AVA GROUP

SECURITY RISK MANAGEMENT

Annual Report 2018

Corporate Information

ABN 67 064 089 318

Directors

David Cronin, Chairman and Non-Executive Director
Christopher Fergus, Group Chief Executive Officer and Executive Director
Robert Broomfield, Chief Operating Officer - Technology and Executive Director
Mark Stevens, Non-Executive Director
Mike McGeever, Non-Executive Director

Company Secretaries

Leigh Davis
Kim Clark

Registered Office & Principal Place of Business

10 Hartnett Close, Mulgrave, Victoria 3170, Australia
Telephone: +61 3 9590 3100
Facsimile: +61 3 9590 8000
Email: investor@theavagroup.com

Share Registry

Boardroom Pty Ltd
Grosvenor Place, Level 12, 225 George Street, Sydney, NSW 2000, Australia
Telephone (within Australia): 1300 737 760
Telephone (outside Australia): +61 2 9290 9600
Facsimile: +61 2 9279 0664

Stock Exchange

Ava Risk Group Limited shares are quoted on the Australian Securities Exchange (ASX). ASX Code: AVA

Bankers

Westpac Banking Corporation
275 Kent Street, Sydney, NSW 2000, Australia

Auditors

Ernst & Young
Level 23, 8 Exhibition Street, Melbourne, Victoria 3000, Australia

Website

www.theavagroup.com

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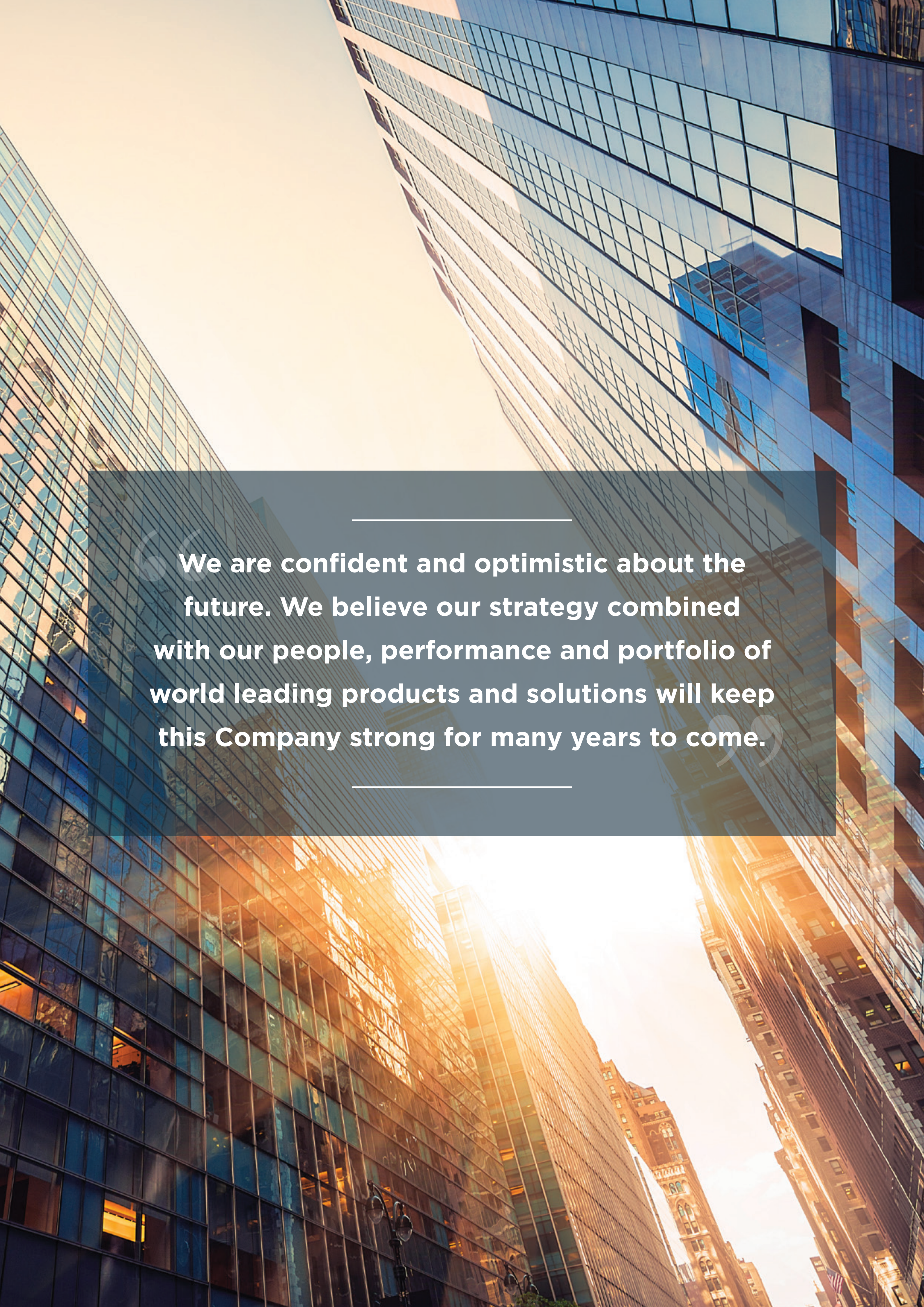


"We are confident and optimistic about the future. We believe our strategy combined with our people, performance and portfolio of world leading products and solutions will keep this Company strong for many years to come."

Chairman and CEO Report

Dear Fellow Shareholders

The 2018 financial year was one of significant milestones for Ava Risk Group Limited (Ava) as we took a number of steps to secure our position as a global leader in risk management solutions including enhancing our portfolio of products and continuing to drive innovation across the Company.

In December 2017, we finalised our merger with leading high security access control and secure logistics provider, MaxSec Group Limited (ASX: MSP). In February 2018, Chris Fergus was promoted to the role of Group CEO, and in May 2018 we changed our name to better reflect our expanded product and solutions offerings.

Around the world, Ava Group customers rely on our products, technologies and expertise to help protect their perimeters, facilities and supply chains, and keep their assets and people safe and secure. With our customers facing growing protection needs, we've remained committed to supporting them with the most advanced and affordable security and risk management solutions available.

Financially, FY18 didn't meet our internal expectations due to certain end user and customer contract delays. Sales revenue for 2018 financial year grew 54% to $19.8 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) from operations improved from a loss of $7.5 million, to a loss of $2.9 million. Net profit after tax (NPAT) improved from a loss of $7.8 million in FY17, to a loss of $3.2 million. At 30 June 2018, our total cash balance was $5.9 million and the Company is debt free.

These improving results demonstrate the benefits of global scale and operating leverage of our business model. By executing our strategy, we delivered solid operating margins, improved cash flow and a record backlog, leaving the Company well positioned for a significant improvement in FY19.

A key activity of the Board is to work closely with the Executive Team to balance near-term performance and investment in long-term growth opportunities. Given the significant opportunity in front of the business, reinvesting a percentage of our revenues and cash funds to drive market penetration and geographic growth is key to our strategy.

Realising a return on these investments may take months or years, resulting in a trade-off of profit today for revenue growth tomorrow. The Board and Executive Team spend considerable time formulating and monitoring the execution of these plans to optimise outcomes for shareholders.

In FY18, our engineering and product development teams remained focussed on significant performance upgrades for our range of highly reliable detection and access control products. Customer deployments and competitive testing have proven our superior competitive position, while our security solutions continued to gain international recognition.

In April 2018, BQT Solutions was selected over billion-dollar access control competitors to be awarded a best in show award at the global security conference, ISC West, USA, while FFT Aura Ai-2 received the MTP Gold Medal at Securex in April for its next generation fibre perimeter protection technology.

Our Services Division continues to build a market leading position in the international valuables logistics sector and is already a trusted partner of a number of major companies in the precious metals and wholesale banknote markets.

We also continued to invest in the people, culture and systems that underpin our Company. Our culture is somewhat unique and a key element of our ongoing success. We are a truly diverse company, with employees from 16 nationalities working in our 17 offices across the globe. We are proud of our ability to attract and retain great talent and will continue to invest in our people and culture as the Company grows.

We would like to thank our long-time shareholders for their ongoing commitment and support. Like most Australian companies that have set out to build a leading global business, Ava Group has made its way to success through multiple challenges. Without the solid backing of our shareholders, we could not have delivered high security systems in more than 60 countries. We would also like to welcome our new shareholders and recognise the trust and confidence you have placed in our leadership.

We are confident and optimistic about the future. We believe our strategy combined with our people, performance and portfolio of world leading products and solutions will keep this Company strong for many years to come.

DAVID CRONIN
Chairman

CHRIS FERGUS
CEO

About Ava Risk Group

Ava Risk Group Limited (Ava) is a market leader of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government customers in the world.

Ava Group offers a range of complementary solutions including:

- intrusion detection and location for perimeters, pipelines and data networks
- electro-mechanical locks, biometric and card access control
- secure international logistics and storage of high value assets, and
- risk consultancy services.

Through decades of innovation, Ava Group continues to build on its comprehensive portfolio of premium security services and technologies for the most complex and demanding markets.

With an experienced team spread across six continents, Ava Group provides market and industry expertise directly to its customers. With its technology protecting thousands of sites, Ava Group is proven to deliver first class risk solutions that surpass the expectations of its customers, end users and partners.

Background

Ava Group was formed from the merger between Future Fibre Technologies Limited (ASX: FFT) and MaxSec Group Limited (ASX: MSP) in December 2017, with a new company name, Ava Risk Group Limited (ASX: AVA), adopted in May 2018.

Operating across two divisions, Ava Group brings together three highly compatible security related entities (Future Fibre Technologies, BQT Solutions and Ava Global Logistics), each with world leading technology, services and exceptional people.

Ava Group Office Locations

> I am excited to lead the group under the new identity of 'Ava Group', leveraging the combined strengths of our experienced leadership team and innovative products and services to build a sales and marketing and solutions focussed global Risk Management organisation.

Chris Fergus, CEO

AVA GROUP
SECURITY RISK MANAGEMENT

Technology

FUTURE FIBRE TECHNOLOGIES

Future Fibre Technologies (FFT) manufactures a complete portfolio of fibre optic intrusion detection and location products for the protection of high value assets and critical infrastructure.

bqt SOLUTIONS
An Ava Group Company

BQT Solutions (BQT) is a specialist in the development, manufacture and supply of high quality, high security card and biometric readers, electromechanical locks and related electronic security products.

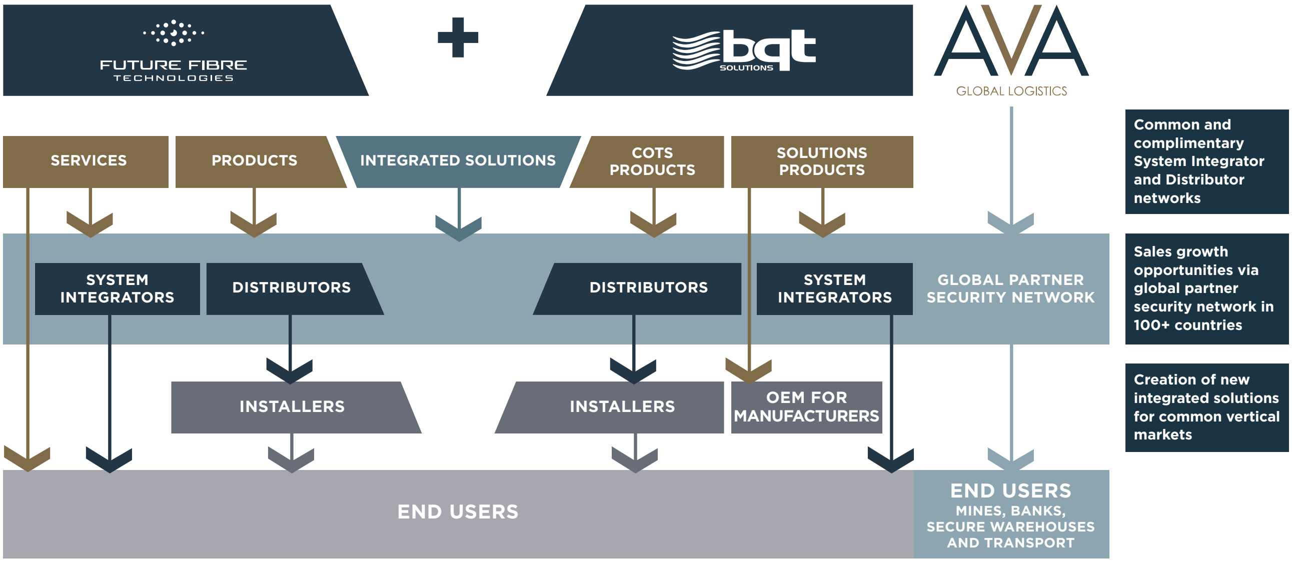
Services

AVA
GLOBAL LOGISTICS
An Ava Group Company

Ava Global Logistics provides secure international logistics of high value assets on a fully insured door-to-door basis. This includes armoured vehicle collection and delivery at origin and destination, secure storage, commercial and chartered air and sea freight and customs brokerage services.

Integration and Expansion

Ava Group is leveraging the clear synergies between FFT's perimeter security technology, BQT's access control solutions, and the international valuable logistics services of Ava Global Logistics, to build a comprehensive risk management offering. With greater geographic spread and a continued focus on product and services innovation, Ava Group's emerging risk consulting capability and global security partner network will support customer expansion in both new and existing markets.



Key Sector Focus

Ava Group is building a team of industry experts to drive engagement with end users and work directly with key organisations requiring risk management solutions in the Extractives and Energy, Government, Transportation and Utilities sectors. The initial focus will be on providing risk consulting services, primarily the identification and mitigating of organisational risk.

Greater visibility of Ava Group's risk management capabilities amongst end users, through targeted engagement at executive level, will support pre-qualification of its security products and services as a preferred solution and create a higher likelihood of success by third party specifiers.

This approach to broader customer engagement will consolidate Ava Group's transition from a supplier of security related products (BQT/FFT) and services (Ava Global Logistics) to a more widely known and recognised provider of risk management solutions.

Extractives and Energy

With a total addressable market of more than US$1.4 billion, Ava Group is actively expanding its presence in the Extractives and Energy sector. Andrew Hames – Ava Group's new Head of Extractives and Energy - is driving the Company's strategy for global growth in the mining, oil and gas and renewable energies industries. With an extensive track record in developing risk management, safety and healthcare solutions for the energy, mining and associated construction sectors, Andrew's focus is to grow Ava Group's market share in this sizable and critically important sector. Ava Group's recently appointed General Manager, Africa, Pieter Botha also brings significant Extractives and Energy sector experience to the Company.

