AVA RISK GROUP LTD
ABN 67 064 089 318
AND CONTROLLED ENTITIES

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2019.

Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2019

Name of entity. Ava Risk Group Limited

ABN or equivalent company reference: 67 064 089 318

1. Reporting period

Report for the half year ended: 31 December 2019

Previous corresponding periods: Financial year ended 30 June 2019
Half- year ended 31 December 2018

2. Results for announcement to the market

Revenues from ordinary activities *(item 2.1)*	up/~~down~~	23%	to	20,446,000
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	up/~~down~~	136%	to	942,000
Net profit (loss) for the period attributable to members *(item 2.3)*	up/~~down~~	136%	to	942,000

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	Nil ¢	Nil ¢
Final dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividend *(item 2.5)*	Not applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*:

3. Net tangible assets per security *(item 3)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	3.5 cents	3.5 cents

4. Details of entities over which control has been gained or lost during the period: *(item 4)*

Control gained over entities

Name of entities *(item 4.1)*	Not applicable
Date(s) of gain of control *(item 4.2)*	Not applicable
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired *(item 4.3)*	$ Nil
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 4.3)*	$ Nil

Loss of control of entities

Name of entities *(item 4.1)*	Not applicable
Date(s) of loss of control *(item 4.2)*	Not applicable
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost *(item 4.3).*	$ Nil
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 4.3)*	$ Nil

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2020	N/A	$ Nil
Final dividend year ended 30 June 2020	N/A	$ Nil

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend:	Current year	Nil ¢	Nil ¢	Nil ¢
	Previous year	Nil ¢	Nil ¢	Nil ¢

Total dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Ordinary securities *(each class separately)*	Nil	Nil
Preference securities *(each class separately)*	Nil	Nil
Other equity instruments *(each class separately)*	Nil	Nil
Total	Nil	Nil

6. Details of dividend or distribution reinvestment plans in operation are described below *(item 6)*:

N/A

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

7. Details of associates and joint venture entities *(item 7)*

Name of associate or joint venture entity	%Securities held
N/A	N/A

Aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2019 $	2018 $
Profit (loss) from ordinary activities before tax		
Income tax on ordinary activities		
Net profit (loss) from ordinary activities after tax		
Adjustments		
Share of net profit (loss) of associates and joint venture entities		

8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).

9. Independent review of the financial report *(item 9)*

(Select appropriate option)

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

10. Matters relating to a qualified independent review statement

A description of the dispute or qualification in respect of the independent review of the half-year financial report is provided below *(item 9)*

N/A

Ava Risk Group Limited

(A.C.N. 064 089 318)

and controlled entities

CONDENSED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

This half-year condensed financial report is to be read in conjunction with the financial report for the year ended 30 June 2019

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The directors present their report together with the condensed financial report of the consolidated entity consisting of Ava Risk Group Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2019 and independent review report thereon. This financial report has been prepared in accordance with *AASB 134 Interim Financial Reporting*.

Directors' Names

The names of the directors in office at any time during or since the end of the half-year are:

Name	Period of Directorship
D Cronin (Chairman)	Appointed 10 April 2018
M Stevens (Non-Executive Director)	Appointed 11 March 2015
M McGeever (Non-Executive Director)	Appointed 8 August 2018
R Broomfield (Executive Director)	Appointed 27 February 2008
S Basham (Executive Director)	Appointed 12 March 2019

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

Review of operations

Highlights

- Revenue from ordinary activities of $20.446 million for the 6 months to 31 December 2019 (HY2020):
    - 23% increase on HY2019 ($16.689 million)
    - Includes Indian MOD revenue of $1.343 million
    - 31 December 2019 sales orders backlog of $16.7 million, inclusive of the Indian MOD project

- Gross margin of 49% (HY2019: 41%) as a result of the contribution in FY2020 from the high margin Indian MOD project.

- Operating expenses excluding depreciation, amortisation and interest of $7.811 million (HY2019 $8.638 million) due to:
    - Positive impact of operating cost reductions

- Net profit from ordinary activities of $0.942 million – an improvement on HY2019 loss of $2.655 million. This was driven by
    - Commencement of the Indian MOD project, contributing $1.343 million of revenue and gross margin
    - Growth in underlying business sales
    - Reductions in operating costs across the business

- The balance sheet has net assets of $21.470 million (FY2019 $20.244 million) with no external debts or borrowings.

