

Thursday 31 January 2019

AVA Appendix 4C & Indian Military Update

- **Quarter on quarter improvement in revenues and cash flows**
- **Consolidated cash position of \$3.1m, with no debt**
- **One-off cash flows relating to AVA compulsory acquisition of MSP minority holders of \$1.2m**

Ava Risk Group Limited (ASX: AVA), a market leader of risk management services and technologies, today released its Appendix 4C for the quarter ended 31 December 2018 and provides an update as to the Indian Military project.

Net operating cash flows were positive \$0.7m for the quarter, a \$2.0m improvement on the previous quarter. Cash receipts from customers were \$9.6m for the quarter, a \$2.3m increase on the previous quarter.

At 31 December 2018 the Company had \$3.1m cash at bank and no debt.

Gross forecast operating cash outflows of around \$8.9m are expected for next quarter, consistent with the quarter just ended. This excludes cash inflows from customer payments and government R&D rebates. Orders in hand (backlog) for 2HFY2019 at 31 December 2018 are in excess of \$4.0m.

Whilst the Company is yet to receive the formal purchase order for the Indian Military Data Network project (Letter of Intent announced to ASX 5 September 2018) we are pleased that detailed negotiations continue between the prime contractor and our in country OEM partner. Recent negotiations have included increasing the scope of the contract, which, if concluded as expected, will increase the amount of revenue that Ava receives under the contract award. Further particulars will be provided when negotiations are concluded and we receive the formal purchase order.

Ava Group Chief Executive, Chris Fergus said: *"Ava's strategic growth plans significantly progressed in the quarter with the completion of the compulsory acquisition of MaxSec Group Limited. Orders received increased over the prior quarter, especially for FFT, and this supports our expectations for revenue growth in the second half year of the year. Ava's overall second quarter revenue was lower than expected for the Technology Division, primarily due to timing of order receipts and customer delays, but this was partially offset by the revenue growth in the Services Division. Operating cash flow was positive, being broadly in line with expectations."*

About Ava Group

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

The Group features a range of complementary solutions including intrusion detection for perimeters, pipelines and data networks, biometric and card access control, a range of high security locks as well as the secure international logistics and storage of high value assets. Through decades of innovation, the Ava Group continues to build upon a comprehensive portfolio of premium services and technologies for the most complex and demanding markets.

Our business truly serves a global market, with our knowledgeable team spread across six continents, providing market and industry expertise directly to customers. With thousands of sites protected, the Ava Group is proven to deliver first class services and technologies that surpass the expectations of our partners and end users.

For further information contact: Leigh Davis leigh.davis@theavagroup.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AVA Risk Group Limited

ABN

67 064 089 318

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		9,634	16,930
1.2 Payments for			
(a) research and development		(138)	(355)
(b) product manufacturing and operating costs		(5,178)	(9,999)
(c) advertising and marketing		(76)	(225)
(d) leased assets		-	-
(e) staff costs		(2,871)	(5,707)
(f) administration and corporate costs		(651)	(1,208)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	11
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		721	(553)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(156)	(278)
(b) businesses (see item 10)		(1,240)	(1,240)
(c) investments		-	-
(d) intellectual property		(336)	(573)
(e) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) – cash from consolidation of MaxSec Group Limited	-	-
2.6	Net cash from / (used in) investing activities	(1,732)	(2,091)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(2)	(141)
3.10	Net cash from / (used in) financing activities	(2)	(141)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,954	5,910
4.2	Net cash from / (used in) operating activities (item 1.9 above)	721	(553)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,732)	(2,091)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	(141)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	178	(6)
4.6	Cash and cash equivalents at end of quarter	3,119	3,119

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,027	2,241
5.2	Call deposits	92	1,713
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,119	3,954

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(355)

-

Includes all Executive Directors and Non-executive fees and salaries, and consultancy and service fees paid to related or associated parties of Directors including in respect of subsidiary operations whereby directors are related parties.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	1,000	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Secured Business overdraft facility with Westpac Banking Corporation. Interest rate is variable with the lender's base business lending rate.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(200)
9.2 Product manufacturing and operating costs	(5,000)
9.3 Advertising and marketing	(150)
9.4 Leased assets	-
9.5 Staff costs	(2,900)
9.6 Administration and corporate costs	(650)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(8,900)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	MaxSec Group Ltd	
10.2 Place of incorporation or registration	Sydney, Australia	
10.3 Consideration for acquisition or disposal	\$1,240,000	
10.4 Total net assets	Remaining share of business not already owned (compulsorily acquired).	
10.5 Nature of business	MaxSec Group Limited, through its divisions BQT Solutions and Ava Global, is a leading designer, developer and global provider of quality reliable and secure smart card and reader systems, biometric scanners, locking devices and a global provider of secure logistics and storage services.	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date:31/01/2019.....

Print name: ..Leigh Davis.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.