"Broader customer engagement will consolidate Ava Group's transition from a supplier of security related products and services to a more widely known and recognised provider of risk management solutions."

Executive Group

Chris Fergus – Group Chief Executive Officer

Chris has extensive experience within the security integration and services sectors. Prior to his appointment as Ava Group CEO, Chris was the CEO of AVA Global, and SVP Strategy and Business Development for MaxSec Group Limited (MSP). He also serves as an Executive Director on the board of MSP. Chris was previously employed for 20 years with G4S, a world leading security services provider. Joining G4S in 1994, Chris worked across a number of continents, most recently as Regional Managing Director, Middle East, managing a portfolio of Security & FM joint ventures, with a total revenue in excess of US$1 billion. Chris is based in Dubai.

Leigh Davis – Group Chief Financial Officer/Company Secretary

Leigh is a CPA with more than 20 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 is based in Melbourne.

Rob Broomfield – Chief Operating Officer – Technology Division

Rob is an experienced business executive with more than 20 years of management experience including the past 18 years in senior positions within companies operating in the security industry. Prior to joining Future Fibre Technologies, Rob was with Vision Systems Limited, 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, Rob 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. Rob is based in Melbourne.

Mark Horton – Global Sales and Marketing Director – Technology Division

Mark has 30 years' experience in the electronic security sector across a variety of markets including Europe, MENA and Asia Pacific. Having initially joined the industry in a technical role, Mark quickly progressed through operational, project management and consultancy roles to business development, strategy, and sales. Mark has held a number of senior positions in the security industry most recently as the Regional Sales Director Middle East for G4S plc where he had responsibility for developing a diverse portfolio of security & FM joint ventures with a total revenue of US$1 billion with a focus on developing the groups regional and global technology strategies. Mark is based in Dubai.

Stefan Dingeldein – Global Sales and Marketing Director – Services Division

Stefan has 10 years' experience of working at a leading security services provider. He started his career in the sector as a Sales Executive and went on to become the Regional Head of Commodities Europe. More recently, Stefan worked as the Regional Director for Europe and the Middle East, where he was responsible for delivering strategy and managing key accounts across the region. Stefan has built a new network of strategic partnerships in India and managed several global strategic accounts. Stefan is based in Frankfurt.

James Alston – Chief Operating Officer & Chief Financial Officer – Services Division

James is a Chartered Accountant with PwC in 1992. Since then he's worked for PwC on two secondments over a 5-year period to NatWest Acquisition Finance and PwC South Africa. With 26 years' work experience in both the professional services sector and industry, James spent 11 years at a leading security services provider in roles that included group finance, cash services and justice services. James has worked as a Regional Finance Director in the Middle East. In this role, he had direct responsibility for businesses in the UK and in the Middle East, together with regional oversight of businesses. Most recently, James was the FD of the African Region of a leading hotel and hospitality group, with 35 business units across Africa. James is based in Dubai.

Geoff Cleaves - CEO - MaxSec Group Limited

Geoff has over 25 years' experience in finance and operations management within the property, media, print, manufacturing, oil and gas and investment sectors. Prior to joining MaxSec, he held senior management positions with organisations including Stockland Group, Chase Corporation, Milton Corporation, Trafalgar Corporate Group, Australian Petroleum Fund and the Independent Print Media Group. He is a professional manager and his core competencies include general management, investment, asset and funds management, treasury and finance. Geoff is based in Sydney.

Technology Division

Ava Group's access control solutions (BQT) and perimeter intrusion technology (FFT) continue to gain international recognition as the security solution of choice for industries and governments worldwide.

Continued Technology Innovation

Since the launch of its next generation Aura Ai-2 platform in early 2017, FFT has continued to improve the performance of the high security long-range perimeter application. In April 2018, FFT released Aura Ai-2 for buried applications, with a sensor length of up to 40kms per channel (80kms with real time simultaneous detection on two channels) and detection accuracy to within +/- 5m to 10m.

With further improvements were announced in September 2018, Aura Ai-2 now clearly leads the market with unrivalled high-sensitivity detection, location accuracy, cut resilience capability and the industries longest linear range. Aura Ai-2's enhanced features include:

- new ultra-low noise optical detection electronics providing exceptional optical power margins
- sensing distances of up to 80km on fences and to 110km for buried applications
- accurate detection, location and reporting of multiple disturbances to within 2m on fences and to within 5m for buried applications
- 2 channel capability supporting enhanced cut resilience and allowing continuous intrusion detection even when the fibre is cut or damaged, and
- advancements in event classification techniques to further reduce nuisance alarms.

Aura Ai-2 has also successfully completed cybersecurity testing to a formalised Cybersecurity Accreditation Program process, based on the National Institute of Science & Technology Cybersecurity Framework by a global independent testing authority.

Additional enhancements due to be released in late 2018 include powerful multi-waterfall analysis and processing, improvements in detection, nuisance handling algorithms and classification, and extended sensor length.

To maintain its position as a market leader in encryption, access control and intelligent locking systems, BQT has implemented the option of Open Source Data Protocol (OSDP) in Reader and Biometric Scanner output security to assist in futureproofing its solutions – allowing customers to easily migrate to higher levels of security.

FFT Outperforms the Competition

In recent competitive testing, FFT's buried and fence detection technology outperformed competitor solutions in two independent trials.

Aura was tested for buried walker detection as part of a trial by an overseas Border Agency for an integrated border security solution. FFT was the only manufacturer to meet all testing criteria, outperforming three other international fibre optic sensors participating in the trial and is now deployed on the first section of the border program.

In a separate trial for an overseas Military application, Aura Ai-2 was tested for simultaneous buried and fence detection alongside two competitor solutions. Only FFT met all detection requirements (walker, vehicle, fence cuts and climbs, simultaneous events), integration prerequisites requirements and low nuisance alarm levels.

Focus on Cybersecurity

Attacks on connected systems and devices are continuing to grow at an alarming rate, with a 600% increase between 2016 and 2017 alone.* Demonstrating its commitment to the data security of its customers, Ava Group has established the Global Cybersecurity Centre of Excellence (CCoE).

With Ava Group customers operating some of the most at-risk infrastructure around the world, the mission of the CCoE is to ensure the highest standards of cybersecurity, and that all Ava Group products are subjected to rigorous and continuous testing during development and throughout their lifespan. Ava Group has developed a market-leading testing, verification and lifecycle program based on the National Institute of Standards & Technology Cybersecurity Framework, combined with the 2900 cybersecurity Standards of the globally-recognised independent testing organisation Underwriter Laboratories. The implementation of these well-known and verifiable standards ensures that customers can trust the cybersecurity profile of Ava Group's technology portfolio.

The CCoE also offers customers market-leading access to security configuration information, product-specific hardening guides and validated testing reports, as well as expert advice regarding enhancements for the protection of their entire data network infrastructure. Building on its long-standing reputation in data network infrastructure protection through FFT's Data Network Infrastructure Physical Security (DNIPS), the CCoE confirms Ava Group's industry-leading attitude to the importance of cybersecurity.

The launch of the CCoE coincides with the selection of Ava Group's data network security solution to protect one of the largest closed user group data networks in the world, for the exclusive use of more than one million military personnel.

The value of the licence fee is estimated at between US$10.5 million and US$11.1 million (A$14.4 million and A$15.2 million) and is expected to be delivered over a 15-month period. Additional revenue is also anticipated after the initial three-year warranty period for a subsequent seven year spares and maintenance contract. This significant project win is expected to lead to further opportunities for Ava Group in the secure data network market.

**Symantec 2018 Internet Threat Report.*

"With cybersecurity breaches a seemingly daily occurrence, we are presented with a significant opportunity to expand the application of our intrusion detection technology to the protection of sensitive data network cables. Our Ava Group intrusion detection solutions have previously been selected to protect sensitive military, government and utility data networks in the United States, Australia, and the Middle East, providing advanced warning of attempted breaches enabling asset owners to quickly take preventative action. This project win not only introduces a new major customer to Ava Group, but also provides us with another opportunity to demonstrate the breadth of our risk management solutions into adjacent markets and is further supported by the recent launch of our Cybersecurity Centre of Excellence."

Chris Fergus, CEO

Awards Winning Solutions

Ava Group's access control solutions and perimeter intrusion technology continue to gain recognition from the international security industry. In April 2018, BQT was selected over billion-dollar access control competitors to be awarded a best in show award for its YG10 Roller Door Lock at the ISC West global security conference in the United States. Later that same month, FFT Aura Ai-2 received the MTP Gold Medal at Securex for its next generation fibre optic perimeter protection technology.

ISC West – New Product Showcase - Lock Systems and Secure Storage Containers

The YG10 combines all the features that an electronic lock offers and is the ultimate security for large roller shutters and doors. With its symmetrical design, the lock can be mounted horizontally or vertically on the left or right-hand side of a door. The YG10 provides security so full access integration control is achieved ensuring the building is locked down as desired. YG10 is IP55 rated for outdoor applications (fence gates) and wire cage applications.

Securex MTP Gold Medal

FFT Aura Ai-2 is an innovative fibre perimeter protection system enabling effective protection. It includes a controller and a sensor wire which can be installed on the fence or buried in the ground. The system operates even in the event of a cut wire. FFT Aura Ai-2 offers a working range up to 60km with detection accuracy of +/- 1m to 4m. The use of advanced artificial intelligence algorithms guarantee accurate risk detection.

Growing Sales Footprint

Ava Group continues to invest in its sales and marketing capability with the recent appointment of Greg King in the United States and Pieter Botha in South Africa. Joining the Americas sales team as Regional Sales Manager, Greg has many years of perimeter intrusion detection sales experience, along with a broad base of knowledge in the security industry. Pieter joins Ava Group as General Manager, Africa, and is responsible for sales and business development in the region. With a particular focus on Extractives and Energy, Pieter's knowledge of the challenges of this highly dynamic market, coupled with extensive experience in risk management and operations, is a valuable addition to the team. Greg and Pieter will drive sales and business development across both the Technology and Services Divisions. Ava Group will continue to focus on building its sales footprint to create a solid platform for sustained growth into the future.

Preferred Security Solutions

Ava Group's Technology Division has continued to secure new contracts from a broad range of industry sectors since July 2017. Both FFT and BQT products remain a preferred security solution for Governments, Utilities, Correctional Centres and Oil & Gas companies globally. BQT has also recently signed additional distribution agreements for its high security access control solutions in Australia and New Zealand.

Americas

- **Data | FFT Aura Ai-2 | Government**
- **Perimeter |FFT Aura Ai-2 | Government**
- **Perimeter | FFT Secure Fence| Corrections**
- **Perimeter | FFT Aura Ai-2 | Oil & Gas**
- **Perimeter | FFT Secure Fence | Government**

Asia

- **Covert Buried | FFT Aura | Border**
- **Perimeter | FFT Secure Point | Utilities**
- **Perimeter | FFT Secure Point | Oil & Gas**
- **Data | FFT Secure Point | Military**
- **Perimeter | FFT Secure Point | Corrections**

Middle East

- **Perimeter | FFT Aura | Oil & Gas**
- **Perimeter/Pipeline | FFT Aura Ai-2 | Oil & Gas**
- **Perimeter | FFT Aura | Oil & Gas**

Australia and New Zealand

- **BQT High Security Smart Readers | Government**
- **BQT Electromechanical Locking Products | OEM with dormakaba**
- **BQT Card and Biometric Readers | Distribution Agreement with CSM**
- **Perimeter | FFT Secure Fence | Oil & Gas**


1 QZ
2 ABC
3 DEF
4 GHI
5 JKL
6 MNO
7 PRS
8 TUV
9 WXY
*
0
#
F1
F2
F3
F4
bqt

Services Division

Ava Group's Services Division provides secure international logistics for the transport of cash and precious metals across the globe on a fully insured door-to-door basis. Ava Global Logistics continues to expand its presence in this global marketplace with recent service agreements increasing total client spend (addressable market) to $63 million.

Ava Global Logistics | Snapshot

Global Footprint: 24 hour sales and operational coverage from offices around the globe.

Expertise: +170 years of industry expertise across the leadership team.

Blue chip clients: Major mining, banking, refining and wholesale currency references.

Partnership model: Servicing more than 100 countries through a strategic partner network.

Risk management: Comprehensive Lloyds of London insurance and in-house risk management team.

Technology: Bespoke operating system for secure logistics.

Global storage: For international client base of mines, refiners, banks and bullion traders.

Secure Logistics Door to Door

With processes designed to deliver clients more control and greater peace of mind, Ava Global Logistics is focused on communication, unparalleled customer service and improving standards throughout the industry.

Providing international secure logistics of high value cargo on a fully insured door-to-door basis, Ava Global Logistics' services include armoured vehicle collection and delivery at origin and destination, secure storage, commercial and chartered air and sea freight and customs brokerage services.

Managing risk across the full lifecycle

Currency

Transportation from bank note production to commercial banks and exchange houses including storage and processing

Precious Metals

Global storage on behalf of mines, refiners, banks and bullion traders

Ava Global Logistics | Key Sectors

Financial Institutions

Secure transport of cash and precious metals with a global network of trusted service providers. Secure storage and inventory management of precious metals and secure storage and processing of cash.

Mining

Secure international logistics support in the transport of pre-refined precious metals around the world from mines to refineries with detailed risk management assessment.

Government & Central Banks

Secure international logistics support for large-scale foreign currency and precious metal movements. Secure storage and inventory management of precious metals and secure storage and processing of cash.

Refineries

Bespoke and secure international logistics support for the transport of refined and pre-refined precious metals around the world.

Bullion Traders

Secure transport from refineries or a secure storage location to central banks, investment banks or jewellery manufacturers.

Consulting

A dedicated risk manager and risk management team providing pre-feasibility and feasibility studies to support supply chain management, supported by the experience and market intelligence from Ava Group's global strategic partner network.

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Directors' Report

The directors present their report together with the financial report of the consolidated entity (referred to hereafter as the "Group" or "Consolidated Entity") consisting of AVA Risk Group Limited (referred to hereafter as the "Company" or "Ava") 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

The qualifications, experience and special responsibilities of each person who has been a director of Ava Group at any time since 1 July 2017 to the date of this report is provided below with details of the company secretary as at the year end.

