

# 2019 ANNUAL REPORT



# Corporate Information

**ABN 67 064 089 318**

## **DIRECTORS**

**David Cronin,**  
Chairman and Non-Executive Director

**Scott Basham,**  
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**

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Victoria 3170, Australia

**Telephone:** +61 3 9590 3100

**Facsimile:** +61 3 9590 8000

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## **SHARE REGISTRY**

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## **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](http://www.theavagroup.com)**

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# Chairman's Report

## Dear Fellow Shareholders

For Ava Risk Group Limited (Ava Group), the 2019 financial year has been one of continuous improvement - both in terms of building stronger revenues and identifying cost savings - but also developing the range of technologies and services that we are able to offer our growing global market.

Ava Group's Technology Division has expanded its footprint and reputation for delivering intrusion detection and access control solutions trusted by some of the most security conscious organisations in the world. While the Services Division is quickly establishing a profile in the competitive International Valuable Logistics (IVL) market through customer retention and growth.

### MARKET GROWTH AND EXPANSION

During FY2019, FFT's Aura Ai-2 platform has driven new critical infrastructure opportunities globally, with one highlight including selection for an air base security upgrade in India valued at A\$5M which will see our technology deployed across 23 facilities over an 18-24-month period. Our latest generation Aura intrusion detection technology has also been chosen to protect critical infrastructure in North America, the Middle East and the South Pacific, as well as at a number of high security government facilities across the United States.

Having successfully completed surface and sub-surface development testing at mining houses and bulk material handling facilities around the globe - and building on previous investment in the Aura Ai platform - Ava Group recently released Aura IQ for conveyor health monitoring.

Launch activities are now well underway, with first customer orders received. Opening up a new \$300 million+ addressable market for FFT's proven Aura Ai-2 technology, this new cloud-based platform also enables an OPEX/SaaS model for future annuity income streams - both for Aura IQ and other FFT solutions.

We remain focussed on providing new and better ways of delivering enhanced technical support to our large customer base, using ICT applications and remote diagnostic tools to provide faster and more efficient system optimisation. These enhanced capabilities will support a renewed sales focus on after-market maintenance and service agreements which will offer further multi-year annuity income streams into the business.

Our Services Division (Ava Global) continues to build its presence in the IVL market with revenue growth of 116% in FY2019 through a combination of new business wins and expansion within existing accounts. In fact, several clients now allocate more than 25% of their annual secure logistics budget to Ava Global. We anticipate continued growth from all existing Service Division clients - along with a similar secure logistics cost allocation profile from new major accounts - resulting in ongoing strong revenues.

### CAPITAL MANAGEMENT

In late May 2019, Ava Group announced the successful completion of a \$3.25 million capital raising, which was strongly supported by new and existing investors in the Company. Proceeds from the placement will be applied to fund current and forecast Aura Ai-2 orders, the further development of Aura IQ and general working capital requirements.

To date, our group-wide focus on lowering overheads and right sizing Ava Group's cost base to better manage the Company's profitability and working capital position has achieved ongoing operating cost savings this year. These efforts will continue throughout FY2020.

## STRONG REVENUE GROWTH

While lower than expected revenue was delivered, due to certain end user and customer contract delays, Ava Group's sales revenue for FY2019 increased by 60% to \$31.6 million.

Earnings before interest, taxes depreciation and amortisation (EBITDA) from operations improved to a loss of \$2.8 million. However, net profit after tax (NPAT) declined to a loss of \$4.7 million. As at 30 June 2019, our total cash balance was \$3.1 million, with the Company debt free.

While Ava Group's gross margin improved by \$2.6 million to \$13.7 million from higher sales across the business, our gross margin percentage was slightly lower at 43%, due to the full year contribution of lower margin sales from the Services Division. In part, this was offset by the higher margin sales of the Technology Division. Employee costs increased 20% to \$10.4 million despite restructuring initiatives, due to the full 12-month inclusion of BQT and AVA Global employee costs, compared to just seven months in the prior comparative year.

## BOARD AND MANAGEMENT

During FY2019, Michael McGeever joined the Ava Group Board as a Non-Executive Director. With a wealth of relevant experience, expertise and connections within the military, facilities and securities sectors, Mike's skills complement those of his fellow Ava Group Directors, while his recent senior executive experience provides the management team with an additional sounding board as they continue to execute the Company's growth strategy.

Ava Group also announced that multiple expressions of interest from secure logistics corporations had been received in relation to its IVL subsidiary Ava Global DMCC. As a result, Chris Fergus stepped down as CEO and Executive Director of Ava Group to focus on leading the Company's Services Division and exploring possible equity investments. Investment discussions remain at an early stage and further market updates will be provided as appropriate.

Ava Group subsequently announced that experienced industry security specialist Scott Basham had been appointed Chief Executive Officer and an Executive Director of the Company. A proven sales and business development executive, in addition to overseeing global strategy and operations, Scott leads the Company's global technology sales and marketing teams.

## GOVERNANCE

The Board is committed to conducting business in accordance with high governance standards and we continue to focus on ensuring that Ava Group has a contemporary approach to corporate and business ethics. Our policies and practices are consistent in all substantial aspects with good corporate governance practice in Australia and we remain committed to reviewing and updating those policies as appropriate. Ava Group has also reviewed and adopted its Corporate Governance Charter, Code of Conduct, Audit and Risk Committer Charter and Travel and Expenses Policy and shared the terms, conditions and obligations of these policies with our employees where relevant. We will continue to review areas for refinement and improvement in the coming year.

On behalf of my fellow Directors, I would like to thank the Ava Group team for your commitment. I also thank our customers and shareholders for your continued loyalty and support.



**David L Cronin**  
Chairman



# About Ava Group

**Ava Risk Group Limited (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 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.

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.

## Technology Division

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 (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 Division

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.



## Locations





## Ava Group appoints Scott Basham as Chief Executive

In March 2019, Ava Group announced that experienced security industry specialist Scott Basham had been appointed Chief Executive Officer. As a proven sales and business development executive, in addition to overseeing global strategy and operations, Scott leads the Company's global technology sales and marketing teams.

Ava Group Chairman David Cronin said, *"Optimising our team structure and skill set to drive revenue and profit is a key priority of the Board. Scott brings extensive industry experience and a proven track record in strategically developing business opportunities and managing business units to profitability. We welcome Scott and look forward to his leadership and contribution to increasing and successfully closing contracts with our large and growing global sales pipeline."*

In addition to a wealth of knowledge and experience in the security industry, Scott has worked on major security projects and system integrations across Australasia and the Asian Pacific region, and formed and led international sales and project teams for global technology organisations worldwide.





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## Technology Division

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

### FY19 Highlights | Technology

#### AURA AI-2 SALES UP 200%

Strong demand for Aura Ai-2 continues with FY2019 systems sold up 200% YOY as customers proactively take advantage of the latest generation technology's unrivalled high-sensitivity detection, location accuracy and cut resilience capability. This hardware advance further leverages FFT's leadership in sensing software and event classification. With an increasing number of orders received from customer electing to upgrade from previous generation FFT intrusion detection solutions, both new and existing customers are embracing the enhanced benefits and value that Aura Ai-2 delivers.

#### GROWING NON-SECURITY RELATED SALES

Demand for non-security related applications of FFT's monitoring technology continues to grow, with power cable, railway and mining applications totaling 15% of sales in FY2019. Further Proof of Concept and validation trials are currently underway in a number of adjacent markets.

The launch of the Aura IQ conveyor health monitoring solution is also attracting significant global interest and will expand FFT's presence in the mining, bulk handling and processing sectors.



### **PATENT SECURED FOR COBALT LOCKS IN THE UNITED STATES**

BQT has been granted a US Patent for its Cobalt Lock Series featuring unique self-alignment technology. An important step in protecting IP and promoting market innovation in this significant market, the US Patent will enhance customer acceptance of, and confidence in, BQT's locking innovations and broader access control solutions. Marking the first US Patent for a BQT locking system, the Cobalt Series is already patented in New Zealand, Australia and South Africa with European patents currently in examination stage.

### **COMMERCIAL LAUNCH OF AURA IQ**

Aura IQ was commercially launched following the successful completion of surface and sub-surface testing at mining and bulk material handling facilities. Aura IQ's award winning technology harnesses the power of FFT Aura Ai-2, combined with Mining3's advanced signal processing algorithms and predictive analytics, to acoustically monitor and assess conveyor health via cloud-based analysis, reporting and alerts.

### **DISTRIBUTION AGREEMENT SIGNED WITH DORMAKABA**

During FY2019, BQT signed a distribution agreement with dormakaba Canada to supply the newly released YG80 lock into the North American, Canadian and Mexican markets. The YG80 (Orca) lock is the most advanced BQT roller door and gate lock developed to date, and succeeds the YG10 winner of the SIA New Product Showcase Award at ISC West 2018. With marketing activities due to commence in September 2019, sales initiatives are already well underway with interest building and significant orders already in the pipeline.




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SPECIALISED LOW NOISE CIRCUITRY DEVELOPED BY FFT EXTENDS FIBRE OPTIC INTRUSION DETECTION REACH BY 20% - DELIVERING SIGNIFICANT COMMERCIAL ADVANTAGE IN LONG LINEAR ASSET PROTECTION SUCH AS PIPELINES AND BORDERS.

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## SnapShot | Challenges and Solutions

Recently, FFT needed to rapidly respond to environmental challenges as a large seaport project in the Middle East progressed to commissioning phase. In addition to managing high winds experienced on-site, the performance specification for the project required the detection of ladder climbs on an extremely rigid fence with a near zero Nuisance Alarm Rate (NAR).

With a mid range system initially specified for the project, it soon became apparent that the on-site conditions and NAR mitigation required an alternative solution. FFT decided to deploy it's highest performing solution Aura Ai-2 and implement some the latest software features in final R&D testing.

However, due to the tall, heavy duty weld mesh fence with razor wire top and harsh environmental factors common in the region - an additional software development was also required.

The solution developed by FFT's R&D Team was to utilise a new and innovative signal classification technique called FBR, which the team developed from intensive analysis of data from FFT sites globally, and is patent pending. The FBR classification immediately reduced the NAR to zero, and amid 45km per hour winds, acceptance testing was successfully completed with the system integrator and end-user in attendance.

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PIONEERING DEVELOPMENTS OF THESE TYPES WILL UNDERPIN THE CONTINUED DEVELOPMENT OF FFT'S NEXT GENERATION SOLUTIONS AND HELP BRING AN END TO THE NUISANCE ALARM MITIGATION MYTHS OFTEN WRONGLY ASSOCIATED WITH FIBRE BASED PERIMETER INTRUSION SOLUTIONS.

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## Introducing Aura IQ | Award winning conveyor health monitoring technology



Having successfully completed surface and sub-surface testing with some of the world's largest mining houses and bulk material handling facilities, Ava Group's new solution for remote conveyor health monitoring is now available for sale globally. Aura IQ is set to revolutionise conveyor health monitoring - using real-time data to optimise production and on-site performance and introduce exciting new predictive maintenance and support capabilities to asset management.

### INNOVATION THROUGH COLLABORATION

Aura IQ's award winning technology has been developed as part of a technical and commercial partnership with Mining3 - a leading research organisation which is directed by its global mining industry members to develop and deliver transformational technology to improve productivity, sustainability and safety.

Harnessing the power of FFT's market leading fibre optic detection and sensing technology platform (FFT™ Aura Ai-2), combined with Mining3's advanced signal processing algorithms and predictive analytics, Aura IQ can acoustically monitor and assess conveyor health via cloud-based analysis, reporting and alerts.

### AURA IQ CLOUD AND IOT NETWORK

The Aura IQ Cloud and Internet of Things (IoT) Network solution provides a means to wirelessly connect one or more Aura IQ Edge Servers to a central cloud reporting and analytics platform.

This enables alerts and reports from conveyor assets - located anywhere in the world - to be accessible on any Internet enabled device in near real-time, with no specialist software or equipment.

Providing deeper insights to maintenance technicians, site personnel, regional operational hubs and global headquarters, conveyors are automatically connected to the cloud via an Industrial Grade Wireless IoT Gateway, enabling daily asset reliability reports from every conveyor, at every site around the world.



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WITH CONVEYORS UNDERPINNING EFFICIENCY, AND ULTIMATELY PROFITABILITY, IN BULK HANDLING OPERATIONS GLOBALLY, MAINTENANCE HAS TRADITIONALLY BEEN A REAL PROBLEM, WITH CONVENTIONAL METHODS OF ADVANCED CONVEYOR FAILURE DETECTION OFTEN UNRELIABLE, SUBJECTIVE, TIME-CONSUMING AND LABOUR INTENSIVE. AURA IQ CHANGES ALL THAT.

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## FY20 Focus | **After Market Opportunities**

With the Technology Division operating across six continents, FFT and BQT solutions are deployed collectively in more than 119 countries around the globe. Ava Group is focussed on leveraging its large install base and long-term customer relationships by offering easy upgrade paths and value-added after market services to create new revenue opportunities.

### **SOLUTION UPGRADE INITIATIVES**

Ava Group's after-market sales team has the unique opportunity to engage with long-term end users and operators about the benefits of migrating their security systems to more advanced versions of our highly-trusted solutions. The latest generation Aura Ai-2 is continuing to experience strong sales traction, with a growing number of systems purchased in FY2019 representing upgrades from an existing FFT solution.

With close to 500 FFT Secure Fence systems deployed in the past decade, our customers recognise the benefits and value that comes with migrating to Aura Ai-2 - with its unrivalled high sensitivity detection, location accuracy, cut resilience capability, low nuisance alarms and the longest linear range of any solution currently available on the market.

### **CUSTOMER SUPPORT SERVICES**

The provision of high-quality service and support capabilities is integral to Ava Group's focus on delivering further customer value and introducing multi-year annuity income streams to the business.

Ava Group is in the process of finalising a range of new and innovative technical support services to offer to customers of our technology. These Initiatives include the use of ICT applications and remote diagnostic tools to allow support engineers to provide faster, more effective system optimisation capabilities and incident response management.

When released in FY2020, these capabilities will allow Ava Group to offer our customers comprehensive maintenance and support agreements to diagnose and optimise deployed systems and efficiently respond to calls for assistance from our growing customer base.



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## Expanded Distributor Program

Growing the global footprint of Ava Group and its market leading technologies remains a priority for the business - both within existing countries of operation, as well as new regions and verticals. This market expansion will be primarily driven through our strong working relationships with established distributors, resellers and system integrators.

Ava Group is actively looking to establish commercial relationships with organisations that are market leaders in their home countries, have strong industry and market alignments, and a proven track record and strong reputation for selling and supporting high-end

security technology solutions to discerning government and commercial customers.

Ava Group's Distributor Program is structured to support long-term partner relationships and deliver outstanding solutions and value to customers searching for world leading security and detection technologies.

The introduction of enhanced customer support, remote diagnostic and training capabilities will be used to assist the sales and technical support efforts of Ava Group's distribution partners around the globe.

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FFT HAS MORE THAN 1,900 SYSTEMS PROTECTING TRANSPORT, GOVERNMENT, MILITARY, MINING, OIL & GAS, AND UTILITY ASSETS ACROSS 69 COUNTRIES, WHILE BQT HAS TENS OF THOUSANDS OF HIGH-END ACCESS CONTROL CARD READERS, BIOMETRIC TERMINALS, ELECTRO-MECHANICAL LOCKS AND RELATED SECURITY DEVICES INSTALLED AT OVER 3,500 SITES.

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# Services Division

Ava Group's Services Division (Ava Global) continues to expand its presence in secure international logistics for the transport of banknotes and precious metals across the globe on a fully insured door to-door basis.

## FY19 Highlights | Services

### EXPANDING ADDRESSABLE MARKET

With business development resulting in a material increase in addressable market, there remains considerable market share upside with only four major international players accounting for most industry revenues.

Ava Global's increased addressable market during FY2019 is due to:

- › Growth of existing clients in their respective markets with Ava Global support, and
- › An expanding pipeline of new potential clients due to Ava Global's growing reputation in the international valuables logistics market.

### GROWING MARKET REPUTATION

Since established in FY2017, Ava Global has become recognised for excellent service, strategic account management, superior technology and a dedicated focus on risk management. Ava Global is in advanced discussions with multiple new potential clients and is participating in a number of formal tender processes - with an estimated annual value in excess of \$90 million.

### SECURE LOGISTICS DOOR TO DOOR

With processes designed to deliver clients more control and greater peace of mind, Ava Global 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's services include armoured vehicle collection and delivery at origin and destination, secure storage, commercial and chartered air and sea freight and customs brokerage services.

