000,000	-	-	(12,000,000)	-
Total	**15,750,000**	**-**	**-**	**(15,750,000)**	**-**

** Shares sold to Ava Group as part of its off-market takeover offer during the year ended 30 June 2018.*

7. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During FY2018, Ava Group and its subsidiaries, a company of which Robert Broomfield and Christopher Fergus are directors, prior to acquisition, sold $497,195 of goods predominantly along with some shared services to MaxSec. MaxSec also sold services of $34,528 for employee shared services to Ava Group during this period. The terms of these arrangements were on an arm's length basis in the normal course of business.

In FY2017, Ava Group sold services to MaxSec amounting to $1,211,097. Accounts payable balance at 30 June 2017 totals $532,465. Ava Group also purchased services from MaxSec for an amount of $104,561. The terms of these arrangements were on an arm's length basis in the normal course of business. Accounts receivable balance at 30 June 2017 totals $10,195.

There were no other transactions with Directors or KMP during the year ended 30 June 2018 (FY2017: none)

8. VOTING AND COMMENTS MADE AT THE COMPANY'S 2018 ANNUAL GENERAL MEETING (AGM)

At the company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

END OF THE REMUNERATION REPORT

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Ernst & Young during 2018 and during 2017, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Any non-audit services provided by Ernst & Young in relation to the acquisition of MaxSec by Ava Group during the year were invoiced to the ultimate parent Ava Group and absorbed within the Ava Group.

	2018 $	2017 $
Amounts paid and payable for non-audit services:		
* Tax compliance and tax advice services – Wong & Mayes	**13,500**	15,000
Total auditors' remuneration for non-audit services	**13,500**	15,000

Signed in accordance with a resolution of the directors.

Christopher Fergus
Director
27 September 2018

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Auditor's Independence Declaration to the Directors of MaxSec Group Limited

As lead auditor for the audit of MaxSec Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MaxSec Group Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Richard Bembridge
Partner
27 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2018	Note	Consolidated 2018 $'000	2017 $'000
Revenue and other income			
Sales revenue	4	**12,497**	7,429
Other income	4	**301**	412
		12,798	**7,841**
Less:			
Cost of raw materials, consumables used, and labour		**(8,169)**	(4,663)
Employee benefits expense		**(4,665)**	(4,015)
Depreciation and amortisation expenses	11,12	**(522)**	(330)
Advertising and marketing		**(490)**	(296)
Travel and entertainment		**(438)**	(521)
Facilities and office		**(450)**	(307)
Compliance, legal and administration		**(671)**	(684)
Finance costs		**(3)**	(3)
Foreign exchange gains/(losses)		**122**	-
Other expenses		**(367)**	(456)
Loss for the year before income tax		**(2,855)**	(3,434)
Income tax (expense)/benefit	5	**-**	-
Loss for the year		**(2,855)**	(3,434)
Other comprehensive income/(loss) for the year, net of tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations, net of tax		**(67)**	(695)
Total comprehensive income/(loss) for the year		**(2,922)**	(4,129)
Total comprehensive income/(loss) attributable to:			
Owners of the company		**(2,922)**	(4,129)
Non-controlling interests		**-**	-
		(2,922)	(4,129)
Loss per share for loss attributable to the ordinary equity holders of the company:		**Cents**	Cents
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share	6	**(0.62)**	(0.84)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018		Consolidated	
		2018	2017
	Note	$'000	$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**1,144**	1,587
Trade and other receivables	8	**1,642**	1,955
Inventories	9	**1,304**	1,102
Other current assets	10	**171**	42
Total Current Assets		**4,261**	4,686
Non-Current Assets			
Property, plant and equipment	11	**92**	97
Intangible assets	12	**2,426**	2,335
Total Non-Current Assets		**2,518**	2,432
TOTAL ASSETS		**6,779**	7,118
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**2,972**	2,070
Borrowings	14	**200**	-
Provisions	15	**291**	195
Total Current Liabilities		**3,463**	2,265
Non-Current Liabilities			
Provisions	15	**22**	40
Total Non-Current Liabilities		**22**	40
TOTAL LIABILITIES		**3,485**	2,305
NET ASSETS		**3,294**	4,813
EQUITY			
Contributed equity	16	**68,256**	66,857
Accumulated losses		**(88,850)**	(85,995)
Reserves	17	**23,888**	23,951
Equity attributable to owners of the Company		**3,294**	4,813
Non-controlling interest		**-**	-
TOTAL EQUITY		**3,294**	4,813

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 30 June 2018	Share Capital $'000	Share Based Expenses Reserve $'000	Capital Profit Reserve $'000	Foreign Exchange Translation Reserve $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2017	**66,857**	**23,356**	**1,031**	**(436)**	**(85,995)**	**4,813**
Loss for period	-	-	-	-	(2,855)	(2,855)
Exchange differences on translation of foreign operations, net of tax	-	-	-	(67)	-	(67)
Total comprehensive income for the year	-	-	-	(67)	(2,855)	(2,922)
Transactions with owners in their capacity as owners						
Shares issued	1,845	-	-	-	-	1,845
Share Buy Back	(446)	-	-	-	-	(446)
Share based payments	-	4	-	-	-	4
Total transactions with owners in their capacity as owners	1,399	4	-	-	-	1,403
Balance at 30 June 2018	**68,256**	**23,360**	**1,031**	**(503)**	**(88,850)**	**3,294**
At 1 July 2016	66,857	23,337	1,031	259	(82,560)	8,924
Loss for period	-	-	-	-	(3,435)	(3,435)
Exchange differences on translation of foreign operations, net of tax	-	-	-	(695)	-	(695)
Total comprehensive income for the year	-	-	-	(695)	(3,435)	(4,130)
Transactions with owners in their capacity as owners						
Share based payments	-	19	-	-	-	19
Total transactions with owners in their capacity as owners	-	19	-	-	-	19
Balance at 30 June 2017	**66,857**	**23,356**	**1,031**	**(436)**	**(85,995)**	**4,813**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 30 June 2018	Note	Consolidated 2018 $'000	2017 $'000
Cash flow from operating activities			
Receipts from customers		**13,292**	7,237
Receipts from R&D tax incentives		**222**	225
Other receipts		**12**	167
Payments to suppliers and employees		**(14,997)**	(10,490)
Finance costs paid		**(3)**	(3)
Interest received		**6**	20
Net cash flows used in operating activities	7(a)	**(1,468)**	(2,844)
Cash flow from investing activities			
Payment for intangible assets		**(565)**	(500)
Payment for plant and equipment		**(46)**	(32)
Net cash flows used in investing activities		**(611)**	(532)
Cash flow from financing activities			
Proceeds from share issues		**1,845**	-
Cash outflows share buy-back		**(446)**	-
Proceeds from borrowings		**200**	-
Net cash flows from financing activities		**1,599**	-
Net decrease in cash and cash equivalents		**(480)**	(3,376)
Cash and cash equivalents at beginning of year		**1,587**	4,968
Net foreign exchange differences on cash holdings		**37**	(5)
Cash and cash equivalents at end of year	7	**1,144**	1,587

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers MaxSec Group Limited and controlled entities as a consolidated entity ("MaxSec"), MaxSec company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. MaxSec is a for-profit entity for the purpose of preparing the financial statements. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

The consolidated financial statements of MaxSec for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 27 September 2018.