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).

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 review for the half-year is provided with this report.

This report is made in accordance with a resolution of directors.

David Cronin
Chairman
24 February 2020

Building a better working world

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

As lead auditor for the review of Ava Risk Group Limited for the half-year ended 31 December 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 review*;* and

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

This declaration is in respect of Ava Risk Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

RBembridge

Richard Bembridge
Partner
24 February 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER

	Note	Consolidated 31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue and other income			
Revenue from contracts with customers	4	**20,446**	16,689
Other income	4	**9**	13
		20,455	**16,702**
Less: Expenses			
Cost of raw materials and consumables used		**(10,457)**	(9,801)
Employee benefit expenses		**(5,084)**	(5,567)
Research and development		**(439)**	(340)
Advertising and marketing		**(104)**	(231)
Travel and entertainment		**(462)**	(620)
Facilities and office		**(344)**	(548)
Compliance, legal, and administration		**(576)**	(664)
Provision for impairment of receivables		**(94)**	(89)
Depreciation and amortisation expenses		**(1,218)**	(918)
Finance costs		**(27)**	-
Foreign exchange gains/(losses)		**(291)**	(9)
Other expenses		**(417)**	(570)
		(19,513)	(19,357)
Profit/(Loss) for the half-year before income tax		942	(2,655)
Income tax (expense)/benefit		-	-
Profit/(Loss) for the half-year		942	(2,655)
Profit/(Loss) for the half-year attributable to:			
Equity holders of the parent company		**942**	(2,646)
Non-controlling interest		**-**	(9)
		942	**(2,655)**
Other comprehensive income for the half-year, net of tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations, net of tax		**260**	458
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)
Total other comprehensive income/(loss) for the half-year		**260**	**365**
Total comprehensive income/(loss) for the half-year		**1,202**	**(2,290)**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent company		**1,202**	(2,188)
Non-controlling interests		**-**	(102)
		1,202	**(2,290)**
Profit/(Loss) per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share		**0.40**	(1.26)
Diluted earnings/(loss) per share		**0.39**	(1.26)
		Cents	Cents

The accompanying notes form part of these condensed consolidated financial statements.

	Note	Consolidated 31 Dec 2019 $'000	 30 Jun 2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**3,124**	3,082
Receivables		**7,512**	4,974
Inventories		**4,305**	4,492
Other current assets		**486**	389
Total Current Assets		**15,427**	12,937
Non-Current Assets			
Plant and equipment		**729**	846
Intangible assets		**12,303**	12,713
Right of use assets	2	**819**	-
Other non-current assets		**17**	21
Total Non-Current Assets		**13,868**	13,580
TOTAL ASSETS		**29,295**	26,517
LIABILITIES			
Current Liabilities			
Payables		**4,804**	4,038
Lease liabilities	2	**303**	-
Contract liabilities		**441**	452
Provisions		**1,218**	1,456
Total Current Liabilities		**6,766**	5,946
Non-Current Liabilities			
Provisions		**39**	59
Lease liabilities	2	**585**	-
Contract liabilities		**435**	268
Total Non-Current Liabilities		**1,059**	327
TOTAL LIABILITIES		**7,825**	6,273
NET ASSETS		**21,470**	20,244
EQUITY			
Contributed equity	8	**58,226**	58,226
Accumulated losses		**(34,635)**	(35,520)
Reserves		**(2,121)**	(2,462)
Equity attributable to owners of the parent		**21,470**	20,244
Non-controlling interest		**-**	-
TOTAL EQUITY		**21,470**	20,244