## Ava Global | Snapshot

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

**Expertise:** +150 years of industry expertise across the leadership team.

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

**Partnership model:** Service capability in more than 100 countries through a strategic partner network.

**Risk management:** Comprehensive 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.

## 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



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## 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.



### REFINERIES

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



### 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.



### BULLION TRADERS

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



### 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.



### 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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“AVA GLOBAL HAS MADE IMPOSSIBLE THINGS POSSIBLE FOR US AND HAVE HELPED US TO GROW OUR BUSINESS IN SEVERAL MARKETS. WE HAVE BEEN VERY IMPRESSED WITH THEIR APPROACH TO STRATEGIC ACCOUNT MANAGEMENT AND CONSISTENTLY DEMONSTRATE STRONG CUSTOMER SERVICE ETHIC.”

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STEFFI GREIF - MANAGER -  
PRECIOUS METALS, AURUBIS AG, GERMANY

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“AVA GLOBAL IS A TRUSTWORTHY BUSINESS PARTNER AND PROVIDES CONSISTENTLY HIGH LEVELS OF CUSTOMER SERVICE THROUGH TRANSPARENT AND TIMELY COMMUNICATIONS.”

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HOMERO ADAMECRUZ - COMMERCIAL MANAGER,  
PAN AMERICAN SILVER, MEXICO

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“AVA GLOBAL HAS PROVEN TO BE A VERY RELIABLE AND TRUSTED PARTNER AND DEMONSTRATES A STRONG UNDERSTANDING OF THE MARKETS IN WHICH WE OPERATE.”

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GORDON GOURLAY - CEO,  
CASH SERVICES, MONEYCORP

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“OUR MINE IS LOCATED IN AN ELEVATED-RISK AREA, AS SUCH WE ONLY WORK WITH PARTNERS THAT CAN DEMONSTRATE DEEP KNOWLEDGE OF THE ENVIRONMENT IN WHICH WE OPERATE. AVA GLOBAL HAS REPEATEDLY DEMONSTRATED VERY HIGH LEVELS OF SERVICE AND COMMUNICATES IN A VERY TIMELY AND EFFECTIVE MANNER, WHILST HAVING A STRONG UNDERSTANDING OF OUR UNIQUE OPERATIONAL SETTINGS AND HELPING US TO MINIMIZE RISKS.”

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ZOYA SHASHKOVA - DIRECTOR,  
TREASURY & TAXATION, TOREX GOLD



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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 Risk Group") and the entities it controlled for the financial year ended 30 June 2019 and auditor's report thereon.

## 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 Risk Group at any time since 1 July 2018 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>David Cronin</b><br>Chairman of the Board<br>Appointed 31 August 2018<br><br>Non-Executive Director<br>Appointed 10 April 2018 | <p>David has over 24 years professional experience and 15 years of international experience at the director/chairman board level. David is presently the Managing Director of the investment &amp; consulting group Pierce Group Asia where he is responsible for its technology focussed corporate development and investment activities.</p> <p>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&amp;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.</p> <p>David has extensive knowledge of Ava Risk Group and the security markets that it services. He has more than 10 years of board level experience within Ava Risk Group, having previously served as a Director and Chairman of Ava Risk Group prior to its IPO.</p> |
| <b>Mike McGeever</b><br><br>Appointed 8 August 2018                                                                               | <p>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 security 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 security and facilities focused companies.</p> <p>Mr McGeever has a Master of Business Administration from the University of Portsmouth (England) and is a shareholder in the Company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Mark Stevens</b><br><br>Non-Executive Director<br>Appointed 11 March 2015                                                      | <p>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 telecommunications and information technology sector.</p> <p>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.</p>                                                                                                                                                                                                                                                                                   |

| Name, qualifications, and independence status                                                                                                                                                                                                                                           | Experience, special responsibilities and other directorships                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Scott Basham</b><br>Group Chief Executive Officer<br>Executive Director<br>Appointed 12 March 2019                                                                                                                                                                                   | <p>Scott Basham is an experienced security industry specialist. As a proven sales and business development executive, in addition to overseeing Ava Risk Group global strategy and operations, Mr Basham, also leads the global technology sales and marketing teams.</p> <p>Scott is an internationally experienced corporate executive who has a wealth of knowledge and experience of the security industry, gained from almost 20 years of involvement on major project teams for global technology organisations, working with manufacturing facilities worldwide.</p> <p>Scott's expertise encompasses leadership and general management of multiple ANZ business units, strategic sales and business development, international marketing and communications throughout Asia and the Pacific, as well as commercial, operational and program management.</p> |
| <b>Robert Broomfield</b><br>Chief Operating Officer (COO) - Technology<br>Appointed 12 February 2018<br><br>Executive Director<br>Appointed 27 February 2008                                                                                                                            | <p>Robert is an experienced business executive with more than 20 years of management experience including the past 19 years in senior positions within companies operating in the security industry.</p> <p>Prior to joining Ava Risk 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.</p> <p>He has previously had 10 years' experience with IBM in Australia and the United States.</p>                                                                                                                                                                                   |
| <b>Christopher Fergus</b><br>Chief Executive Officer (CEO) - Services Division<br>Appointed 12 March 2019<br><br>Group Chief Executive Officer<br>Appointed 12 February 2018<br>Resigned 12 March 2019<br><br>Executive Director<br>Appointed 14 October 2016<br>Resigned 12 March 2019 | <p>Christopher is the CEO of the Services Division, Ava Global DMCC. Christopher was formerly Group CEO and an Executive Director of Ava Risk Group. He is now focused on the success of the Services Division.</p> <p>Prior to his role at Ava Global, 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 and facilities management joint ventures, with a total revenue in excess of US\$1 billion.</p> <p>Christopher has a wealth of commercial and business development experience and has extensive general management experience within the security integration and services sectors.</p>                                                    |
| <b>Dr Fred Davis</b><br>Non-Executive Director<br>Appointed 30 September 2017<br>Resigned 8 August 2018                                                                                                                                                                                 | <p>Fred is an experienced leader and manager of technology innovation businesses having worked for more than 20 years in senior management positions. Prior to joining Ava Risk 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.</p> <p>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.</p>                                                                   |
| <b>Terence (Terry) Winters</b><br>Non-Executive Director<br>Appointed 09 September 2004<br>Resigned 31 August 2018                                                                                                                                                                      | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                               |

## JOINT COMPANY SECRETARIES

### Leigh Davis CPA, B. Bus, MBA, GAICD

Appointed 20 February 2015

Leigh is a CPA with more than 26 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 private 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 23 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 |
| D Cronin     | 14                           | 14       | 5                                        | 5        | 4                                                     | 4        |
| M Stevens    | 14                           | 13       | 5                                        | 4        | 4                                                     | 4        |
| M McGeever   | 13                           | 12       | 4                                        | 4        | 2                                                     | 2        |
| S Basham     | 5                            | 5        | -                                        | -        | -                                                     | -        |
| R Broomfield | 14                           | 14       | -                                        | -        | -                                                     | -        |
| C Fergus     | 9                            | 9        | -                                        | -        | -                                                     | -        |
| T Winters    | 2                            | 1        | 1                                        | -        | 2                                                     | 2        |
| F Davis      | 1                            | 1        | -                                        | -        | 2                                                     | 2        |

## 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)             |
| D Cronin (appointed 09 May 2018)                          | D Cronin (appointed 9 May 2018)                           |
| T Winters (resigned 31 August 2018)                       | M Stevens                                                 |
| F Davis (appointed 9 May 2018 and resigned 8 August 2018) | F Davis (appointed 9 May 2018 and resigned 8 August 2018) |
| M McGeever (appointed 8 August 2018)                      | M McGeever (Chairman) (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%. There has been a 2% increase in the number of positions held by women across the business year on year. Whilst Ava Risk 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 Risk Group are as detailed below:

|              | Number of<br>ordinary shares | Number of<br>performance rights | Number of options<br>over ordinary shares |
|--------------|------------------------------|---------------------------------|-------------------------------------------|
| D Cronin     | 33,900,080                   | -                               | -                                         |
| M Stevens    | 518,396                      | -                               | -                                         |
| M McGeever   | 4,105,100                    | -                               | -                                         |
| S Basham     | 100,000                      | -                               | -                                         |
| R Broomfield | 2,994,387                    | 225,994                         | 1,750,000                                 |

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were:

- › the provision of security technology products for perimeter intrusion detection solutions;
- › the provision of security access control products; and
- › the international valuable logistics services division which is operated under Ava Global DMCC.

# Operating and Financial Review

## OPERATING RESULTS FOR THE YEAR

The consolidated loss after income tax attributable to the members of Ava Risk Group was \$4.720 million (2018: loss of \$2.858 million).

## OPERATING AND FINANCIAL REVIEW

### Highlights

- › Revenue from ordinary activities of \$31.602 million for the twelve months to 30 June 2019 (FY2019):
  - › 59% increase on FY2018 (\$19.817 million).
- › Gross margin of 43% (FY2018: 56%) as a result of higher contribution to Group sales from lower margin Services Division sales more than offsetting improved margins in the Technology Division.
- › Operating expenses excluding depreciation and amortisation of \$16.601 million (FY2018 \$14.454 million) due to:
  - › Full year contribution of MaxSec Group Pty Ltd (MaxSec) businesses (compared to 7 months contribution in the prior year).
  - › A reduction in Compliance and Administration costs compared to the prior year.
  - › Foreign exchange impact of a stronger USD on revenues and certain foreign based expenditure.
  - › Reduction in underlying operating expenses achieved through restricting of activities to benefit from synergies between the existing business operations and those added through the acquisition of MaxSec in the prior year.

- › Net loss from ordinary activities of \$4.729 million - a 49% increase on FY2018 loss of \$3.179 million.
- › Earnings before interest, taxes, depreciation and amortisation (EBITDA) loss of \$2.861 million - a 3% decrease on FY2018 EBITDA loss of \$2.941 million.
- › Net assets of \$20.244 million (FY2018 \$23.547 million) due to working capital requirements and operating losses.

## Financial Results

Financially, FY2019 didn't meet our internal expectations due to certain end user and customer contract delays. However, overall the results were still positive for the business, and we are well placed in a solid position for further improvement in FY2020.

Total revenue for the 2019 financial year grew a pleasing 59% to \$31.602 million. EBITDA from operations improved from a loss of \$2.941 million to a loss \$2.861 million, after allowing for restructuring costs. The new lower operating cost base should assist the Group to return to profitability in FY2020. Net profit after tax (NPAT) deteriorated to a loss of \$4.729 million in FY2019, from a loss of \$3.179 million in FY2018, due to the higher amortisation charges associated with the intangible assets acquired through the acquisition of Maxsec. At 30 June 2019, our total cash balance was \$3.082 million and the Company is debt free.

## Operating Review

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 across numerous key strategic sectors and territories during the year.

### Key achievements included:

- › Growth of existing client revenues in our International Logistics business unit.
- › Several material contract wins in the global Oil & Gas sector, across the Americas, India and Middle East.
- › A significant order in the Indian military market for the protection of a number of airbases across the country.
- › A number of orders relating to the protection of perimeters at high security government sites across the United States.
- › Growing sales of our range of BQT access control and locking products.

In FY2019, 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 August 2019, we released a new product, unique in the market, our Aura IQ. Based on our world leading Aura AI's platform, this product offers conveyor belt condition monitoring for mining houses and bulk material handling facilities around the globe, Launch activities are now underway and our first customer orders have been received. This solution opens a new \$300+ million addressable market for the Company, and our new cloud-based platform further leverages our leading technology under an Operating Expenditure pricing or SaaS model.

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 many different nationalities working in our 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 continued substantial growth in FY2020 and will be focused upon:

- › Continuing to build and convert a material sales pipeline, through improved focus and practices for new business development activity.
- › Successful completion of several major 'Proof of Concepts' and validation trials already underway.
- › Continued product and service innovation, with a focus on adjacent market segment applications, as well as migrating or upgrading our existing installed base of customers to the latest versions of our market leading technologies.
- › Lowering our operational cost base, growing economies of scale and optimising our asset utilisation.

The Company continues discussions with interested parties with respect to a partial or whole divestment of the International Valuable Logistics business, Ava Global. The Company will also 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 2019 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.

Date 30 August 2019

A handwritten signature in black ink, appearing to be 'S. Basham', with a large, stylized initial 'S' and a long horizontal stroke extending to the right.

**Scott Basham**

Chief Executive Officer

## Significant changes in the state of affairs

In November 2018, Ava Risk Group completed the 100% acquisition of MaxSec. On 22 November 2018, MaxSec Group Pty Ltd, the holding company of the MaxSec Group, ceased as a publicly traded company on the ASX.

It was announced on 12 March 2019 that Ava Risk Group was reviewing corporate transaction options for the Services Division, Ava Global DMCC. At the date of this report, no transaction has taken place.

On 5 June 2019, Ava Risk Group completed a capital raise, issuing 23,500,001 shares at \$0.14 per share, at a value of \$3.290 million.

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

No 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. (2018: Nil).

## Share options granted to directors and executives

There were no options over unissued ordinary shares granted by Ava Risk Group during or since the financial year end to directors and executives.

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

## Shares under option

Unissued ordinary shares of Ava Risk 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                  |
| 10-Nov-17            | 200,000                                         | \$0.21                | 10-Nov-20                  |
| 29-Nov-17            | 2,000,000                                       | \$0.12                | 31-Dec-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 Risk 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.

## **Performance rights**

Robert Broomfield (Executive Director and COO) was granted 225,944 performance rights at a total fair value of \$27,792 as part of remuneration. The performance rights were granted in two equal tranches, vesting on 30 June 2020 and 30 June 2021 with vesting conditions relating to continuity of employment.

Leigh Davis (CFO) was granted 168,352 performance rights at a total fair value of \$20,708 as part of remuneration. The performance rights were granted in two equal tranches, vesting on 30 June 2020 and 30 June 2021 with vesting conditions relating to continuity of employment.

## **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 Risk 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 2019 remuneration report which details the remuneration information for Ava Risk 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 31 August 2018<br>Appointed as Non-Executive Director on 10 April 2018 |
| Mark Stevens    | Non-Executive Director – appointed 11 March 2015                                                            |
| Mike McGeever   | Non-Executive Director – appointed 8 August 2018                                                            |
| Terence Winters | Non-Executive Director – resigned 31 August 2018                                                            |
| Fred Davis      | Non-Executive Director – resigned 8 August 2018                                                             |

### (ii) Executive Directors

|                   |                                                                                                               |
|-------------------|---------------------------------------------------------------------------------------------------------------|
| Scott Basham      | Group Chief Executive Officer (CEO, appointed 12 March 2019 and Executive Director - appointed 12 March 2019) |
| 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 and resigned 3 March 2019                                  |
| Christopher Fergus | Services Chief Executive Officer (CEO), appointed 12 March 2019. Resigned as Group CEO and Executive Director on 12 March 2019 |

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.

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## Remuneration Report (Audited) continued

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### 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 2019 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 \$36,000 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 or performance rights in the Company and are encouraged to hold shares in the Company. This is in line with the Company's overall remuneration philosophy and aligns NEDs with shareholder interests.

The remuneration of NEDs for the year ended 30 June 2019 and 30 June 2018 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 and achievement of certain KPIs, 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 the United Arab Emirates (UAE), 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 the UAE are calculated on base salary. Health insurance provision by the employer is a regulatory requirement in the UAE 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, performance rights or share options. Vesting conditions are decided upon on a case by case basis.

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## Remuneration Report (Audited) continued

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### 2. Remuneration policies (continued)

#### Long-Term Incentive (LTI)

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

The options or performance rights 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 or performance rights 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 and performance rights expire on the earlier of their Expiry date or three months after termination of the employee's employment subject to Board's discretion. Options and performance rights 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 and performance rights. Voting rights will attach to the ordinary shares when the options or performance rights have been exercised. Unvested options or performance rights cannot be transferred and will not be quoted on the ASX.

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### 3. Executive contractual arrangements

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

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#### Scott Basham

Group Chief Executive Officer  
& Executive Director

Appointed 12 March 2019

#### Contract of Employment

Scott Basham is employed by Ava Risk Group as a permanent, full-time employee.

Mr Basham commenced his position with Ava Risk Group in March 2019. His base salary in FY2019 was AU\$265,000 inclusive of superannuation which increases to AU\$275,000 effective 1 July 2019. He has a notice period of 2 months.

#### Performance Conditions

For FY2019, the contract provides for an STI bonus of up to AU\$30,000, based on achievement of forecast EBITDA (33%) and sales leadership KPI's (67%). The bonus, if any, is to be paid in cash or shares at Mr Basham's election.

For FY2020, the contract provides for a bonus payment of up to AU\$110,000, based on achievement of EBITDA (66%), revenue (14%) and strategic KPI's based on three key milestones (20%). The bonus, if any, is to be paid 50% in STI cash or performance rights at Mr Basham's election and 50% as an LTI on performance rights, vesting at 12 and 24 months.