NAME, QUALIFICATIONS, AND INDEPENDENCE STATUS	EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
David Cronin Chairman of the Board Non-Executive Director Appointed 10 April 2018	David has over 23 years professional experience and 15 years of international experience at the director/chairman board level. David is presently the Managing Director of the investment & consulting group Pierce Group Asia where he is responsible for its technology focussed corporate development and investment activities. Previous to his role at Pierce Group Asia, David was an investment manager for the London listed Guinness Peat Group PLC and Director of M&A for its technology focussed division. Working for several large financial and non-financial institutions, David has been involved in various advisory, executive level and board positions with several early to mid-stage technology companies. David has extensive knowledge of Ava Group and the security markets that it services. He has more than 10 years of board level experience within Ava Group, having previously served as a Director and Chairman of Ava Group prior to its IPO.
Terence (Terry) Winters Chairman of the Board *(Resigned 10 April 2018)* Non-Executive Director *(Resigned 31 August 2018)* Appointed 09 September 2004	Terry serves as Chairman and Non-Executive Director on the Boards of a number of charities and public and private companies in Australia, Asia and the UK. He is widely recognised throughout the Information Technology and Communications (ITC) industries for his track record of leading earlier stage technology companies through the various phases of capitalisation, commercialisation and international development. Terry is currently Chairman of Intelledox Pty Ltd, Converge International Pty Ltd, and TasmaNet Pty Ltd and is a Director of Redflex Holdings Limited. He is a Fellow of the Australian Institute of Company Directors (FAICD).
Mark Stevens Non-Executive Director Appointed 11 March 2015	With more than 30 years of experience in senior management roles with multi-national corporations, Mark is a seasoned executive with broad experience in sales and general management in the Telecom and Information Technology sector. Mark has held senior positions with Nortel Networks Inc., Aircom International Limited, ECI Telecom Ltd, Transmode Systems AB, and more recently Infinera Corporation. He has lived and worked in Europe, the United States, Singapore and Australia. Mark holds a Master of Business Administration from the University of Melbourne, a Bachelor of Engineering degree from Monash University and is a Graduate Member of the Australian Institute of Company Directors.

Christopher Fergus Group Chief Executive Officer *(Appointed 12 February 2018)* Executive Director Appointed 14 October 2016	Christopher is the Group CEO of Ava Group, and CEO of the secure logistics division, Ava Global DMCC, within MaxSec Group Limited (MaxSec)) - an ASX listed security product and services company. Christopher also serves as an Executive Director on the board of MaxSec. Prior to his role at MaxSec, Christopher was employed for 20 years with G4S, a world leading security services provider. Joining G4S in 1994, Christopher has worked across a number of continents, most recently as Regional Managing Director, Middle East, managing a portfolio of Security & FM joint ventures, with a total revenue in excess of US$1 billion. Christopher has a wealth of commercial and business development experience and has extensive general management experience within the security integration and services sectors.
Robert Broomfield Executive Director Chief Operating Officer – Technology (COO) *(Appointed 12 February 2018)* Executive Director Appointed 27 February 2008	Robert is an experienced business executive with more than 20 years of management experience including the past 18 years in senior positions within companies operating in the security industry. Prior to joining Ava Group, he was with Vision Systems Limited, 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, Robert 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. Robert is currently the Chairman and Non-executive Director of MaxSec.
Dr Fred Davis Non-Executive Director *(Appointed 30 September 2017 and Resigned 8 August 2018)* Executive Director *(Appointed 11 March 2015 and resigned 30 September 2017)*	Fred is an experienced leader and manager of technology innovation businesses having worked for the last 20 years in senior management positions. Prior to joining Ava Group, Fred led Business and New Product Development for Universal Biosensors Inc., and was Managing Director and CEO for Invetech Pty Ltd, a leading contract product development and manufacturing firm that played a pivotal role in the success of ASX listed Vision Systems Limited. Fred's specialist experience includes strategic management, business development, and advanced technology development and manufacturing. Fred has studied at the Strategic Management Institute, Harvard and Mt. Eliza Business Schools, and is a graduate of the Australian Institute of Company Directors. Fred was COO of Ava Group until 30 September when he resigned and became a Non-executive director of the Group.
Mike McGeever Appointed 8 August 2018	Mr McGeever has over 35 years experience in the military, facilities and securities sectors. Prior to his retirement in 2015, Mr McGeever was the Managing Director and founder of Transguard Group LLC, a UAE based Securities and Facilities Management company and one of the largest security companies in the world, employing 55,000 staff. Prior to that he held senior positions in a range of securities and facilities focused companies. Mr McGeever has a Master of Business Administration from the University of Portsmouth (England) and is a shareholder in the Company.

Joint Company Secretaries

Leigh Davis CPA, B. Bus, MBA, GAICD
Appointed 20 February 2015
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.

Kim Clark
Appointed 20 January 2017
Kim is an experienced business professional with 22 years' experience in the Banking and Finance industries and 6 years as a Company Secretary (in-house) of an ASX300 company. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance and governance. Kim currently acts as Company Secretary to various ASX listed and unlisted companies in Australia and is the Head of Corporate Services for Boardroom Pty Limited's Queensland office.

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the number of meetings attended by each director are:

	BOARD OF DIRECTORS' MEETINGS		MEETINGS OF AUDIT & RISK COMMITTEE (ARC)		MEETINGS OF REMUNERATION & NOMINATION COMMITTEE (REM)	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
David Cronin	3*	3*	1**	1**	2***	2***
T Winters	20	19	5	4	4	3
R Broomfield	20	17	5	2	4	3
F Davis	20	19	5	2	4	2
C Fergus	20	15	5	5	4	4
M Stevens	20	20	5	5	4	4

** Mr David Cronin attended 9 Board meetings as an External Corporate Development Consultant prior to his appointment as a Director of Ava Group.*
*** Mr David Cronin attended 1 ARC meeting as an External Corporate Development Consultant prior to his appointment as a Director of Ava Group.*
**** Mr David Cronin attended 2 REM meetings as an External Corporate Development Consultant prior to his appointment as a Director of Ava Group.*

Committee membership

As at the date of this report, the company had an Audit & Risk Committee, and a Remuneration & Nomination Committee of the Board of Directors. Members acting on the committees of the Board during the year were:

AUDIT COMMITTEE	REMUNERATION & NOMINATION COMMITTEE
M Stevens (Chairman)	T Winter (Chairman) (resigned 31 August 2018)
T Winters (resigned 31 August 2018)	M Stevens
C Fergus	F Davis (appointed 9 May 2018 and resigned 8 August 2018)
F Davis (appointed 9 May 2018 and resigned 8 August 2018)	M McGeever (Chairman) (appointed 8 August 2018)
M McGeever (appointed 8 August 2018)	

Gender Diversity Policy

The Remuneration & Nomination Committee is responsible for setting the diversity policy of the Company. The committee has established a diversity policy for the Company which includes measurable objectives for achieving gender diversity and that assesses annually both the objectives and the entity's progress in achieving them. 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 Ava Group 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, the interests of the directors in the shares and options of Ava Group are as detailed below:

	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS OVER ORDINARY SHARES
D Cronin	42,129,036	-
C Fergus	3,285,204	200,000
R Broomfield	2,994,387	1,750,000
F Davis	-	-
T Winters	1,012,380	-
M Stevens	400,000	-
M McGeever	4,105,000	-

Principal Activities

The principal activities of the consolidated entity during the financial year was:

- the provision of security technology products for perimeter intrusion detection solutions
- the provision of security access control products a group of companies owned by MaxSec, and
- the international valuable logistics services division which is operated under Ava Global DMCC, a wholly owned subsidiary of MaxSec.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The consolidated loss after income tax attributable to the members of Ava Group was $3.179 million (2017: loss of $7.820 million).

Operating and Financial Review

Highlights

- Revenue from ordinary activities of $19.817 million for the twelve months to 30 June 2018 (FY2018):
  - 54% increase on FY2017 ($12.896 million).
- Gross margin of 56% (FY2017: 53%) as a result of lower margins in the new Services Division offsetting the recovery of margins in the Technology Division.
- Non-operating income of $547k (FY2017: $773k) comprising:
  - Foreign Exchange Gains of $267k
  - Research and development tax incentive $178k
  - Interest Income of $89k, and
  - Other Income of $13k

- Operating expenses excluding depreciation and amortisation of $14.454 million (FY2017 $14.633 million) due to:
  - Annualised positive impact of headcount reductions in Q4FY17
  - Investment in new sales headcount to improve sector and geographical focus
  - Foreign exchange impact of a stronger USD on revenues and certain foreign based expenditure, and
  - One off costs relating to the acquisition of MaxSec Group Limited (MaxSec).
- Net loss from ordinary activities of $3.179 million - a 59% decrease on FY2017 loss of $7.820 million.
- EBITDA loss of $2.941 million - a 61% decrease on FY2017 OF $7.505 million.
- Net assets of $23.547 million (FY2017 $16.866 million) due to the acquisition of MaxSec's net assets, working capital requirements and operating losses.

Financial Results

Financially, FY18 didn't meet our internal expectations due to certain end user and customer contract delays. Total revenue for 2018 financial year grew 54% to $19.817 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) from operations improved from a loss of $7.505 million to a loss $2.941 million, incorporating a loss of $966k from the contribution of MaxSec. Net profit after tax (NPAT) improved from a loss of $7.820 million in FY17, to a loss of $3.179 million. At 30 June 2018, our total cash balance was $5.910 million and the Company is debt free.

This result includes a number of significant one-time items associated with the acquisition, including transaction and redundancy costs and a loss on the fair value of the initial investment in MSP of $246k.

MaxSec contributed $7.619 million in revenues to the consolidated results and a loss before tax of $1.622 million.

These improving results demonstrate the benefits of global scale and operating leverage of our business model. By executing our strategy, we delivered solid operating margins, improved cash flow and a material backlog, leaving the Company well positioned for a significant improvement in FY19.

Formation of Ava Risk Group

During the 2018 financial year, Ava Group acquired the MaxSec to form the Ava Group. The 2018 financial year was one of significant milestones for Ava Group as we took a number of steps to secure our position as a global leader in risk management solutions including enhancing our portfolio of products and continuing to drive innovation across the Company.

In December 2017, we finalised our merger with leading high security access control and secure logistics provider, MaxSec. In February 2018, Chris Fergus was promoted to the role of Group CEO, and in May 2018 we changed our name to better reflect our expanded product and solutions offerings.

As a result of the integration of MaxSec, the company reorganised into two divisions, being Technology, including perimeter security, access control and smart locking products and Services, initially secure international logistics and risk consulting.

Around the world, Ava Group customers rely on our products, technologies and expertise to help protect their perimeters, facilities and supply chains, and keep their assets and people safe and secure. With our customers facing growing protection needs, we've remained committed to supporting them with the most advanced and affordable security and risk management solutions available. Our customer focus, strengthening market position and reputation was evidenced by the announcement of a number of key milestones and contract wins in key strategic sectors and territories during the year:

- Several material wins in the global Oil & Gas sector, across the Americas, India and Middle East. The Oil & Gas sector is a key area of strategic focus, evidenced by the appointment of the Group Head of Extractives & Energy, Andrew Hames, to drive the Company's strategy for global growth in the mining, oil and gas and renewable energy industries.
- 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.
- A significant order in the India utilities market for the protection of a number of sub-stations across the country.
- A number of orders relating to the protection of perimeters at high security correctional centres across the United States.
- Major wins in the US, including solutions for secure data protection and perimeter security for a major government department.
- An award of a contract for an initial 5km pilot section of an Asian border protection solution, being the first stage of a 3,000km rollout.

- Distribution agreements executed 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.
- An additional Group sales resource, Pieter Botha, recruited as General Manager to lead business development in the Africa region, across both the Technology and Services divisions.

In FY18, our engineering and product development teams remained focussed on significant performance upgrades for our range of highly reliable detection and access control products. Customer deployments and competitive tests have proven our superior competitive position, while our security solutions continued to gain international recognition.

In April 2018, BQT Solutions was selected over billion-dollar access control competitors to be awarded a best in show award at the global security conference, ISC West, USA, while FFT Aura Ai-2 received the MTP Gold Medal at Securex in April for its next generation fibre optic perimeter protection technology.

Our Services Division continues to build a market leading position in the international valuables logistics sector and is already a trusted partner of a number of major companies in the precious metals and wholesale banknote markets.

We also continued to invest in the people, culture and systems that underpin our Company. Our culture is somewhat unique and a key element of our ongoing success. We are a truly diverse company, with employees from 16 nationalities working in our 17 offices across the globe. We are proud of our ability to attract and retain great talent and will continue to invest in our people and culture as the Company grows.

Outlook

At Ava Group, we are confident and optimistic about the future. We believe our strategy combined with our people, performance and portfolio of world leading products and solutions will keep the Company strong for many years to come. Ava Group is well on track for substantial growth in FY19 and will be focused upon:

- Continuing to build and convert a material sales pipeline, through further investment in the global sales team and significant new business development activity
- Fully leveraging the combined strengths of the merged companies, with a focus upon offering holistic Risk Management solutions to strategic clients in key sectors
- Successful completion of several major 'Proof of Concepts' and trials already underway
- Continued product and service innovation, with a focus upon adjacent market segment applications, and
- Lowering operational cost with Aura Ai investment completed and growing economies of scale in the Services division.

The Company will continue to consider acquisition targets that support and drive future growth.

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.

CHRIS FERGUS
Chief Executive Officer
27 SEPTEMBER 2018

Significant changes in the state of affairs

On 29 November 2017, Ava Group completed an off-market takeover of MaxSec. 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.

During the financial year there were no significant changes in the state of affairs of the consolidated entity apart from those noted above.

After balance date events

Ava Group Share Buy-Back

On 17 July 2018, the Company announced an on-market buy-back. The Company intends to buy-back a maximum of 12,402,844 shares for capital management purposes. The on-market share buy-back duration will be for a 12-month period from 10 August 2018 to 9 August 2019.

Board Changes

On 8 August 2018, the Company announced the appointment of Mr. Michael McGeever as a Non-Executive Director.

As part of the board renewal process, the Company also announced the resignation of Mr Terrence Winter effective 31 August 2018 and Dr. Fred Davis effective 8 August 2018.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely developments

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

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.

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

Options over unissued ordinary shares granted by Ava Group during or since the financial year end to directors and executives were as follows:

EXECUTIVE DIRECTORS	OPTIONS GRANTED
C. Fergus	200,000
R. Broomfield	250,000

Further details regarding options granted as remuneration are provided in the Remuneration Report below.

Shares under option

Unissued ordinary shares of Ava Group under option at the date of this report are as follows:

DATE OPTIONS GRANTED	NUMBER OF UNISSUED ORDINARY SHARES UNDER OPTION	ISSUE PRICE OF SHARES	EXPIRY DATE OF THE OPTIONS
15-Mar-15	1,500,000	$0.23	15-Mar-20
8-Jun-17	600,000	$0.23	28-Apr-20
10-Nov-17	200,000	$0.21	10-Nov-20
29-Nov-17	2,000,000	$0.12	31-Dec-20
29-Nov-17	1,375,000	$0.10	19-May-20
10-May-18	250,000	$0.10	19-May-20
14-Mar-18	1,500,000	$0.13	31-Dec-21
14-Mar-18	1,500,000	$0.15	31-Dec-21
14-Mar-18	3,000,000	$0.20	31-Dec-21

No option holder has any right under the options to participate in any other share issue of the company.

