



**Ava Risk Group Limited**  
ABN 67 064 089 318  
and controlled entities

**Appendix 4D Half Year Report**  
**For the six months to 31 December 2022**  
Lodged with the ASX under Listing Rule 4.2.A.3

Registered Office:  
10 Hartnett Close, Mulgrave VIC 3170 Australia  
[www.theavagroup.com](http://www.theavagroup.com)



## Details of the reporting period and the previous corresponding period

Reporting period	Half Year Ended	31 December 2022
Previous Corresponding Periods	Half Year Ended Year Ended	31 December 2021 30 June 2022

## Results for announcement to the market

	Change	% movement	Amount of change	2022 31 December \$000	2021 31 December \$000
Consolidated revenue from continuing operations	up	50%	4,531	13,607	9,076
(Loss) after tax attributable to shareholders	down	76%	718	(223)	(941)
EBITDA*	up	948%	1,081	1,195	114

\* Earnings from continuing operations before interest, tax, depreciation and amortisation (unaudited).

## Dividends and Distributions

### Current reporting period

	Amount per share cents
No dividends proposed.	Nil

### Previous corresponding period

	Amount per share cents
Special dividend	13c
Record date	28 February 2022

## Details of dividends/distribution reinvestment plan

The Company does not have a dividend reinvestment plan.

### Net tangible assets per security

	<b>2022</b>	<b>2021</b>
	31 December cents	31 December cents
Net tangible asset backing per ordinary security	6.4c	24.1c

### Control gained or lost over entities during the period

During the period ended, the Group acquired the following entities. Refer to Note 6 Business Combinations in the Consolidated Financial Statements.

MTD Holdings Limited  
GJD Manufacturing Limited

	<b>\$000</b>
Contribution to consolidated loss from ordinary activities after tax by the controlled entities to date in the current period when control was acquired	(43)

### Details of associates and joint venture entities

The Company did not have any associated entities or joint ventures during the period.

### Other significant information

Refer to the Directors' Report for details on other significant matters and information regarding the Consolidated Entity.

### Commentary on significant features of operating performance

Commentary on Results is included in the attached Directors' Report and the accompanying Group Financial Statements.

**Ava Risk Group Limited  
(A.C.N. 064 089 318)  
and controlled entities**

**CONDENSED FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**This half-year condensed financial report is to be read in conjunction with the financial report for the year ended 30 June 2022.**

## Table of Contents

Directors' Report	5
Auditor's Independence Declaration	7
Interim Consolidated Statement of Profit or Loss and Comprehensive Income	8
Interim Consolidated Statement of Financial Position	9
Interim Consolidated Statement of Changes in Equity	10
Interim Consolidated Statement of Cash Flows	11
Notes to the Interim condensed consolidated half-year report	12
Directors' Declaration	25
Independent auditor's review report	26

## Directors' Report

The directors present their report together with the condensed financial report of the consolidated entity consisting of Ava Risk Group Limited and its controlled entities (the "Company" or "Ava Risk Group") for the half-year ended 31 December 2022 and independent review report thereon.

### 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, Retired on 9 January 2023
Mal Maginnis (Executive Director)	Appointed 9 January 2023

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

Ava Risk Group has continued to build its position as a global leader in risk management technology, protecting critical infrastructure and high value assets. The Company's strategy remains consistent – to grow revenue from its market leading technologies by increasing market share and developing new and adjacent verticals. It is pleasing to report that significant progress has been achieved during the first half of the financial year.

- Acquisition of GJD in August 2022 to create the Illuminate segment within the Company. GJD is a leading UK based security technology supplier, specialising in illumination and detection applications. The addition of GJD provides the Company with a complimentary product and technology footprint as well as an established go-to-market capability in the UK and western Europe.
- The Group reported record sales order intake during the first half of the year of \$14.4 million, up 47% on the prior year. Pleasingly sales order growth was achieved in both the Access (high security access control technology) and Detect (fibre optic intrusion detection systems) segments and was accelerated by the addition of our Illuminate business following the acquisition of GJD.
- Further growth has been achieved in strategically important markets. The Company won additional contracts in the North American energy sector, building on the successful deployment of its perimeter detection solution in previous periods. The Group also received initial commercial orders for the Aura IQ application.