Mr Basham has accrued a bonus of \$18,000 in cash in the 2019 financial year.

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## Remuneration Report (Audited) continued

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### 3. Executive contractual arrangements (continued)

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#### Christopher Fergus

Chief Executive Officer – Services Division  
Appointed 12 March 2019

Group Chief Executive Officer &  
Executive Director – Resigned as Group  
CEO and Executive Director on  
12 March 2019

#### Contract of Employment

Christopher Fergus is employed by Ava Global DMCC as a permanent, full-time employee.

Mr. Fergus commenced employment with Ava Global DMCC in May 2017 with an adjusted base salary, effective of 1 January 2019, of AED1,556,940 (AUD588,540) per annum inclusive of superannuation and allowances.

He has a notice period of 8 weeks (reduced from 3 months, effective 1 January 2019).

Prior to his resignation as Group CEO and Executive Director, Mr. Fergus did not receive director's fees.

#### Performance Conditions

Effective 1 January 2019, Mr Fergus has a deferred monthly amount of AED21,833 linked to performance against EBITDA budget for the Services Division. If EBITDA budget target of AU\$448,000 is reached, 100% of deferred amount is payable. A straight-line interpolation is applied to the payment of deferred salary for achievement between the threshold of EBITDA of AU\$340,000 and the stretch target.

Mr Fergus did not receive or accrue a bonus for financial year 2019.

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 2019 financial year. No amounts have been accrued under the Performance Plan during the 2019 financial year.

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#### Robert Broomfield

Chief Operating Officer –  
Technology Executive Director

#### Contract of Employment

Robert Broomfield is employed by Ava Risk Group as a permanent, full-time employee.

Mr Broomfield commenced his position with Ava Risk Group in July 2006. His current base salary is AU\$282,735 inclusive of superannuation, a reduction from AU\$324,302 effective of 1 March 2019. He has a notice period of 3 months.

#### Performance Conditions

The contract provides for a bonus of up to 40% of base salary inclusive of superannuation, which is payable in cash and is conditional upon meeting pre-defined KPI's by the executive.

Effective of 1 March 2019, an additional bonus of AU\$20,000 was awarded in respect of receipt of the first Indian MOD PO received. The bonus is payable only when the MOD cash receipts exceed AU\$200,000 in FY2019 or FY2020.

Also, effective 1 March 2019, an additional bonus of AU\$50,000 is payable at the end of FY2020 (or at the Board's discretion) when the Indian MOD cash receipts exceed AU\$1 million.

Mr Broomfield has accrued a cash bonus of \$32,816 in relation to the achievement of KPIs as part of STI remuneration. In addition, performance rights with a fair value of \$27,792 were granted in the 2019 financial year in relation to KPIs relevant to LTIs that vest over two years on the condition that there are 2 years of continuous service from grant date. A share-based expense of \$11,548 in relation to the performance rights was recognised in the year ended 30 June 2019.

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## Remuneration Report (Audited) continued

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### 3. Executive contractual arrangements (continued)

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#### Leigh Davis

Chief Financial Officer &  
Company Secretary

#### Contract of Employment

Leigh Davis is employed by Ava Risk Group as a permanent, full-time employee.

Mr Davis commenced his position with Ava Risk Group in February 2015 and is employed on a current 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 40% of base salary, inclusive of superannuation, which is payable in cash and performance rights upon meeting pre-defined KPI's by the executive.

In FY2019, Mr Davis has accrued a cash bonus of \$20,707 relating to the achievement of KPIs as part of STI remuneration. In addition, performance rights with a fair value of \$20,708 were granted in the financial year 2019 in relation to KPIs relevant to LTIs that vest over two years on the condition that there are 2 years of continuous service from grant date. A share-based expense of \$8,605 in relation to the performance rights was recognised in the year ended 30 June 2019. Mr Davis was paid a bonus of \$10,000 in the 2019 financial year, which related to the 2018 financial year.

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#### Mark Horton

Global Sales and Marketing  
Director ("GSMD")  
(Resigned 3 March 2019)

#### Contract of Employment

Mark Horton was employed by Future Fibre Technologies MENA FZ-LLC as a permanent, full-time employee. He resigned from his position in March 2019.

Mr Horton commenced his position with Future Fibre Technologies MENA FZ-LLC in June 2016 and was employed on a base salary of AED1,236,000 (\$438,404) inclusive of allowances and superannuation. He had a notice period of 3 months.

#### Performance Conditions

Mr Horton was not paid and did not accrue a bonus during the 2019 financial year.

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# Remuneration Report (Audited) continued

## 3. Executive contractual arrangements (continued)

### Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2019

|                                          | Short-term       |               |                 | Post Employment |                      | Long Term          |                     | Total            | Performance Related |
|------------------------------------------|------------------|---------------|-----------------|-----------------|----------------------|--------------------|---------------------|------------------|---------------------|
|                                          | Salary and Fees  | Cash Bonus    | Other Benefits# | Super-annuation | Termination benefits | Long Service Leave | Share-based Payment |                  |                     |
|                                          | \$               | \$            | \$              | \$              | \$                   | \$                 | \$                  | \$               | %                   |
| <b>Non-Executive Directors</b>           |                  |               |                 |                 |                      |                    |                     |                  |                     |
| D. Cronin(i)                             | 36,000           | -             | -               | -               | -                    | -                  | -                   | 36,000           | 0%                  |
| M. Stevens                               | 26,400           | -             | -               | 2,508           | -                    | -                  | -                   | 28,908           | 0%                  |
| M. McGeever(ii)                          | 26,400           | -             | -               | -               | -                    | -                  | -                   | 26,400           | 0%                  |
| T. Winters(iii)                          | 4,400            | -             | -               | 418             | -                    | -                  | -                   | 4,818            | 0%                  |
| F. Davis(iv)                             | 2,809            | -             | -               | 267             | -                    | -                  | -                   | 3,076            | 0%                  |
| <b>Sub-total Non-Executive Directors</b> | <b>96,009</b>    | <b>-</b>      | <b>-</b>        | <b>3,193</b>    | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>99,202</b>    |                     |
| <b>Executives</b>                        |                  |               |                 |                 |                      |                    |                     |                  |                     |
| S. Basham(v)                             | 75,669           | 18,000        | -               | 6,515           | -                    | -                  | -                   | 100,184          | 18%                 |
| R. Broomfield(vi)                        | 288,582          | 32,816        | -               | 20,208          | -                    | (5,049)            | 11,548              | 348,105          | 13%                 |
| L. Davis                                 | 210,120          | 20,707        | -               | 20,911          | -                    | 4,631              | 8,605               | 264,974          | 11%                 |
| C. Fergus(vii)                           | 309,924          | -             | 316,054         | -               | -                    | 27,962             | -                   | 653,940          | 0%                  |
| M. Horton(viii)                          | 171,043          | -             | 151,942         | -               | -                    | 19,235             | -                   | 342,220          | 0%                  |
| <b>Sub-total executive KMP</b>           | <b>1,055,338</b> | <b>71,523</b> | <b>467,996</b>  | <b>47,634</b>   | <b>-</b>             | <b>46,779</b>      | <b>20,153</b>       | <b>1,709,423</b> |                     |
| <b>Totals</b>                            | <b>1,151,347</b> | <b>71,523</b> | <b>467,996</b>  | <b>50,827</b>   | <b>-</b>             | <b>46,779</b>      | <b>20,153</b>       | <b>1,808,625</b> |                     |

(i) Appointed as Chairman on 31 August 2018.

(ii) Appointed as Non-Executive Director on 8 August 2018.

(iii) Resigned as a Non-Executive Director on 31 August 2018.

(iv) Resigned as Non-Executive Director on 8 August 2018.

(v) Appointed as Group Chief Executive Officer on 12 March 2019.

(vi) Mr Broomfield had a 15% salary reduction during FY2019. The reduction in long service leave showing as a negative is reflective of that change.

(vii) Appointed as Group CEO and Executive Director on 12 February 2018. Subsequently resigned as Group CEO and Executive Director on 12 March 2019 and commenced role as CEO - Services Division. There were no Directors fees paid to Mr Fergus during FY2019. Remuneration is reflective of his role as Group CEO and subsequently CEO - Services Division.

(viii) Resigned on 3 March 2019.

# Other benefits include allowances for housing, car and school fees applicable to salary packages in the United Arab Emirates (UAE).

# Remuneration Report (Audited) continued

## 3. Executive contractual arrangements (continued)

Table 2: Remuneration for the year ended 30 June 2018

|                                          | Short-term       |               |                 | Post Employment |                      | Long Term          |                     | Total            | Performance Related |
|------------------------------------------|------------------|---------------|-----------------|-----------------|----------------------|--------------------|---------------------|------------------|---------------------|
|                                          | Salary and Fees  | Cash Bonus    | Other Benefits# | Superannuation  | Termination benefits | Long Service Leave | Share-based Payment |                  |                     |
|                                          | \$               | \$            | \$              | \$              | \$                   | \$                 | \$                  | \$               | %                   |
| <b>Non-Executive Directors</b>           |                  |               |                 |                 |                      |                    |                     |                  |                     |
| 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%                  |
| <b>Sub-total Non-Executive Directors</b> | <b>103,354</b>   | <b>-</b>      | <b>-</b>        | <b>7,604</b>    | <b>-</b>             | <b>-</b>           | <b>-</b>            | <b>110,958</b>   |                     |
| <b>Executives</b>                        |                  |               |                 |                 |                      |                    |                     |                  |                     |
| 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%                  |
| <b>Sub-total executive KMP</b>           | <b>933,837</b>   | <b>10,000</b> | <b>340,682</b>  | <b>91,501</b>   | <b>(40,233)</b>      | <b>39,060</b>      | <b>-</b>            | <b>1,374,847</b> |                     |
| <b>Totals</b>                            | <b>1,037,191</b> | <b>10,000</b> | <b>340,682</b>  | <b>99,105</b>   | <b>(40,233)</b>      | <b>39,060</b>      | <b>-</b>            | <b>1,485,805</b> |                     |

\* Resigned as Chairman on 10 April 2018 and resigned as 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 the United Arab Emirates (UAE).

## 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              | Sales performance management                                                                                      |
| 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 distribution and partner agreements                                                 |
| CFO/COO/CEO      | Systems improvements, 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:

| 2019              | Amount included in Remuneration | Awarded - Included in remuneration this year | Awarded - deferred to future years | Forfeited | Estimated Maximum total value of Bonus |
|-------------------|---------------------------------|----------------------------------------------|------------------------------------|-----------|----------------------------------------|
|                   | \$                              | %                                            | %                                  | %         | \$                                     |
| S. Basham         | 18,000                          | 60%                                          | -                                  | 40%       | 30,000                                 |
| R. Broomfield (i) | 44,364                          | 31%                                          | 22%                                | 47%       | 143,516                                |
| L. Davis (ii)     | 29,312                          | 32%                                          | 13%                                | 55%       | 92,032                                 |
| C. Fergus         | -                               | -                                            | -                                  | 100%      | 49,519                                 |

(i) Maximum estimated bonus includes \$20,000 for the Indian MOD bonus awarded, which is payable once cash receipts have exceeded \$200,000. \$14,975 of this bonus has been deferred to future years. A share-based payment in relation to performance rights granted of \$16,244 is deferred to future years and will vest based on continued service.

(ii) Share-based payment in relation to performance rights granted of \$12,102 is deferred to future years and will vest based on continued service.

Assessment of these executives' achievement of their performance conditions was conducted during July 2019. The remuneration associated with the achievement of these awards relating to FY2019 will be paid/issued during the financial years FY2020 and FY2021. The awards relating to FY2018 were 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:

|                                                              | 2019      | 2018      | 2017      | 2016      | 2015      |
|--------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenues and other income excluding interest income (\$'000) | 31,673    | 20,275    | 13,360    | 15,126    | 19,505    |
| % increase/(decrease) in revenue                             | 56%       | 52%       | (10)%     | (23)%     | 48%       |
| Profit/(Loss) before tax (\$'000)                            | (4,729)   | (4,241)   | (7,820)   | (5,805)   | 2,157     |
| % increase/(decrease) in profit before tax                   | (12)%     | 46%       | (35)%     | (369)%    | 32%       |
| Change in share price (%)                                    | 30%       | (18)%     | (71)%     | (42)%     | N/A       |
| Share price                                                  | 0.15      | 0.12      | 0.14      | 0.48      | 0.82      |
| Dividend paid to shareholders (\$'000)                       | -         | -         | -         | -         | -         |
| Return of capital (\$'000)                                   | -         | -         | -         | -         | -         |
| Total remuneration of KMP                                    | 1,808,625 | 1,485,805 | 1,723,166 | 1,013,500 | 1,219,124 |
| Total performance based remuneration                         | 91,676    | 10,000    | 117,400   | 65,273    | 216,300   |

### 5. Key management personnel's share-based compensation

#### Share options issued

There were no share options granted during the year.

#### Performance rights issued

During the financial year, 394,296 performance rights were issued to KMP.

Robert Broomfield was granted 225,944 performance rights at a total fair value of \$27,792 (fair value per right \$0.123) as part of remuneration based on achieving KPI's. The performance rights were granted in two equal tranches, vesting on 30 June 2020 and 30 June 2021 with vesting conditions relating to continuity of employment. Share based expense for the period relating to the performance rights amounted to \$11,548.

Leigh Davis was granted 168,352 performance rights at a total fair value of \$20,708 (fair value per right \$0.123) as part of remuneration based on achieving KPI's. The performance rights were granted in two equal tranches, vesting on 30 June 2020 and 30 June 2021 with vesting conditions relating to continuity of employment. Share based expense for the period relating to the performance rights amounted to \$8,605.

## Remuneration Report (Audited) continued

### 6. Key management personnel's equity holdings

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

| 2019              | Balance at beginning of Period<br>1 July 18 | Granted as remuneration | Granted other | Net Change Other# | Balance at End of Period<br>30 June 19 | Vested at 30 June 2019<br>Exercisable | Not Exercisable |
|-------------------|---------------------------------------------|-------------------------|---------------|-------------------|----------------------------------------|---------------------------------------|-----------------|
| <b>Executives</b> |                                             |                         |               |                   |                                        |                                       |                 |
| S Basham(i)       | -                                           | -                       | -             | -                 | -                                      | -                                     | -               |
| R Broomfield      | 1,750,000                                   | -                       | -             | -                 | 1,750,000                              | 1,750,000                             | -               |
| L Davis           | -                                           | -                       | -             | -                 | -                                      | -                                     | -               |
| C Fergus(ii)      | 200,000                                     | -                       | -             | -                 | 200,000                                | 200,000                               | -               |
| M Horton(iii)     | 600,000                                     | -                       | -             | (600,000)         | -                                      | -                                     | -               |
| <b>Sub-total</b>  | <b>2,550,000</b>                            | <b>-</b>                | <b>-</b>      | <b>(600,000)</b>  | <b>1,950,000</b>                       | <b>1,950,000</b>                      | <b>-</b>        |
| <b>Total</b>      | <b>2,550,000</b>                            | <b>-</b>                | <b>-</b>      | <b>(600,000)</b>  | <b>1,950,000</b>                       | <b>1,950,000</b>                      | <b>-</b>        |

(i) Appointed as Group Chief Executive Officer and Executive Director on 12 March 2019.

(ii) Resigned as Group CEO and Executive Officer on 12 March 2019. Appointed as CEO - Services Division on 12 March 2019.

(iii) Resigned on 3 March 2019.