The accompanying notes form part of these condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital $'000	Share based payment Reserve $'000	Foreign Exchange Translation Reserve $'000	Other Equity Reserves $'000	Accumulated Losses $'000	Total attributable to owners of parent $'000	Non-controlling interest $'000	Total Equity $'000
At 1 July 2019	**58,226**	**1,014**	**(429)**	**(3,047)**	**(35,520)**	**20,244**	**-**	**20,244**
Effect of adoption of new accounting standards (Note 2c)	-	-	-	-	(57)	(57)	-	(57)
At 1 July 2019 (restated)	**58,226**	**1,014**	**(429)**	**(3,047)**	**(35,577)**	**20,187**	**-**	**20,187**
Profit for the year	-	-	-	-	942	**942**	-	**942**
Other comprehensive income/(loss)	-	-	260	-	-	**260**	-	**260**
Total comprehensive income for the half-year	**-**	**-**	**260**	**-**	**942**	**1,202**	**-**	**1,202**
Transactions with owners in their capacity as owners								
Share-based payments	-	81	-	-	-	**81**	-	**81**
Total transactions with owners in their capacity as owners	-	81	-	-	-	**81**	-	**81**
Balance at 31 December 2019	**58,226**	**1,095**	**(169)**	**(3,047)**	**(34,635)**	**21,470**	**-**	**21,470**
At 1 July 2018	**55,187**	**934**	**(135)**	**(2,083)**	**(30,800)**	**23,103**	**444**	**23,547**
Loss for the year	-	-	-	-	(2,646)	**(2,646)**	(9)	**(2,655)**
Other comprehensive income/(loss)	-	-	458	-	-	**458**	(93)	**365**
Total comprehensive income for the half-year	**-**	**-**	**458**	**-**	**(2,646)**	**(2,188)**	**(102)**	**(2,290)**
Transactions with owners in their capacity as owners								
Compulsory acquisition	-	-	-	(916)	-	**(916)**	(324)	**(1,240)**
Share-based payments	-	30	-	-	-	**30**	-	**30**
Share buy-back	(75)	-	-	(48)	-	**(123)**	(18)	**(141)**
Total transactions with owners in their capacity as owners	(75)	30	-	(964)	-	**(1,009)**	(342)	**(1,351)**
Balance at 31 December 2018	**55,112**	**964**	**323**	**(3,047)**	**(33,446)**	**19,906**	**-**	**19,906**

The accompanying notes form part of these condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR 31 DECEMBER

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Cash flow from operating activities			
Receipts from customers		**17,904**	16,765
Payments to suppliers and employees		**(17,199)**	(17,311)
Interest received		**6**	11
Net cash flows from/(used in) operating activities		**711**	(535)
Cash flow from investing activities			
Payment for intangible assets		**(454)**	(573)
Payment for plant and equipment		**(19)**	(278)
Payment for investment in MaxSec		**-**	(1,240)
Net cash flows from/(used in) investing activities		**(473)**	(2,091)
Cash flow from financing activities			
Share buy-back in MaxSec		**-**	(66)
Share buy-back in Ava Risk Group		**-**	(75)
Payment of lease liabilities		**(169)**	-
Net cash flows from/(used in) financing activities		**(169)**	(141)
Net increase/(decrease) in cash and cash equivalents		**69**	(2,767)
Net foreign exchange differences on cash		**(27)**	(49)
Cash and cash equivalents at beginning of year		**3,082**	5,910
Cash and cash equivalents at end of year	7	**3,124**	3,094

The accompanying notes form part of these condensed consolidated financial statements.

1. Corporate information

The consolidated financial statements of Ava Risk Group Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 24 February 2020. Ava Risk Group Limited (the parent) is a limited company incorporated and domiciled in Australia and whose shares are publicly traded. The registered office is located at 10 Hartnett Close, Mulgrave, Victoria 3170, Australia.

The Group is principally engaged in

- the provision of security technology products for perimeter intrusion detection solutions;
- the provision of security access control products; and
- the provision of international valuable logistics services.

2. Basis of preparation and changes to the Group's accounting policies Report

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*.

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Ava Risk Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2019 and the corresponding half-year with the exception of *AASB 16 Leases*. As required by AASB 134, the nature and effect of those changes are disclosed below.

(b) Addition to the Group's accounting policies

AASB 15 *Revenue from Contracts with Customers*

The Group have generated income from a new revenue stream, licensing fees, in the half-year 31 December 2019, within the Perimeter Security segment. Revenue is recognised at a point in time when licence activation is available to the customer. This corresponds with the point that the customer can direct the use of, and obtain substantially, all of the remaining benefits from the licence at the point in time at which the licence transfers.

(c) Changes to the Group's accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 16 *Leases*. As required by AASB 134, the nature and effect of these changes are disclosed below.