Shares issued on exercise of options

No ordinary shares of Ava Group were issued during or since the end of the financial year as a result of the exercise of an option.

There are no amounts unpaid on shares issued on exercise of options.

Proceedings on behalf of the consolidated entity

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

Indemnification and Insurance of Directors and Officers

Ava Group 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 remuneration report which details the remuneration information for Ava Group executive directors, non-executive directors and other key management personnel.

1. Details of key management personnel (KMP)

(i) Non-executive Directors

David Cronin	Chairman (Non-Executive) – appointed 10 April 2018
Terence Winters	Non-Executive Director – resigned 31 August 2018
Fred Davis	Non-Executive Director – resigned 8 August 2018
Mark Stevens	Director (Non-Executive) – appointed 11 March 2015
Mike McGeever	Non-Executive Director – appointed 8 August 2018

(ii) Executive Directors

Christopher Fergus	Group Chief Executive Officer (CEO), appointed 12 February 2018 and Executive Director - appointed 14 October 2016
Robert Broomfield	Chief Operating Officer – Technology (COO) and Executive Director – appointed 27 February 2008

(iii) Other Key Management Personnel

Leigh Davis	Chief Financial Officer (CFO) and Company Secretary – appointed 17 February 2015
Mark Horton	Global Sales and Marketing Director (GSMD) – appointed 26 June 2016

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 board policy for determining the nature and amount of remuneration of key management personnel is agreed by the board of directors as a whole, after receiving recommendations from the Remuneration and Nomination Committee. The Remuneration and Nomination Committee currently comprises three members of the Board of Directors. All members are Non-Executive Directors.

The board or the Remuneration and Nomination Committee may engage external consultants to provide independent advice where it considers it appropriate to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership. During the year ended 30 June 2018 neither the board nor the committee engaged any external consultants.

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, excluding the Chairman receives a base fee of $26,400 per annum exclusive of post-retirement benefits for being a director of the Company. The Non-Executive Chairman receives a base fee of $33,840 per annum exclusive of post-retirement benefits for his role as director and Chairman of the Board of Directors.

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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2. Remuneration policies (continued)

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. Salary packages are subject to local regulatory labour laws. In Dubai, fixed salaries are split between a base salary and a number of allowances such as car, housing and school fees. Gratuity benefits upon termination in Dubai are calculated on base salary. Health insurance provision by the employer is a regulatory requirement in Dubai and is included in the salary packaging of KMP based there. Australian based salary packages are in line with Australian labour laws for superannuation and long-service leave.

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 Remuneration and Nomination Committee. The targets for all other executives are set by the CEO.

STI rewards are assessed annually by the remuneration and nomination committee and are usually paid in cash and share options. Vesting conditions are decided upon on a case by case basis.

Long-Term Incentive (LTI)

Long-term incentives are provided to certain employees through the issuance of options. The options and 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).

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 three months after termination of the employee's employment subject to Board's 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 cannot be transferred and will not be quoted on the ASX.

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. Executive contractual arrangements

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

Christopher Fergus *Group Chief Executive Officer & Executive Director*	**Contract of Employment** 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. Prior to the acquisition of MaxSec, Mr. Fergus received a salary of $16,264 for his role as a Non-executive Director of Ava Group. Mr Fergus does not receive director's fees in his new role as Group CEO and Executive Director. **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. 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. Mr Fergus was not paid and did not accrue any benefits under the Performance Plan during the 2018 financial year.
Robert Broomfield *Chief Operating Officer - Technology & Executive Director*	**Contract of Employment** Robert Broomfield is employed by Ava Group as a permanent, full-time employee. Mr Broomfield commenced his position with Ava Group in July 2006. His current base salary is $324,302 inclusive of superannuation. He has a notice period of 3 months. **Performance Conditions** The contract provides for a bonus of up to 48% of base salary inclusive of superannuation, which is payable in cash and is conditional upon meeting pre-defined KPI's by the executive. Mr Broomfield was not paid and did not accrue a bonus in the 2018 financial year.
Fred Davis *Non-Executive Director (Resigned 8 August 2018)* *Chief Operating Officer (Resigned 30 September 2017)*	**Contract of Employment** Dr Fred Davis was employed by Ava Group as a permanent, full-time employee. Dr Davis commenced his current position with Ava Group in March 2015 and was employed on a current a base salary of $298,393, inclusive of superannuation. He has a notice period of 2 months. Dr Davis resigned as COO in September 2017 but continued as a Non-executive Director of the company until 8 August 2018. Dr Davis was paid a bonus of $49,891 in the 2018 financial year, which related to the 2017 financial year. He has not been awarded a bonus for 2018.

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. Executive contractual arrangements (continued)

Leigh Davis *Chief Financial Officer & Company Secretary*	**Contract of Employment** Leigh Davis is employed by Ava Group as a permanent, full-time employee. Mr Davis commenced his position with Ava Group in February 2015 and is employed on a current a base salary of $230,081, inclusive of superannuation. He has a notice period of 2 months. **Performance Conditions** The contract provides for a bonus up to 46% of base salary, which is payable in cash upon meeting pre-defined KPI's by the executive. Mr Davis was paid a bonus of $11,504 in the 2018 financial year, which related to the 2017 financial year and has $10,000 accrued for the financial year 2018.
Mark Horton *Global Sales and Marketing Director ("GSMD")*	**Contract of Employment** Mark Horton is employed by Future Fibre Technologies MENA FZ-LLC as a permanent, full-time employee. Mr Horton commenced his position with Future Fibre Technologies MENA FZ-LLC in June 2016 and is employed on a current a base salary of AED1,236,000 ($438,404) inclusive of allowances and superannuation. He has a notice period of 3 months. **Performance Conditions** The contract provides for a bonus up to AED 354,000 ($124,401), which is payable in cash upon meeting pre-defined KPI's by the executive. Mr Horton was not paid and did not accrue a bonus during the 2018 financial year.

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				SHARE-BASED PAYMENT		
						LONG TERM			
	SALARY AND FEES	CASH BONUS	OTHER BENEFITS#	SUPER-ANNUATION	TERM-INATION BENEFITS	LONG SERVICE LEAVE	OPTIONS	TOTAL	PERF-ORMANCE RELATED
	$	$	$	$	$	$	$	$	%
Non-executive directors									
T. Winters*	33,840	-	-	3,215	-	-	-	37,055	0%
F. Davis**	19,800	-	-	1,881	-	-	-	21,681	0%
M. Stevens	26,400	-	-	2,508	-	-	-	28,908	0%
D. Cronin***	7,050	-	-	-	-	-	-	7,050	0%
C. Fergus****	16,264	-	-	-	-	-	-	16,264	0%
Sub-total non-executive directors	103,354	-	-	7,604	-	-	-	110,958	
Executives									
C. Fergus****	194,992	-	138,267	48,859	-	3,337	-	385,455	0%
R. Broomfield	296,791	-	-	21,588	-	12,007	-	330,386	0%
F. Davis**	-	-	-	-	(40,233)	-	-	(40,233)	0%
L. Davis	210,120	10,000	-	21,054	-	3,077	-	244,251	4%
M. Horton	231,934	-	202,415	-	-	20,639	-	454,988	0%
Sub-total executive KMP	933,837	10,000	340,682	91,501	(40,233)	39,060	-	1,374,847	
Totals	**1,037,191**	**10,000**	**340,682**	**99,105**	**(40,233)**	**39,060**	**-**	**1,485,805**	

** Resigned as Chairman on 10 April 2018 and resigned a Non-executive Director on 31 August 2018.*

*** Resigned as COO on 30 September 2017 and was appointed a Non-executive Director. Resigned as Non-executive Director on 8 August 2018. There is a negative balance of termination benefits due to the final pay out differing from the accrued termination pay calculated at 30 June 2018.*

**** Appointed as Chairman and Non-executive Director on 10 April 2018.*

***** Appointed as Group CEO on 12 February 2018 and subsequently resigned as a Non-executive Director. Remuneration as Executive is reflective of period 29 November 2017 to 30 June 2018 (post acquisition of MaxSec).*

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. Executive contractual arrangements (continued)

Table 2: Remuneration for the year ended 30 June 2017

	SHORT-TERM		POST EMPLOYMENT				SHARE-BASED PAYMENT		
						LONG TERM			
	SALARY AND FEES	CASH BONUS##	OTHER BENEFITS#	SUPER-ANNUATION	TERM-INATION BENEFITS	LONG SERVICE LEAVE	OPTIONS	TOTAL	PERF-ORMANCE RELATED
	$	$	$	$	$	$	$	$	%
Non-executive directors									
A. Tansey*	12,000	-	-	1,140	-	-	-	13,140	0%
T. Winters^	33,219	-	-	3,156	-	-	-	36,375	0%
M. Stevens	26,400	-	-	2,508	-	-	-	28,908	0%
C. Fergus**	18,877	-	-	-	-	-	22,255	41,132	54%
Sub-total non-executive directors	90,496	-	-	6,804	-	-	22,255	119,555	
Executives									
R. Broomfield	279,423	3,607	883	27,181	-	(670)	-	310,424	1%
F. Davis	264,120	74,691	-	27,447	129,381	4,185	-	499,824	15%
L. Davis	210,119	39,102	-	21,490	-	1,946	-	272,657	14%
M. Horton	237,306	-	207,103	-	-	18,908	57,389	520,706	11%
Sub-total executive KMP	990,968	117,400	207,986	76,118	129,381	24,369	57,389	1,603,611	
Totals	**1,081,464**	**117,400**	**207,986**	**82,922**	**129,381**	**24,369**	**79,644**	**1,723,166**	

 # Other benefits relate to allowances for housing, car and school fees applicable to salary packages in Dubai and salary packaged motor vehicles. The amounts for salary packaged motor vehicles are the Reportable Fringe Benefit provided using the statutory method as defined in the Fringe Benefit Tax Assessment Act (1986) (Cth).

** Resigned 13 October 2016.*

*** Appointed 14 October 2016.*

^ Appointed as Chairman 14 October 2016.

Cash Bonus in FY2017 reflects bonuses earned in respect of the years ended 30 June 2016 and 30 June 2017.

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. Relationship between remuneration and company performance

(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 following table sets out the typical performance conditions used for performance-linked incentive payments:

KMP	PERFORMANCE CONDITIONS
CEO	Expense to Revenue ratio reduction
CEO/CFO/COO	Reducing new product development cycle times and COGS
CEO/CFO/COO/GSMD	Year-on-year Revenue Growth
CEO/CFO/COO/GSMD	Year-on-year EBITDA growth
CEO/COO/GSMD	Entering into significant new channel partner agreements
CFO/COO	Improvements in operational ratios, management of risk and general compliance with policies

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 Consolidated Entity'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
	$	%	%	$
Christopher Fergus	-	0%	100%	-
Robert Broomfield	-	0%	100%	146,411
Fred Davis	-	0%	100%	-
Leigh Davis	10,000	10%	90%	96,655
Mark Horton	-	0%	100%	124,401

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 awards relating to FY2018 is to be paid in the year ended 30 June 2019.

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 ($'000)	20,275	13,360	15,126	19,505	13,170
% increase/(decrease) in revenue	52%	(10)%	(23)%	48%	9%
Profit/(Loss) before tax ($'000)	(4,241)	(7,820)	(5,805)	2,157	1,630
% increase/(decrease) in profit before tax	46%	(35)%	(369)%	32%	61%
Change in share price (%)	(18)%	(71)%	(42)%	N/A	N/A
Dividend paid to shareholders ($'000)	-	-	-	-	-
Return of capital ($'000)	-	-	-	-	-
Total remuneration of KMP	1,485,805	1,723,166	1,013,500	1,219,124	603,826
Total performance based remuneration	10,000	117,400	65,273	216,300	19,000

5. Key management personnel's share-based compensation

Share options issued

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

NAME	GRANT DATE	NUMBER OF OPTIONS GRANTED	NUMBER OF OPTIONS VESTED DURING THE YEAR	NUMBER OF OPTIONS LAPSED DURING THE YEAR	VESTED %	EXERCISE PRICE $	FIRST EXERCISE DATE	LAST EXERCISE DATE
C.Fergus#	10/11/2017	200,000	200,000	-	100%	0.21	10/11/2017	10/11/2020
R. Broomfield	10/05/2018	250,000	250,000	-	100%	0.10	10/05/2018	19/05/2020

 # The Company granted 200,000 share options to C. Fergus on 28 April 2017 with an exercise price of $0.21 which were subject to shareholder approval. The options were issued on 10 November 2017 and the fair value of the options were expensed in FY2017.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company. There are no performance conditions attached to the options above.

For details on the valuation of the options, including models and assumptions used, please refer to Note 24. There were no alterations to the terms and conditions of options awarded as remuneration since their grant date.

During the year, the Company issued 250,000 share options to R. Broomfield in exchange for his MaxSec options as part of the consideration for MSP under the takeover offer. The options had an exercise price of $0.10.