Compliance with IFRS

The consolidated financial statements of MaxSec also comply with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Significant accounting estimates

The preparation of financial report requires the use of certain estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Going concern

The financial report has been prepared on a going concern basis. The Group generated a loss but is supported by the parent entity, Ava Risk Group Limited (Ava Group) to enable the financial report to be prepared on a going concern basis. Ava Group has provided a $750k borrowing facility to the Group which is drawn to the amount of $200k at year end. The Group monitors its current performance using the budgets approved by the Board of Directors. The Group reported an after-tax loss of $2.855 million for the year (2017: loss $3.434 million) and its total assets exceed total liabilities by $3.294 million (2017: $4.813 million). The directors have assessed and reasonably expect the company will continue as a going concern for the foreseeable future, whereby the company will continue normal business activities and realise its assets and discharge its liabilities in the normal course of business. For these reasons, the financial statements have been prepared on a going concern basis.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, 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.

Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Acquisition costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

(a) fair value of consideration transferred,

(b) the recognised amount of any non-controlling interest in the acquiree, and

(c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e., gain on a bargain purchase) is recognised in profit or loss immediately.

Goodwill is tested annually for impairment.

Subsidiaries

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

Transactions eliminated on consolidation

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases. Equity interests in a subsidiary not attributable directly or indirectly to the Group are presented as non-controlling interests.

Non-controlling interests

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

(d) Accounting standards issued but not yet effective at 30 June 2018

AASB 15 Revenue from contracts with customers

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards(AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 *Leases* (or AASB 16 *Leases*, once applied).

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date for MaxSec is annual reporting periods beginning on or after 1 July 2018.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The Company has completed an initial review of its customer contracts in order to determine the effects of these changes on revenue recognition during the coming year. The Group intends to adopt the modified retrospective approach with the cumulative effect of initially applying the standard recognised at the date of initial application within retained earnings. The impact of AASB 15 will be quantified in the first half of FY2019 as the review is completed.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 16 Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right-to-use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The changes in lease recognition requirements in AASB 16 will cause changes to the amount of interest and operating expenses, leased assets and lease liabilities recorded in the financial statements as well as additional disclosures.

The effective date for MaxSec is annual reporting periods beginning on or after 1 January 2019.

The impact of AASB 16 has not yet been quantified.

AASB Interpretation 23 Uncertainty over income tax treatment

The Interpretation clarifies the application of the recognition and measurement criteria in AASB12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The effective date for MaxSec is annual reporting periods beginning on or after 1 July 2019.

The impact of AASB 23 has not yet been quantified.

AASB 9: Financial Instruments

This standard will replace *AASB 139: Financial Instruments: Recognition and Measurement*. This standard addresses the classification, measurement and derecognition of financial assets in addition to new hedge accounting requirements, including changes to hedge effectiveness testing and includes a new impairment model for financial assets. The new impairment requirements may result in an earlier recognition of impairment provisions through the application of the expected credit loss (ECL) model compared to the incurred credit loss model under AASB139 in respect of trade receivables.

The effective date for MaxSec is annual reporting periods beginning on or after 1 July 2018.

Management is currently assessing the impact of AASB 9.

(e) Foreign currency translations and balances

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re statement are recognised as revenues and expenses for the financial year.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign subsidiaries

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

(f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes (including GST) or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised:

(i) Sale of products, materials and parts

Revenue from the sale of products, material and parts is recognised upon the delivery of goods to customers.

(ii) Services

Revenue from the rendering of service is recognised upon delivery of the service to the customers.

(iii) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions.

Government grants relating to intangible assets are credited to the asset carrying value and recognised in the profit or loss over the period and proportions in which amortisation expense on those assets is recognised.

(iv) Interest income

Interest income is recognised when it becomes receivable on a proportionate basis taking into account the interest rates applicable to the financial assets.

(v) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(vi) Other revenues

Other operating revenues are recognised as they are earned, and goods or services provided.

(g) Income tax and other taxes

The income tax expense or benefit is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

(i) Tax consolidation legislation

MaxSec Group Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2014. MaxSec Group Limited is the head entity of the consolidated group.

(ii) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade receivables are recognised initially at original invoiced amounts, less an allowance for any uncollectible amounts. Settlement terms for trade receivables vary between the geographic regions and are generally in line with standard industry practice within each geographic region. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss as a separate expense category. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacities. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a diminishing balance basis over the estimated useful life of the specific assets as follows:

Plant and Equipment	2018 Years	2017 Years
Office furniture and equipment	1-5	1-5
Motor Vehicles	5	5
Computer equipment	4-5	4-5
Technical field equipment	6	6

(m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to control the use of the asset, even if the right is not explicitly stated in the agreement.

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and amortised on a straight-line basis over the life of the lease term.

(n) Intangibles

Research and development

Expenditure on research activities is recognised as an expense when incurred.

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

. Its intention to complete and its ability and intention to use or sell the asset

. How the asset will generate future economic benefits

. The availability of resources to complete the asset

. The ability to measure reliably the expenditure during development

Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful lives. Amortisation commences when the intangible asset is available for use. During the period of development, the asset is tested for impairment annually.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patents

Patents are initially recognised at the cost on acquisition. Patents have a finite life and are amortised on a systematic basis matched to the future economic benefits over the life of the asset, less any impairment losses. Amortisation of the patents commences on approval of the patent and is matched to the timing of economic benefits flowing to the company from the application of the technology. Patents are reviewed for impairment at the end of the financial year and more frequently when an indication of impairment exists. Any impairment charge is recorded separately.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

(o) Trade and other payables

Trade and other payables are carried at amortised cost due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within terms negotiated with suppliers.

(p) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition. MaxSec has loans and receivables at 30 June 2018 and 2017.

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Interest, dividends, losses and gains relating to the financial liability are recognised in the statement of comprehensive income. Distributions to the equity holders are recognised against equity, net of any tax benefit.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

(q) Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

(r) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Warranty provisions

Provision is made for the estimated liability on all products and services still under warranty at balance date. This provision is estimated having regard to prior service warranty experience. In calculating the liability at balance date, amounts were not discounted to their present value as the effect of discounting was not material. In determining the level of provision required for warranties, the Group has made judgments in respect of the expected performance and the costs of fulfilling the warranty. Historical experience and current knowledge have been used in determining this provision. The initial estimate of warranty-related costs is revised annually.