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

AASB 16 Leases

AASB 16 *Leases* supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease,* AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group applies for the first time, AASB 16 *Leases,* electing the modified retrospective approach. As such, the cumulative effect of initial application is recognised in retained earnings at 1 July 2019.

The effect of adopting AASB 16 is, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 July 2019

	$000
Assets	
Right-of-use assets	945
Total assets	945
Liabilities	
Lease liabilities	1,002
Total liabilities	1,002
Equity	
Accumulated losses	(57)
Total equity	(57)

Nature of the effect of adoption of AASB 16 Leases
The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as operating expenses in the statement of comprehensive income on a straight-line basis over the lease term.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

There were no leases previously classified as finance leases in the current or prior reporting period therefore there were no reclassification.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Applied the exemption to not recognise right of use assets and lease liabilities for leases of low value (underlying asset value of $10,000 or less) and do not contain a purchase option
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$000
Operating lease commitments as at 30 June 2019	746
Less:	
Commitments relating to short-term leases	(8)
Commitments relating to leases of low-value assets	(68)
Incremental borrowing rate as at 1 July 2019	6.34%
Discounted operating lease commitments at 1 July 2019	546
Add:	
Payments in optional extension periods not recognised as at 30 June 2019	456
Lease liabilities as at 1 July 2019	1,002

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease

incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office space and storage locations (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $10,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to four years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			
	Office Space & IT Equipment	**Motor Vehicles**	**Total**	**Lease liabilities**
	$000	**$000**	**$000**	**$000**
As at 1 July 2019	925	20	945	1,002
Additions	-	28	28	28
Depreciation expense	(146)	(8)	(154)	-
Interest expense	-	-	-	27
Payments	-	-	-	(169)
As at 31 December 2019	**779**	**40**	**819**	**888**

Impact on the statement of profit or loss (increase/(decrease)) for the six months ended 31 December 2019:

	$000
Increase in depreciation expense	(154)
Decrease in rental, car lease and IT equipment expenses	169
Increase in finance costs	(27)
Decrease in profit before tax	**(12)**

There is no material impact to basic or diluted EPS.

Impact on the statement of cash flows (increase/(decrease)) for the six months ended 31 December 2019:

	$000
Net cash flows from operating activities	169
Net cash flows from financing activities	(169)

(d) Going concern

The financial statements have been prepared on the 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.

For the period ended 31 December 2019, the Group recorded a net profit after tax of $0.942 million. The Group has a net asset position of $21.470 million at reporting date inclusive of cash reserves of $3.124 million with no external debt 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 if or when required. These factors indicate the existence of uncertainty which may cast doubt on the Group's ability to continue as a going concern.

At 31 December 2019, the Group has breached a capital ratio covenant in respect of its undrawn overdraft credit facility. Management is in the process of renegotiating the terms of the facility with the bank but has no expectation the facility will be required to be drawn during the next 12 months based on financial forecasts, including cash flow forecasts, that Management has prepared.

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.

(e) Rounding 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).

(f) 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 and indefinite lived intangibles are tested for impairment on at least an annual basis. Impairment triggers include market capitalisation deficiency relative to net assets, 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, in which case it is tested as part of the cash generating unit (CGU) to which it belongs. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
An assessment is made each reporting period to determine whether there is an indicator of impairment.

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 three identifiable CGUs:

- Perimeter security
- Access control solutions
- International valuable logistics

None of the CGUs had indicators of impairment and hence were not tested for impairment. No impairments were recognised for the period (2019: nil).

(ii) Capitalisation of development costs

Judgement is required where expenditure meets the definition of development.

(iii) Amortisation of intangible assets

Judgement is required to assess the useful economic life of intangible assets. Intangible assets, including capitalised development costs that have a finite life 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.

3. Related party transactions

The Consolidated Entity purchased consulting services from Pierce Group Asia Pte Ltd a related entity through Chairman and Non-Executive Director, David Cronin, for an amount of $151,616 (HY2019: $72,861). Accounts payable balance at 31 December 2019 totals $43,559 (HY2019: $4,900). The terms of these arrangements were on an arm's length basis in the normal course of business.

With the exception of the above, there have been no other related party transactions other than those between the Company and its subsidiaries during the half year ended 31 December 2019.