REMUNERATION REPORT (AUDITED) (CONTINUED)

6. Key management personnel's equity holdings

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

2018	BALANCE AT BEGINNING OF PERIOD 1 JULY 17	GRANTED AS REMUNERATION	GRANTED OTHER*	NET CHANGE OTHER#	BALANCE AT END OF PERIOD 30 JUNE 18	VESTED AT 30 JUNE 2018 EXERCISABLE	NOT EXERCISABLE
Non-executive Directors							
D. Cronin	-	-	-	-	-	-	-
T. Winters	200,000	-	-	(200,000)	-	-	-
Dr. F. Davis	1,200,000	-	-	(1,200,000)	-	-	-
M. Stevens	200,000	-	-	(200,000)	-	-	-
Sub-total	**1,600,000**	**-**	**-**	**(1,600,000)**	**-**	**-**	**-**
Executives							
C. Fergus***	-	200,000	-	-	200,000	200,000	-
R. Broomfield	1,500,000	-	250,000	-	1,750,000	1,750,000	-
L. Davis	900,000	-	-	(900,000)	-	-	-
M. Horton	600,000	-	-	-	600,000	600,000	-
Sub-total	**3,000,000**	**200,000**	**250,000**	**(900,000)**	**2,550,000**	**2,550,000**	**-**
Total	**4,600,000**	**200,000**	**250,000**	**(2,500,000)**	**2,550,000**	**2,550,000**	**-**

 # Includes lapsed and forfeitures

** During the year, the Company issued 250,000 share options to R. Broomfield in exchange for his MaxSec options as part of the consideration for MSP under the takeover offer. The options had an exercise price of $0.10.*

***There were no options exercised during the financial year 2018.*

**** The Company granted 200,000 share options to C. Fergus on 28 April 2017 with an exercise price of $0.21 which were subject to shareholder approval. The options were issued on 10 November 2017 and the fair value of the options were expensed in FY2017.*

2017	BALANCE AT BEGINNING OF PERIOD 1 JULY 16	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30 JUNE 17	VESTED AT 30 JUNE 2018 EXERCISABLE	NOT EXERCISABLE
Non-executive Directors							
A. Tansey	250,000	-	-	(250,000)	-	-	-
T. Winters	200,000	-	-	-	200,000	200,000	-
C. Fergus	-	-	-	-	-	-	-
M. Stevens	200,000	-	-	-	200,000	200,000	-
Sub-total	**650,000**	**-**	**-**	**(250,000)**	**400,000**	**400,000**	**-**
Executives							
R. Broomfield	4,500,000	-	(1,500,000)	(1,500,000)	1,500,000	1,500,000	-
F. Davis	1,200,000	-	-	-	1,200,000	1,200,000	-
L. Davis	900,000	-	-	-	900,000	900,000	-
M. Horton	-	600,000	-	-	600,000	600,000	-
Sub-total	**6,600,000**	**600,000**	**(1,500,000)**	**(1,500,000)**	**4,200,000**	**4,200,000**	**-**
Total	**7,250,000**	**600,000**	**(1,500,000)**	**(1,750,000)**	**4,600,000**	**4,600,000**	**-**

REMUNERATION REPORT (AUDITED) (CONTINUED)

6. Key management personnel's equity holdings (continued)

(a) Number of shares held by key management personnel

Shares held in Ava Group

2018	BALANCE AT BEGINNING OF PERIOD 1 JULY 17	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER#	BALANCE AT END OF PERIOD 30 JUNE 18
Non-executive Directors					
D. Cronin*	42,129,036	-	-	-	42,129,036
T. Winters	877,380	-	-	135,000	1,012,380
Dr. F. Davis	-	-	-	-	-
M. Stevens	-	-	-	400,000	400,000
Sub-total	**43,006,416**	**-**	**-**	**535,000**	**43,541,416**
Executives					
C. Fergus	-	-	-	3,285,204	3,285,204
R. Broomfield	1,500,000	-	-	1,494,387	2,994,387
L. Davis	100,000	-	-	-	100,000
M. Horton	-	-	-	-	-
Sub-total	**1,600,000**	**-**	**-**	**4,779,591**	**6,379,591**
Total	**44,606,416**	**-**	**-**	**5,314,591**	**49,921,007**

** D. Cronin shares held are as at 10 April 2018 upon commencement as a Board member.*

 # Shares purchased on market.

2017	BALANCE AT BEGINNING OF PERIOD 1 JULY 16	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER#	BALANCE AT END OF PERIOD 30 JUNE 17
Non-executive Directors					
A. Tansey	286,000	-	-	-	286,000
T. Winters	877,380	-	-	-	877,380
C. Fergus	-	-	-	-	-
M. Stevens	-	-	-	-	-
Sub-total	**1,163,380**	**-**	**-**	**-**	**1,163,380**
Executives					
R. Broomfield	-	-	1,500,000	-	1,500,000
F. Davis	-	-	-	-	-
L. Davis	-	-	-	100,000	100,000
M. Horton	-	-	-	-	-
Sub-total	**-**	**-**	**1,500,000**	**100,000**	**1,600,000**
Total	**1,163,380**	**-**	**1,500,000**	**100,000**	**2,763,380**

 # Shares purchased on market.

REMUNERATION REPORT (AUDITED) (CONTINUED)

7. Other transactions with key management personnel

During the current and previous financial year, the Group transacted with related entities of directors, other than in their capacity as director as follows:

The Consolidated entity purchased consulting services from Pierce Asia DWC LLC and Pierce CIM PTE LTD, related entities through Chairman and Non-executive Director, David Cronin, for an amount of $78,089 (2017: Nil). Accounts Payable balance at 30 June 2018 totals $51,389. The terms of these arrangements were on an arm's length basis in the normal course of business.

During FY2018, MaxSec, a company of which Robert Broomfield and Christopher Fergus are directors, prior to acquisition, sold $34,528 of employee shared services to Ava Group. Ava Group also sold predominantly goods and some shared services totalling $497,195 to MaxSec 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.

During the year, there were no other transactions with directors or management personnel.

8. Voting and comments made at the company's 2017 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 97.9% 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 and risk 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*.

	2018 $	2017 $
Amounts paid and payable for non-audit services:		
* Tax compliance and tax advice services	97,000	-
* Assurance related services	33,000	-
Total auditors' remuneration for non-audit services	130,000	20,000

Signed in accordance with a resolution of the directors.

CHRISTOPHER FERGUS
Chief Executive Officer
27 September 2018

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Auditor's Independence Declaration to the Directors of Ava Risk Group Limited

As lead auditor for the audit of Ava Risk 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 Ava Risk Group Limited and the entities it controlled during the financial year.

Ernst & Young

Robert Dalton
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	**19,817**	12,896
Other income	4	**547**	773
		20,364	**13,669**
Less: Expenses			
Cost of raw materials and consumables used		**(8,765)**	(6,030)
Employee benefit expenses		**(8,692)**	(7,483)
Research and development		**(532)**	(1,278)
Advertising and marketing		**(531)**	(380)
Travel and entertainment		**(949)**	(690)
Facilities and office		**(977)**	(782)
Compliance, legal, and administration		**(1,484)**	(849)
Provision for impairment of receivables		**(56)**	(1,364)
Impairment of investments		**(246)**	-
Depreciation and amortisation expenses	11,12	**(1,386)**	(826)
Finance costs		**(3)**	(15)
Foreign exchange losses		**(137)**	(811)
Other expenses		**(847)**	(981)
Loss for the year before income tax		**(4,241)**	(7,820)
Income tax (expense)/benefit	5	**1,062**	-
Loss for the year		**(3,179)**	(7,820)
Loss for the year attributable to:			
Equity holders of the parent company		**(2,858)**	(7,820)
Non-controlling interest		**(321)**	-
		(3,179)	**(7,820)**
Other comprehensive income 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		**(283)**	82
Items that will not be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations, net of tax, attributable to non-controlling interests		**(34)**	-
Total comprehensive income for the year		**(3,496)**	(7,738)
Total comprehensive income attributable to:			
Equity holders of the parent company		**(3,141)**	(7,738)
Non-controlling interests		**(355)**	-
		(3,496)	(7,738)
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic and diluted loss per share	6	**(1.70)**	(6.34)
		Cents	Cents

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	**5,910**	6,945
Receivables	8	**5,317**	4,985
Inventories	9	**4,567**	4,206
Other current assets	10	**463**	320
Total Current Assets		**16,257**	16,456
Non-Current Assets			
Plant and equipment	11	**932**	1,012
Intangible assets	12	**12,695**	2,758
Other non-current assets	10	**31**	-
Total Non-Current Assets		**13,658**	3,770
TOTAL ASSETS		**29,915**	20,226
LIABILITIES			
Current Liabilities			
Payables	14	**4,767**	2,220
Borrowings	15	**-**	15
Provisions	16	**1,528**	1,089
Total Current Liabilities		**6,295**	3,324
Non-Current Liabilities			
Provisions	16	**73**	36
Total Non-Current Liabilities		**73**	36
TOTAL LIABILITIES		**6,368**	3,360
NET ASSETS		**23,547**	16,866
EQUITY			
Contributed equity	17	**55,187**	44,183
Accumulated losses		**(30,800)**	(27,942)
Reserves	18	**(1,284)**	625
Equity attributable to owners of the parent		**23,103**	16,866
Non-controlling interest		**444**	-
TOTAL EQUITY		**23,547**	16,866

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

CONSOLIDATED STATEMENT OF EQUITY

FOR THE YEAR ENDED 30 JUNE 2018	SHARE CAPITAL	SHARE OPTIONS RESERVE	FOREIGN EXCHANGE TRANSLATION RESERVE	OTHER EQUITY RESERVES	ACCUM-ULATED LOSSES	TOTAL ATTRIB-UTABLE TO OWNERS OF PARENT	NON-CONT-ROLLING INTEREST	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017	**44,183**	**477**	**148**	**-**	**(27,942)**	**16,866**	**-**	**16,866**
Loss for year	-	-	-	-	(2,858)	**(2,858)**	(321)	**(3,179)**
Exchange differences on translation of foreign operations, net of tax	-	-	(283)	-	-	**(283)**	(34)	**(317)**
Total comprehensive income for the year	**-**	**-**	**(283)**	**-**	**(2,858)**	**(3,141)**	**(355)**	**(3,496)**
Transactions with owners in their capacity as owners								
Shares issued	11,038	-	-	(2,083)	-	**8,955**	799	**9,754**
Share issue costs	(34)	-	-	-	-	**(34)**	-	**(34)**
Share based payments	-	457	-	-	-	**457**	-	**457**
Total transactions with owners in their capacity as owners	11,004	457	-	(2,083)	-	**9,378**	799	**10,177**
Balance at 30 June 2018	**55,187**	**934**	**(135)**	**(2,083)**	**(30,800)**	**23,103**	**444**	**23,547**
At 1 July 2016	**43,883**	**397**	**66**	**-**	**(20,122)**	**24,224**	**-**	**24,224**
Loss for year	-	-	-	-	(7,820)	**(7,820)**	-	**(7,820)**
Exchange differences on translation of foreign operations, net of tax	-	-	82	-	-	**82**	-	**82**
Total comprehensive income for the year	-	-	82	-	(7,820)	**(7,738)**	-	**(7,738)**
Transactions with owners in their capacity as owners								
Shares issued	300	-	-	-	-	**300**	-	**300**
Share based payments	-	80	-	-	-	**80**	-	**80**
Total transactions with owners in their capacity as owners	300	80	-	-	-	**380**	-	**380**
Balance at 30 June 2017	**44,183**	**477**	**148**	**-**	**(27,942)**	**16,866**	**-**	**16,866**

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		CONSOLIDATED	
		2018	2017
	NOTE	$'000	$'000
Cash flow from operating activities			
Receipts from customers		**20,754**	12,801
Receipts from R&D tax incentives		**1,490**	1,567
Payments to suppliers and employees		**(21,441)**	(17,275)
Finance costs paid		**(3)**	(15)
Interest received		**89**	173
Net cash flows from/(used in) operating activities	7	**889**	(2,749)
Cash flow from investing activities			
Payment for security bonds and guarantees		**-**	(86)
Payment for intangible assets		**(1,417)**	(2,493)
Purchase of plant and equipment		**(48)**	(193)
Proceeds from the sale of plant and equipment		**-**	4
Payment for initial investment in MaxSec		**(1,845)**	-
Cash acquired through acquisition of MaxSec		**1,875**	-
Net cash flows from/(used in) investing activities		**(1,435)**	(2,768)
Cash flow from financing activities			
Proceeds from share issues		**-**	300
Share issue expenses		**(34)**	-
Share buy-back in MaxSec		**(446)**	-
Repayment of borrowings		**(15)**	(8)
Net cash flows from/(used in) financing activities		**(495)**	292
Net decrease in cash and cash equivalents		**(1,041)**	(5,225)
Net foreign exchange differences on cash		**6**	51
Cash and cash equivalents at beginning of year		**6,945**	12,119
Cash and cash equivalents at end of year	7	**5,910**	6,945

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 Ava Group and controlled entities as a consolidated entity. Ava Group is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. Ava Group 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 Ava Group 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 Ava Group 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 reported an after tax loss of $3,179 million for the year (2017: loss $7.820 million) and its total assets exceed total liabilities by $23.547 million (2017: $16.866 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) the 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 Ava Group 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 Ava Group is annual reporting periods beginning on or after 1 July 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, and
- How an entity considers changes in facts and circumstances.

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

The impact of AASB Interpretation 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 Ava Group 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

There are two separate tax consolidated groups within the Group. Ava Risk Group Limited have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2014 with FFT Mena Pty Ltd. MaxSec Group Limited have implemented the tax consolidation legislation and have formed a tax consolidated group with BQT Solutions (Australia) Pty Ltd, 4C Satellites Limited and BQT Intelligent Security Systems Pty Ltd.

(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	1-10	1-10
Motor vehicles	5	5
Computer equipment	2-7	2-7
Production plant and equipment	2-10	2-10
Demonstration equipment	2-6	2-5

(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

Trademarks and Licences

Trademarks and Licences are recognised at cost of acquisition. Trademarks and Licences 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.

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, and
- 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 between 5 and 10 years depending on the product type. During the period of development, the asset is tested for impairment annually.

1. Statement of significant accounting policies (continued)

Customer base and customer contracts acquired through a business combination are recorded at their fair value at the date of acquisition. Customers are amortised on a straight-line basis over the period of expected benefit (5 years). Contracts are amortised on a straight-line basis over the period of expected benefit (3 years).

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. Patents are amortised over a period of 3-10 years.

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. Ava Group has loans and receivables at 30 June 2018 and 2017.

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, 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 that 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 that 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 Ava Group (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.

(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.

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

(v) Parent entity financial information

The financial information for the parent entity, Ava Risk 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 Ava Risk Group Limited. 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 intangible assets 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. Goodwill is tested for impairment on at least an annual basis. 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.

Refer to note 13 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, with the assumptions detailed in Note 24.

(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 Ava Group.

Following the acquisition of MaxSec, Management reassessed the reporting functions and determined that the Group's segments were based on are three separately identifiable products, the information for which is reported consistently with the financial statements.

The Group operates in perimeter security, access control solutions and international valuable logistics, which are its reportable segments. These divisions offer different products and services and are managed separately because they require different technology and marketing strategies.

3. Segment Information (continued)

The following summary describes the operations of each reportable segment:

PRODUCT TYPE	REPORTABLE SEGMENT	OPERATIONS
Technology	Perimeter Security	Global leader in fibre optic intrusion detection systems; perimeter intrusions, oil and gas pipeline third party interference and data network tapping and tampering
	Access Control Solutions (Readers & Locks)	Providing secure, reliable smart card reader and card systems, biometric solutions, electric locking and access control products
Services	International Valuable Logistics	Global provider of secure international logistics of high-risk valuables, precious metals and currency

The total amount of external revenue derived from one major customer where the revenue is greater than 10% of the consolidated entity's total revenue was nil (2017: one customer greater than 10% totalling $1.449 million).

Management have considered the geographical entity-wide disclosures required as per AASB8 Operating Segments. Geographical segment reporting at the entity-wide level is presently not readily available. Due to Ava Group acquiring MaxSec during the financial year and the complexities involved with the integration of that business, 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.