Employee Entitlements

(i) Wages, salaries, annual leave, long service leave and personal leave expected to be settled within 12 months

Liabilities for wages and salaries, including non-monetary benefits, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating personal leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave and annual leave expected to be settled after 12 months

The liability for long service leave and annual leave expected to be settled after 12 months is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Short-term Incentive payments (STI's)

The consolidated entity recognises a provision when an STI is payable, to the extent it is probable, in accordance with the employee's contract of employment, and the amount can be reliably measured.

(iv) Long-term Incentive payments (LTI's)

The consolidated entity recognises a provision when an LTI is payable, to the extent it is probable, in accordance with the employee's contract of employment, and the amount can be reliably measured.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Pensions and other post-employment benefits

The company contributes to defined contribution superannuation/pension funds on behalf of employees in respect of employee services rendered during the year. These superannuation/pension contributions are recognised as an expense in the same period when the employee services are received. Generally, contributions are made and applicable local jurisdiction statutory rates where relevant.

(vi) Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The consolidated entity recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(s) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to its employees (including senior executives) in the form of share-based payments, whereby employees render services in exchange for share options (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of MaxSec (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

(i) the grant date fair value of the award;

(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit / loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Parent entity financial information

The financial information for the parent entity, MaxSec Group Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost less impairment charge in the financial statements of MaxSec. Dividends received are recognised in the parent entity's profit or loss.

(w) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(x) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(y) Foreign Exchange rates

The presentation currency of the Group is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at reporting date. All differences in the financial reports are taken to the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a material impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of tangible and intangibles assets

The Group determines whether tangible and intangibles are impaired at least on an annual basis by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The group assessed the carrying amount of the Group's assets at 30 June for impairment indicators and determined that there was no impairment indicator. The carrying value of goodwill was assessed for impairment as is required on an annual basis.

Refer to note 12 (b) for further details.

(ii) Measuring trade receivables at amortised cost

The Group considers trade receivables ability to pay including timing and the amount of payment.

(iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

(iv) Capitalisation of development costs

Judgement is required using the criteria outlined in note 1(n), where expenditure meets the definition of development.

Capitalised development costs have a finite life and are amortised on a systematic basis over the expected life of the asset and cease at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Costs capitalised include direct payroll and payroll related costs of employees' time spent on the development projects.

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors of MaxSec.

Following the acquisition of MaxSec by Ava Group, management and the board reassessed the reporting functions of the MaxSec business and determined that the Group's segments were based on two separately identifiable products rather than previously disclosed geographical segments. The financial report for 30 June 2018 and its comparative numbers have been disclosed as such.

The Group operates in the access control solutions and international valuable logistics industries which are its reportable segments. These business units offer different products and services and are managed separately because they require different technology and marketing strategies. The information for which is reported consistently with the financial statements.

The total amount of external revenue derived from major customers where the revenue is greater than 10% of operating revenue is $5.2 million within the international valuable logistics segment (FY2017: $800k).

2018	Access Control Solutions $'000	International Valuable Logistics $'000	Eliminations $'000	Total $'000
Revenue				
External customers	5,148	7,349	-	12,497
Interest Income	6	-	-	6
R&D tax incentive	222	-	-	222
Other revenue	73	-	-	73
Segment revenues	**5,449**	**7,349**	**-**	**12,798**
Depreciation and amortisation expenses	(513)	(9)	-	(522)
Finance costs	(3)	-	-	(3)
EBITDA*	**(601)**	**(1,735)**	**-**	**(2,336)**
Segment operating loss	**(1,111)**	**(1,744)**	**-**	**(2,855)**
Segment assets	**11,798**	**1,641**	**(6,660)**	**6,779**
Segment liabilities	**(1,715)**	**(8,430)**	**6,660**	**(3,485)**

** EBITDA is defined as earnings before interest income, interest expense, tax, depreciation and amortisation.*

Revenues, interest, amortisation and depreciation and all other costs associated with the day to day functions of these two segments are reported within each segment. Corporate costs of the parent entity MaxSec Group Limited are included within the Access Control Solutions segment. General and administrative costs including employee costs for the senior management team have not been allocated between segments and sit within the segment under which they are primarily remunerated from. The 2017 comparatives in the table below are disclosed in the same manner. This is the measure reported to the chief operating decision maker for resource allocation and assessment of segment performance.

The assets and liabilities of each segment support the various segment revenues generated by the Group.

Management have considered the geographical entity-wide disclosures required as per *AASB 8 Operating Segments*. Geographical segment reporting at the entity-wide level is presently not readily available and the cost associated with preparing this analysis would be excessive and as such this information has not been disclosed for the financial year 30 June 2018 and its comparative year.

3. SEGMENT INFORMATION (CONTINUED)

2017 (Restated)	Access Control Solutions $'000	International Valuable Logistics $'000	Eliminations $'000	Total $'000
Revenue				
External customers	5,432	1,997	-	7,429
Interest Income	20	-	-	20
R&D tax incentive	225	-	-	225
Other revenue	167	-	-	167
Intersegment revenue	21	-	(21)	-
Segment revenues	**5,865**	**1,997**	**(21)**	**7,841**
Depreciation and amortisation expenses	(321)	(9)	-	(330)
Finance costs	(3)	-	-	(3)
EBITDA*	**146**	**(3,267)**	**-**	**(3,121)**
Segment operating loss	**(158)**	**(3,276)**	**-**	**(3,434)**
Segment assets	**10,972**	**1,246**	**(5,100)**	**7,118**
Segment liabilities	**(1,363)**	**(6,042)**	**5,100**	**(2,305)**

** EBITDA is defined as earnings before interest income, interest expense, tax, depreciation and amortisation.*

4. REVENUES FROM CONTINUING OPERATIONS AND OTHER INCOME

	Consolidated 2018 $'000	2017 $'000
Revenue from operating activities		
Revenue from sales of goods	**5,113**	5,432
Revenue from provision of services	**7,384**	1,997
Total revenue from operating activities	**12,497**	7,429
Other income		
Interest	**6**	20
R&D tax incentive	**222**	225
Gains on foreign exchange - realised	**61**	-
Other Income	**12**	167
Total other income	**301**	412
Total Revenues and other income	**12,798**	7,841