During the first half Ava announced the appointment of Mal Maginnis as Chief Executive Officer following the retirement of Rob Broomfield. Mal commenced on 9 January 2023 and his appointment further strengthens the Group's management team. Mal has commenced reorienting the business to align the Group's technology with customer solutions. To this end, the Company has been organised into three operating segments:

Detect	Manufactures and markets 'smart' fibre optic sensing systems for security and condition monitoring for a range of applications including perimeters, pipelines, conveyors, power cables and data networks.
Access	Specialises in the development, manufacture and supply of high security biometric readers, security access control and electronic locking products.
Illuminate	Specialises in the development and manufacture of illuminators, ANPR cameras and perimeter detectors.

# Directors' Report

## Review of operations (continued)

Underpinning the success of the Company is the ongoing development and investment in its technology. During the first half the Company invested in its AI technology, building on its Aura IQ and perimeter detection platforms. This investment is critical to growing our market leading position in AI, driving improved system performance and providing a compelling customer upgrade path. Further investment in our Access and Illumination technologies ensures we remain well placed to support our major global distribution partners.

Financial performance for the first half was very strong. In line with the growth in sales order intake, Group revenue grew by 50% to \$13.6 million (\$9.1 million for HY2022). Significant revenue growth was recorded in both the Detect and Access segments, and further accelerated by the addition of the Illumination segment during the period. Despite the addition of the lower margin Illumination segment, the Company was able to maintain its gross margin at around 66% delivering increased gross profit from higher revenue. As anticipated, revenue and gross profit growth has resulted in improved EBITDA (excluding foreign exchange variances) of \$1.2 million (\$0.2 million for HY2022) as the Company has leveraged its cost and technology base. Resultant EBITDA margins have expanded to 9% compared to 3% in the prior year.

Net loss from Continuing Operations was \$0.2 million (HY2021 was a net loss of \$0.9 million) reflecting improved EBITDA partly offset by higher depreciation charges. The Company had a cash balance at 31 December 2022 of \$7.1 million. Catalysts for future growth exist in each operating segment and the Company is well placed to grow in the second half and beyond.

## Events after the Balance sheet date

### Commencement of Group Chief Executive Officer

On 9 January 2023 Mal Maginnis commenced employment with Ava Risk Group as Group Chief Executive Officer. In line with the key terms of his employment agreement, Mr Maginnis will receive 2,500,000 Performance Share Rights with service and market-based vesting conditions.

Other than the above, there has been no matter or circumstance which has arisen since 31 December 2022 that has significantly affected or may significantly affect:

- a) the operations subsequent to 31 December 2022, of the consolidated entity, or
- b) the results of those operations, or
- c) the state of affairs, subsequent to 31 December 2022, of the consolidated entity.

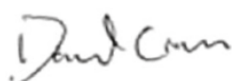
## Rounding of amounts

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 2023


**DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH 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 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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 period.

**BDO Audit Pty Ltd**



**Tim Fairclough**  
**Director**

Melbourne, 24 February 2023



# AVA Risk Group Limited

## Interim Consolidated Statement of Profit or Loss and Comprehensive Income

	Note	6 months ended	
		31 December	31 December
		2022	2021
		\$'000	\$'000
<b>Continuing operations</b>			
Revenue from contracts with customers	5	13,607	9,076
Other income		35	17
<b>Total Revenue and other income</b>		<b>13,642</b>	<b>9,093</b>
Cost of raw materials and consumables used		(4,591)	(3,058)
Employee benefit expenses		(4,765)	(3,397)
Research and development		(866)	(925)
Advertising and marketing		(327)	(145)
Travel and entertainment		(416)	(129)
Facilities and office		(299)	(191)
Compliance, legal, and administration		(575)	(578)
Reversal of impairment of receivables		70	8
Depreciation and amortisation expenses		(1,093)	(844)
Finance expense		(89)	(22)
Foreign exchange (losses)		(49)	(116)
Other expenses		(619)	(448)
<b>Total Expenses</b>		<b>(13,619)</b>	<b>(9,845)</b>
<b>Profit (loss) before income tax</b>		<b>23</b>	<b>(752)</b>
<b>Income Tax expense</b>		<b>(246)</b>	<b>(189)</b>
<b>(Loss) for the year from continuing operations</b>		<b>(223)</b>	<b>(941)</b>
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	11	-	33,794
<b>(Loss) Profit for the year</b>		<b>(223)</b>	<b>32,853</b>
<b>Other comprehensive income for the year, net of tax</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations, net of tax		573	(130)
Exchange differences reclassified to profit or loss on disposal of discontinued operation		-	575
<i>Items that will not be reclassified subsequently to profit and loss</i>			
<b>Total other comprehensive income for the year</b>		<b>573</b>	<b>445</b>
<b>(Loss) Profit for the year attributable to the equity holders of the parent company</b>			
		<b>(223)</b>	<b>32,853</b>
<b>Total comprehensive income for the period attributable to the equity holders of the parent company</b>			
		<b>350</b>	<b>33,298</b>
<b>Earnings per share attributable to ordinary shareholders of AVA Risk Group from continuing operations</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings (loss) per share	9	(0.09)	(0.38)
Diluted earnings (loss) per share	9	(0.09)	(0.38)
<b>Earnings per share attributable to ordinary shareholders of AVA Risk Group</b>			
Basic earnings (loss) per share	9	(0.09)	13.43
Diluted earnings (loss) per share	9	(0.09)	13.24