# Includes lapsed and forfeitures.

| 2018                           | Balance at beginning of Period<br>1 July 17 | Granted as remuneration | Granted other  | Net Change Other#  | Balance at End of Period<br>30 June 18 | Vested at 30 June 2018<br>Exercisable | Not Exercisable |
|--------------------------------|---------------------------------------------|-------------------------|----------------|--------------------|----------------------------------------|---------------------------------------|-----------------|
| <b>Non-Executive Directors</b> |                                             |                         |                |                    |                                        |                                       |                 |
| D Cronin                       | -                                           | -                       | -              | -                  | -                                      | -                                     | -               |
| T Winters                      | 200,000                                     | -                       | -              | (200,000)          | -                                      | -                                     | -               |
| Dr F. Davis                    | 1,200,000                                   | -                       | -              | (1,200,000)        | -                                      | -                                     | -               |
| M Stevens                      | 200,000                                     | -                       | -              | (200,000)          | -                                      | -                                     | -               |
| <b>Sub-total</b>               | <b>1,600,000</b>                            | <b>-</b>                | <b>-</b>       | <b>(1,600,000)</b> | <b>-</b>                               | <b>-</b>                              | <b>-</b>        |
| <b>Executives</b>              |                                             |                         |                |                    |                                        |                                       |                 |
| 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                               | -               |
| <b>Sub-total</b>               | <b>3,000,000</b>                            | <b>200,000</b>          | <b>250,000</b> | <b>(900,000)</b>   | <b>2,550,000</b>                       | <b>2,550,000</b>                      | <b>-</b>        |
| <b>Total</b>                   | <b>4,600,000</b>                            | <b>200,000</b>          | <b>250,000</b> | <b>(2,500,000)</b> | <b>2,550,000</b>                       | <b>2,550,000</b>                      | <b>-</b>        |

## Remuneration Report (Audited) continued

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

#### (b) Number of shares held by key management personnel

##### Shares held in Ava Risk Group

| 2019                           | Balance at<br>beginning of Period | Granted as<br>remuneration | On exercise<br>of options | Net Change Other   | Balance at<br>End of Period |
|--------------------------------|-----------------------------------|----------------------------|---------------------------|--------------------|-----------------------------|
|                                | 1 July 18                         |                            |                           |                    | 30 June 19                  |
| <b>Non-Executive Directors</b> |                                   |                            |                           |                    |                             |
| D Cronin <sup>(i)</sup>        | 42,129,036                        | -                          | -                         | (8,228,956)        | 33,900,080                  |
| M Stevens <sup>(ii)</sup>      | 400,000                           | -                          | -                         | 118,396            | 518,396                     |
| M McGeever <sup>(iii)</sup>    | 4,105,100                         | -                          | -                         | -                  | 4,105,100                   |
| T Winters <sup>(iv)</sup>      | 1,012,380                         | -                          | -                         | (1,012,380)        | -                           |
| Dr F. Davis                    | -                                 | -                          | -                         | -                  | -                           |
| <b>Sub-total</b>               | <b>47,646,516</b>                 | <b>-</b>                   | <b>-</b>                  | <b>(9,122,940)</b> | <b>38,523,576</b>           |
| <b>Executives</b>              |                                   |                            |                           |                    |                             |
| S Basham <sup>(v)</sup>        | -                                 | -                          | -                         | 100,000            | 100,000                     |
| R Broomfield                   | 2,994,387                         | -                          | -                         | -                  | 2,994,387                   |
| L Davis <sup>(ii)</sup>        | 100,000                           | -                          | -                         | 100,000            | 200,000                     |
| C Fergus <sup>(vi)</sup>       | 3,285,204                         | -                          | -                         | -                  | 3,285,204                   |
| M Horton <sup>(vii)</sup>      | -                                 | -                          | -                         | -                  | -                           |
| <b>Sub-total</b>               | <b>6,379,591</b>                  | <b>-</b>                   | <b>-</b>                  | <b>200,000</b>     | <b>6,579,591</b>            |
| <b>Total</b>                   | <b>54,026,107</b>                 | <b>-</b>                   | <b>-</b>                  | <b>(8,922,940)</b> | <b>45,103,167</b>           |

(i) Off market transfer.

(ii) On-market purchase.

(iii) Shares held by M McGeever on commencement as a Non-Executive Director on 31 August 2019.

(iv) Resigned 31 August 2018 therefore no shares held as a Director at 30 June 2019.

(v) Appointed Group Chief Executive Officer and Executive Director on 12 March 2019.

(vi) Resigned as Group CEO and Executive Director on 12 March 2019.

(vii) Resigned on 3 March 2019.

## Remuneration Report (Audited) continued

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

| 2018                           | Balance at beginning of Period | Granted as remuneration | On exercise of options | Net Change Other | Balance at End of Period |
|--------------------------------|--------------------------------|-------------------------|------------------------|------------------|--------------------------|
|                                | 1 July 17                      |                         |                        |                  | 30 June 18               |
| <b>Non-Executive Directors</b> |                                |                         |                        |                  |                          |
| 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                  |
| <b>Sub-total</b>               | <b>43,006,416</b>              | <b>-</b>                | <b>-</b>               | <b>535,000</b>   | <b>43,541,416</b>        |
| <b>Executives</b>              |                                |                         |                        |                  |                          |
| 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                       | -                              | -                       | -                      | -                | -                        |
| <b>Sub-total</b>               | <b>1,600,000</b>               | <b>-</b>                | <b>-</b>               | <b>4,779,591</b> | <b>6,379,591</b>         |
| <b>Total</b>                   | <b>44,606,416</b>              | <b>-</b>                | <b>-</b>               | <b>5,314,591</b> | <b>49,921,007</b>        |

### (c) Number of performance rights held by key management personnel

| 2019              | Balance at beginning of Period | Granted as remuneration | Forfeited/lapsed | Unvested and balance at end of year | Value of performance rights granted during the year at grant date |
|-------------------|--------------------------------|-------------------------|------------------|-------------------------------------|-------------------------------------------------------------------|
|                   | 1 July 18                      |                         |                  |                                     | \$<br>30 June 19                                                  |
| <b>Executives</b> |                                |                         |                  |                                     |                                                                   |
| R Broomfield      | -                              | 225,944                 | -                | 225,944                             | 27,792                                                            |
| L Davis           | -                              | 168,352                 | -                | 168,352                             | 20,708                                                            |
| <b>Total</b>      | <b>-</b>                       | <b>394,296</b>          | <b>-</b>         | <b>394,296</b>                      | <b>48,500</b>                                                     |

The performance rights were granted in two equal tranches, vesting on 30 June 2020 and 30 June 2021 with vesting conditions relating to continuity of employment.

No Directors or Executives held any performance rights during the 2018 financial year.

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## 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 Group Asia Pte Limited, Asia Pierce Asia DWC LLC and Pierce CIM PTE LTD, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of \$425,538 (2018: \$78,089). Accounts Payable balance at 30 June 2019 totals \$1,470 (FY2018: \$51,389). The terms of these arrangements were on an arm's length basis in the normal course of business and included amounts related to our employees, contractors and administration and general office expenses provided by the related entities for the benefit of the Consolidated Entity.

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

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## 8. Voting and comments made at the Company's 2018 Annual General Meeting (AGM)

At the Company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 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.

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## 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 2019 and during 2018, 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*.

|                                                            | 2019           | 2018           |
|------------------------------------------------------------|----------------|----------------|
|                                                            | \$             | \$             |
| <b>Amounts paid and payable for non-audit services:</b>    |                |                |
| * Tax compliance and tax advice services                   | 111,000        | 97,000         |
| * Assurance related services                               | -              | 33,000         |
| <b>Total auditors' remuneration for non-audit services</b> | <b>111,000</b> | <b>130,000</b> |

Signed in accordance with a resolution of the directors.



**Scott Basham**

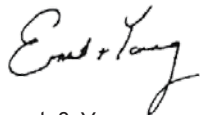
Chief Executive Officer  
30 August 2019

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

As lead auditor for the audit of the financial report of Ava Risk Group Limited for the financial year ended 30 June 2019, 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  
30 August 2019

## Consolidated Statement of Comprehensive Income

| For the year ended 30 June 2019                                                                                  |       | Consolidated    |                |
|------------------------------------------------------------------------------------------------------------------|-------|-----------------|----------------|
|                                                                                                                  | Note  | 2019<br>\$'000  | 2018<br>\$'000 |
| <b>Revenue and other income</b>                                                                                  |       |                 |                |
| Revenue from contracts with customers                                                                            | 4     | 31,602          | 19,817         |
| Other income                                                                                                     | 4     | 84              | 547            |
|                                                                                                                  |       | <b>31,686</b>   | 20,364         |
| <b>Less: Expenses</b>                                                                                            |       |                 |                |
| Cost of raw materials and consumables used                                                                       |       | (17,947)        | (8,765)        |
| Employee benefit expenses                                                                                        |       | (10,552)        | (8,692)        |
| Research and development                                                                                         |       | (1,184)         | (532)          |
| Advertising and marketing                                                                                        |       | (424)           | (531)          |
| Travel and entertainment                                                                                         |       | (1,119)         | (949)          |
| Facilities and office                                                                                            |       | (1,093)         | (977)          |
| Compliance, legal, and administration                                                                            |       | (1,260)         | (1,484)        |
| Provision for impairment of receivables                                                                          |       | (90)            | (56)           |
| Impairment of investments                                                                                        |       | -               | (246)          |
| Depreciation and amortisation expenses                                                                           | 11,12 | (1,867)         | (1,386)        |
| Finance costs                                                                                                    |       | (14)            | (3)            |
| Foreign exchange gains/(losses)                                                                                  |       | 117             | (137)          |
| Other expenses                                                                                                   |       | (982)           | (847)          |
|                                                                                                                  |       | <b>(36,415)</b> | (24,605)       |
| <b>Profit/(Loss) for the year before income tax</b>                                                              |       | <b>(4,729)</b>  | (4,241)        |
| Income tax (expense)/benefit                                                                                     | 5     | -               | 1,062          |
| <b>Profit/(Loss) for the year</b>                                                                                |       | <b>(4,729)</b>  | (3,179)        |
| <b>Profit/(Loss) for the year attributable to:</b>                                                               |       |                 |                |
| Equity holders of the parent company                                                                             |       | (4,720)         | (2,858)        |
| Non-controlling interest                                                                                         |       | (9)             | (321)          |
|                                                                                                                  |       | <b>(4,729)</b>  | (3,179)        |
| <b>Other comprehensive income for the year, net of tax</b>                                                       |       |                 |                |
| Items that may be reclassified subsequently to profit and loss                                                   |       |                 |                |
| Exchange differences on translation of foreign operations, net of tax                                            |       | (294)           | (283)          |
| 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 |       | (93)            | (34)           |
| <b>Total other comprehensive income/(loss) for the year</b>                                                      |       | <b>(387)</b>    | (317)          |
| <b>Total comprehensive income/(loss) for the year</b>                                                            |       | <b>(5,116)</b>  | (3,496)        |
| <b>Total comprehensive income/(loss) attributable to:</b>                                                        |       |                 |                |
| Equity holders of the parent company                                                                             |       | (5,014)         | (3,141)        |
| Non-controlling interests                                                                                        |       | (102)           | (355)          |
|                                                                                                                  |       | <b>(5,116)</b>  | (3,496)        |
| <b>Profit/(Loss) per share for loss attributable to the ordinary equity holders of the Company:</b>              |       |                 |                |
| Basic and diluted earnings/(loss) per share                                                                      |       | (2.22)          | (1.70)         |
|                                                                                                                  |       | <b>Cents</b>    | 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 2019                          | Note | Consolidated |          |
|---------------------------------------------|------|--------------|----------|
|                                             |      | 2019         | 2018     |
|                                             |      | \$'000       | \$'000   |
| ASSETS                                      |      |              |          |
| Current Assets                              |      |              |          |
| Cash and cash equivalents                   | 7    | 3,082        | 5,910    |
| Receivables                                 | 8    | 4,974        | 5,317    |
| Inventories                                 | 9    | 4,492        | 4,567    |
| Other current assets                        | 10   | 389          | 463      |
| Total Current Assets                        |      | 12,937       | 16,257   |
| Non-Current Assets                          |      |              |          |
| Plant and equipment                         | 11   | 846          | 932      |
| Intangible assets                           | 12   | 12,713       | 12,695   |
| Other non-current assets                    | 10   | 21           | 31       |
| Total Non-Current Assets                    |      | 13,580       | 13,658   |
| TOTAL ASSETS                                |      | 26,517       | 29,915   |
| LIABILITIES                                 |      |              |          |
| Current Liabilities                         |      |              |          |
| Payables                                    | 14   | 4,038        | 4,076    |
| Contract liabilities                        | 14   | 452          | 288      |
| Provisions                                  | 16   | 1,456        | 1,528    |
| Total Current Liabilities                   |      | 5,946        | 5,892    |
| Non-Current Liabilities                     |      |              |          |
| Provisions non current                      | 16   | 59           | 73       |
| Contract liabilities                        | 14   | 268          | 403      |
| Total Non-Current Liabilities               |      | 327          | 476      |
| TOTAL LIABILITIES                           |      | 6,273        | 6,368    |
| NET ASSETS                                  |      | 20,244       | 23,547   |
| EQUITY                                      |      |              |          |
| Contributed equity                          | 17   | 58,226       | 55,187   |
| Accumulated losses                          |      | (35,520)     | (30,800) |
| Reserves                                    |      | (2,462)      | (1,284)  |
| Equity attributable to owners of the parent |      | 20,244       | 23,103   |
| Non-controlling interest                    |      | -            | 444      |
| TOTAL EQUITY                                |      | 20,244       | 23,547   |

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

## Consolidated Statement of Changes in Equity

| For the year ended 30 June 2019                            |               |                             |                                      |                       |                    |                                        |                          |              |
|------------------------------------------------------------|---------------|-----------------------------|--------------------------------------|-----------------------|--------------------|----------------------------------------|--------------------------|--------------|
|                                                            | Share Capital | Share based payment Reserve | Foreign Exchange Translation Reserve | Other Equity Reserves | Accumulated Losses | Total attributable to owners of parent | Non-controlling interest | Total Equity |
|                                                            | \$'000        | \$'000                      | \$'000                               | \$'000                | \$'000             | \$'000                                 | \$'000                   | \$'000       |
| At 1 July 2018                                             | 55,187        | 934                         | (135)                                | (2,083)               | (30,800)           | 23,103                                 | 444                      | 23,547       |
| Loss for the year                                          | -             | -                           | -                                    | -                     | (4,720)            | (4,720)                                | (9)                      | (4,729)      |
| Other comprehensive income/(loss)                          | -             | -                           | (294)                                | -                     | -                  | (294)                                  | (93)                     | (387)        |
| Total comprehensive income for the year                    | -             | -                           | (294)                                | -                     | (4,720)            | (5,014)                                | (102)                    | (5,116)      |
| Transactions with owners in their capacity as owners       |               |                             |                                      |                       |                    |                                        |                          |              |
| Compulsory acquisition                                     | -             | -                           | -                                    | (916)                 | -                  | (916)                                  | (324)                    | (1,240)      |
| Shares issued                                              | 3,290         | -                           | -                                    | -                     | -                  | 3,290                                  | -                        | 3,290        |
| Share issue costs                                          | (176)         | -                           | -                                    | -                     | -                  | (176)                                  | -                        | (176)        |
| Share -based payments                                      | -             | 80                          | -                                    | -                     | -                  | 80                                     | -                        | 80           |
| Share buy-back                                             | (75)          | -                           | -                                    | (48)                  | -                  | (123)                                  | (18)                     | (141)        |
| Total transactions with owners in their capacity as owners | 3,039         | 80                          | -                                    | (964)                 | -                  | 2,155                                  | (342)                    | 1,813        |
| Balance at 30 June 2019                                    | 58,226        | 1,014                       | (429)                                | (3,047)               | (35,520)           | 20,244                                 | -                        | 20,244       |
|                                                            |               |                             |                                      |                       |                    |                                        |                          |              |
| At 1 July 2017                                             | 44,183        | 477                         | 148                                  | -                     | (27,942)           | 16,866                                 | -                        | 16,866       |
| Loss for the year                                          | -             | -                           | -                                    | -                     | (2,858)            | (2,858)                                | (321)                    | (3,179)      |
| Other comprehensive income/(loss)                          | -             | -                           | (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       |

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 2019                           | Note | Consolidated   |          |
|-----------------------------------------------------------|------|----------------|----------|
|                                                           |      | 2019           | 2018     |
|                                                           |      | \$'000         | \$'000   |
| <b>Cash flow from operating activities</b>                |      |                |          |
| Receipts from customers                                   |      | 31,523         | 20,754   |
| Receipts from R&D tax incentives                          |      | 582            | 1,490    |
| Payments to suppliers and employees                       |      | (35,419)       | (21,441) |
| Finance costs paid                                        |      | (14)           | (3)      |
| Interest received                                         |      | 13             | 89       |
| <b>Net cash flows from/(used in) operating activities</b> |      | <b>(3,315)</b> | 889      |
| <b>Cash flow from investing activities</b>                |      |                |          |
| Payment for intangible assets                             |      | (1,067)        | (1,417)  |
| Payment for plant and equipment                           |      | (193)          | (48)     |
| Payment for investment in MaxSec                          |      | (1,240)        | (1,845)  |
| Cash acquired through acquisition of MaxSec               |      | -              | 1,875    |
| <b>Net cash flows from/(used in) investing activities</b> |      | <b>(2,500)</b> | (1,435)  |
| <b>Cash flow from financing activities</b>                |      |                |          |
| Proceeds from share issue                                 |      | 3,290          | (34)     |
| Share issue expenses                                      |      | (176)          | -        |
| Share buy-back in MaxSec                                  |      | (66)           | (446)    |
| Share buy-back in Ava Risk Group                          |      | (75)           | -        |
| Repayment of borrowings                                   |      | -              | (15)     |
| <b>Net cash flows from/(used in) financing activities</b> |      | <b>2,973</b>   | (495)    |
| Net decrease in cash and cash equivalents                 |      | (2,842)        | (1,041)  |
| Net foreign exchange differences on cash                  |      | 14             | 6        |
| Cash and cash equivalents at beginning of year            |      | 5,910          | 6,945    |
| <b>Cash and cash equivalents at end of year</b>           | 7    | <b>3,082</b>   | 5,910    |

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

# Notes to the Financial Statements

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## 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.