Segment information for the reporting period is as follows:

2018	PERIMETER SECURITY $'000	ACCESS CONTROL SOLUTIONS $'000	INTERNATIONAL VALUABLE LOGISTICS $'000	ELIMINATIONS/ UNALLOCATED $'000	TOTAL $'000
Revenue					
External customers	12,304	2,976	4,537	-	19,817
Interest Income	86	3	-	-	89
Other income	213	67	-	-	280
R&D tax incentive	178	-	-	-	178
Intersegment revenue	234	36	-	(270)	-
Segment revenues	**13,015**	**3,082**	**4,537**	**(270)**	**20,364**
Depreciation and amortisation expenses	(730)	(401)	(255)	-	(1,386)
Finance costs	-	(3)	-	-	(3)
Income tax	1,062	-	-	-	1,062
EBITDA	**(1,705)**	**(17)**	**(949)**	**(270)**	**(2,941)**
Segment operating loss	**(1,287)**	**(418)**	**(1,204)**	**(270)**	**(3,179)**
Segment assets	**16,195**	**12,935**	**2,669**	**(1,884)**	**29,915**
Segment liabilities	**(3,201)**	**(1,386)**	**(8,641)**	**6,860**	**(6,368)**

3. Segment Information (continued)

2017	PERIMETER SECURITY $'000	ACCESS CONTROL SOLUTIONS $'000	INTERNATIONAL VALUABLE LOGISTICS $'000	ELIMINATIONS $'000	TOTAL $'000
Revenue					
External customers	12,896	-	-	-	12,896
Interest Income	526	-	-	-	526
R&D tax incentive	228	-	-	-	228
Other revenue	19	-	-	-	19
Segment revenues	**13,669**	**-**	**-**	**-**	**13,669**
Depreciation and amortisation expenses	(826)	-	-	-	**(826)**
Finance costs	(15)	-	-	-	**(15)**
EBITDA	**(7,505)**	**-**	**-**	**-**	**(7,505)**
Segment operating loss	**(7,820)**	**-**	**-**	**-**	**(7,820)**
Segment assets	**20,226**	**-**	**-**	**-**	**20,226**
Segment liabilities	**(3,360)**	**-**	**-**	**-**	**(3,360)**

4. Revenues from continuing operations and other income

	CONSOLIDATED 2018 $'000	2017 $'000
Revenue from operating activities		
Revenue from sales of goods	**13,862**	11,309
Revenue from provision of services	**5,955**	1,587
Total revenue from operating activities	**19,817**	12,896
Other income		
Interest	**89**	526
R&D tax incentive	**178**	228
Gains on foreign exchange - realised	**267**	-
Other Income	**13**	19
Total other income	**547**	773
Total Revenues and other income	**20,364**	13,669

5. Income tax

	CONSOLIDATED	
	2018	2017
	$'000	$'000
(a) Components of tax expense/(benefit):		
Current tax	**(1,062)**	-
Deferred tax	**-**	-
Under provision in prior year	**-**	-
	(1,062)	-
(b) Prima facie tax payable		
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense/(benefit) as follows:		
Accounting loss before tax	**(4,241)**	(7,820)
At the Group's statutory income tax rate of 27.5% (2017: 30%)	**(1,166)**	(2,346)
Tax effect of amounts which are not deductible in calculating taxable income	**119**	59
Difference in tax rates in foreign subsidiaries	**429**	(287)
Tax incentives	**72**	337
Tax losses not brought to account	**551**	2,457
Recognition of tax losses on carry forward losses	**(1,067)**	(220)
Income tax benefit	**(1,062)**	-
(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	**553**	876
	553	876

Management assessed deferred tax assets and liabilities for the reporting period 30 June 2018 and their recoverability based on the forecasted taxable profits. Australian tax losses in respect of Ava Group were recognised totalling $1.067 million, to offset the deferred tax liability that resulted from the acquisition of MaxSec. Management deemed it appropriate not to recognise any additional deferred tax assets due to uncertainty on whether those assets 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 unutilised tax losses that arose in Australia of $39.568 million (2017: $19.638 million) of which $15.895 million (2017: nil) are attributable to the MaxSec Australian tax consolidated group. In addition, the Group has tax losses totalling $12.906 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
(A) LOSS USED IN CALCULATING EARNINGS PER SHARE	$'000	$'000
For basic and diluted loss per share:		
Net loss from continuing operations attributable to ordinary equity holders of the parent	**(2,858)**	(7,820)
	2018	2017
(B) WEIGHTED AVERAGE NUMBER OF SHARES	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**167,919,245**	123,436,659
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	**167,919,245**	123,436,659
	2018	2017
(C) LOSS PER SHARE	CENTS	CENTS
Basic loss per share	**(1.70)**	(6.34)
Diluted loss per share	**(1.70)**	(6.34)

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.

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

	CONSOLIDATED	
	2018	**2017**
	$'000	**$'000**
Cash at bank and on hand	**5,910**	6,945
	5,910	6,945
(a) Reconciliation of net Loss after tax to net cash flow from operations		
Loss for the year after tax	**(3,179)**	(7,820)
Adjustment for non-cash income and expense items:		
Depreciation and amortisation	**1,386**	826
Share-Based payments (equity settled)	**65**	80
Unrealised foreign exchange	**137**	-
Bad debts written off and provision for impairment of receivable	**56**	1,364
Gain/(loss) on disposal of fixed asset	**4**	(2)
Research and development tax credit included in investing activities	**415**	997
Other	**(93)**	186
Changes in assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	**(904)**	2,043
Research and development receivable contained in operating activities	**516**	342
Other assets	**(174)**	(21)
Inventories	**(361)**	(216)
Increase/(decrease) in liabilities:		
Trade and other payables	**2,545**	(606)
Provisions	**476**	78
Net cash used in operating activities	**889**	(2,749)
(b) Non-cash financing and investing activities		
Share-based payments	**65**	80

The Group's exposure to interest rate risk is discussed in Note 19. 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 and receivables mentioned above.

8. Receivables

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Trade receivables - current	**4,051**	3,690
Provision for impairment loss (a)	**(35)**	(157)
	4,016	3,533
Security deposits and bonds	**104**	95
Other receivables (c)	**1,197**	1,357
Carrying amount of trade and other receivables	**5,317**	**4,985**
Movements in the allowance for impairment loss were as follows:		
At 1 July	**157**	1,240
Charge for the year	**56**	1,364
Amounts written off	**(178)**	(2,447)
At 30 June	**35**	**157**

(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 has impaired a further $56k of receivables in 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: $2.160 million (2017: $1.948 million).

Trade receivables ageing analysis at 30 June is as follows:

	GROSS 2018 $'000	IMPAIRMENT 2018 $'000	GROSS 2017 $'000	IMPAIRMENT 2017 $'000
Not past due	**1,856**	**-**	1,585	-
Past due 1 – 30 days	**1,006**	**-**	1,309	-
Past due 31-60 days	**167**	**-**	219	-
Past due 61-90 days	**488**	**-**	13	-
Past due more than 91 days	**534**	**(35)**	564	(157)
	4,051	**(35)**	3,690	(157)

(c) Other receivables

These amounts relate primarily to accrued income from product and services delivered to customers but not yet billed totalling $385k (2017: $193k), accrued income from the R&D Tax incentive totalling $606k (2017: $1.122 million), and other indirect tax refunds due from various international tax jurisdictions.

9. Inventories

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Raw materials and stores (at cost)	**1,066**	1,498
Work in progress (at cost)	**604**	502
Finished goods held for sale (at lower of cost and net realisable value)	**2,550**	1,922
Inventories in transit (at cost)	**-**	19
Spares (at cost)	**347**	265
	4,567	4,206

During 2018, there was no impairment recognised as an expense for inventories carried at net realisable value (2017: $427k).

10. Other assets

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Current		
Prepayments	**463**	320
Non-current		
Non-current prepayments	**31**	-
Total Other assets	**494**	320

Prepayments are not interest bearing.

11. Non-current assets - plant and equipment

	COMPUTER EQUIPMENT $'000	MOTOR VEHICLES $'000	PLANT AND EQUIPMENT $'000	OFFICE FURNITURE AND EQUIPMENT $'000	DEMONSTRATION EQUIPMENT $'000	TOTAL $'000
Year Ended 30 June 2018						
Carrying amount at beginning of year	111	17	121	123	640	1,012
Additions	4	-	12	37	107	160
Acquisitions through business combinations	58	5	12	27	-	102
Disposals	(3)	-	-	-	-	(3)
Depreciation charge for the year	(44)	(4)	(51)	(22)	(217)	(338)
Exchange adjustment	4	(1)	(4)	-	-	(1)
Carrying amount at end of year	**130**	**17**	**90**	**165**	**530**	**932**
At 30 June 2018						
Cost	777	44	962	535	1,903	4,221
Accumulated depreciation and impairment	(647)	(27)	(872)	(370)	(1,373)	(3,289)
Net carrying amount	**130**	**17**	**90**	**165**	**530**	**932**
Year Ended 30 June 2017						
Carrying amount at beginning of year	113	20	161	130	876	1,300
Additions	37	-	29	18	108	192
Disposals	-	-	(1)	-	(12)	(13)
Depreciation charge for the year	(39)	(3)	(68)	(25)	(332)	(467)
Carrying amount at end of year	**111**	**17**	**121**	**123**	**640**	**1,012**
At 30 June 2017						
Cost	718	39	938	471	1,796	3,962
Accumulated depreciation and impairment	(607)	(22)	(817)	(348)	(1,156)	(2,950)
Net carrying amount	**111**	**17**	**121**	**123**	**640**	**1,012**

12. Non-current assets – intangible assets and goodwill

(a) Reconciliation of carrying amounts

	GOODWILL $'000	TRADEMARKS $'000	DEVELOPMENT COSTS $'000	PATENTS $'000	ACQUIRED CUSTOMER LISTS / CONTRACTS $'000	TOTAL $'000
Year ended 30 June 2018						
Carrying amount at beginning of year	-	13	2,209	536	-	2,758
Acquisitions through business combinations	4,976	1,264	1,284	176	2,446	10,146
Additions	-	4	795	45	-	844
Amortisation	-	(74)	(462)	(124)	(385)	(1,045)
Exchange adjustment - amortisation	-	-	(2)	(6)	-	(8)
Carrying amount at end of year	**4,976**	**1,207**	**3,824**	**627**	**2,061**	**12,695**
At 30 June 2018						
Cost (gross carrying amount)	4,976	1,281	4,752	2,385	2,446	15,840
Accumulated amortisation	-	(74)	(928)	(1,611)	(385)	(2,998)
Accumulated impairment charges	-	-	-	(147)	-	(147)
Net carrying amount	**4,976**	**1,207**	**3,824**	**627**	**2,061**	**12,695**
Year ended 30 June 2017						
Carrying amount at beginning of year	-	13	870	668	-	1,551
Additions	-	-	1,526	40	-	1,566
Amortisation	-	-	(187)	(172)	-	(359)
Carrying amount at end of year	**-**	**13**	**2,209**	**536**	**-**	**2,758**
At 30 June 2017						
Cost (gross carrying amount)	-	13	2,673	2,164	-	4,850
Accumulated amortisation	-	-	(464)	(1,481)	-	(1,945)
Accumulated impairment charges	-	-	-	(147)	-	(147)
Net carrying amount	**-**	**13**	**2,209**	**536**	**-**	**2,758**

(b) Development costs

During the year ended 30 June 2018, the Group incurred additional gross development costs of $1.368 million net of offset from research and development grant of $573k (2017: $1.526 million).

(c) Goodwill

During the year ended 30 June 2018, the Group recognised Goodwill of $4.976 million arising from the acquisition of MaxSec.

13. Carrying value of non-financial assets

For assets excluding goodwill, an assessment is made each reporting period to determine whether there is an indicator of impairment.

Allocation of goodwill

Goodwill remains unallocated at 30 June 2018. It will be allocated to cash generating units (CGU) prior to 29 November 2018 based on expected synergies.

Key assumptions and estimates

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations, unless there is evidence to support a higher fair value less cost of disposal.

The Group has four identifiable CGUs:

- Perimeter security
- Access control solutions – readers
- Access control solutions – locks
- International valuable logistics

Perimeter security

The perimeter security CGU had an indicator of impairment and hence was tested for impairment, using a value in use methodology.

KEY ASSUMPTIONS	BASIS OF ESTIMATION
Future cash flows	VIU 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%.
Discount rate	A discount rate 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.

The recoverable amount is not sensitive to reasonably possible changes in assumptions.

14. Trade and other payables

	2018 $'000	2017 $'000
Current		
Trade payables	**3,857**	955
Deferred revenue	**691**	394
Accruals and other payables	**219**	871
	4,767	2,220

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

15. Borrowings

	CONSOLIDATED	
	2018 $'000	2017 $'000
Current - secured		
Bank overdraft[1]	-	-
Finance leases[2]	-	15
	-	15
Non-current – secured		
Finance leases[2]	-	-
	-	-

(1) The bank overdraft facility totalling $1 million is unused at reporting date. It is secured by 1st ranking fixed and floating charges over the assets of Ava Group.

(2) Refer to note 25 (i) for further details on minimum future lease payments.

(a) Assets pledged as security

All assets of the Group have been pledged as security for borrowings.

16. Provisions

(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:

	2018 $'000	2017 $'000
Current		
Employee entitlements – annual leave	**787**	525
Employee entitlements – long service leave	**513**	412
Provision for warranty claims	**165**	152
Provisions - other	**63**	-
	1,528	1,089
Non-current		
Employee entitlements – long service leave	**73**	36
	73	36

16. Provisions (continued)

	PROVISION FOR WARRANTY CLAIMS $'000
Consolidated	
At 1 July 2017	152
Amount used in the year	-
Acquisitions in a business combination	39
Unused provision written back to the income statement	(26)
At 30 June 2018	**165**
Current	165
Non-current	-
	165

(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.

17. Contributed equity

	CONSOLIDATED	
	2018 $'000	2017 $'000
(a) Ordinary shares		
Ordinary share capital, issued and fully paid	**55,187**	44,183
	55,187	44,183

	NUMBER OF SHARES	$'000
Parent Entity		
(b) Movement in ordinary shares on issue		
At 1 July 2017	124,028,440	44,183
Share issue*	87,065,999	11,038
Transaction costs	-	(34)
At 30 June 2018	211,094,439	55,187
At 1 July 2016	122,228,440	43,883
Share issue	1,800,000	300
At 30 June 2017	124,028,440	44,183

** The Group issued 87,065,999 shares with a fair value of $11.038 million as consideration in a takeover offer for the shares of MaxSec at an average price of $0.127.*

(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.

17. Contributed equity (continued)

(d) Share options

Employee share scheme

The consolidated entity continued to offer employee participation in share-based incentive schemes as part of the remuneration packages for the employees of the consolidated entity. Refer to Note 24: Share Based Payments for detailed disclosures.