5. INCOME TAX

	Consolidated 2018 $'000	2017 $'000
(a) Components of tax expense:		
Current tax	**-**	-
Deferred tax	**-**	-
	-	-
(b) Prima facie tax payable		
The prima facie tax payable on loss before income tax is reconciled to the income tax expense as follows:		
Accounting loss before tax	**(2,855)**	(3,434)
At the Group's statutory income tax rate of 27.5% (2017: 30%)	**(785)**	(1,030)
Tax effect of amounts which are not deductible in calculating taxable income		
Difference in tax rates of foreign subsidiaries	**215**	-
Non-deductible expenses	**1**	-
Tax losses not brought to account	**569**	-
Difference in tax rates of foreign subsidiaries and tax losses not brought to account	**-**	1,030
Income tax expense attributable to profit	**-**	-
(c) Deferred income tax related to items charged or credited directly to equity		
Decrease/(Increase) in deferred tax assets	**-**	-
	-	-
(d) Deferred tax assets not brought to account		
Temporary differences	**89**	23

Management assessed deferred tax assets and liabilities for the reporting period 30 June 2018 and their recoverability based on the forecasted taxable profits. Management deemed it appropriate not to recognise deferred tax assets and liabilities due to uncertainty on whether those assets and liabilities would be utilised against future profits generated in Australia and in foreign jurisdictions. Management will continue to assess this position each reporting period.

The Group has tax losses that arose in Australia of $15.895 million (2017: $15.780 million). In addition, the Group has tax losses totalling $10.675 million (2017: $8.999 million) in respect of foreign subsidiaries.

6. EARNINGS/(LOSS) PER SHARE

The following reflects the income used in the basic and diluted loss per share computations:

		Consolidated
	2018	2017
	$'000	$'000
(a) Loss used in calculating earnings per share		
For basic and diluted loss per share:		
Net loss from continuing operations attributable to ordinary equity holders of the parent	**(2,855)**	(3,434)
	2018	**2017**
	Number	**Number**
(b) Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**462,068,836**	410,510,928
Adjustments for calculation of diluted earnings per share		
- Dilutive share options	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution used as the denominator in calculating diluted earnings per share	**462,068,836**	410,510,928
	2018	**2017**
	Cents	**Cents**
(c) Loss per share		
Basic loss per share	**(0.62)**	(0.84)
Diluted loss per share	**(0.62)**	(0.84)

Basic loss per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The Group held no anti-dilutive share options that would potentially dilute earnings per share if they became dilutive at 30 June 2018.

Since reporting date there have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

7. CASH AND CASH EQUIVALENTS

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

	Consolidated 2018 $'000	2017 $'000
Cash at bank and on hand	**1,144**	1,587
Cash and cash equivalents	**1,144**	1,587
(a) Reconciliation of net loss after tax to net cash flow from operations		
Loss for the year after tax	**(2,855)**	(3,434)
Adjustment for non-cash income and expense items:		
Depreciation and amortisation	**522**	330
Share-Based payments (equity settled)	**4**	19
Unrealised gain/(loss) on exchange	**(61)**	59
Impairment on receivables	**11**	-
Impairment on inventories	**258**	-
Gain/(loss) on sale or disposal of plant, property and equipment	**1**	-
Changes in assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	**302**	(192)
Other current assets	**(129)**	27
Inventories	**(460)**	(59)
Increase/(decrease) in liabilities:		
Trade and other payables	**860**	384
Provisions	**79**	22
Net cash used in operating activities	**(1,468)**	(2,844)
(b) Non-cash financing and investing activities		
Share-based payments	**4**	19

The Group's exposure to interest rate risk is discussed in Note 18. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

8. RECEIVABLES

	Consolidated 2018 $'000	2017 $'000
Trade receivables - current	**1,203**	1,909
Provision for impairment loss (a)	**(11)**	(2)
	1,192	1,907
Other receivables (c)	**450**	48
Carrying amount of trade and other receivables	**1,642**	1,955
Movements in the allowance for impairment loss were as follows:		
At 1 July	**(2)**	(2)
Amounts written off	**1**	-
Charge for the year	**(10)**	-
At 30 June 2018	**(11)**	(2)

(a) Provision for impairment

Trade receivables are non-interest bearing and are generally on terms of ranging from 30 - 90 days. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Evidence of impairment may include indicators that debtors are experiencing significant financial difficulty, default or delinquency in payments. The Company have impaired $11k of receivables during the financial year 30 June 2018.

(b) Past due but not impaired

As at 30 June 2018, trade receivables past due but not considered impaired are: $799k (2017: $1.234 million).

For receivables that are past due credit has been stopped until full payment is made. Direct contact with the relevant debtor has been made and the Group is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Trade receivables ageing analysis at 30 June is:

	Gross 2018 $'000	Impairment 2018 $'000	Gross 2017 $'000	Impairment 2017 $'000
Not past due	**393**	**-**	673	-
Past due 1 – 30 days	**356**	**-**	1,093	-
Past due 31-60 days	**146**	**-**	60	-
Past due 61-90 days	**95**	**-**	62	-
Past due more than 91 days	**213**	**(11)**	21	(2)
	1,203	**(11)**	1,909	(2)

(c) Other receivables

Other receivables consist mainly of security deposits $349K and other indirect tax refunds from various international tax jurisdictions $45k.

9. INVENTORIES

	Consolidated 2018 $'000	2017 $'000
Raw materials and stores (at cost)	**240**	512
Work in progress (at cost)	**33**	-
Finished goods held for sale (at lower of cost and net realisable value)	**1,031**	590
	1,304	1,102

During the year $259k (2017: nil) was expensed for inventories carried at net realisable value. The expense was included in "Other expenses" in the statement of comprehensive income.

10. OTHER ASSETS

	Consolidated 2018 $'000	2017 $'000
Current		
Prepayments	**171**	42
	171	42

Prepayments are not interest bearing.

11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Reconciliation of carrying amounts

	Plant and equipment $'000	Office furniture and equipment $'000	Total $'000
Year Ended 30 June 2018			
Carrying amount at beginning of year	82	15	97
Additions	22	24	46
Depreciation charge for the year	(36)	(12)	(48)
Exchange adjustment	(3)	-	(3)
Carrying amount at end of year	**65**	**27**	**92**
At 30 June 2018			
Cost	695	112	807
Accumulated depreciation and impairment	(630)	(85)	(715)
Net carrying amount	**65**	**27**	**92**
Year Ended 30 June 2017			
Carrying amount at beginning of year	89	16	105
Additions	13	-	13
Depreciation charge for the year	(20)	(1)	(21)
Carrying amount at end of year	**82**	**15**	**97**
At 30 June 2017			
Cost	676	88	764
Accumulated depreciation and impairment	(594)	(73)	(667)
Net carrying amount	**82**	**15**	**97**