### 1.1 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 Risk Group and controlled entities as a Consolidated Entity. Ava Risk Group is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. Ava Risk 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 under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The consolidated financial statements of Ava Risk Group for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 30 August 2019.

### Compliance with IFRS

The consolidated financial statements of Ava Risk 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.

### 1.2 Going concern

The financial report has been prepared on a going concern basis which assumes the Group will have sufficient cash to pay its debts as and when they become payable for a period of at least 12 months from the date the financial report was authorised for issue. The Group reported an after-tax loss of \$4.729 million for the year (2018: loss \$3.179 million) and its total assets exceed total liabilities by \$20.244 million (2018: \$23.547 million) with no external debts or borrowings.

The Group has prepared a cash flow forecast based on a detailed revenue and expenditure forecast which indicates that the Group will be able to meet its forecast net outgoings over the coming 12 months. This forecast assumes that the Group will generate improved net cash flow by increasing revenue over that period. In the event that the Group cannot achieve the cash flow forecast, the Group may be required to raise funds through other sources including debt or equity capital in the future. These factors indicate the existence of uncertainty which may cast doubt on the Group's ability to continue as a going concern.

For the year end 30 June 2019, the Group breached a capital ratio covenant and remains in breach. The Company has received confirmation from Westpac Banking Group that it does not intend to act now in respect of this breach. The bank will retest the covenants in February 2020 based on the Group's financial position at 31 December 2019. The bank continues to support the business.

The directors are confident that the Group will have sufficient funding to meet its minimum expenditure commitments and support its planned level of expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis. Accordingly, the financial report has been prepared on a going concern basis.

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## 1. Statement of significant accounting policies (continued)

### 1.3 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 been recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

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.

### 1.4 Accounting standards issued but not yet effective at 30 June 2019

#### 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 Risk Group is annual reporting periods beginning on or after 1 July 2019. The impact of AASB 16 has not yet been quantified.

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## 1. Statement of significant accounting policies (continued)

### AASB Interpretation 23 *Uncertainty over income tax treatment*

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

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

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

The impact of AASB Interpretation 23 has not yet been quantified.

### 1.5 Changes to the Group's accounting policies

#### AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 11 *Construction Contracts*, AASB 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 using a modified retrospective method. Management performed an extensive review of customer contracts and determined that the impact of adoption of AASB 15 was not material. On transition, no impact on other comprehensive income (OCI), profit or loss or balance sheet was required.

Key judgements and assumptions involved in the assessment of revenue recognition were based on the different performance obligations in bundled contracts and the associated revenue to those different performance obligations based on the relative stand-alone selling price for each performance obligation. Management also considered the impact of rebates which would give rise to variable consideration.

The Services Division is required to recognise revenue over time as the customer simultaneously receives and consumes the benefit as the entity performs the service (i.e. another entity would not need to re-perform the service, for example distance already travelled). Previously revenue was recognised under AASB 118 *Revenue* on delivery of the products, this did not result in a material adjustment on transition.

#### AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group currently does not hedge any transactions.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018 and no changes in comparatives.

Adoption of AASB 9 has resulted in no adjustment to the financial statements at 1 July 2018.

#### Classification and measurement

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The new classification and measurement of the Group's debt financial assets are, as follows:

- › Debt instruments at amortised cost for financial assets that are held within the Group's business model with the objective to hold the financial assets in order to collect contractual cash flows and, representing solely payments of principal and interest on specified dates. Subsequently these financial assets are carried at amortised cost using the effective interest rate method less any impairment losses calculated under the expected credit loss ("ECL") method outlined below. This category includes the Group's trade and other receivables.

The accounting for the Group's financial liabilities remains the same as it was under AASB 139.

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## 1. Statement of significant accounting policies (continued)

### Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking (ECL) approach.

AASB 9 requires the Group to record an allowance for ECLs for all receivables.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of AASB 9 did not result in a material change in impairment allowances of the Group's receivables.

### 1.6 Summary of significant accounting policies

#### a) Revenue

##### Revenue FY2019

The Group has two divisions – Technology and Services, with the following main revenue streams:

- › Technology:
  - › design and manufacture of fibre optic intrusion detection systems (FFT- Perimeter Security Products),
  - › design and manufacture of electro-mechanical locks, access control cards, readers and biometric terminals (BQT Product),
- › Services:
  - › secure international logistics and storage for high value assets, and risk consultancy services (Logistics or AVA Global).

#### i. Sales of Goods

##### Access Controls Product

The Group's contracts with customers for the sale of equipment is one performance obligation. Revenue from sale of equipment is recognised at the point in time when control of the equipment is transferred to the customer, which is on despatch or on delivery, dependent on the delivery terms.

##### Perimeter Security Product

Some contracts have multiple elements, such as hardware, software and rendered services.

When there is more than one performance obligation in the contract, revenue is allocated to each performance obligation on the basis of relative standalone selling prices. Revenue from the sale of the equipment is recognised at a point in time, on despatch or upon delivery. Revenue from rendered services including installation services and extended warranties are recognised over time, as described below.

##### i.i Variable consideration

Certain distribution agreements include volume rebates which give rise to variable consideration. Rebates are offset against amounts payable by the customer on subsequent purchases. To estimate the variable consideration to which it will be entitled, the Group applied the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract.

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## 1. Statement of significant accounting policies (continued)

### i.ii Warranty provisions

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties, which the Company accounts for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

However, in some contracts, the Group provides extended warranties. These warranties are service-type warranties and, therefore, are accounted for as a separate performance obligation to which the Group allocates a portion of the revenue based on the relative standalone selling price. Revenue is subsequently recognised over time based on the time elapsed.

### ii. Rendering of services

#### Perimeter Security Product

The Group's Perimeter Security product division provides installation services. These services are sold either separately or bundled together with the sale of equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the Perimeter security product. There are two performance obligations in a contract for bundled sales of equipment and installation services, because the Group promises to transfer equipment and provide installation services that are capable of being distinct and separately identifiable.

Revenue from installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

#### Secure Logistics

The international logistics business enters contracts with its customers to transport or store high-risk valuables, precious metals and currency, and selects sub-contractors to transport the goods. In these contracts, the Group is primarily responsible for fulfilling the promise to provide the logistics and storage services, each of these services are separate performance obligations.

Management considered the application of principal versus agent on adoption to AASB 15 and determined that the Group is the principal as it controls the service. As such revenue is recorded gross in the income statement.

The logistics services are required to recognise revenue over time as the customer simultaneously receives and consumes the benefit as the entity performs the service (i.e. another entity would not need to re-perform the service, for example distance already travelled).

#### Contract balances

The timing of revenue recognition may differ from the contract payment schedule, resulting in revenue that has been earned but not billed. These amounts are included in contract assets. Amounts billed in accordance with contracts with customers, but not yet earned, are recorded as contract liabilities. Contract liabilities are recognised as revenue when the Group performs under the contract.

### 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.

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## 1. Statement of significant accounting policies (continued)

### Revenue FY2018

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.

Accounting policies for Government grants, interest income, dividends and other revenues have not been impacted by the new AASB 15 Revenue from contracts with customers standards and remain the same as prior year.

### b) 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 restatement are recognised as revenues and expenses for the financial year.

#### 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.

### c) 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

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## 1. Statement of significant accounting policies (continued)

- › 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.

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

Following the completion of the 100% ownership of shares of MaxSec Group Pty Ltd during the financial year, the two previously separate tax consolidated groups within the Group, Ava Risk Group Limited and MaxSec Group Pty Ltd became a single tax consolidated group. Effective from 22 November 2018 Ava Risk Group have implemented the tax consolidation legislation and have formed a tax consolidated group with FFT Mena Pty Ltd, MaxSec Group Pty Ltd, BQT Solutions (Australia) Pty Ltd, 4C Satellites Ltd and BQT Intelligent Security Systems Pty Ltd.

### (ii) Goods and services tax (GST) (including other indirect taxes such as Value Added Tax in foreign jurisdictions)

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.

### d) 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 the cash generating unit's (CGU) 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.

## 1. Statement of significant accounting policies (continued)

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.

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.

### e) 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.

### f) 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.

### g) Plant and equipment

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

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

| Plant and Equipment            | 2019<br>Years | 2018<br>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           |

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## 1. Statement of significant accounting policies (continued)

### h) 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.

### i) 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
- › 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.

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.

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## 1. Statement of significant accounting policies (continued)

### j) Trade and other payables

Trade and other payables are carried at amortised cost and 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.

### k) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial Assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to significant accounting policies in section 1.6 (a) Revenue.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

##### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- › Financial assets at amortised cost (debt instruments)
- › Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- › Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- › Financial assets at fair value through profit or loss

The Group only holds financial assets at amortised cost.

##### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- › The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- › The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

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## 1. Statement of significant accounting policies (continued)

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- › The rights to receive cash flows from the asset have expired; Or
- › The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 1) 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.

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## 1. Statement of significant accounting policies (continued)

### m) 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.

#### (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 at 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.

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## 1. Statement of significant accounting policies (continued)

### n) 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 or performance rights (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 Risk 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:

- › the grant date fair value of the award;
- › 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
- › 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.

### o) 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.

### p) 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.

### q) 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.

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## 1. Statement of significant accounting policies (continued)

### (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.

### r) Comparatives

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

### s) 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).

### t) 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.

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## 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

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 23.

#### (iv) Capitalisation of development costs

Judgement is required using the criteria outlined in note 1(i), 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 Risk Group Limited.

The Group's segments were based on three separately identifiable products.

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.

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 Systems (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                                                               |

Segment information for the reporting period is as follows:

| 2019                                    | Perimeter Security<br>\$'000 | Access Control Solutions<br>\$'000 | International Valuable Logistics<br>\$'000 | Eliminations<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------|------------------------------|------------------------------------|--------------------------------------------|------------------------|-----------------|
| <b>Revenue and other income</b>         |                              |                                    |                                            |                        |                 |
| External customers                      | 11,470                       | 4,253                              | 15,879                                     | -                      | 31,602          |
| Interest Income                         | 98                           | 1                                  | -                                          | (86)                   | 13              |
| Other income                            | 11                           | 60                                 | -                                          | -                      | 71              |
| Intersegment revenue                    | 1,035                        | -                                  | -                                          | (1,035)                | -               |
| <b>Segment revenue and other income</b> | <b>12,614</b>                | <b>4,314</b>                       | <b>15,879</b>                              | <b>(1,121)</b>         | <b>31,686</b>   |
|                                         |                              |                                    |                                            |                        |                 |
| Depreciation and amortisation expenses  | (720)                        | (342)                              | (805)                                      | -                      | (1,867)         |
| Finance costs                           | (14)                         | (86)                               | -                                          | 86                     | (14)            |
| Income tax                              | -                            | -                                  | -                                          | -                      | -               |
| <b>EBITDA</b>                           | <b>(768)</b>                 | <b>(966)</b>                       | <b>(92)</b>                                | <b>(1,035)</b>         | <b>(2,861)</b>  |
|                                         |                              |                                    |                                            |                        |                 |
| <b>Segment operating loss</b>           | <b>(1,404)</b>               | <b>(1,393)</b>                     | <b>(897)</b>                               | <b>(1,035)</b>         | <b>(4,729)</b>  |

### 3. Segment Information (continued)

| 2018                                    | Perimeter Security | Access Control Solutions | International Valuable Logistics | Eliminations | Total          |
|-----------------------------------------|--------------------|--------------------------|----------------------------------|--------------|----------------|
|                                         | \$'000             | \$'000                   | \$'000                           | \$'000       | \$'000         |
| <b>Revenue and other income</b>         |                    |                          |                                  |              |                |
| External customers                      | 12,304             | 2,976                    | 4,537                            | -            | 19,817         |
| Interest Income                         | 86                 | 3                        | -                                | -            | 89             |
| Other revenue                           | 391                | 67                       | -                                | -            | 458            |
| Intersegment revenue                    | 234                | 36                       | -                                | (270)        | -              |
| <b>Segment revenue and other income</b> | <b>13,015</b>      | <b>3,082</b>             | <b>4,537</b>                     | <b>(270)</b> | <b>20,364</b>  |
| Depreciation and amortisation expenses  | (730)              | (401)                    | (255)                            | -            | (1,386)        |
| Finance costs                           | -                  | (3)                      | -                                | -            | (3)            |
| Income Tax                              | 1,062              | -                        | -                                | -            | 1,062          |
| <b>EBITDA</b>                           | <b>(1,705)</b>     | <b>(17)</b>              | <b>(949)</b>                     | <b>(270)</b> | <b>(2,941)</b> |
| <b>Segment operating profit/(loss)</b>  | <b>(1,287)</b>     | <b>(418)</b>             | <b>(1,204)</b>                   | <b>(270)</b> | <b>(3,179)</b> |

#### Geographic information

|                                         | 2019          | 2018          |
|-----------------------------------------|---------------|---------------|
|                                         | \$'000        | \$'000        |
| <b>Revenue</b>                          |               |               |
| Australia                               | 2,817         | 2,038         |
| APAC (excluding Australia)              | 2,467         | 2,006         |
| MENA                                    | 1,978         | 1,944         |
| Europe                                  | 14,017        | 4,979         |
| United States Of America                | 7,671         | 7,086         |
| Rest of world                           | 2,652         | 1,764         |
| <b>Total external revenue by region</b> | <b>31,602</b> | <b>19,817</b> |

Revenue from one customer amounted to \$5.296 million (FY2018: nil as less than 10% of total revenue) arising from sales in the International Valuable Logistics division.

| Non-current operating assets              | 2019          | 2018          |
|-------------------------------------------|---------------|---------------|
|                                           | \$'000        | \$'000        |
| Australia                                 | 5,894         | 5,661         |
| United Arab Emirates                      | 5,871         | 5,935         |
| Rest of world                             | 998           | 1,003         |
| <b>Total non-current assets by region</b> | <b>12,763</b> | <b>12,599</b> |

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

FY2018 comparative information has been adjusted to reflect the current classification of intangible assets following the completion of the acquisition accounting and allocation of goodwill.