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

DATE GRANTED	EXPIRY DATE	EXERCISE PRICE ($)	NUMBER OF OPTIONS 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
2018							
18/07/2014	18/07/2019	$0.23	1,200,000	-	-	(1,200,000)	-
15/03/2015	15/03/2018	$0.35	2,410,000	-	-	(2,410,000)	-
15/03/2015	15/03/2020	$0.23	1,500,000	-	-	-	1,500,000
11/05/2015	11/05/2018	$0.88	3,400,000	-	-	(3,400,000)	-
28/04/2017	28/04/2020	$0.23	600,000	-	-	-	600,000
10/11/2017	10/11/2020	$0.21	-	200,000	-	-	200,000
29/11/2017	31/12/2017	$0.12#	-	1,675,000	-	(1,675,000)	-
29/11/2017	31/12/2020	$0.12#	-	2,000,000	-	-	2,000,000
29/11/2017	19/05/2020	$0.10#	-	1,375,000	-	-	1,375,000
10/05/2018	19/05/2020	$0.10#	-	250,000	-	-	250,000
14/03/2018	31/12/2021	$0.13*	-	1,500,000	-	-	1,500,000
14/03/2018	31/12/2021	$0.15*	-	1,500,000	-	-	1,500,000
14/03/2018	31/12/2021	$0.20*	-	3,000,000	-	-	3,000,000
Total			9,110,000	11,500,000	-	(8,685,000)	11,925,000
Weighted average exercise price			$0.50	$0.14	$0.00	$0.49	$0.16

** These share options were issued to Canaccord Genunity (Australia) Limited as payment for investor relation services provided for the MaxSec acquisition.*

 # These share options were issued to the share option holders in MaxSec to replace their share options holdings which were cancelled as part of the takeover of MaxSec by Ava Group during the financial year 2018. Each option holder received 1 Ava Group option for every 4 MaxSec options held.

DATE GRANTED	EXPIRY DATE	EXERCISE PRICE ($)	NUMBER OF OPTIONS 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							
15/09/2007	17/11/2016	$0.20	1,500,000	-	(1,500,000)	-	-
15/09/2007	17/11/2016	$0.25	750,000	-	-	(750,000)	-
15/09/2007	17/11/2016	$0.33	750,000	-	-	(750,000)	-
1/03/2014	1/03/2019	$0.23	600,000	-	(300,000)	(300,000)	-
18/07/2014	18/07/2019	$0.23	1,200,000	-	-	-	1,200,000
15/03/2015	15/03/2018	$0.35	2,660,000	-	-	(250,000)	2,410,000
15/03/2015	15/03/2020	$0.23	1,500,000	-	-	-	1,500,000
11/05/2015	11/05/2018	$0.88	3,400,000	-	-	-	3,400,000
28/04/2017	28/04/2020	$0.23	-	600,000	-	-	600,000
Total			12,360,000	600,000	(1,800,000)	(2,050,000)	9,110,000
Weighted average exercise price			$0.44	$0.23	$0.21	$0.29	$0.50

17. Contributed equity (continued)

(d) Share options

No options have been issued between balance date and the date of this report.

(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:

	CONSOLIDATED	
	2018	**2017**
	$'000	**$'000**
Total borrowings *	**4,076**	1,841
Less cash and cash equivalents	**5,910**	6,945
Net borrowings / (cash)	**(1,834)**	(5,104)
Total equity	**23,547**	16,866
Total capital	**21,713**	11,762
Gearing ratio	0%	0%

** 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.

18. Reserves

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.

During the year the Company granted 11,500,000 options to the following holders:

- 6,000,000 options to Canaccord Genunity (Australia) Limited for investor relation services. The fair value was measured at a market price for those services
- 5,300,000 options for MSP option holders in exchange for their MSP options as part of the consideration for MSP under the takeover offer on a basis of 1 Ava Group share option for every 4 MaxSec share option, and
- 200,000 share options were issued to C. Fergus on 28 April 2017, subject to shareholder approval. The options were issued on 10 November 2017.

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.

Other equity

Other equity represents the difference between the fair value of ordinary shares issued to acquire non-controlling interest and the initial value of non-controlling interests.

19. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank overdraft, loans, finance leases, 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	5,910	5,910	1.3%	Variable
Total financial assets	5,910	5,910	1.3%	
(ii) Financial liabilities				
Borrowings	-	-	-	
Total financial liabilities	-	-	-	
30 June 2017				
(i) Financial assets				
Cash	6,945	6,945	1.8%	Variable
Total financial assets	6,945	6,945	1.8%	
(ii) Financial liabilities				
Borrowings	15	15	5.9%	Fixed
Total financial liabilities	15	15	5.9%	

19. Financial risk management objectives and policies (continued)

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 nil borrowings. (2017: $15,000). Fixed rate debt was comprised entirely of finance leases.

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 Group's fixed rate borrowings comprising the finance leases are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

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:

JUDGMENTS OF REASONABLY POSSIBLE MOVEMENTS*:	POST TAX PROFIT HIGHER/(LOWER) 2018 $'000	2017 $'000	EQUITY HIGHER/(LOWER) 2018 $'000	2017 $'000
Consolidated				
+ 1/2% (50 basis points)	21	24	21	24
- 1/2% (50 basis points)	(21)	(24)	(21)	(24)

** 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, expressed in Australian dollars was as follows:

USD	$'000
30 June 2018	
Cash and cash equivalents	449
Trade and other receivables	2,669
Trade and other payables	(487)
Total exposure	**2,631**
30 June 2017	
Cash and cash equivalents	852
Trade and other receivables	3,502
Trade and other payables	(512)
Total exposure	**3,842**

19. Financial risk management objectives and policies (continued)

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD exchange rate with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

USD	% CHANGE IN RATE	EFFECT ON PROFIT/(LOSS) BEFORE TAX $'000	EFFECT ON EQUITY $'000
30 June 2018	10%	191	191
	-10%	(191)	(191)
30 June 2017	10%	269	269
	-10%	(269)	(269)

(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.

(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	**4,076**	**1,841**
1-5 years	**-**	-
Over 5 years	**-**	-
Total contractual cash flows	**4,076**	1,841

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.

20. Related party disclosure

(a) Subsidiaries

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

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	% EQUITY INTEREST 2018	2017
Parent Entity				
Ava Risk Group Limited	Australia	Manufacture and sale of security systems	100	100
Subsidiaries of Ava Risk Group Limited				
FFT MENA Pty Ltd	Australia	Holding company	100	100
Future Fibre Technologies (US) Inc.	USA	Sales Support and other services	100	100
MaxSec Group Limited	Australia	Access Control and International valuables logistics	90	-
Subsidiaries of FFT MENA Pty Ltd				
Future Fibre Technologies MENA FZ-LLC	U.A.E	Sales Support and other services	100	100
Future Fibre Technologies Europe AG	Switzerland	Sales Support and other services	100	100
Future Fibre Technologies Europe Ltd	United Kingdom	Sales Support and other services	100	100
FFT India Pvt Ltd	India	Sales Support and other services	100	100
Subsidiaries of MaxSec Group Ltd				
BQT Intelligent Security Systems Pty Ltd	Australia	Access Control	54	-
4C Satellites Limited	Australia	Access Control	54	-
BQT Solutions (Australia) Pty Ltd	Australia	Access Control	90	-
BQT Solutions (SEA) Pte Ltd	Singapore	Access Control	90	-
BQT Solutions (UK) Limited	United Kingdom	Access Control	90	-
BQT Solutions America Inc	Americas	Access Control	90	-
Subsidiaries of BQT Solutions (SEA) Pte Ltd				
BQT Solutions (NZ) Limited	New Zealand	Access Control	90	-
Subsidiaries of BQT Solutions (UK) Limited				
Ava Global DMCC	U.A.E	Secure international logistics	90	-
Subsidiaries of Ava Global DMCC				
Ava Germany GmbH	Germany	Secure international logistics	90	-
Ava USA Inc	United States of America	Secure international logistics	90	-

20. Related party disclosure (continued)

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.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 23.

(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.

21. Business combinations and acquisition of non-controlling interests

Acquisition of MaxSec

In August 2017 the Group acquired 13.7% of the voting shares of MaxSec, a company listed on the Australian securities exchange that specialises in the access control and locking products and international secure logistics services for cash consideration of $1.845 million.

On 29 November 2017, the Group acquired an additional 45% of the voting shares of MaxSec. The shares were acquired through an all scrip off-market takeover offer. This brought the Company's total ownership in MaxSec to 58% and was the date that the Group took control of MaxSec.

The Group has acquired MaxSec because it expands both its existing product portfolio and customer base. The acquisition has been accounted for using the acquisition method.

The below acquisition accounting is provisional. The fair value of the net assets acquired may subsequently be adjusted, with a corresponding adjustment to goodwill prior to 29 November 2018 (one year after the transaction).

The fair values of the identifiable assets and liabilities of MaxSec as at the date of the acquisition were:

RECOGNISED AMOUNTS OF IDENTIFIABLE NET ASSETS	$'000
Cash	1,875
Trade receivables	1,351
Inventories	993
Other receivables	222
Other current assets	410
Total current assets	**4,851**
Property, plant and equipment	102
Patents, product development and trademarks	2,718
Customer base	1,165
Customer contracts	1,282
Total non-current assets	**5,267**
Trade payables	(965)
Other payables	(615)
Provisions	(260)
Total current liabilities	**(1,840)**
Deferred tax liability	(1,067)
Total non-current liabilities	**(1,067)**
Total Identifiable net assets at fair value	**7,211**

21. Business combinations and acquisition of non-controlling interests (continued)

At the date of the acquisition, the fair value of the trade receivables was $1.351 million. The gross amount of trade receivables is $1.351 million. As at 30 June 2018, none of the trade receivables have been impaired.

The fair value of the identifiable assets at acquisition have reduced by $258k as a result of an adjustment to the net realisable value of inventory.

From the date of acquisition, MaxSec has contributed $7.619 million of revenue and a loss of $1.622 million to the net profit before tax from the operations of the Group. If the acquisition had taken place at the beginning of the financial year, revenue from operations would have been $12.798 million and the loss before tax from operations for the period would have been $2.855 million.

Purchase consideration transferred

FAIR VALUE OF CONSIDERATION TRANSFERRED	$'000
53,104,012 ordinary shares	7,169
Fair Value of existing 13% interest before the business combination	1,599
Fair value of share options granted	392
Total consideration transferred	**9,160**

ANALYSIS OF CASH FLOW ON ACQUISITION	$'000
Net cash acquired with the subsidiary	1,875
Cash paid for initial 13% equity interest	(1,845)
Net cash flow on acquisition	**30**
Acquisition costs charged to expenses	373
Net cash paid relating to the acquisition	**343**

Consideration for the acquisition was 1 new share of the Company for every 4 MaxSec shares.

The Company issued 53,104,012 shares at a fair value of $7.169 million as at 29 November 2017. This was the date that the offer became unconditional and control was achieved. This resulted in a 42% non-controlling interest at 29 November 2017. The fair value of the ordinary shares issued was based on the listed share price of the Group at 29 November 2017 of $0.135.

The Company also issued 5,050,000 share options at a fair value of $392k as at 29 November 2017. These options were issued to MaxSec option holders at a ratio of 1 Company option for every 4 MaxSec options. Other terms and conditions of the options are consistent with the terms and conditions of the MaxSec options which they replaced.

Between 30 November and 21 December 2017, the Company issued 33,961,987 shares at a fair value of $3,870,000. These share issues were transactions with non-controlling interest.

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. This brought the Company's total ownership in MaxSec to 90.3%.

Goodwill

GOODWILL - GROSS CARRYING AMOUNT (AND NET BOOK VALUE)	$'000
At 1 July 2017	-
Acquisition of a subsidiary	4,976
At 30 June 2018	**4,976**

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of MaxSec with the Group. The goodwill is not deductible for income tax purposes and has not yet been allocated to specific CGUs, as the expected synergies are assessed.

Transaction costs of $373k have been expensed and are included in compliance, legal and administration expenses in the consolidated income statement.

21. Business combinations and acquisition of non-controlling interests (continued)

The Company recognised a loss of $246k as a result of measuring at fair value its 13% equity interest in MaxSec held before the business combination. The loss is included in "impairment of investments" in the statement of comprehensive income for the year ended 30 June 2018.

A tax benefit relating to previously unbooked tax losses to the extent of the deferred tax liability on acquisition has been recognised in the consolidated statement of comprehensive income.

22. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

NAME	COUNTRY OF INCORPORATION AND OPERATION	2018	2017
Maxsec Group Limited	Australia	9.69%	-

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR 2018:	MAXSEC GROUP LIMITED $'000
Revenue and other income	7,619
Cost of raw materials and consumables used	(4,530)
Operating expenses	(4,052)
Finance costs	(3)
Depreciation and amortisation	(656)
Loss before tax	**(1,622)**
Income tax	-
Loss for the year from continuing operations	**(1,622)**
Total comprehensive income	**(1,622)**
Attributable to:	
Non-controlling interest	(321)

22. Material partly-owned subsidiaries (continued)

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018:	MAXSEC GROUP LIMITED $'000
Cash and cash equivalents	1,144
Trade and other receivables	1,642
Inventories	1,304
Other current assets	171
Property, plant and equipment	92
Intangible assets	9,894
Current liabilities	(3,463)
Non-current liabilities	(22)
Total equity	**10,762**
Attributable to:	
Non-controlling interest	444

SUMMARISED CASH FLOW INFORMATION FOR THE YEAR ENDED 30 JUNE 2018:	MAXSEC GROUP LIMITED $'000
Operating	(84)
Investing	(401)
Financing	(246)
Net increase/(decrease) in cash and cash equivalents	**(731)**

23. Key management personnel

(a) Compensation for Key Management Personnel

	CONSOLIDATED 2018 $	2017 $
Short-term employee benefits	**1,387,873**	1,406,850
Post-employment and other long-term benefits	**97,932**	107,291
Termination benefits	**-**	129,381
Share-based payments	**-**	79,644
Total compensation	**1,485,805**	1,723,166

(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: nil).

23. Key management personnel (continued)

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

Directors

During the current and previous financial year, the Group transacted with related entities of directors, other than in their capacity as director as follows:

The Consolidated entity purchased consulting services from Pierce Asia DWC LLC and Pierce CIM PTE LTD related entities of David Cronin for an amount of $78,089 (2017: $Nil). Accounts Payable balance at 30 June 2018 totals $51,389. The terms of these arrangements were on an arm's length basis in the normal course of business.