The above Interim Consolidated Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**AVA Risk Group Limited**  
**Interim Consolidated Statement of Financial Position**

	Note	As at 31 December 2022	As at 30 June 2022
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	7,083	15,226
Trade and other receivables		7,757	4,739
Inventories		7,073	3,256
Prepayments		1,192	400
<b>Total Current Assets</b>		<b>23,105</b>	<b>23,621</b>
<b>Non-Current Assets</b>			
Plant and equipment		1,192	491
Intangible assets		12,870	5,954
Right of use assets		368	249
Deferred tax asset		54	96
<b>Total Non-Current Assets</b>		<b>14,484</b>	<b>6,790</b>
<b>TOTAL ASSETS</b>		<b>37,589</b>	<b>30,411</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		2,872	2,254
Contract liabilities		422	225
Borrowings		1,944	-
Lease Liability		256	131
Provisions		1,401	1,381
<b>Total Current Liabilities</b>		<b>6,895</b>	<b>3,991</b>
<b>Non-Current Liabilities</b>			
Provisions		70	47
Borrowings		764	-
Lease liabilities		144	153
Contract liabilities		-	272
Deferred tax Liabilities		162	-
<b>Total Non-Current Liabilities</b>		<b>1,140</b>	<b>472</b>
<b>TOTAL LIABILITIES</b>		<b>8,035</b>	<b>4,463</b>
<b>NET ASSETS</b>		<b>29,554</b>	<b>25,948</b>
<b>EQUITY</b>			
Contributed Equity	8	53,831	50,793
Accumulated losses		(22,787)	(22,564)
Reserves		(1,490)	(2,281)
<b>TOTAL EQUITY</b>		<b>29,554</b>	<b>25,948</b>

The above Consolidated statement of Financial Position should be read in conjunction with the accompanying notes.

**AVA Risk Group Limited**  
**Interim Consolidated Statement of Changes in Equity**

	Share Capital	Share-based payment Reserve	Foreign Exchange Translation Reserve	Other Equity Reserves	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2022</b>	<b>50,793</b>	<b>1,749</b>	<b>(983)</b>	<b>(3,047)</b>	<b>(22,564)</b>	<b>25,948</b>
Losses for the year	-	-	-	-	(223)	(223)
Other comprehensive income	-	-	573	-	-	573
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>573</b>	<b>-</b>	<b>(223)</b>	<b>350</b>
<b>Transactions with owners in their capacity as owners</b>						
Shares issued as part of business combination (Note 6)	3,041	-	-	-	-	3,041
Share issue costs	(3)	-	-	-	-	(3)
Share based payments	-	218	-	-	-	218
<b>Total transactions with owners in their capacity as owners</b>	<b>3,038</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,256</b>
<b>Balance at 31 December 2022</b>	<b>53,831</b>	<b>1,967</b>	<b>(410)</b>	<b>(3,047)</b>	<b>(22,787)</b>	<b>29,554</b>
<b>At 1 July 2021</b>	<b>59,062</b>	<b>1,397</b>	<b>(1,262)</b>	<b>(3,047)</b>	<b>(24,110)</b>	<b>32,040</b>
Profit for the year	-	-	-	-	32,853	32,853
Other comprehensive income	-	-	445	-	-	445
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>445</b>	<b>-</b>	<b>32,853</b>	<b>33,298</b>
<b>Transactions with owners in their capacity as owners</b>						
Share buy-back and cancelled	(1,329)	-	-	-	-	(1,329)
Shares issued	638	-	-	-	-	638
Share issue costs	(9)	-	-	-	-	(9)
Share based payments	-	252	-	-	-	252
<b>Total transactions with owners in their capacity as owners</b>	<b>(700)</b>	<b>252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(448)</b>
<b>Balance at 31 December 2021</b>	<b>58,362</b>	<b>1,649</b>	<b>(817)</b>	<b>(3,047)</b>	<b>8,743</b>	<b>64,890</b>