### 3. Segment Information (continued)

|                                      | 2019          | 2018          |
|--------------------------------------|---------------|---------------|
| Reconciliation of non-current assets | \$'000        | \$'000        |
| Non-current operating assets         | 12,763        | 12,599        |
| Customer contracts intangible assets | 796           | 1,028         |
| Other non-current assets             | 21            | 31            |
| <b>Total non-current assets</b>      | <b>13,580</b> | <b>13,658</b> |

### 4. Revenues from continuing operations and other income

|                                                    | 2019          | Consolidated<br>2018 |
|----------------------------------------------------|---------------|----------------------|
|                                                    | \$'000        | \$'000               |
| <b>Revenue from contracts with customers</b>       |               |                      |
| Revenue from sales of goods                        | 14,576        | 13,862               |
| Revenue from provision of services                 | 17,026        | 5,955                |
| <b>Total revenue from contracts with customers</b> | <b>31,602</b> | 19,817               |
| <b>Other income</b>                                |               |                      |
| Interest                                           | 13            | 89                   |
| R&D tax incentive                                  | -             | 178                  |
| Gains on foreign exchange - realised               | -             | 267                  |
| Other Income                                       | 71            | 13                   |
| <b>Total other income</b>                          | <b>84</b>     | 547                  |
| <b>Total Revenues and other income</b>             | <b>31,686</b> | 20,364               |

#### Disaggregation of revenue

|                                        | 2019          | Consolidated<br>2018 |
|----------------------------------------|---------------|----------------------|
|                                        | \$'000        | \$'000               |
| <b>Timing of revenue recognition</b>   |               |                      |
| Goods transferred at a point in time   | 14,576        | 13,862               |
| Services transferred over time         | 17,026        | 5,955                |
| <b>Total disaggregation of revenue</b> | <b>31,602</b> | 19,817               |

## 4. Revenues from continuing operations and other income (continued)

### Performance obligations

The Group hold contract liabilities in relation to services including extended warranty, support, commissioning and training which have been invoiced in advance with the services yet to be provided. Refer to note 14 for further details.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are as follows:

|                             | 2019<br>\$'000 | 2018<br>\$'000 |
|-----------------------------|----------------|----------------|
| <b>Contract liabilities</b> |                |                |
| Due within 1 year           | 452            | 288            |
| Due after more than 1 year  | 268            | 403            |
| <b>Total</b>                | <b>720</b>     | <b>691</b>     |

## 5. Income tax

|                                                                                                                              | 2019<br>\$'000 | 2018<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>(a) Components of tax expense/(benefit):</b>                                                                              |                |                |
| Current tax                                                                                                                  | -              | (1,062)        |
| Deferred tax                                                                                                                 | -              | -              |
| Under provision in prior year                                                                                                | -              | -              |
| <b>Total</b>                                                                                                                 | <b>-</b>       | <b>(1,062)</b> |
| <b>(b) Prima facie tax payable</b>                                                                                           |                |                |
| 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                                                                                                   | (4,729)        | (4,241)        |
| At the Group's statutory income tax rate of 27.5% (2018: 27.5%)                                                              | (1,300)        | (1,166)        |
| Tax effect of amounts which are not deductible in calculating taxable income                                                 | 25             | 119            |
| Difference in tax rates in foreign subsidiaries                                                                              | (44)           | 429            |
| Tax incentives                                                                                                               | (4)            | 72             |
| Tax losses not brought to account                                                                                            | 1,323          | 551            |
| Recognition of tax losses on carry forward losses                                                                            | -              | (1,067)        |
| <b>Income tax benefit</b>                                                                                                    | <b>-</b>       | <b>(1,062)</b> |
| <b>(c) Deferred income tax related to items charged or credited directly to equity</b>                                       |                |                |
| Decrease/(Increase) in deferred tax assets                                                                                   | -              | -              |
| <b>Total</b>                                                                                                                 | <b>-</b>       | <b>-</b>       |
| <b>(d) Deferred tax assets not brought to account</b>                                                                        |                |                |
| Temporary differences                                                                                                        | 504            | 553            |
| <b>Total</b>                                                                                                                 | <b>504</b>     | <b>553</b>     |

## 5. Income tax (continued)

Management assessed deferred tax assets and liabilities for the reporting period 30 June 2019 and their recoverability based on the forecasted taxable profits. Tax losses in Australia can be carried forward indefinitely. In FY2018, Australian tax losses in respect of Ava Risk 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 \$25.019 million (2018: \$39.568 million). In addition, the Group has tax losses totalling \$10.326 million (2018: \$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:

|                                                                                                                                                  | <b>Consolidated</b> |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                                                                  | <b>2019</b>         | <b>2018</b>   |
| <b>(a) Loss used in calculating earnings per share</b>                                                                                           | <b>\$'000</b>       | <b>\$'000</b> |
| For basic and diluted loss per share:                                                                                                            |                     |               |
| Net loss from continuing operations attributable to ordinary equity holders of the parent                                                        | <b>(4,720)</b>      | (2,858)       |
| <b>(b) Weighted average number of shares</b>                                                                                                     | <b>2019</b>         | <b>2018</b>   |
|                                                                                                                                                  | <b>Number</b>       | <b>Number</b> |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                       | <b>212,469,281</b>  | 167,919,245   |
| <i>Adjustments for calculation of diluted earnings per share</i>                                                                                 |                     |               |
| 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 | <b>212,469,281</b>  | 167,919,245   |
| <b>(c) Loss per share</b>                                                                                                                        | <b>2019</b>         | <b>2018</b>   |
|                                                                                                                                                  | <b>Cents</b>        | <b>Cents</b>  |
| Basic loss per share                                                                                                                             | <b>(2.22)</b>       | (1.70)        |
| Diluted loss per share                                                                                                                           | <b>(2.22)</b>       | (1.70)        |

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

|                                                                                     | 2019           | Consolidated<br>2018 |
|-------------------------------------------------------------------------------------|----------------|----------------------|
|                                                                                     | \$'000         | \$'000               |
| <b>Cash at bank and on hand</b>                                                     | <b>3,082</b>   | 5,910                |
|                                                                                     | <b>3,082</b>   | 5,910                |
| <b>(a) Reconciliation of net loss after tax to net cash flow used in operations</b> |                |                      |
| Loss for the year after tax                                                         | <b>(4,729)</b> | (3,179)              |
| <b>Adjustment for non-cash income and expense items:</b>                            |                |                      |
| Depreciation and amortisation                                                       | <b>1,867</b>   | 1,386                |
| Share-based payments (equity settled)                                               | <b>80</b>      | 65                   |
| Unrealised foreign exchange                                                         | <b>(363)</b>   | 137                  |
| Bad debts written off and provision for impairment of receivable                    | <b>90</b>      | 56                   |
| Gain/(loss) on disposal of fixed asset                                              | <b>-</b>       | 4                    |
| Research and development tax credit included in investing activities                | <b>-</b>       | 415                  |
| Other                                                                               | <b>39</b>      | (93)                 |
| <b>Changes in assets and liabilities</b>                                            |                |                      |
| (Increase)/decrease in assets:                                                      |                |                      |
| Trade and other receivables                                                         | <b>(183)</b>   | (904)                |
| Research and development receivable contained in operating activities               | <b>-</b>       | 516                  |
| Other assets                                                                        | <b>84</b>      | (174)                |
| Inventories                                                                         | <b>75</b>      | (361)                |
| <b>Increase/(decrease) in liabilities:</b>                                          |                |                      |
| Trade and other payables                                                            | <b>(188)</b>   | 2,545                |
| Provisions                                                                          | <b>(87)</b>    | 476                  |
| <b>Net cash used in operating activities</b>                                        | <b>(3,315)</b> | 889                  |
| <b>(b) Non-cash financing and investing activities</b>                              |                |                      |
| Share-based payments                                                                | <b>80</b>      | 65                   |

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 |
|------------------------------------------------------------------|--------------|--------------|
|                                                                  | 2019         | 2018         |
|                                                                  | \$'000       | \$'000       |
| Trade receivables - current                                      | 4,651        | 4,051        |
| Contract assets (a)                                              | 110          | 385          |
| Provision for expected credit loss (b,c)                         | (107)        | (35)         |
|                                                                  | 4,654        | 4,401        |
| Security deposits and bonds                                      | 64           | 104          |
| Other receivables (d)                                            | 256          | 812          |
| <b>Carrying amount of trade and other receivables</b>            | <b>4,974</b> | <b>5,317</b> |
| Movements in the expected credit loss provision were as follows: |              |              |
| At 1 July                                                        | 35           | 157          |
| Charge for the year                                              | 90           | 56           |
| Amounts written off                                              | (18)         | (178)        |
| <b>At 30 June</b>                                                | <b>107</b>   | <b>35</b>    |

Comparative information for FY2018 has been adjusted in order to disclose comparable information with the current financial year in relation to contract assets under the scope of AASB 15 *Revenue from Contracts with Customers*. Previously contract assets were disclosed under other receivables.

### (a) Contract assets

Contract assets relate to goods and services which had been provided by the company to the customer (and satisfied the performance obligations in line with AASB 15) but had not been billed due to the terms agreed with the customer. Hence, contract assets arise because of the timing difference between revenue recognition and the contractual payment schedule.

### (b) Provision for impairment

The Company has impaired a further \$90k of receivables in financial year ended 30 June 2019. There was no impairment in relation to contract assets at 30 June 2019 (2018: nil).

In line with AASB 9 *Financial Instruments*, an expected credit loss assessment was performed with no additional impairment recognised at 30 June 2019.

### (c) Past due but not impaired

As at 30 June 2019, trade receivables past due but not considered impaired are: \$1.831 million (2018: \$2.160 million). Trade receivables ageing analysis at 30 June 2019 is as follows:

|                            | Gross  | Impairment | Gross  | Impairment |
|----------------------------|--------|------------|--------|------------|
|                            | 2019   | 2019       | 2018   | 2018       |
|                            | \$'000 | \$'000     | \$'000 | \$'000     |
| Not past due               | 2,716  | -          | 1,856  | -          |
| Past due 1 - 30 days       | 1,423  | -          | 1,006  | -          |
| Past due 31 - 60 days      | 295    | -          | 167    | -          |
| Past due 61 - 90 days      | 89     | -          | 488    | -          |
| Past due more than 91 days | 131    | (107)      | 534    | (35)       |
|                            | 4,654  | (107)      | 4,051  | (35)       |

In line with AASB 9, an expected credit loss assessment was performed on contract assets with no additional impairment recognised at 30 June 2019.

## 8. Receivables (continued)

### (d) Other receivables

These amounts relate primarily to other indirect tax refunds due from various international tax jurisdictions \$127k (2018: \$80k) and other sundry debtors. FY2018 included the R&D tax incentive estimate of \$606k. An estimate for FY2019 has not been included in other receivables as the company has exceeded the total group revenue threshold of \$20 million and any incentive receivable would be in the form of an income tax credit.

## 9. Inventories

|                                                                          | Consolidated |        |
|--------------------------------------------------------------------------|--------------|--------|
|                                                                          | 2019         | 2018   |
|                                                                          | \$'000       | \$'000 |
| Raw materials and stores (at cost)                                       | 1,250        | 1,066  |
| Work in progress (at cost)                                               | 912          | 604    |
| Finished goods held for sale (at lower of cost and net realisable value) | 2,171        | 2,550  |
| Spares (at cost)                                                         | 159          | 347    |
|                                                                          | 4,492        | 4,567  |

During FY2019, \$322k (2018: \$19k) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of raw materials and consumables used.

## 10. Other Assets

|                           | Consolidated |            |
|---------------------------|--------------|------------|
|                           | 2019         | 2018       |
|                           | \$'000       | \$'000     |
| <b>Current</b>            |              |            |
| Prepayments               | 389          | 463        |
| <b>Non-current</b>        |              |            |
| Non-current prepayments   | 21           | 31         |
| <b>Total Other assets</b> | <b>410</b>   | <b>494</b> |

Prepayments are not interest bearing.

## 11. Non-current assets – plant and equipment

|                                            | Computer<br>equipment | Motor<br>vehicles | Plant and<br>equipment | Office<br>furniture and<br>equipment | Demon-<br>stration<br>equipment | Total      |
|--------------------------------------------|-----------------------|-------------------|------------------------|--------------------------------------|---------------------------------|------------|
|                                            | \$'000                | \$'000            | \$'000                 | \$'000                               | \$'000                          | \$'000     |
| Year Ended 30 June 2019                    |                       |                   |                        |                                      |                                 |            |
| Carrying amount at beginning of year       | 130                   | 17                | 90                     | 165                                  | 530                             | 932        |
| Additions                                  | 15                    | -                 | 120                    | 7                                    | 51                              | 193        |
| Disposals                                  | (1)                   | -                 | -                      | -                                    | (2)                             | (3)        |
| Depreciation charge for the year           | (46)                  | (4)               | (51)                   | (28)                                 | (153)                           | (282)      |
| Exchange adjustment                        | 3                     | 1                 | 2                      | (8)                                  | 8                               | 6          |
| <b>Carrying amount at end of year</b>      | <b>101</b>            | <b>14</b>         | <b>161</b>             | <b>136</b>                           | <b>434</b>                      | <b>846</b> |
| At 30 June 2019                            |                       |                   |                        |                                      |                                 |            |
| Cost                                       | 791                   | 44                | 1,082                  | 542                                  | 1,952                           | 4,411      |
| Accumulated depreciation and impairment    | (690)                 | (30)              | (921)                  | (406)                                | (1,518)                         | (3,565)    |
| <b>Net carrying amount</b>                 | <b>101</b>            | <b>14</b>         | <b>161</b>             | <b>136</b>                           | <b>434</b>                      | <b>846</b> |
| 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)        |
| <b>Carrying amount at end of year</b>      | <b>130</b>            | <b>17</b>         | <b>90</b>              | <b>165</b>                           | <b>530</b>                      | <b>932</b> |
| 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)    |
| <b>Net carrying amount</b>                 | <b>130</b>            | <b>17</b>         | <b>90</b>              | <b>165</b>                           | <b>530</b>                      | <b>932</b> |

## 12. Non-current assets – intangible assets and goodwill

### (a) Reconciliation of carrying amounts

|                                            | Goodwill     | Trademarks   | Development costs | Patents    | Acquired customer lists / contracts | Total         |
|--------------------------------------------|--------------|--------------|-------------------|------------|-------------------------------------|---------------|
|                                            | \$'000       | \$'000       | \$'000            | \$'000     | \$'000                              | \$'000        |
| Year ended 30 June 2019                    |              |              |                   |            |                                     |               |
| Carrying amount at beginning of year       | 4,976        | 1,207        | 3,824             | 627        | 2,061                               | 12,695        |
| Additions                                  | -            | -            | 1,076             | 29         | -                                   | 1,105         |
| Disposals                                  | -            | -            | (37)              | -          | -                                   | (37)          |
| Amortisation                               | -            | (129)        | (645)             | (135)      | (676)                               | (1,585)       |
| Exchange adjustments                       | -            | -            | 35                | -          | -                                   | 35            |
| Revaluation of assets acquired in USD      | 342          | 55           | -                 | -          | 103                                 | 500           |
| <b>Carrying amount at end of year</b>      | <b>5,318</b> | <b>1,133</b> | <b>4,253</b>      | <b>521</b> | <b>1,488</b>                        | <b>12,713</b> |
| At 30 June 2019                            |              |              |                   |            |                                     |               |
| Cost (gross carrying amount)               | 5,318        | 1,336        | 5,826             | 2,414      | 2,549                               | 17,443        |
| Accumulated amortisation                   | -            | (203)        | (1,573)           | (1,746)    | (1,061)                             | (4,583)       |
| Accumulated impairment charges             | -            | -            | -                 | (147)      | -                                   | (147)         |
| <b>Net carrying amount</b>                 | <b>5,318</b> | <b>1,133</b> | <b>4,253</b>      | <b>521</b> | <b>1,488</b>                        | <b>12,713</b> |
| 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                        | -            | -            | (2)               | (6)        | -                                   | (8)           |
| <b>Carrying amount at end of year</b>      | <b>4,976</b> | <b>1,207</b> | <b>3,824</b>      | <b>627</b> | <b>2,061</b>                        | <b>12,695</b> |
| 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)         |
| <b>Net carrying amount</b>                 | <b>4,976</b> | <b>1,207</b> | <b>3,824</b>      | <b>627</b> | <b>2,061</b>                        | <b>12,695</b> |

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## 12. Non-current assets – intangible assets and goodwill (continued)

### (b) Development costs

During the year ended 30 June 2019, the Group incurred additional gross development costs of \$1.076 million (2018: \$1.368 million). During the year, it was decided to discontinue some development projects and the previously capitalised costs of \$37k were expensed.

### (c) Revaluation of assets acquired in USD

Intangible assets acquired as part of the MaxSec takeover in FY2018 were acquired in USD and are therefore revalued at each reporting period with a corresponding adjustment to the Foreign Exchange Translation Reserve.

### (d) Goodwill

During the year ended 30 June 2019, the goodwill allocation was completed. Refer to note 13 for further details on the goodwill allocation.

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## 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

In November 2018, the goodwill allocation was completed, and the acquisition date fair value of the goodwill was allocated as follows:

| Goodwill Allocation        | International Secure Logistics | Access Control Solutions (including locks and readers) | Total        |
|----------------------------|--------------------------------|--------------------------------------------------------|--------------|
| At 1 July 2018             | 4,236                          | 740                                                    | 4,976        |
| Impact of foreign currency | 342                            | -                                                      | 342          |
| <b>At 30 June 2019</b>     | <b>4,578</b>                   | <b>740</b>                                             | <b>5,318</b> |

As the International Secure Logistics division is denominated in US dollars, the goodwill at acquisition allocated to that CGU has been recognised in US dollars and revalued at each reporting period with a corresponding adjustment to the translation reserve.

### 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

### 13. Carrying value of non-financial assets (continued)

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

| Key Assumptions          | Basis of estimation                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Future cash flows</b> | 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%.                                                                                                                                                              |
| <b>Discount rate:</b>    | <p>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.</p> <p>Pre-tax discount rates:</p> <ul style="list-style-type: none"> <li>› Perimeter security – 20.70%</li> <li>› Access controls (Readers) – 18.65%</li> <li>› Access controls (Locks) – 17.87%</li> <li>› International Valuable Logistics – 12.23%</li> </ul> |
| <b>Revenue growth</b>    | 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.                                                                                                         |
| <b>Gross margins</b>     | Forecasting consistent gross margins over the life of the model relative to historic gross margins achieved.                                                                                                                                                                                                                                                                                                                      |

No impairment was recognised. The recoverable amount is not sensitive to any reasonably possible changes in assumptions.