During FY2018, MaxSec, a company of which Robert Broomfield and Christopher Fergus are directors, prior to acquisition, sold $34,528 of employee shared services to Ava Group. Ava Group also sold predominantly goods and some shared services totalling $497,195 to MaxSec 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.

Key Management Personnel

There were no other transactions with KMP during the year ended 30 June 2018 (2017: none).

24. Share-based payments

(a) Recognised share-based payment expenses

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

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Expense arising from equity-settled share-based payment transactions:		
Corporate services	**65**	-
Acquisition of MaxSec	**392**	80
	457	80

(b) Types of share-based payments

The Company has granted Canaccord Genunity (Australia) Limited 6,000,000 unlisted share options as payment for investor relation services provided for the MaxSec acquisition. The fair value was measured at a market price for those services.

The options have vested and have an expiry period of 3 years from issue date.

They are exercisable at the following prices:

1,500,000 @ $0.125 each
1,500,000 @ $0.15 each
3,000,000 @ $0.20 each

The Company has granted 5,300,000 unlisted share options to MaxSec option holders on the basis of 1 Ava Group share option for every 4 MaxSec share option as part of the consideration for MaxSec under the takeover offer.

The options have all vested.

They are exercisable at the following prices:

2,000,000 @ $0.12 each – expiry 3 years from issue date
1,375,000 @ $0.10 each – expiry 3 years from issue date
250,000 @ $0.10 each – expiry 2 years from issue date
1,675,000 @ $0.12 each – expired 31 December 2017

24. Share-based payments (continued)

The Company granted 200,000 share options to C. Fergus on 28 April 2017. The options were issued on 10 November 2017 and the fair value of the options were expensed in FY2017.

They are exercisable at the following prices:

200,000 @ $0.21 each – expiry 3 years from issue date

At balance date, all of the above granted options were issued.

(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	9,110,000	$0.50	12,360,000	$0.44
Granted during the year	11,500,000	$0.14	600,000	-
Forfeited during the year	(1,200,000)	$0.23	(850,000)	-
Exercised during the year	-	-	(1,500,000)	$0.20
Expired during the year	(2,410,000)	$0.35	-	-
Expired during the year	(3,400,000)	$0.88	(1,500,000)	-
Expired during the year	(1,675,000)	$0.12	-	-
Outstanding and exercisable at the end of the year	11,925,000	$0.16	9,110,000	$0.50

The weighted average contractual life of the share options outstanding at the end of the year was 2.5 years (2017: 1.4 years). The average share price for the year ended 30 June 2018 was $0.13 (2017: $0.18).

(d) Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The fair value is derived from the Black-Scholes model using the closing share price of Ava Group ordinary shares on grant date, Australian Government Long-term bond interest rates as published by the Reserve Bank of Australia as a proxy for the risk-free interest rate, having regard for the bond maturity that is most closely aligned to the period of time remaining until the options expiry date, and the option exercise prices and quantities as noted above.

The model inputs for options granted during the year ended 30 June 2018, in respect of remuneration included:

Number of options granted	1,675,000	2,000,000	1,375,000	200,000	250,000
Consideration for options granted	Nil	Nil	Nil	Nil	Nil
Exercise price:	$0.12	$0.12	$0.10	$0.21	$0.10
Grant date:	29-Nov-17	29-Nov-17	29-Nov-17	10-Nov-17	10-May-18
Expiry date:	31-Dec-17	29-Nov-20	19-May-20	10-Nov-20	19-May-20
Share price at grant date:	$0.135	$0.135	$0.135	$0.135	$0.135
Expected price volatility of the Company's shares:	22.7%	22.7%	22.7%	24.1%	22.7%
Expected dividend yield:	0%	0%	0%	0%	0%
Risk-free interest rate:	1.79%	1.92%	1.79%	2.07%	1.79%

The expected price volatility is based on the historical one-year volatility of the Company's share price.

25. 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	**311**	198
After one year but not more than five years	**469**	220
After more than five years	**146**	-
Total minimum lease payments	**926**	418

Finance lease commitments - Group as lessee

The finance lease relates to the leasing of a motor vehicle.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are stated in the table below. The finance lease has been paid in full in FY2018 and no further leases have been entered into.

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Within one year	**-**	16
After one year but not more than five years	**-**	-
After more than five years	**-**	-
Total minimum lease payments	**-**	16
Less amounts representing finance charges	**-**	(1)
Present value of minimum lease payments	**-**	15
Current liability	**-**	15
Non-current liability	**-**	-
Total	**-**	15

26. Contingencies

The Ava Global performance plan allows for senior employees of Ava Global to share in a pooled allocation of up to 32.7% of the exit value of Ava Global 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 contingencies at 30 June 2018 (2017: None).

27. Events after the balance sheet date

Share Buy-Back

On 17 July 2018, the Company announced an on-market buy-back. The Company intends to buy-back a maximum of 12,402,844 shares for capital management purposes. The on-market share buy-back duration will be for a 12-month period from 10 August 2018 to 9 August 2019.

Compulsory Acquisition of remaining MSP shares

On 29 June 2018, the Company announced that it's shareholding in MaxSec was 90.3%.

Board Changes

On 8 August 2018, the Company announced the appointment of Mr. Michael McGreever as a Non-Executive Director.

As part of the board renewal process, the Company also announced the resignation of Mr Terrence Winter effective 31 August 2018 and Mr. Fred Davis effective 8 August 2018.

There has been other no matter or circumstance, which has arisen since 30 June 2018 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2018, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2018, of the consolidated entity.

28. Parent Entity Information

(a) Summary financial information

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

AVA RISK GROUP LIMITED: SUMMARISED STATEMENT OF FINANCIAL POSITION	2018 $'000	2017 $'000
Assets		
Current assets	12,212	15,865
Non-current assets	17,676	4,126
Total assets	**29,888**	**19,991**
Liabilities		
Current liabilities	7,958	2,932
Non-current liabilities	33	183
Total liabilities	**7,991**	**3,115**
Net Assets	**21,897**	**16,876**
Equity		
Contributed Capital	55,187	44,183
Share-based payment reserve	929	477
Accumulated losses	(34,219)	(27,784)
Total Equity	**21,897**	**16,876**

AVA RISK GROUP LIMITED: SUMMARISED STATEMENT OF COMPREHENSIVE INCOME	2018 $'000	2017 $'000
Profit or (loss) for the year	(6,435)	(8,779)
Other comprehensive income for the year	-	-
Total comprehensive income of the parent entity	**(6,435)**	**(8,779)**

28. Parent Entity Information (continued)

(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).

29. Auditor's remuneration

The auditor of Ava Group is for the year ended 30 June 2018 was Ernst & Young (2017: Ernst & Young). Ava Group incurred additional fees with Ernst & Young in relation to the acquisition, review of half-year results and audit for MaxSec. This cost was fully absorbed by the parent.

	CONSOLIDATED	
	2018 $	2017 $
Amounts received or due and receivable by the company's auditor for:		
- Audit and review of the financial statements	336,800	103,000
- Tax compliance and tax advice services	97,000	20,000
- Assurance related services	33,000	-
	466,800	123,000

Directors' Declaration

In accordance with a resolution of the directors of Ava Risk 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

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

(ii) 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.

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

DAVID CRONIN
Chairman
Melbourne, 27 September 2018

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Independent Auditor's Report to the Members of Ava Risk Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ava Risk 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.

EY
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1. Acquisition of Maxsec Group Limited ("MaxSec")

Why significant	How our audit addressed the key audit matter
The acquisition of MaxSec was significant to our audit due to the financial significance of the transaction to the Group and due to the significant judgements involved in the recognition and measurement of the acquired assets and assumed liabilities. The Group, assisted by its external valuation experts determined the fair value of MaxSec's identifiable assets and liabilities. The valuation of certain assets was based upon discounted future cash flow estimates and other valuation methodologies. The acquisition and allocation of fair value are disclosed in Note 21 of the consolidated financial report.	Our audit procedures included the following: • We considered the Group's allocation of the purchase consideration to their determined fair values of the identifiable assets acquired and liabilities assumed and the resulting calculation of goodwill. • We involved our valuation specialists to evaluate the valuation methodologies used by the Group to determine the fair value of each of the identifiable assets (including excess earnings method and relief from royalty method) and assessed the main assumptions (including expected future cash flows, royalty rates and useful lives, where relevant). • We assessed the Group's conclusion as to the acquisition date, being when the Group achieved greater than 50% ownership of MaxSec and obtained control. We agreed the valuation of the shares issued as consideration, to the Group's share price on acquisition date. • We recalculated the loss recorded that related to Group's pre-existing interest in MaxSec. • Our taxation specialists assessed the recognition and measurement of deferred tax assets and liabilities. • Furthermore, we assessed the adequacy of the disclosures in the consolidated financial report regarding the acquisition.

EY

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2. Carrying value of property, plant and equipment and intangible assets (including goodwill)

Why significant	How our audit addressed the key audit matter
Property, plant and equipment totaling $0.93 million as disclosed in Note 11, intangible assets totaling $7.7 million as disclosed in Note 12 and goodwill of $5.0 million as disclosed in Note 12 resulting from the acquisition of MaxSec, represent significant balances recorded on the consolidated statement of financial position, relative to total assets. The recoverability of property, plant and equipment, intangible assets and goodwill is contingent on future cash flows (inclusive of revenue growth) and there is a risk, if these cash flows do not meet the Group's expectations, that the assets may be impaired. An indicator of impairment was identified by the Group for the Perimeter Security cash generating unit ("CGU") by virtue of not achieving budget; and accordingly, the Group performed an impairment test using a value in use discounted cash flow model. Our assessment of the Group's impairment test performed in accordance with Australian Accounting Standards was a key audit matter because the assessment process is complex and highly judgmental and is based on assumptions affected by expected future market or economic conditions. The Group's disclosures are included in Note 13 of 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 obtained the Group's discounted cash flow model for the Perimeter Security CGU and evaluated the assumptions and methodologies used by the Group, in particular those relating to the key assumptions set out in Note 13 of the financial report. We involved our valuation specialists to assist in these audit procedures. Specifically, in respect of the Group's discounted cash flow model we: • Agreed the underlying cash flow projections to Board approved forecasts; • Tested the mathematical accuracy of the model; • Assessed key assumptions such as revenue growth and profit margins to achieved results; • Considered the historical accuracy of the Group's cash flow forecasts; • Assessed the Group's assumptions for terminal growth rates in comparison to economic and industry forecasts; • Assessed the reasonableness of sustaining capital expenditure forecasts; • Assessed discount rates through comparing the cost of capital for the Group with comparable businesses; and • Considered earnings multiples against comparable companies as a valuation cross check. We performed sensitivity analysis in respect of the revenue growth assumptions, which were considered to have the most significant impact on carrying values, to ascertain the extent of changes in those assumptions would be required for the property, plant and equipment and intangible assets (including goodwill) to be impaired. We assessed the likelihood of these changes in assumptions arising. We assessed the adequacy of the Group's disclosures of those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment, intangible assets (including goodwill).

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3. Revenue recognition

Why significant	How our audit addressed the key audit matter
Revenue recognition was significant to our audit due to the judgmental nature and the quantum of sales transactions that occurred around balance sheet date. Revenue is measured taking into account multiple element arrangements, for example a single sales transaction may combine the delivery of goods and an extended warranty. Revenue is recognised based upon the separate components of the contracts, when the relevant service is performed. The Group's accounting policy disclosures in respect of revenue recognition are included in Note 1 of the consolidated financial report.	We assessed the effectiveness of relevant controls relating to revenue recognition. We tested a sample of revenue transactions during the year, by agreeing to sales contracts, delivery documentation and customer payments. We also assessed the allocation of revenue to the various elements of the contracts. We assessed post year end credit notes and considered whether these related to sales recognised in the 2018 financial year. Our procedures included selecting a sample of sales transactions recorded both prior to and subsequent to balance sheet date to assess whether revenue was recognised in the appropriate period. We re-calculated service based revenue that was recognised over time with reference to a sample of contracts. We also assessed the adequacy of the Group's disclosures in the consolidated financial report 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 28 to 38 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Ava Risk 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

Robert Dalton
Partner
Melbourne
27 September 2018

Shareholder Information

Distribution of equity securities (as at 16 September 2018)

Ordinary share capital

211,094,439 fully paid ordinary shares are held by 982 individual shareholders.

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

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	259	104,237	0.04%
1,001 – 5,000	250	722,997	0.50%
5,001 – 10,000	125	1,000,544	0.58%
10,001 – 100,000	223	7,849,731	4.25%
100,001 and over	125	201,416,930	94.63%
Total	**982**	**211,094,439**	**100.00%**

The number of shareholders holding less than a marketable parcel of 2,857 shares (based on the share price of $0.175 on 16 September 2018) is 368 and they hold 290,543 shares.

Substantial shareholders (as at 16 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
BELL POTTER NOMINEES LTD	28,537,727	13.52%
RSA ASSOCIATES LTD	27,000,000	12.79%
CITICORP NOMINEES PTY LIMITED	22,086,349	10.46%
	77,624,076	36.77%

Twenty largest shareholders (as at 16 September 2018)

RANK	NAME OF SHAREHOLDER	NUMBER OF SHARES	% OF ISSUED CAPITAL
1	BELL POTTER NOMINEES LTD	28,537,727	13.52%
2	RSA ASSOCIATES LTD	27,000,000	12.79%
3	CITICORP NOMINEES PTY LIMITED	22,086,349	10.46%
4	PIERCE CIM PTE LIMITED	14,708,500	6.97%
5	BANNABY INVESTMENTS PTY	9,932,234	4.71%
6	J P MORGAN NOMINEES AUSTRALIA	7,473,728	3.54%
7	DIXSON TRUST PTY LIMITED	5,911,427	2.80%
8	MR CRAIG GRAEME CHAPMAN	5,217,055	2.47%
9	VALWREN PTY LIMITED	4,500,000	2.13%
10	MR DAVID MALCOLM SOUTH	4,250,000	2.01%
11	HSBC CUSTODY NOMINEES	3,557,498	1.69%
12	VALWREN PTY LIMITED	3,500,000	1.66%
13	CARRIER INTERNATIONAL PTY	3,380,954	1.60%
14	CHERYL LEE TAPANES	3,000,000	1.42%
15	MR CHRISTOPHER FERGUS	3,000,000	1.42%
16	MR ROB BROOMFIELD	2,525,637	1.20%
17	CARRIER INTERNATIONAL PTY LTD	1,943,985	0.92%
18	BFA SUPER PTY LTD	1,892,670	0.90%
19	PERSHING NOMINEES PTY LTD	1,883,739	0.89%
20	MR NEIL RICHARD HINGSTON & MS PAULINE RUTH HINGSTON	1,827,310	0.87%
		156,128,813	73.97%

Voting Rights

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

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SECURITY RISK MANAGEMENT

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