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

**AVA Risk Group Limited**  
**Interim Consolidated Statement of Cash Flows**

For the half-year ended 31 December 2022	Note	6 months ended	
		31 December 2022	31 December 2021
		\$'000	\$'000
<b>Cash flow from operating activities</b>			
Receipts from customers		12,332	22,675
Payments to suppliers and employees		(14,270)	(19,085)
Interest received		10	-
Tax paid		(211)	(117)
Finance costs		(78)	-
Lease interest paid		(12)	(15)
<b>Net cash flows (used in) from operating activities</b>		<b>(2,229)</b>	<b>3,458</b>
<b>Cash flow from investing activities</b>			
Payment for intangible assets		(959)	(497)
Payment for plant and equipment		(324)	(180)
Purchase of business, net of cash acquired (Note 6)		(5,522)	-
Disposal of subsidiaries, net of cash and transaction costs		-	36,469
<b>Net cash flows (used in) from investing activities</b>		<b>(6,805)</b>	<b>35,792</b>
<b>Cash flow from financing activities</b>			
Proceeds from share issue		-	638
Share issue expense		(3)	(9)
Repayment of borrowings		(340)	-
Share buy back		-	(1,329)
Dividends paid		(24)	(7)
Payment of lease liabilities		(152)	(187)
<b>Net cash flows (used in) financing activities</b>		<b>(519)</b>	<b>(894)</b>
Net (decrease) increase in cash and cash equivalents		(9,553)	38,356
Net foreign exchange differences on cash		265	(237)
Cash and cash equivalents at beginning of period		15,226	17,293
<b>Cash and cash equivalents at end of the period</b>	<b>7</b>	<b>5,938</b>	<b>55,412</b>

The above statement of cash flows includes Discontinued Operations (Refer to Note 8) and should be read in conjunction with the accompanying notes.

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 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 2022 were authorised for issue in accordance with a resolution of the directors on 24 February 2023. 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 sensing and access technology protecting high value assets and critical infrastructure.

The International Valuable Logistics services (IVL) division was sold in October 2021. Information about this discontinued Segment is provided in note 4.

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

#### (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 2022 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.

#### (b) New standards, interpretation and amendments adopted by the Group

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 2022. There are no new standards or interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

#### (c) Going concern

The financial statements have 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.

For the period ended 31 December 2022, the Group recorded a loss after tax of \$223,000 (31 December 2021 was \$941,000 loss from continuing operations and \$32,853,000 profit for the half-year). The Group has a net asset position of \$29,554,000 at reporting date inclusive of cash reserves of \$7,083,000 with \$2,709,000 in borrowings (\$25,948,000 as at 30 June 2022).

#### (d) 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).

### 2. Basis of preparation and changes to the Group's accounting policies (continued)

#### (e) 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.

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:

- Detect
- Access
- Illumination

No impairments were recognised for the period (2022: nil).

#### (ii) Capitalisation of development costs

The capitalisation of Development costs required judgement to be applied. Management assesses and exercises judgment on expenditures that meet 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

#### (f) 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.

**2. Basis of preparation and changes to the Group's accounting policies (continued)****Business Combinations**

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.

**(g) New and amended standards****New and amended standards adopted**

The Group reviewed new or revised accounting standards which became effective for the annual reporting period commencing on or after 1 July 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Forthcoming standards and amendments not yet adopted**

There are no forthcoming standards and amendments that are expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

**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 \$142,800 (HY2022: \$125,862). Accounts payable balance at 31 December 2022 totals \$18,442 (FY2022: \$44,812).

There have been no other related party transactions other than those between the Company and its subsidiaries during the half-year ended 31 December 2022.