4. Revenue and other income

	Consolidated	
	31 Dec 2019	**31 Dec 2018**
	$'000	$'000
Revenue from contracts with customers		
Revenue from sales of goods	**8,971**	7,519
Revenue from licence fees	**1,343**	-
Revenue from provision of services*	**10,132**	9,170
Total revenue from contracts with customers	**20,446**	16,689
Other income		
Interest	**6**	11
Other Income	**3**	2
Total other income	**9**	13
Total Revenues and other income	**20,455**	16,702

	Consolidated	
	31 Dec 2019	**31 Dec 2018**
	$'000	$'000
Timing of revenue recognition		
Goods transferred at a point in time	**10,314**	7,519
Services transferred over time*	**10,132**	9,170
Total revenue from contracts with customers	**20,446**	16,689

* Includes services revenues from Technology Division as well as Services Division.

5. 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

Management have considered the geographical entity-wide disclosures required as per AASB 8 *Operating Segments.*

Segment information for the reporting period is as follows:

31 Dec 2019	**Perimeter Security $'000**	**Access Control Solutions $'000**	**International Valuable Logistics $'000**	**Eliminations $'000**	**Total $'000**
Revenue and other income					
External customers	9,233	2,039	9,174	-	20,446
Interest Income	54	6	-	(54)	6
Other income	3	-	-	-	3
Intersegment revenue	519	-	-	(519)	-
Segment revenue and other income	**9,809**	**2,045**	**9,174**	**(573)**	**20,455**
EBITDA	**1,941**	**(164)**	**404**	**-**	2,181
Depreciation and amortisation expenses	(525)	(394)	(299)	-	(1,218)
Finance costs	(20)	(59)	(2)	54	(27)
Income tax	-	-	-	-	-
Segment operating profit/(loss)	**1,450**	**(611)**	**103**	**-**	942

31 Dec 2018	Perimeter Security $'000	Access Control Solutions $'000	International Valuable Logistics $'000	Eliminations $'000	Total $'000
Revenue and other income					
External customers	5,406	2,810	8,473	-	16,689
Interest Income	10	1	-	-	11
Other revenue	2	-	-	-	2
Intersegment revenue	953	22	-	(975)	-
Segment revenue and other income	**6,371**	**2,833**	**8,473**	**(975)**	**16,702**
EBITDA	**(1,216)**	**(431)**	**(101)**	**-**	**(1,748)**
Depreciation and amortisation expenses	(354)	(311)	(253)	-	(918)
Finance costs	-	-	-	-	-
Income Tax	-	-	-	-	-
Segment operating profit/(loss)	**(1,560)**	**(741)**	**(354)**	**-**	**(2,655)**

Inter-segment revenues are eliminated upon consolidation and reflected in the 'eliminations' column.

Geographic information

	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue		
Australia	1,952	1,226
APAC (excluding Australia)	789	1,056
Europe	8,506	7,686
India	2,385	1,182
MENA	1,356	1,069
United States of America	5,160	3,749
Rest of world	298	721
Total external revenue by region	**20,446**	**16,689**

In the half-year ended 31 December 2019, there were no customers that generated revenues of 10% or more for the Group. (HY2019, two customers, $5.458 million, International Valuable Logistics division).

Non-current operating assets	31 Dec 2019 $'000	30 Jun 2019 $'000
Australia	6,527	5,894
United Arab Emirates	5,614	5,871
Rest of world	1,030	998
Total non-current assets by region	**13,171**	**12,763**

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

Customer contracts of $680k (FY2019: $796k) have been excluded from the geographical split as the asset is composed of customers from Australia and a variety of geographical regions.

Reconciliation of non-current assets	31 Dec 2019 $'000	30 Jun 2019 $'000
Non-current operating assets	13,171	12,763
Customer contracts intangible assets	680	796
Other non-current assets	17	21
Total non-current assets	**13,868**	**13,580**

6. Dividends

There have been no dividends declared or paid during the half year ended 31 December 2019 (HY2019: $nil).