### 14. Trade and other payables

| Trade payables, accruals and other payables | 2019         | 2018   |
|---------------------------------------------|--------------|--------|
|                                             | \$'000       | \$'000 |
| <b>Current</b>                              |              |        |
| Trade payables                              | 3,602        | 3,857  |
| Accruals and other payables                 | 436          | 219    |
|                                             | <b>4,038</b> | 4,076  |

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

| Contract liabilities                  | 2019         | 2018   |
|---------------------------------------|--------------|--------|
|                                       | \$'000       | \$'000 |
| <b>Balance at 1 July</b>              | <b>691</b>   | 394    |
| Deferred during year                  | <b>247</b>   | 495    |
| Recognised as revenue during the year | <b>(218)</b> | (198)  |
| <b>Balance at 30 June</b>             | <b>720</b>   | 691    |
| Due within 1 year                     | <b>452</b>   | 288    |
| Due after more than 1 year            | <b>268</b>   | 403    |
|                                       | <b>720</b>   | 691    |

Contract liabilities relate to deferred revenue for customers that have been billed in advance but the service has yet to be provided. The contract liability balance represents performance obligations which have yet to be met and therefore have not been recognised as revenue during the year.

Revenue recognised of \$218k (2018: \$198k) in the year represents performance obligations which have been met during the financial year in relation to contract liabilities held at 30 June 2018.

## 15. Borrowings

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 Risk Group.

For the year end 30 June 2019, the Group breached a capital ratio covenant and remains in breach. The Company has received confirmation from Westpac Banking Group that it does not intend to act now in respect of this breach. The bank will retest the covenants in February 2020 based on the Group's financial position at 31 December 2019. The bank continues to support the business.

Refer to note 24 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:

|                                            | 2019         | 2018   |
|--------------------------------------------|--------------|--------|
|                                            | \$'000       | \$'000 |
| <b>Current</b>                             |              |        |
| Employee entitlements – annual leave       | 771          | 787    |
| Employee entitlements – long service leave | 474          | 513    |
| Provision for warranty claims              | 211          | 165    |
| Provisions - other                         | -            | 63     |
|                                            | <b>1,456</b> | 1,528  |
| <b>Non-current</b>                         |              |        |
| Employee entitlements – long service leave | 59           | 73     |
|                                            | <b>59</b>    | 73     |

## 16. Provisions (continued)

|                         | Provision for<br>warranty claims |
|-------------------------|----------------------------------|
|                         | \$'000                           |
| <b>Consolidated</b>     |                                  |
| At 1 July 2018          | 165                              |
| Arising during the year | 76                               |
| Unused amounts reversed | (30)                             |
| <b>At 30 June 2019</b>  | <b>211</b>                       |
| <b>Current</b>          | 211                              |
| Non-current             | -                                |
|                         | <b>211</b>                       |

### (b) Nature and timing of provisions

#### (i) Warranty provision

Refer to Note 1(m) 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(m) 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

|                                                 | 2019<br>\$'000   | Consolidated<br>2018<br>\$'000 |
|-------------------------------------------------|------------------|--------------------------------|
| <b>(a) Ordinary shares</b>                      |                  |                                |
| Ordinary share capital, issued and fully paid   | 58,226           | 55,187                         |
|                                                 | <b>58,226</b>    | 55,187                         |
|                                                 |                  |                                |
|                                                 | Number of shares | \$'000                         |
| <b>(b) Movement in ordinary shares on issue</b> |                  |                                |
| At 1 July 2018                                  | 211,094,439      | 55,187                         |
| Share buyback and cancellation(i)               | (478,872)        | (75)                           |
| Share issue(ii)                                 | 23,500,001       | 3,290                          |
| Share issue costs(ii)                           | -                | (176)                          |
| At 30 June 2019                                 | 234,115,568      | 58,226                         |
|                                                 |                  |                                |
| At 1 July 2017                                  | 124,028,440      | 44,183                         |
| Share issue                                     | 87,065,999       | 11,038                         |
| Share issue costs                               | -                | (34)                           |
| At 30 June 2018                                 | 211,094,439      | 55,187                         |

(i) On 15 November Ava cancelled 478,872 shares bought back at a total of \$75,331 in conjunction with the On Market Buy Back as announced to shareholders on 17 July 2018. The On Market Buy Back concluded on 16 July 2019. No further shares were bought back.

(ii) On 5 June 2019, Ava Risk Group completed a capital raise, issuing 23,500,001 shares at \$0.14 per share, at a value of \$3.290 million.

## 17. Contributed Equity (continued)

### (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.

### (d) Share options

#### Employee share scheme

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

**(i) Options over ordinary shares: The following options to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2019:**

| Number of Options                      |             |                     |                              |                         |                           |                                               |                                           |
|----------------------------------------|-------------|---------------------|------------------------------|-------------------------|---------------------------|-----------------------------------------------|-------------------------------------------|
| Date granted                           | Expiry date | Exercise price (\$) | Balance at start of the year | Granted during the year | Exercised during the year | Forfeited and other movements during the year | Vested and exercisable at end of the year |
| <b>2019</b>                            |             |                     |                              |                         |                           |                                               |                                           |
| 15/03/2015                             | 15/03/2020  | \$0.23              | 1,500,000                    | -                       | -                         | -                                             | 1,500,000                                 |
| 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                             | 31/12/2020  | \$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                                 |
| <b>Total</b>                           |             |                     | <b>11,925,000</b>            | <b>-</b>                | <b>-</b>                  | <b>(1,975,000)</b>                            | <b>9,950,000</b>                          |
| <b>Weighted average exercise price</b> |             |                     | <b>\$0.16</b>                | <b>-</b>                | <b>-</b>                  | <b>\$0.14</b>                                 | <b>\$0.17</b>                             |

600,000 options expired on 3 June 2019 due to the termination of employment of Mark Horton.

1,375,000 options expired on 7 March 2019 due to the termination of employment of Geoffrey Cleaves.

## 17. Contributed Equity (continued)

| Number of Options                      |             |                     |                              |                         |                           |                                               |                                           |
|----------------------------------------|-------------|---------------------|------------------------------|-------------------------|---------------------------|-----------------------------------------------|-------------------------------------------|
| Date granted                           | Expiry date | Exercise price (\$) | Balance at start of the year | Granted during the year | Exercised during the year | Forfeited and other movements during the year | Vested and exercisable at end of the year |
| <b>2018</b>                            |             |                     |                              |                         |                           |                                               |                                           |
| 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                                 |
| <b>Total</b>                           |             |                     | <b>9,110,000</b>             | <b>11,500,000</b>       | <b>-</b>                  | <b>(8,685,000)</b>                            | <b>11,925,000</b>                         |
| <b>Weighted average exercise price</b> |             |                     | <b>\$0.50</b>                | <b>\$0.14</b>           | <b>\$0.00</b>             | <b>\$0.49</b>                                 | <b>\$0.16</b>                             |

\* Share options issued to Canaccord Genuity (Australia) Limited as payment for investor relation services provided for the MaxSec acquisition.

# Share options 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 Risk Group during the financial year 2018. Each option holder received 1 Ava Risk Group option for every 4 MaxSec options held.

### (e) Performance rights

During the financial year 2019, 394,296 performance rights were granted to Key Management Personnel as part of their remuneration package.

| Date granted | Expiry date | Exercise price (\$) | Balance at start of the year | Granted during the year | Forfeited and other movements during the year | Unvested and unexercisable balance at end of the year |
|--------------|-------------|---------------------|------------------------------|-------------------------|-----------------------------------------------|-------------------------------------------------------|
| <b>2019</b>  |             |                     |                              |                         |                                               |                                                       |
| 1/07/2018    | 30/06/2020  | \$0.00              | -                            | 112,972                 | -                                             | 112,972                                               |
| 1/07/2018    | 30/06/2021  | \$0.00              | -                            | 112,972                 | -                                             | 112,972                                               |
| 1/07/2018    | 30/06/2020  | \$0.00              | -                            | 84,176                  | -                                             | 84,176                                                |
| 1/07/2018    | 30/06/2021  | \$0.00              | -                            | 84,176                  | -                                             | 84,176                                                |
| <b>Total</b> |             |                     | <b>-</b>                     | <b>394,296</b>          | <b>-</b>                                      | <b>394,296</b>                                        |

## 17. Contributed Equity (continued)

The Company granted performance rights as part of remuneration to two senior executives, Leigh Davis (CFO) and Robert Broomfield (COO). The fair value was measured at a market price for this remuneration. Fair value of the performance rights for Leigh Davis was \$20,708 and for Robert Broomfield was \$27,792.

The performance rights are split into two equal tranches one of which will vest at 30 June 2020 with the second tranche vesting on 30 June 2021. The vesting conditions are based on continuity of employment.

### (f) 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 2019 and 2018 were as follows:

|                                | 2019   | Consolidated<br>2018 |
|--------------------------------|--------|----------------------|
|                                | \$'000 | \$'000               |
| Total borrowings *             | 4,038  | 4,076                |
| Less cash and cash equivalents | 3,082  | 5,910                |
| Net borrowings / (cash)        | 956    | (1,834)              |
| Total equity                   | 20,244 | 23,547               |
| Total capital                  | 21,200 | 21,713               |
| Gearing ratio                  | 5%     | 0%                   |

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

No changes were made to the objectives, policies, or processes for managing capital during the year ended 30 June 2019.

## 18. Reserves

### Nature and purpose of reserves

#### Share based payment reserve

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

#### Foreign exchange translation reserve

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

#### Other equity reserve

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. Financials 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 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 | Total carrying amount | Weighted average effective interest rate | Fixed / variable rate |
|-----------------------------|------------------|-----------------------|------------------------------------------|-----------------------|
| 30 June 2019                | \$'000           | \$'000                | %                                        |                       |
| <b>(i) Financial assets</b> |                  |                       |                                          |                       |
| Cash                        | 3,082            | 3,082                 | 0.4%                                     | Variable              |
| Total financial assets      | 3,082            | 3,082                 | 0.4%                                     |                       |
| <b>30 June 2018</b>         |                  |                       |                                          |                       |
| <b>(i) Financial assets</b> |                  |                       |                                          |                       |
| Cash                        | 5,910            | 5,910                 | 1.3%                                     | Variable              |
| Total financial assets      | 5,910            | 5,910                 | 1.3%                                     |                       |

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt where possible. At 30 June 2019, the Group had nil borrowings. (2018: nil).

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

The 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.

## 19. Financials risk management objectives and policies (continued)

At 30 June 2019, and at 30 June 2018, 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 |        | Equity         |        |
|---------------------------------------------|-----------------|--------|----------------|--------|
|                                             | Higher/(Lower)  |        | Higher/(Lower) |        |
|                                             | 2019            | 2018   | 2019           | 2018   |
|                                             | \$'000          | \$'000 | \$'000         | \$'000 |
| Consolidated                                |                 |        |                |        |
| + 1/2% (50 basis points)                    | 11              | 21     | 11             | 21     |
| - 1/2% (50 basis points)                    | (11)            | (21)   | (11)           | (21)   |

\* 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.

### 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       |
|-----------------------------|--------------|
| <b>30 June 2019</b>         |              |
| Cash and cash equivalents   | 698          |
| Trade and other receivables | 2,328        |
| Trade and other payables    | (432)        |
| <b>Total exposure</b>       | <b>2,594</b> |
| <b>30 June 2018</b>         |              |
| Cash and cash equivalents   | 449          |
| Trade and other receivables | 2,669        |
| Trade and other payables    | (487)        |
| <b>Total exposure</b>       | <b>2,631</b> |

### (b) 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 | Effect on equity |
|---------------------|------------------|------------------------------------|------------------|
|                     |                  | \$'000                             | \$'000           |
| <b>30 June 2019</b> | 10%              | 188                                | 188              |
|                     | -10%             | (188)                              | (188)            |
| <b>30 June 2018</b> | 10%              | 191                                | 191              |
|                     | -10%             | (191)                              | (191)            |

## 19. Financials risk management objectives and policies (continued)

### (c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables (including contract assets). 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 |              |
|-------------------------------------|--------------|--------------|
|                                     | 2019         | 2018         |
|                                     | \$'000       | \$'000       |
| 12 months or less                   | 4,038        | 4,076        |
| 1-5 years                           | -            | -            |
| Over 5 years                        | -            | -            |
| <b>Total contractual cash flows</b> | <b>4,038</b> | <b>4,076</b> |

### 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 Risk Group and the subsidiaries listed in the following table.

|                                             |                          |                                                         | % Equity Interest |      |
|---------------------------------------------|--------------------------|---------------------------------------------------------|-------------------|------|
| Name                                        | Country of Incorporation | Principal Activity                                      | 2019              | 2018 |
| Parent Entity                               |                          |                                                         |                   |      |
| Ava Risk Group Ltd                          | Australia                | Manufacture and sale of security systems                | 100               | 100  |
| Subsidiaries of Ava Risk Group Ltd          |                          |                                                         |                   |      |
| FFT MENA Pty Ltd                            | Australia                | Holding company                                         | 100               | 100  |
| Future Fibre Technologies (US) Inc.         | USA                      | Sales Support and other services                        | 100               | 100  |
| MaxSec Group Pty Ltd                        | Australia                | Access Control and International<br>valuables logistics | 100               | 90   |
| Subsidiaries of FFT MENA Pty Ltd            |                          |                                                         |                   |      |
| Future Fibre Technologies MENA<br>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 Pty Ltd        |                          |                                                         |                   |      |
| BQT Intelligent Security<br>Systems Pty Ltd | Australia                | Access Control                                          | 60                | 54   |
| 4C Satellites Ltd                           | Australia                | Access Control                                          | 60                | 54   |
| BQT Solutions (Australia) Pty Ltd           | Australia                | Access Control                                          | 100               | 90   |
| BQT Solutions (SEA) Pte Ltd                 | Singapore                | Access Control                                          | 100               | 90   |
| BQT Solutions (UK) Ltd                      | United Kingdom           | Access Control                                          | 100               | 90   |
| Subsidiaries of BQT Solutions (SEA) Pte Ltd |                          |                                                         |                   |      |
| BQT Solutions (NZ) Ltd                      | New Zealand              | Access Control                                          | 100               | 90   |
| Subsidiaries of BQT Solutions (UK) Ltd      |                          |                                                         |                   |      |
| Ava Global DMCC                             | U.A.E                    | Secure international logistics                          | 100               | 90   |
| BQT Solutions America Inc                   | USA                      | Access Control                                          | 100               | 90   |
| Subsidiaries of Ava Global DMCC             |                          |                                                         |                   |      |
| Ava Germany GmbH                            | Germany                  | Secure international logistics                          | 100               | 90   |
| Ava USA Inc                                 | USA                      | Secure international logistics                          | 100               | 90   |

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.

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## 20. Related party disclosure (continued)

### (b) Ultimate parent

Ava Risk Group Ltd 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.

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## 21. Business combinations and acquisition of non-controlling interests

### Acquisition of MaxSec

On 29 November 2017, the Group had acquired 58% of the voting shares of MaxSec and gained control. The acquisition accounting is now final, and no changes were required relative to the provisional acquisition accounting disclosed within the 30 June 2018 financial statements.

In November 2018, the Company acquired the remaining shares in MaxSec through a compulsory acquisition taking total ownership to 100%, for a consideration of \$1.240 million. As such, the non-controlling interest balance was \$nil at 30 June 2019.

Refer to note 13 for the goodwill allocation completed and the acquisition date fair value of the goodwill.

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## 22. Key management personnel

### (a) Compensation for Key Management Personnel

|                                              | 2019             | Consolidated<br>2018 |
|----------------------------------------------|------------------|----------------------|
|                                              | \$               | \$                   |
| Short-term employee benefits                 | <b>1,690,866</b> | 1,387,873            |
| Post-employment and other long-term benefits | <b>97,606</b>    | 97,932               |
| Termination benefits                         | -                | -                    |
| Share-based payments                         | <b>20,153</b>    | -                    |
| Total compensation                           | <b>1,808,625</b> | 1,485,805            |

### (b) Loans to/from Key Management Personnel

There were no loans to directors or key management personnel during the year ending 30 June 2019 (2018: nil).

## 22. 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 Group Asia Pte Ltd, Pierce Asia DWC LLC and Pierce CIM PTE LTD, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of \$425,538 (2018: \$78,089). Accounts Payable balance at 30 June 2019 totals \$1,470 (FY2018: \$51,389). The terms of these arrangements were on an arm's length basis in the normal course of business and includes amounts related to our employee, contractors and administration and general office expenses provided by the related entities for the benefit of the Consolidated Entity.

During FY2018, MaxSec, a company of which Robert Broomfield and Christopher Fergus were directors at the time, prior to acquisition, sold \$34,528 of employee shared services to Ava Risk Group. Ava Risk 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.