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 4. Segment information

#### (a) Description of segments

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 Detect, Access, and Illumination, 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 Illumination Segment was acquired on 2 August 2022, refer to Note 6 Business Combination. The International Valuable Logistics (IVL) was sold in October 2021 and it is reported as a Discontinued Operations in the prior period. The following summary describes the operations of each reportable segment:

Product type	Reportable segment	Operations
Technology	Detect	Manufactures and markets 'smart' fibre optic sensing systems for security and condition monitoring for a range of applications including perimeters, pipelines, conveyors, power cables and data networks.
	Access	Specialises in the development, manufacture and supply of high security biometric readers, security access control and electronic locking products.
	Illumination	Specialises in the development and manufacture of illuminators, ANPR cameras and perimeter detectors.
Services	International Valuable Logistics, reported as a Discontinued Operations	Global provider of secure international logistics of high-risk valuables, precious metals and currency.

#### (b) Reportable segments

31 December 2022	Detect	Access	Illumination	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>					
External customers	8,618	1,933	3,056	-	13,607
Intersegment revenue	52	55		(107)	-
Other income	-	2	23	-	25
Interest Income	4	6	-	-	10
<b>Segment revenue and other income</b>	<b>8,674</b>	<b>1,996</b>	<b>3,079</b>	<b>(107)</b>	<b>13,642</b>
<b>EBITDA</b>	<b>872</b>	<b>125</b>	<b>198</b>	<b>-</b>	<b>1,195</b>
Depreciation and amortisation	(539)	(393)	(161)	-	(1,093)
Finance costs	(7)	(2)	(80)	-	(89)
Interest Income				-	-
Income tax	(28)	(218)	-	-	(246)
<b>Segment operating profit (loss)</b>	<b>302</b>	<b>(482)</b>	<b>(43)</b>	<b>-</b>	<b>(223)</b>



# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### (b) Reportable segments (continued)

31 December 2021	Detect	Access	Eliminations	Total Continuing Operations	Discontinued operations (IVL)	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>						
External customers	7,434	1,642	-	9,076	11,075	20,151
Intersegment revenue	160	95	(255)	-	75	-
Other income	1	16	-	17	-	17
Interest Income	-	-	-	-	-	-
<b>Segment revenue and other income</b>	<b>7,595</b>	<b>1,753</b>	<b>(255)</b>	<b>9,093</b>	<b>11,150</b>	<b>20,168</b>
<b>EBITDA</b>	<b>(19)</b>	<b>133</b>	<b>-</b>	<b>114</b>	<b>1,947</b>	<b>2,061</b>
Depreciation and amortisation	(480)	(364)	-	(844)	(29)	(873)
Finance costs	(21)	(1)	-	(22)	-	(22)
Income tax	(93)	(96)	-	(189)	(38)	(227)
<b>Segment operating profit/(loss)</b>	<b>(613)</b>	<b>(328)</b>	<b>-</b>	<b>(941)</b>	<b>1,880</b>	<b>939</b>

### (c) Geographic information

	31 December 2022		31 December 2021	
	Total	Continuing	Discontinued	Total
	\$'000	\$'000	\$'000	\$'000
Australia	1,266	892	19	911
APAC (excl Australia)	1,815	1,331	0	1,331
Europe	4,780	2,491	8,696	11,187
India	329	971	-	971
MENA	245	410	237	647
United States of	3,520	92	961	1,053
Rest of world	1,652	2,889	1,162	4,051
<b>Total external revenue by region</b>	<b>13,607</b>	<b>9,076</b>	<b>11,075</b>	<b>20,151</b>

### (d) Non-current operating assets

	31 December 2022	30 June 2022
	\$'000	\$'000
Australia	6,365	6,106
Rest of world	8,065	588
<b>Total non-current assets by region</b>	<b>14,430</b>	<b>6,694</b>

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

### (e) Reconciliation of non-current assets

	31 December 2022	30 June 2022
	\$'000	\$'000
Non-current operating assets by region	14,430	6,694
Other non-current assets	54	96
<b>Total non-current assets</b>	<b>14,484</b>	<b>6,790</b>

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 5. Revenue and other income

	Consolidated	
	31 December 2022	31 December 2021
	\$'000	\$'000

#### (a) Revenue from contracts with customers

Revenue from sales of goods	11,895	8,553
Revenue from provision of services	1,712	523
<b>Total revenue from contracts with customers – continuing operations</b>	<b>13,607</b>	<b>9,076</b>
Revenue from provision of services - discontinued operations (refer to note 11)	-	11,075
<b>Total revenue from contracts with customers</b>	<b>13,607</b>	<b>20,151</b>