12. NON-CURRENT ASSETS

a. Intangible assets

(i) Reconciliation of carrying amounts

	Goodwill $'000	Patents $'000	Product Development Costs $'000	Total $'000
Year ended 30 June 2018				
Carrying amount at beginning of year	702	2	1,631	2,335
Additions	-	-	513	513
Exchange adjustment	-	-	52	52
Amortisation	-	(1)	(473)	(474)
Carrying amount at end of year	**702**	**1**	**1,723**	**2,426**
At 30 June 2018				
Cost (gross carrying amount)	702	258	2,938	3,898
Accumulated amortisation	-	(257)	(1,215)	(1,472)
Net carrying amount	**702**	**1**	**1,723**	**2,426**
Year ended 30 June 2017				
Carrying amount at beginning of year	731	4	1,413	2,148
Additions	-	-	501	501
Exchange adjustment	(29)	-	-	(29)
Amortisation	-	(2)	(283)	(285)
Carrying amount at end of year	**702**	**2**	**1,631**	**2,335**
At 30 June 2017				
Cost (gross carrying amount)	702	258	2,373	3,333
Accumulated amortisation	-	(256)	(742)	(998)
Net carrying amount	**702**	**2**	**1,631**	**2,335**

(ii) Patents

Patents have been acquired through intellectual property derived from the Company's research and development and are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation is recognised in the statement of comprehensive income in the line item "Depreciation and amortisation expenses". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. Patents are amortised over a 3-year period.

(iii) Development costs

During the year ended 30 June 2018, the Group incurred additional development costs of $513k.

Development costs have useful lives of between 5 and 7 years depending on the product type and are amortised, once the asset is ready for use, in the statement of comprehensive income under "Depreciation and amortisation".

12. NON-CURRENT ASSETS (CONTINUED)

b. Goodwill

Goodwill impairment testing

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

Cash Generating Units	2018 $'000	2017 $'000
Security locks and readers (collectively Access Control Solutions)	702	702
Goodwill allocation at 30 June 2018	**702**	702

Ava Group acquired Maxsec on 29 November 2017, and as such engaged an external valuer to value Maxsec. The fair value associated to the security locks and readers CGUs within Access Controls Solutions supports the goodwill balance, intangible assets and property, plant and equipment at 30 June 2018.

The valuer measured fair value using discounted cash flow projections covering a five-year forecast, followed by a terminal value at 2.5% growth rate.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount for each cash generating unit is based would not cause the carrying amounts to exceed their recoverable amounts.

Key Assumptions	Basis of estimation
Future cash flows	Discounted cashflow calculations, inclusive of working capital movements and forecast capital expenditure based on financial projections approved by the Board for the first year, with detailed management forecasts used in years 2 – 5, then reverting to a terminal value of 2.5%.
Discount rate	A discount rate of 20%, pre-tax, was applied to cash flow projection assessed to reflect the time value of money and the perceived risk profile of the stage of the business.
Revenue growth	Forecast growth in year 1 is based on Board approved projections, and detailed assessed conversion of known revenue opportunities for the business. Years 2 – 5 assume modest growth is achieved within existing business markets and geographies, along with expansion of the business into new markets and geographies.
Gross margins	Forecasting consistent gross margins over the life of the model relative to historic gross margins achieved.

13. TRADE AND OTHER PAYABLES

	Consolidated	
	2018	2017
	$'000	$'000
Current		
Trade payables	**1,773**	1,796
Accruals and other payables	**1,199**	274
	2,972	2,070

Trade, accruals and other payables are non-interest bearing and normally settled on 14 – 60 day terms.

14. BORROWINGS

	Consolidated	
	2018	2017
	$'000	$'000
Current - secured		
Parent entity facility	**200**	-

During the year Ava Group, the ultimate holding company of the group provided a $750k facility under a loan agreement.

The key terms of the agreement are as follows:

(i) Loan has a one-year term expiring on 3 May 2019 but repayable on demand

(ii) Interest rate of 9.55% (Fixed Rate 2.30% and Variable Rate 7.25%)

(iii) Interest accrues and will be calculated on the daily balance owing in the loan account from the first day of drawing to the date of repayment. Interest will be charged to the Borrower on the last day of the month.

As at 30 June 2018, $200k had been drawn down from this facility. Since 30 June 2018, the Company has drawdown on the borrowing facility with Ava Risk Group Limited by $450k. As at the date of reporting, the total amount drawn down is $650k.

15. PROVISIONS

	2018 $'000	2017 $'000
Current		
Employee entitlements – annual leave	**191**	155
Employee entitlements – long service leave	**60**	-
Provision for warranty claims	**40**	40
	291	195
Non-current		
Employee entitlements – long service leave	**22**	40
	22	40

(a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Provision for warranty claims $'000
Consolidated	
At 1 July 2017	40
Amount used in the year	-
Unused provision written back to the income statement	-
At 30 June 2018	40
Current	40
Non-current	-
	40

(b) Nature and timing of provisions

(i) Warranty provision

Refer to Note 1(r) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of product warranty provision. This amount includes predominantly provision booked for probable claims by customers for product faults as well as provision for claimable warranty for other goods and services sold by the Group.

(ii) Employee Entitlements

Refer to Note 1(r) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of long-service leave, which is part of this provision. This provision also includes provision booked for employees who earn but are yet to use their vacation entitlements. This amount includes on-costs for pension and superannuation, worker's compensation insurance and payroll tax (refer to Note 1(r) for the relevant accounting policy).

16. CONTRIBUTED EQUITY

	Consolidated 2018 $'000	2017 $'000
(a) Ordinary shares		
Ordinary share capital, issued and fully paid	**68,256**	66,857
	68,256	66,857

	Number of shares	$'000
Parent Entity		
(b) Movement in ordinary shares on issue		
At 1 July 2017	410,510,928	66,857
Share issue	61,500,000	1,845
Share Buy Back	(18,276,192)	(446)
At 30 June 2018	453,734,736	68,256
At 1 July 2016 and 30 June 2017	410,510,928	66,857

Share issue

MaxSec became a Controlled Entity of Ava Group on 29 November 2017. On 24 August 2017, MaxSec raised $1.845 million for working capital and development requirements from the issue of 61,500,000 ordinary shares at $0.03 cents each.

Share Buy Back

The Company announced a share buy-back of its own shares on 9 March 2018. During the period 04 May to 29 June 2018, MaxSec cancelled 18,276,192 shares through a combination of on-market buy-back and an unmarketable parcel buy-back.

There were no other significant changes in the state of affairs of the parent entity during the financial year.

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

16. CONTRIBUTED EQUITY (CONTINUED)

(d) Share options

Employee share scheme

The consolidated entity previously offered employee participation in share-based incentive schemes as part of the remuneration packages for the employees of the consolidated entity. Since the off-market takeover by Ava Group during the financial year, all share options have been exchanged. Any share options issued are now managed by the ultimate parent entity Ava Group. Each option holder received 1 share option for every MaxSec share option held. No options have been issued during the year or between balance date and the date of this report.