#### Key Management Personnel

There were no other transactions with other KMP during the year ended 30 June 2019 (2018: none).

## 23. 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 |        |
|-----------------------------------------------------------------------|--------------|--------|
|                                                                       | 2019         | 2018   |
|                                                                       | \$'000       | \$'000 |
| Expense arising from equity-settled share-based payment transactions: |              |        |
| Corporate services                                                    | 60           | 65     |
| Acquisition of MaxSec                                                 | -            | 392    |
| Performance rights                                                    | 20           | -      |
|                                                                       | 80           | 457    |

### (b) Types of share-based payments

In FY2019, the Company granted performance rights as part of remuneration to two senior executives, Leigh Davis (CFO) and Robert Broomfield (COO). The fair value was based on an option pricing model, using average share prices, for this remuneration.

The performance rights are split into two equal tranches one of which will vest at 30 June 2020 with the second tranche vesting on 30 June 2021. The vesting conditions are based on continuity of employment.

Refer to point (e) for the model inputs relating to the fair value of the performance rights.

In FY2018, the Company granted Canaccord Genunity (Australia) Limited 6,000,000 unlisted share options as payment for investor relation services. The fair value was measured at a market price for those services. The services were provided in both FY2018 and FY2019 and share based expense was recognised in each applicable financial year.

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

At balance date, all of the above granted options had been issued and were fully vested.

## 23. Share-based payments (continued)

### (c) Summary 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:

|                                                    | 2019<br>Number | 2019<br>WAEP | 2018<br>Number | 2018<br>WAEP |
|----------------------------------------------------|----------------|--------------|----------------|--------------|
| Outstanding at the beginning of the year           | 11,925,000     | \$0.50       | 9,110,000      | \$0.50       |
| Granted during the year                            | -              | -            | 11,500,000     | \$0.14       |
| Forfeited during the year                          | -              | -            | (1,200,000)    | \$0.23       |
| Expired during the year                            | -              | -            | (2,410,000)    | \$0.35       |
| Expired during the year                            | -              | -            | (3,400,000)    | \$0.88       |
| Expired during the year                            | -              | -            | (1,675,000)    | \$0.12       |
| Forfeited during the year                          | (1,375,000)    | \$0.10       | -              | -            |
| Forfeited during the year                          | (600,000)      | \$0.23       | -              | -            |
| Outstanding and exercisable at the end of the year | 9,950,000      | \$0.17       | 11,925,000     | \$0.50       |

The weighted average contractual life of the share options outstanding at the end of the year was 1.7 years (2018: 2.5 years). The average share price for the year ended 30 June 2019 was \$0.18 (2018: \$0.13).

### (d) Summaries of performance rights granted

The following table illustrates the number of performance shares held at year end and movements during the financial year 2019:

|                                          | 2019<br>Number | 2018<br>Number |
|------------------------------------------|----------------|----------------|
| Outstanding at the beginning of the year | -              | -              |
| Granted during the year                  | 394,296        | -              |
| Outstanding at the end of the year       | 394,296        | -              |

### (e) Option and performance rights pricing models

The fair value of the equity-settled share options or performance rights 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 or performance rights were granted. The fair value is derived from the Black-Scholes model using the closing share price of Ava Risk 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/performance rights Expiry date, and the option/performance rights exercise prices and quantities as noted above. Historical price volatility was used to estimate expected price volatility, over the expected life of the performance rights.

The model inputs for performance rights granted during the year ended 30 June 2019, in respect of remuneration included:

|                                                    |           |           |           |           |
|----------------------------------------------------|-----------|-----------|-----------|-----------|
| Number of performance rights granted               | 112,972   | 112,972   | 84,176    | 84,176    |
| Fair value of performance rights granted           | \$13,896  | \$13,896  | \$10,354  | \$10,354  |
| Exercise price:                                    | \$ -      | \$ -      | \$ -      | \$ -      |
| Grant date:                                        | 1-Jul-18  | 1-Jul-18  | 1-Jul-18  | 1-Jul-18  |
| Expiry date:                                       | 30-Jun-20 | 30-Jun-21 | 30-Jun-20 | 30-Jun-21 |
| Share price at grant date:                         | \$0.115   | \$0.115   | \$0.115   | \$0.115   |
| Expected price volatility of the Company's shares: | 92.3%     | 92.3%     | 92.3%     | 92.3%     |
| Expected dividend yield:                           | 0%        | 0%        | 0%        | 0%        |
| Risk-free interest rate:                           | 0.99%     | 0.99%     | 0.99%     | 0.99%     |

There were no share options issued in financial year 2019.

## 24. Commitments

### 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 |            |
|---------------------------------------------|--------------|------------|
|                                             | 2019         | 2018       |
|                                             | \$'000       | \$'000     |
| Within one year                             | 399          | 311        |
| After one year but not more than five years | 347          | 469        |
| After more than five years                  | -            | 146        |
| <b>Total minimum lease payments</b>         | <b>746</b>   | <b>926</b> |

#### 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.

|                                             | Consolidated |        |
|---------------------------------------------|--------------|--------|
|                                             | 2019         | 2018   |
|                                             | \$'000       | \$'000 |
| Within one year                             | 11           | 16     |
| After one year but not more than five years | 9            | 20     |
| After more than five years                  | -            | -      |
| Total minimum lease payments                | 20           | 36     |
| Less amounts representing finance charges   | -            | -      |
| Present value of minimum lease payments     | 20           | 36     |
| Current liability                           | 11           | 16     |
| Non-current liability                       | 9            | 20     |
| Total                                       | 20           | 36     |

## 25. 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 or 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 2019 (2018: None).

## 26. Events after the balance sheet date

There has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- a) the operations, in financial years subsequent to 30 June 2019, of the Consolidated Entity, or
- b) the results of those operations, or
- c) the state of affairs, in financial years subsequent to 30 June 2019, of the Consolidated Entity.

## 27. Parent Entity Information

### (a) Summary financial information

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

| <b>Ava Risk Group Limited:<br/>Summarised statement of financial position</b> | <b>2019<br/>\$'000</b> | <b>2018<br/>\$'000</b> |
|-------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Assets</b>                                                                 |                        |                        |
| Current assets                                                                | <b>10,107</b>          | 12,212                 |
| Non-current assets                                                            | <b>19,287</b>          | 17,676                 |
| <b>Total assets</b>                                                           | <b>29,394</b>          | 29,888                 |
| <b>Liabilities</b>                                                            |                        |                        |
| Current liabilities                                                           | <b>3,125</b>           | 7,958                  |
| Non-current liabilities                                                       | <b>45</b>              | 33                     |
| Total liabilities                                                             | <b>3,170</b>           | 7,991                  |
| <b>Net assets</b>                                                             | <b>26,224</b>          | 21,897                 |
| <b>Equity</b>                                                                 |                        |                        |
| Contributed capital                                                           | <b>58,226</b>          | 55,187                 |
| Share-based payment reserve                                                   | <b>1,009</b>           | 929                    |
| Accumulated losses                                                            | <b>(33,011)</b>        | (34,219)               |
| <b>Total equity</b>                                                           | <b>26,224</b>          | 21,897                 |

## 27. Parent Entity Information (continued)

| <b>Ava Risk Group Limited:<br/>Summarised statement of comprehensive income</b> | <b>2019<br/>\$'000</b> | <b>2018<br/>\$'000</b> |
|---------------------------------------------------------------------------------|------------------------|------------------------|
| Profit/(loss) for the year                                                      | <b>1,208</b>           | (6,435)                |
| Other comprehensive income for the year                                         | -                      | -                      |
| <b>Total comprehensive income of the parent entity</b>                          | <b>1,208</b>           | (6,435)                |

### (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 2019 or 30 June 2018. 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 2019, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2018: None).

## 28. Auditor's remuneration

The auditor of Ava Risk Group is for the year ended 30 June 2019 was Ernst & Young.

|                                                                             | <b>2019</b>    | <b>Consolidated<br/>2018</b> |
|-----------------------------------------------------------------------------|----------------|------------------------------|
|                                                                             | <b>\$</b>      | <b>\$</b>                    |
| <b>Amounts received or due and receivable by the company's auditor for:</b> |                |                              |
| - Audit and review of the financial statements                              | <b>208,500</b> | 315,300                      |
| - Tax compliance and tax advice services                                    | <b>111,000</b> | 97,000                       |
| - Assurance related services                                                | -              | 33,000                       |
|                                                                             | <b>319,500</b> | 445,300                      |

|                                                                                             | <b>2019</b>   | <b>Consolidated<br/>2018</b> |
|---------------------------------------------------------------------------------------------|---------------|------------------------------|
|                                                                                             | <b>\$</b>     | <b>\$</b>                    |
| <b>Amounts received or due and receivable by foreign entities of Ernst &amp; Young for:</b> |               |                              |
| - Audit and review of the financial statements                                              | <b>21,500</b> | 21,500                       |
|                                                                                             | <b>21,500</b> | 21,500                       |

# 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 2019 and of their performance for the year ended on that date; and

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

(iii) also comply with International Financial Reporting Standards as stated in Note 1.1 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 2019.

On behalf of the Board



**David Cronin**

Chairman

Melbourne, 30 August 2019

## 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 2019, 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 2019 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.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates the Group incurred an operating loss of \$4.7 million for the year and had cash reserves of \$3.1 million at 30 June 2019. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our opinion is not modified in respect of this matter.

## 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. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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.

### 1. Carrying value of property, plant and equipment (PPE) and intangible assets (including goodwill)

#### Why significant

PPE totaling \$0.85 million, intangible assets totaling \$7.4 million and goodwill totaling \$5.3 million represent significant balances recorded on the consolidated statement of financial position, relative to total assets.

The Group has four identifiable cash generating units ("CGUs"):

- ▶ Perimeter Security
- ▶ Access control solutions - readers
- ▶ Access control solutions - locks
- ▶ International valuable logistics.

The recoverability of PPE and intangible assets (including goodwill) is contingent on future cash flows which are established using significant judgements including revenue growth and profit margin. There is a risk, if these cash flows do not meet the Group's expectations, that the assets may be impaired.

In line with AASB 136 *Impairment of Assets*, the Group performed the annual impairment test using a value in use discounted cash flow model for each CGU that includes goodwill. Additionally, as indicators of impairment were identified by the Group in the CGUs with no goodwill, an impairment assessment was performed for all four CGUs.

#### How our audit addressed the key audit matter

The audit procedures we performed included the following:

We evaluated the Group's assessment of impairment indicators and identification of CGUs.

We obtained the Group's discounted cash flow ("DCF") impairment models for the four CGUs and evaluated the assumptions and methodologies used with the involvement of our valuation specialists.

Specifically, in respect of the Group's DCF impairment models for each CGU we:

- ▶ Agreed the underlying cash flow projections to Board approved forecasts;
- ▶ Tested the mathematical accuracy;
- ▶ Compared revenue growth and profit margins to historically 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 in line with historical levels and current business strategy;
- ▶ 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.

Our assessment of the Group's impairment test performed 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 and the associated account balances are significant to the overall financial statements.

The Group's disclosures are included in Note 13 of the consolidated financial report which specifically explain the key operating assumptions used.

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 PPE 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 the revenue growth assumption 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 PPE, intangible assets (including goodwill).

## 2. Revenue recognition

### Why significant

The Group adopted AASB 15 *Revenue from contracts with customers* ("AASB 15") effective 1 July 2018, adopting the modified retrospective method.

The Group's contracts with customers for the sale of equipment is one performance obligation. When there is more than one performance obligation in the contract, revenue is allocated to each performance obligation on the basis of relative standalone selling prices.

Revenue from the sale of equipment is recognised at a point in time, dependent on shipping terms. Revenue from rendered services including installation services and extended warranties are recognised over time.

Logistics services revenue is recognised over time as the customer simultaneously receives and consumes the benefit as the Group performs the service.

Judgement is involved in determining whether the criteria for revenue recognition have been met and that revenue is recognised in the correct period.

Revenue recognition was considered a key audit matter due to the quantum of sales transactions that occurred around balance sheet date.

The Group's accounting policy disclosures in respect of revenue recognition are included in Note 1 of the consolidated financial report.

### How our audit addressed the key audit matter

The audit procedures we performed included the following:

- ▶ We obtained management's assessment in relation to the transition to AASB 15 and tested a sample of customer contracts to determine the appropriateness of the Group's revenue recognition accounting policies relating to the requirements of AASB 15.
- ▶ We tested the key controls in place to ensure product sales were appropriately recognised in accordance with the Group's revenue recognition policy.
- ▶ We tested the amount of product sales and allocation of service-based revenue for a sample of revenue transactions during the year, by agreeing to sales contracts, delivery documentation and receipts from customers.
- ▶ We assessed a sample of post year end credit notes and considered whether these related to product sales or service-based revenue recognised in the 2019 financial year.
- ▶ Our procedures included selecting a sample of sales transactions recorded both prior to and subsequent to balance sheet date to assess whether product sales or service-based revenue were recognised in the appropriate period.
- ▶ We also assessed the adequacy of the Group's revenue disclosures in the consolidated financial report.

## 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 2019 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 27 to 39 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Ava Risk Group Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.



**Building a better  
working world**

## **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  
30 August 2019

# Shareholder Information

## Distribution of equity securities (as at 15 August 2019)

### Ordinary share capital

234,115,568 fully paid ordinary shares are held by 999 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            | 250               | 93,454               | 0.04%               |
| 1,001 - 5,000        | 235               | 677,289              | 0.29%               |
| 5,001 - 10,000       | 124               | 991,217              | 0.42%               |
| 10,001 - 100,000     | 256               | 8,942,705            | 3.82%               |
| 100,001 and over     | 134               | 223,410,903          | 95.43%              |
| <b>Total</b>         | <b>999</b>        | <b>234,115,568</b>   | <b>100.00%</b>      |

The number of shareholders holding less than a marketable parcel of 3,704 shares (based on the share price of \$0.135 on 15 August 2019) is 416 and they hold 461,524 shares.

## Substantial shareholders (as at 15 August 2019)

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

| Name Of Shareholder         | Fully Paid Ordinary Shares |                     |
|-----------------------------|----------------------------|---------------------|
|                             | Number Of Shares           | % Of Issued Capital |
| PANDON HOLDINGS PTE LIMITED | 32,270,536                 | 13.78%              |
| RSA ASSOCIATES LTD          | 27,000,000                 | 11.53%              |
|                             | 59,270,536                 | 25.31%              |

## Twenty largest shareholders (as at 15 August 2019)

| Rank | Name of Shareholder                                          | Number of shares   | % of issued capital |
|------|--------------------------------------------------------------|--------------------|---------------------|
| 1    | BELL POTTER NOMINEES LTD <BB NOMINEES A/C>                   | 28,537,727         | 12.19%              |
| 2    | RSA ASSOCIATES LTD                                           | 27,000,000         | 11.53%              |
| 3    | CITICORP NOMINEES PTY LIMITED                                | 22,118,475         | 9.45%               |
| 4    | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                    | 12,925,039         | 5.52%               |
| 5    | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                    | 12,726,200         | 5.44%               |
| 6    | BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>     | 9,932,234          | 4.24%               |
| 7    | DIXSON TRUST PTY LIMITED                                     | 7,339,998          | 3.14%               |
| 8    | VALWREN PTY LIMITED <WFIT A/C>                               | 5,600,000          | 2.39%               |
| 9    | VALWREN PTY LIMITED <SANDY FAMILY INVESTMENT A/C>            | 5,600,000          | 2.39%               |
| 10   | NATIONAL NOMINEES LIMITED                                    | 4,856,077          | 2.07%               |
| 11   | PANDON HOLDINGS PTE LIMITED                                  | 4,850,000          | 2.07%               |
| 12   | MR DAVID MALCOLM SOUTH                                       | 4,250,000          | 1.82%               |
| 13   | CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 4,127,782          | 1.76%               |
| 14   | CARRIER INTERNATIONAL PTY LIMITED <SUPER FUND A/C>           | 3,706,115          | 1.58%               |
| 15   | MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>           | 3,500,000          | 1.49%               |
| 16   | CHERYL LEE TAPANES                                           | 3,000,000          | 1.28%               |
| 17   | MR CHRISTOPHER FERGUS                                        | 3,000,000          | 1.28%               |
| 18   | BFA SUPER PTY LTD <GDN SUPER FUND A/C>                       | 2,978,384          | 1.27%               |
| 19   | MR ROBERT BROOMFIELD                                         | 2,525,637          | 1.08%               |
| 20   | CHAG PTY LTD                                                 | 2,500,000          | 1.04%               |
|      |                                                              | <b>171,073,668</b> | <b>73.03%</b>       |

## Voting Rights

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

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