7. Cash and cash equivalents

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$'000	$'000
Cash at bank and on hand	**3,124**	**3,082**
	3,124	**3,082**

8. Contributed equity

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$'000	$'000
(a) Ordinary shares		
Ordinary share capital, issued and fully paid	**58,226**	58,226
	58,226	58,226

	Number of shares	**$'000**
(b) Movement in ordinary shares on issue		
At 1 July 2019	234,115,568	58,226
At 31 December 2019	234,115,568	58,226
At 1 July 2018	211,094,439	55,187
Share buyback and cancellation	(478,872)	(75)
Share issue	23,500,001	3,290
Share issue costs	-	(176)
At 30 June 2019	234,115,568	58,226

9. Contingencies

There are no changes to the contingent liabilities disclosed in the 30 June 2019 financial statements**.**

10. Share-based payments

	Consolidated	
	31 Dec 2019	31 Dec 2018
	$'000	$'000
Expense arising from equity-settled share-based payment transactions:		
Corporate services[(i)]	**-**	30
Performance rights	**81**	-
	81	30

[(i)] On 14 March 2018, the Company granted Canaccord Genuity (Australia) Limited 6,000,000 unlisted share options as payment for investor relation services provided for the MaxSec acquisition. The fair value was measured at a market price for those services.

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

In FY2019, the Company granted performance rights as part of remuneration to two senior executives, Leigh Davis (CFO) and Robert Broomfield (COO). 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.

During the half-year ended 31 December 2019, the Company granted performance rights as part of remuneration to Non-executive Directors, senior executives and key employees. The vesting conditions of the performance rights are based on key performance metrics and objectives being met. With the exception of the Non-executive Directors, the fair value of the performance rights was based on a Black Scholes option pricing model. The fair value of the performance rights for Non-executive directors were calculated using a binomial model.

- Non-executive Directors were issued 600,000 performance rights, following approval of the shareholders at the Company's Annual General Meeting (AGM) on 31 October 2019. The performance rights have a share price target of $0.22 with a vesting date of 1 September 2020. The fair value of the performance rights were calculated using a binomial model.
- Executive Directors, Scott Basham and Robert Broomfield, were issued performance rights of 334,958 and 344,378 respectively, following approval of the shareholders at the AGM on 31 October 2019. The performance rights have a nil exercise price and are split into two tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.
- Senior management were issued a total of 904,866 performance rights. The performance rights have a nil exercise price and are split into two tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.
- Other key employees were issued a total of 1,090,134 performance rights. The performance rights have a nil exercise price and are split into two tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.

Performance rights held

Date Granted	Expiry Date	Exercise Price ($)	Balance at start of the period	Granted during the period	Forfeited and other movements during the period	Unvested and unexercisable balance at end of the period
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
23/09/2019	31/08/2021	$0.00	-	528,559	-	528,559
23/09/2019	31/08/2022	$0.00	-	528,560	-	528,560
28/10/2019	31/08/2021	$0.00	-	468,939	-	468,939
28/10/2019	31/08/2022	$0.00	-	468,942	-	468,942
31/10/2019	31/08/2021	$0.00	-	339,668	-	339,668
31/10/2019	31/08/2022	$0.00	-	339,668	-	339,668
31/10/2019	30/06/2020	$0.00	-	600,000	-	600,000
Total			**394,296**	**3,274,336**	**-**	**3,668,632**

Share options held

	31 Dec 2019 Number	31 Dec 2018 Number
Outstanding at the beginning of the period	10,075,000	11,925,000
Forfeited during the period	-	-
Outstanding and exercisable at the end of the period	**10,075,000**	11,925,000
Weighted average exercise price	$0.17	$0.16

11. Fair value of financial instruments

The carrying amounts and estimated fair values of the Group's financial instruments recognised in the financial statements and notes to the condensed financial report are materially the same.

12. Subsequent events

Other than the changes noted above there has been no matter or circumstance, which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

a) the operations subsequent to 31 December 2019, of the consolidated entity, or
b) the results of those operations, or
c) the state of affairs, subsequent to 31 December 2019, of the consolidated entity.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) The directors declare that the financial statements and notes set out on pages 4 to 19 are in accordance with the *Corporations Act 2001 including*:

(i) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
(ii) Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half-year ended on that date.

(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.

This declaration is made in accordance with a resolution of the directors.

David Cronin
Chairman
24 February 2020

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Ava Risk Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2(d) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern with respect to the requirement to improve the Group's operating cash flow. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about 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 conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001*

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including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R Bembridge

Richard Bembridge
Partner
Melbourne
24 February 2020