(i) Options over ordinary shares: The following options to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2018:

Number of Options							
Date Granted	Expiry Date	Exercise Price ($)	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled, forfeited and other movements during the year	Vested and Exercisable at end of the year
2018							
3/11/2011	31/12/2017	$0.030	6,700,000	-	-	(6,700,000)	-
19/05/2015	19/05/2020	$0.025	5,000,000	-	-	(5,000,000)	-
19/05/2015	19/05/2020	$0.025	500,000	-	-	(500,000)	-
19/05/2015	19/05/2020	$0.025	1,000,000	-	-	(1,000,000)	-
17/02/2016	31/12/2020	$0.030	4,000,000	-	-	(4,000,000)	-
17/02/2016	31/12/2020	$0.030	4,000,000	-	-	(4,000,000)	-
Total			**21,200,000**	**-**	**-**	**(21,200,000)**	**-**

During the year ended 30 June 2018, there were no unlisted options granted to employees. As part of the Ava Group takeover, all share options in MaxSec were exchanged during the financial year.

Number of Options							
Date Granted	Expiry Date	Exercise Price ($)	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited and other movements during the year	Vested and Exercisable at end of the year
2017							
3/11/2011	31/12/2017	$0.030	6,700,000	-	-	-	6,700,000
19/05/2015	19/05/2020	$0.025	5,000,000	-	-	-	2,500,000
19/05/2015	19/05/2020	$0.025	500,000	-	-	-	250,000
19/05/2015	19/05/2020	$0.025	1,000,000	-	-	-	500,000
17/02/2016	31/12/2020	$0.030	4,000,000	-	-	-	4,000,000
17/02/2016	31/12/2020	$0.030	4,000,000	-	-	-	4,000,000
Total			**21,200,000**	**-**	**-**	**-**	**17,950,000**
Weighted average exercise price			$0.028				$0.029

16. CONTRIBUTED EQUITY (CONTINUED)

(e) Capital management

When managing capital, management's objective is to ensure the consolidated entity continues to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitor capital through the gearing ratio (net debt / total capital). Net debt is calculated as total borrowings (including trade and other payables) as shown in the balance sheet less cash and cash equivalents. The gearing ratios based on continuing operations at 30 June 2018 and 2017 were as follows:

	2018 $'000	2017 $'000
Total borrowings *	**3,172**	2,070
Less cash and cash equivalents	**1,144**	1,587
Net borrowings / (cash)	**2,028**	483
Total equity	**3,294**	4,813
Total capital	**5,322**	5,296
Gearing ratio	**38%**	9%

** Includes trade and other payables as well as interest bearing loans and borrowings*

No changes were made to the objectives, polices, or processes for managing capital during the year ended 30 June 2018 with the exception of the borrowing facility made available to MaxSec by Ava Group as per note 14.

17. RESERVES

(a) Reserves

	Consolidated			
	Capital profits reserve	Share based expenses reserve	Foreign Exchange Translation reserve	Total
	$'000	$'000	$'000	$'000
At 1 July 2016	1,031	23,337	259	24,627
Share option expense - remuneration	-	19	-	19
Exchange differences on translation of foreign operations, net of tax	-	-	(695)	(695)
At 30 June 2017	1,031	23,356	(436)	23,951
Share based payments expense - remuneration	-	4	-	4
Exchange differences on translation of foreign operations, net of tax	-	-	(67)	(67)
At 30 June 2018	1,031	23,360	(503)	23,888

(b) Nature and purpose of reserves

Share options reserve

The share options reserve is used to record the value of share-based payments provided to employees and directors as part of their remuneration and options granted as part of other agreements.

Foreign exchange translation reserve

This reserve is used to record the unrealised exchange differences arising on translation of a foreign entity and is not distributable.

Capital profits reserve

The capital profits reserve relates to profit on sale of listed investments.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank overdraft, loans, cash and short-term deposits.

Risk exposures and responses

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk, and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate. Monitoring levels of exposure to various foreign currencies and assessments of market forecasts for foreign currency exchange rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk; liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of the risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Committee under the authority of the Board. The board reviews and agrees policies for managing each of the risks identified below, including hedging of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

(a) Interest rate risk

The Group's main interest rate risk arises from cash held in interest bearing accounts.

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents held in interest bearing accounts.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

Financial instruments	Interest bearing $'000	Total carrying amount $'000	Weighted average effective interest rate %	Fixed / variable rate
30 June 2018				
(i) Financial assets				
Cash	1,144	1,144	0.44%	Variable
Total financial assets	1,144	1,144	0.44%	
(ii) Financial liabilities				
Borrowings	200	200	9.55%	Variable
Total financial liabilities	200	200	9.55%	
30 June 2017				
(i) Financial assets				
Cash	1,587	1,587	0.84%	Variable
Total financial assets	1,587	1,587	0.84%	
(ii) Financial liabilities				
Borrowings	-	-	-	
Total financial liabilities	-	-	-	

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Borrowings are in relation to a facility between Ava Group and MaxSec. In FY2018, there was no interest accrued as it was an immaterial amount.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt where possible. At 30 June 2018, the Group had a facility of $750k drawn down by $200k with a 2.3% being fixed interest rate debt and 7.25% being a variable rate. (2017: nil).

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 30 June 2018, and at 30 June 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit / (losses) and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
Judgments of reasonably possible movements*:	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Consolidated				
+1/2% (50 basis points)	3	6	3	6
-1/2% (50 basis points)	(3)	(6)	(3)	(6)

** A 50-basis point increase and a 50-basis point decrease is used and represents management's assessment of the reasonably possible change in interest rates.*

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, and cash balances.

The Group's exposure to foreign currency risk at the end of the reporting period was not material.