#### (b) Other income

Interest received	10	-
Other income	25	17
<b>Total other income - continuing operations</b>	<b>35</b>	<b>17</b>
<b>Total other income</b>	<b>35</b>	<b>17</b>
<b>Total Revenues and other income</b>	<b>13,642</b>	<b>20,168</b>

#### (c) Disaggregation of revenue

##### Timing of revenue recognition

Goods transferred at a point in time	11,895	8,553
Services transferred over time	1,712	523
<b>Total revenue form contracts with customers-continuing operations</b>	<b>13,607</b>	<b>9,076</b>
Services transferred over time - Discontinued operations	-	11,075
<b>Total revenue from contracts with customers</b>	<b>13,607</b>	<b>20,151</b>

### 6. Business Combination

#### Acquisition of GJD Manufacturing Limited

On 2 August 2022, the Group acquired 100% of the voting shares of MTD Holdings Limited, a non-listed company which owns 100% shares of GJD Manufacturing Limited (GJD), base in the United Kingdom and specialising in security equipment design and manufacturing of insecurity space detection and intruder detection systems. Its products include professional grade external detector equipment as well as infrared and white-light LED illuminators and Automatic Number Plate Recognition cameras.

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 6. Business Combination (continued)

As at 2 August 2022	
	\$'000
<b>Assets</b>	
Cash and cash equivalents	19
Receivables	1,629
Inventories	2,065
Other current assets	462
Plant and equipment	598
Right of use assets	254
<b>Total Assets</b>	<b>5,027</b>
<b>Liabilities</b>	
Payables	(602)
Borrowings	(2,949)
Provisions	(28)
Deferred Tax Liabilities	(156)
Lease liabilities	(254)
<b>Total Liabilities</b>	<b>(3,989)</b>
<b>Total identifiable net assets at fair value</b>	<b>1,038</b>
Goodwill recognised on acquisition	6,499
<b>Purchase consideration transferred</b>	<b>7,537</b>

The goodwill of \$6.5m comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Illumination segment.

From the date of acquisition, GJD Limited contributed \$3.1m of revenue and \$0.1m loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$3.8m and profit before tax from continuing operations for the Group would have been \$0.1m.

#### Purchase consideration

Shares issues, at fair value	3,041
Cash paid	4,496
<b>Total consideration</b>	<b>7,537</b>

The Company issued 11,807,895 ordinary shares as consideration for the 100% interest in MTD Holdings Limited. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was \$0.258 per share. The fair value of the consideration given was therefore \$3.0m.

#### Borrowing facilities acquired

The Group acquired borrowings facilities. These facilities include fixed-term loan repayments and local and foreign-denominated working capital facilities. The fixed-term loans have a maturity between 2 to 5 years, and the working capital facilities are payable on demand.

#### Analysis of cashflows on acquisition

Cash paid	4,496
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(1,026)
<b>Net cash flow from acquisition</b>	<b>5,522</b>

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 7. Cash and short-term deposits

	31 December 2022	30 June 2022
	\$'000	\$'000
Cash at banks and on hand	7,028	15,226
Short-term deposits	55	-
<b>Total Cash</b>	<b>7,083</b>	<b>15,226</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2022	30 June 2022
	\$'000	\$'000
Cash at banks and on hand	7,028	15,226
Short-term deposits	55	-
	7,083	15,226
Bank overdrafts	(1,145)	-
<b>Cash and cash equivalents</b>	<b>5,938</b>	<b>15,226</b>

#### Bank overdrafts

Bank overdrafts relate to existing banking facilities that the acquired company, GJD uses for working capital. At 31 December 2022, the Group had available \$786,000 (2021: nil) of undrawn committed facilities.

### 8. Issued capital and reserves

	31 December 2022	30 June 2022
	\$'000	\$'000

#### (a) Ordinary shares

Ordinary share capital, issued and fully paid	53,831	50,793
	<b>53,831</b>	<b>50,793</b>

#### (b) Movement in ordinary shares on issue

	Number of shares	\$'000
At 1 July 2022	242,963,185	50,793
Share issue:		
On exercise of Performance Share Rights	643,554	-
On acquisition of MTD Holdings Limited (note 6)	11,807,895	3,041
Share issue costs	-	(3)
<b>At 31 December 2022</b>	<b>255,414,634</b>	<b>53,831</b>

#### Share issue

During the half-year ended 31 December 2022, the Group issued 11,807,895 shares as consideration for the 100% interest in MTD Holdings Limited. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was \$0.258 per share. The fair value of the consideration given was therefore \$3.0m. Refer to Note 6 Business Combination.