Foreign currency sensitivity

As there are no material foreign currency risk exposures for financial assets and liabilities held at 30 June 2018, the sensitivity to a reasonably possible change in the exchange rates with all other variables held constant would also not be material.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments, net of any provisions for impairment of those assets. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of variety of equity and debt instruments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivatives financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2018	2017
	$'000	$'000
12 months or less	**3,172**	2,070
1-5 years	**-**	-
Over 5 years	**-**	-
Total contractual cash flows	**3,172**	2,070

Fair value

The fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

19. RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of MaxSec Group Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	Principal Activity	% Equity Interest 2018	2017
Parent Entity				
MaxSec Group Limited	Australia	Holding Company	100	100
Subsidiaries of MaxSec Group Ltd				
BQT Solutions (Australia) Pty Ltd	Australia	Access Control	100	100
BQT Solutions (UK) Limited	United Kingdom	Access Control	100	100
BQT Solutions America Inc	Americas	Access Control	100	100
BQT Solutions (SEA) Pte Ltd	Singapore	Access Control	100	100
BQT Intelligent Security Systems Pty Ltd	Australia	Access Control	60	60
4C Satellites Limited	Australia	Access Control	60	60
Subsidiaries of BQT Solutions (SEA) Pte Ltd				
BQT Solutions (NZ) Limited	New Zealand	Access Control	100	100
Subsidiaries of BQT Solutions (UK) Limited				
Ava Global DMCC	U.A.E	Secure international logistics	100	100
Subsidiaries of AVA Global DMCC				
Ava Germany GmbH	Germany	Secure international logistics	100	100
Ava USA Inc	United States of America	Secure international logistics	100	100

Transactions between the Company and its subsidiaries principally arise from the granting of loans and the provision of sales support and other services. All transactions undertaken during the financial year with subsidiaries are eliminated in the consolidated financial statements.

(b) Ultimate parent

Ava Risk Group Limited is the ultimate Australian parent entity and the ultimate parent of the Group. Ava Risk Group Limited is listed in the Australian Securities Exchange (ASX:AVA)

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 20.

(d) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms unless otherwise stated.

20. KEY MANAGEMENT PERSONNEL

(a) Compensation for Key Management Personnel

	Consolidated	
	2018	2017
	$'000	$'000
Short-term employee benefits	**863,270**	724,875
Post-employment benefits and other long-term benefits	**136,287**	98,532
Share-based payments	**4,599**	19,299
Total compensation	**1,004,156**	842,706

(b) Loans to/from Key Management Personnel

There were no loans to directors or key management personnel during the year ending 30 June 2018 (2017: none).

(c) Other transactions and balances with Key Management Personnel and their related parties

Directors

During FY2018, Ava Group and its subsidiaries, a company of which Robert Broomfield and Christopher Fergus are directors, prior to acquisition, sold $497,195 of goods predominantly along with some shared services to MaxSec. MaxSec also sold services of $34,528 for employee shared services to Ava Group during this period. The terms of these arrangements were on an arm's length basis in the normal course of business.

In FY2017, Ava Group sold services to MaxSec amounting to $1,211,097. Accounts payable balance at 30 June 2017 totals $532,465. Ava Group also purchased services from MaxSec for an amount of $104,561. The terms of these arrangements were on an arm's length basis in the normal course of business. Accounts receivable balance at 30 June 2017 totals $10,195.

There have been no other related party transactions other than those described above between the Company and its subsidiaries during the year ended 30 June 2018 (FY2017: none).

Key Management Personnel

There were no other transactions with Directors or KMP during the year ended 30 June 2018 (2017: nil).

c) Parent entity

The ultimate parent entity is Ava Risk Group Limited (ASX:AVA).

21. SHARE-BASED PAYMENTS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated 2018 $'000	2017 $'000
Expense arising from equity-settled share-based payment transactions for employees	**4**	19
	4	19

(b) Types of share-based payments

During the year ended 30 June 2018, there were no unlisted options granted to employees. As part of the Ava Group takeover, all share options in MaxSec were exchanged during the financial year.

(c) Summaries of options granted

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding at the beginning of the year	21,200,000	$0.025	21,200,000	$0.025
Forfeited during the year	(21,200,000)	$0.025	-	-
Outstanding and exercisable at the end of the year	-	-	21,200,000	$0.025

As part of the Ava Group takeover, all share options in MaxSec were exchanged during the financial year. Each option holder received 1 Ava Group share option for every 4 MaxSec share option held.

The weighted average contractual life of the share options outstanding at the end of the year was nil (2017: 2.9 years). The average share price for the year ended 30 June 2018 was $0.025 (2017: $0.028).

(d) Option pricing model

There were no options issued during the financial year 30 June 2018.

22. COMMITMENTS

(i) Leasing commitments

Operating lease commitments – Group as lessee

Operating leases are entered into as a means of acquiring access to office premises and office equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. No purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities. A renewal option in connection with office leases exists.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2018	2017
	$'000	$'000
Within one year	128	111
After one year but not more than five years	258	269
After more than five years	146	206
Total minimum lease payments	**532**	586

Finance lease commitments - Group as lessee

The Group had no finance lease commitments at 30 June 2018 (2017: nil)

23. CONTINGENCIES

A subsidiary company, Ava Global DMCC has a performance plan which allows for senior employees of the company to share in a pooled allocation of up to 32.7% of the exit value of Ava Global DMCC in excess of AU$5 million or the debt and equity funding provided to Ava Global to run the business, whichever is greater. In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates. The incentives are payable in cash conditional upon meeting pre-defined KPIs by the executives. The performance plan expires if the executive resigns of their employment is terminated by the company within the first 3 years. Otherwise the performance plan terminates on 1 February 2021.

Other than the above the Group had no significant contingencies at 30 June 2018 (2017: None).

24. EVENTS AFTER THE BALANCE SHEET DATE

On 17 July 2018 the Company announced that Ernst & Young had been appointed auditors of the company effective immediately.

On 24 September 2018, Geoffrey J Cleaves resigned as Executive Director and Company Secretary. Leigh Davis, Group Chief Financial Officer, has replaced Mr. Cleaves as Company Secretary. In line with the MaxSec takeover underway and the changes in the management structure, Mr Cleaves will leave the business on or around 7 December 2018, and pending other commitments the Company intends to obtain ongoing consultancy services from Mr Cleaves in support of the transition.

Other than the matters noted above there has been no matter or circumstance, which has arisen subsequent to 30 June 2018 that has significantly affected or may significantly affect the operations of the consolidated entity, or the results of those operations, or the state of affairs of the consolidated entity.

25. PARENT ENTITY INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

MaxSec Group Limited Summarised statement of financial position	2018 $'000	2017 $'000
Assets		
Current assets	740	1,001
Non-current assets	3,443	30,178
Total assets	4,183	31,179
Liabilities		
Current liabilities	295	94
Non-current liabilities	20	-
Total liabilities	315	94
Net Assets	3,868	31,085
Equity		
Contributed Capital	68,256	66,857
Accumulated losses	(88,379)	(60,022)
Reserves	23,991	24,250
Total Equity	3,868	31,085

MaxSec Group Limited Summarised statement of comprehensive income	2018 $'000	2017 $'000
Profit or (loss) of the year	(28,357)	(9)
Other comprehensive income for the year	-	-
Total comprehensive income of the parent entity	(28,357)	(9)

(b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees in respect of subsidiaries entities.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2018, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2017: None).

26. AUDITOR'S REMUNERATION

The auditor of MaxSec is for the year ended 30 June 2018 is Ernst & Young (HY2018 & 2017: Wong & Mayes Audit Pty Ltd).

	2018 $'000	2017 $'000
Amounts received or due and receivable by the company's auditor for:		
* Audit and review of the financial statements - Ernst & Young	**161,000**	-
* Audit and review of the financial statements - Wong & Mayes	**33,015**	84,460
* Tax compliance and tax advice services - Wong & Mayes	**13,500**	15,000
	207,515	99,460

Any non-audit services provided by Ernst & Young in relation to the acquisition of MaxSec by Ava Group during the year were invoiced to the ultimate parent Ava Group and absorbed within the Ava Group.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of MaxSec Group Limited, I state that:

1. In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2018 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001, and other mandatory professional reporting requirements;

(iii) also comply with International Financial Reporting Standards as stated in Note 1(a) of the consolidated financial statements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, with the continued support of its parent, who has indicated that it will provide financial support to the company.

2. This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2018.

On behalf of the Board

Christopher Fergus
Director
27 September 2018

Building a better
working world

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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 financial report of Maxsec Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Carrying value of intangible assets (including goodwill)

Why significant	How our audit addressed the key audit matter
Intangible assets totaling $1.7 million as disclosed in Note 12 and goodwill of $0.7 million as disclosed in Note 12, represent significant balances recorded on the consolidated statement of financial position relative to total assets. The recoverability of intangible assets and goodwill is contingent on future cash flows of the security locks and reader cash generating units, collectively the Access Controls Solutions cash generating units and there is a risk, if these cash flows do not meet the Group's expectations, that the assets may be impaired. Our assessment of the Group's impairment test performed in accordance with Australian Accounting Standards was significant to our audit because the assessment process is complex and highly judgmental and is based on assumptions relating to the security locks and reader market. The Group was acquired by Ava Risk Group Limited effective 29 November 2017. As such, an external valuation expert was engaged to determine the fair value of the Group's identifiable assets and liabilities for the primary purpose of consolidation within the Ava Risk Group Limited consolidated financial statements. The Group used this recent valuation to support the carrying value of intangible assets (including goodwill). The Group's disclosures are included in Note 12 to the consolidated financial report which specifically explain the key operating assumptions used.	The audit procedures we performed included evaluating the Group's assessment of impairment indicators. We involved our valuation specialists to evaluate the valuation methodologies used by the external valuation expert to calculate the fair value for each of the identifiable assets and assess the main assumptions (including expected future cash flows, royalty rates and useful lives, where relevant). We compared the fair values of the relevant intangible assets as determined by the external valuation expert to the book values as presented in the Group's consolidated financial statements. We also assessed the Group's adequacy of disclosures in regards to impairment assessment.

2. Revenue recognition

Why significant	How our audit addressed the key audit matter
Revenue recognition was significant to our audit due to the quantum of sales transactions that occurred around balance sheet date. Products revenue and logistics revenue is recognised on delivery. The Group's accounting policy disclosures in respect of revenue recognition are included in Note 1 to the financial report.	Our audit procedures included the following: • We selected a sample of revenue transactions recorded during the year, and agreed details to sales contracts, product/service delivery documentation and customer payments. • We assessed post year end credit notes and considered whether these related to sales recognised in the 2018 financial period. • Our procedures included selecting a sample of sales transactions that took place both prior to and subsequent to balance sheet date to assess whether revenue was recognised in the appropriate period. We also assessed the Group's adequacy of disclosures in regards to revenue.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

Auditor's Responsibilities for the Audit of the Financial Report

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 the 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 the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

- 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.

- 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.

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 to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the 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 Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Maxsec Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

Ernst & Young

Ernst & Young

R Bembridge

Richard Bembridge
Partner
Melbourne
27 September 2018

SHAREHOLDER INFORMATION

Distribution of equity securities (as at 11 September 2018)

Ordinary share capital

451,855,812 fully paid ordinary shares are held by 289 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Distribution of equity security holders

1. Ordinary fully paid shares

The numbers of shareholders, by size of holding, in each class are:

Size of shareholding	Number of holders	Ordinary shares held	% of issued capital
1 – 1,000	65	12,399	0.003%
1,001 – 5,000	34	95,760	0.021%
5,001 – 10,000	10	78,934	0.017%
10,001 – 100,000	122	6,428,118	1.423%
100,001 and over	58	445,240,601	98.536%
Total	**289**	**451,855,812**	**100.00%**

The number of shareholders holding less than a marketable parcel of 20,000 shares (based on the share price of $0.025 on 11 September 2018) is 120 and they hold 357,068 shares.

Substantial shareholders (as at 11 September 2018)

The names of substantial shareholders who have notified the Company in accordance with section *671B of the Corporations Act 2001* are:

	Fully paid ordinary shares	
Name of Shareholder	Number of shares	% of issued capital
Ava Risk Group Limited	409,763,814	90.68%

Twenty largest shareholders (as at 11 September 2018)

Rank	Name of Shareholder	Number of shares	Percentage of issued capital
1	AVA RISK GROUP LIMITED	409,763,814	90.68%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,645,433	1.91%
3	MR ABDULLAH MALKAWI	3,500,000	0.77%
4	MR WALDEMAR WAWRZYNIUK + MS LIA WAWRZYNIUK <L & W SUPER FUND A/C>	2,500,000	0.55%
5	MR CRAIG ANTHONY BOULTON + MRS DEANNA MAREE BOULTON <CAB80 SUPERFUND A/C>	2,035,621	0.45%
6	CITICORP NOMINEES PTY LIMITED	1,736,366	0.38%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,248,286	0.28%
8	MR KEVIN THOMAS STEDMAN	1,225,376	0.27%
9	CHAG PTY LTD	1,000,000	0.22%
9	MR WALDEMAR WAWRZYNIUK	1,000,000	0.22%
11	MR CHANGYOU JI	960,000	0.21%
12	IDEA RICH LTD	809,143	0.18%
13	MR BRUCE ALLAN HEAD + MRS BETH ALISON HEAD	680,000	0.15%
14	KAYJEM PTY LIMITED <KAYJEM LIMITED SUPER A/C>	635,000	0.14%
15	MRS SHEILA MAGU	500,000	0.11%
15	ZERO TO HERO PTY LTD	500,000	0.11%
17	MR BRENDON CHEVELY DESHON + MRS JACQUELINE ANN DESHON <DESHON SUPERFUND A/C>	400,000	0.09%
18	HEWBOURNE PTY LTD <SPLASHERS DISCRETIONARY A/C>	381,494	0.08%
19	BANGALLEY INVESTMENTS PTY LTD <BANGALLEY INVESTMENTS A/C>	334,154	0.07%
20	MR GREGORY WILLIAM JAMES HERRON	318,919	0.07%
		438,173,606	96.97%

Voting Rights

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

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