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 9. Earnings per Share

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

Profit used in calculating earnings per share for basic and diluted loss per share	31 December 2022 \$'000	31 December 2021 \$'000
Net (loss) profit after tax from continuing operations	(223)	(941)
Profit after tax from discontinued operations	-	33,794
<b>Net (loss) profit after tax</b>	<b>(223)</b>	<b>32,853</b>
	<b>31 December 2022 Number</b>	<b>31 December 2021 Number</b>
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>254,508,593</b>	244,538,897
<i>Adjustments for calculation of diluted earnings per share</i>		
Dilutive share options / performance rights	<b>2,751,341</b>	3,571,448
Weighted average number of ordinary shares adjusted for the effect of dilution used as the denominator in calculating diluted earnings per share	<b>257,259,934</b>	248,110,345
	<b>31 December 2022 Cents</b>	<b>31 December 2021 Cents</b>
<b>(c) i. Earnings per share from continuing operations</b>		
Basic (loss) earnings per share	<b>(0.09)</b>	(0.38)
Diluted (loss) earnings per share	<b>(0.09)</b>	(0.38)
	<b>31 December 2022 Cents</b>	<b>31 December 2021 Cents</b>
<b>ii. Earnings per share attributable to the shareholders of AVA Risk Group Limited</b>		
Basic profit per share	<b>(0.09)</b>	13.43
Diluted profit per share	<b>(0.09)</b>	13.24

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

Diluted profit per share amounts are calculated by dividing the net profit 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 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.

### 10. Commitments

At 31 December 2022, the Group had commitments of \$352,000 relating to the purchase of Fibre Optic cable with its main supplier (30 June 2022 \$352,000).

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 11. Discontinued Operations

#### Sale of International Valuables Logistics (IVL)

In October 2021, the Group sold its International Valuables Logistics (IVL). The comparative consolidated statement of comprehensive Income has been re-presented to show the discontinued operation separately from continuing operations.

#### (a) Financial performance and cash flow information

	Consolidated	
	7 Oct 2021	30 Jun 2021
	\$'000	\$'000
Revenue from contracts with customers	11,075	40,340
Other income	-	67
<b>Revenue and other income</b>	<b>11,075</b>	<b>40,407</b>
<b>Total Expenses</b>	<b>(9,157)</b>	<b>(33,330)</b>
<b>Profit before income tax for the period</b>	<b>1,918</b>	<b>7,077</b>
Income tax expense	(38)	-
<b>Profit from discontinued operations</b>	<b>1,880</b>	<b>7,077</b>
Gain on sale of discontinued operations (see note (b))	31,914	-
<b>Profit after tax for the period from discontinued operations</b>	<b>33,794</b>	<b>7,077</b>

The net cash flows generated by IVL, are as follows

	7 Oct 2021	30 Jun 2021
	\$'000	\$'000
Operating	947	5,093
Financing	(32)	(56)
Investing	(6)	(7)
<b>Net cash inflow (outflow)</b>	<b>909</b>	<b>5,030</b>

Earnings per share – discontinued operations	Cents	Cents
Basic earnings per share	13.90	2.94
Diluted earnings per share	13.73	2.86

#### (b) Details of the sale of the subsidiaries

	7 Oct 2021
	\$'000
Consideration	62,187
Performance plan paid to management and employees of AVA Global	(20,308)
Consideration received, paid in cash	41,879
Carrying amount of net assets sold	(9,033)
Transaction costs incurred	(357)
Gain on sale before reclassification of foreign currency reserve	32,489
Reclassification of foreign currency translation reserve	(575)
<b>Gain on sale of discontinued operation</b>	<b>31,914</b>

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 11. Discontinued Operations (continued)

#### (c) Carrying amounts of assets and liabilities sold

	7 Oct 2021
	\$'000
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	5,053
Receivables	4,909
Inventories	39
<b>Total Current Assets</b>	<b>10,001</b>
<b>Non-Current Assets</b>	
Plant and equipment	6
Intangible assets	4,687
Right of use assets	67
<b>Total Non-Current Assets</b>	<b>4,760</b>
<b>TOTAL ASSETS</b>	<b>14,761</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Payables	5,639
Tax liabilities	36
Other liabilities	53
<b>TOTAL LIABILITIES</b>	<b>5,728</b>
<b>NET ASSETS</b>	<b>9,033</b>

#### (d) Subsidiaries disposed

The IVL Segment comprised of the following entities:

Name	Country of incorporation	% Equity interest
AVA Global DMCC	U.A.E	100
AVA Germany GmbH	Germany	100
AVA USA Inc	USA	100

# AVA Risk Group Limited

## Notes to the Interim Condensed Consolidated Financial Statements

31 December 2022

### 12. Share-based payments

#### (a) Expense arising from equity-settled share-based payment transactions

	Consolidated	
	31 December 2022	31 December 2021
	\$'000	\$'000
Performance Shares	218	252

#### (b) Performance rights held

During the half year ended 31 December 2022, 2,415,842 performance rights (2021: 1,769,275) were awarded.

#### Outstanding Performance Rights - Year ended 30 June 2022

Date granted	Expiry date	Exercise Price (\$)	Balance at start of the year	Performance Rights Granted	Performance Rights Exercised	Performance Rights Forfeited	Balance at end of the year
23/09/2019	31/08/2022	\$0.00	110,232	-	(110,232)	-	-
28/10/2019	31/08/2022	\$0.00	389,769	-	(389,769)	-	-
31/10/2019	31/08/2022	\$0.00	49,935	-	(49,935)	-	-
29/10/2020	31/08/2022	\$0.00	35,342	-	(35,342)	-	-
29/10/2020	31/08/2023	\$0.00	35,342	-	-	-	35,342
30/10/2020	31/08/2022	\$0.00	58,276	-	(58,276)	-	-
30/10/2020	31/08/2023	\$0.00	58,277	-	-	-	58,277
1/09/2021	31/08/2023	\$0.00	261,891	-	-	-	261,891
1/09/2021	31/08/2024	\$0.00	261,895	-	-	-	261,895
28/10/2021	31/08/2023	\$0.00	28,801	-	-	-	28,801
28/10/2021	31/08/2024	\$0.00	28,801	-	-	-	28,801
28/10/2021	5/10/2022	\$0.00	600,000	-	-	(600,000)	-
31/01/2022	31/08/2023	\$0.00	14,114	-	-	-	14,114
31/01/2022	31/08/2024	\$0.00	14,114	-	-	-	14,114
6/09/2022	31/08/2024	\$0.00	-	1,207,921	-	-	1,207,921
6/09/2022	31/08/2025	\$0.00	-	1,207,921	-	-	1,207,921
<b>Total</b>			<b>1,946,789</b>	<b>2,415,842</b>	<b>(643,554)</b>	<b>(600,000)</b>	<b>3,119,077</b>

#### (i) HY 2023 Grants

During the half year ended 31 December 2022, the Company granted performance rights as part of remuneration to senior executives and key employees. The fair value of the performance rights was based on a Black Scholes option pricing model.

Senior management and key employees were issued a total of 2,415,842 performance rights. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2024, with the second vesting on 31 August 2025. The vesting conditions of the performance rights are based on key performance metrics and objectives being met by 30 June 2023.

#### (ii) HY 2023 Forfeitures

Non-Executive Directors were issued a total of 600,000 performance rights on 28 October 2021. The fair value of each performance rights was \$0.29. The performance rights had a nil exercise price and vest on 5 October 2022 and their vesting conditions were based on the Company's Share Price performance, which was however not achieved.



**13. 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.

**14. Subsequent events**

**Commencement of Group Chief Executive Officer**

On 9 January 2023 Mal Maginnis commenced employment with Ava Risk Group as Group Chief Executive Officer. In line with the key terms of his employment agreement, Mr Maginnis will receive 2,500,000 Performance Share Rights with service and market-based vesting conditions.

Other than the above, there has been no matter or circumstance which has arisen since 31 December 2022 that has significantly affected or may significantly affect:

- a) the operations subsequent to 31 December 2022, of the consolidated entity, or
- b) the results of those operations, or
- c) the state of affairs, subsequent to 31 December 2022, of the consolidated entity.

## Directors' Declaration

### In the Directors' opinion:

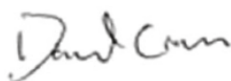
(a) The directors declare that the Condensed financial report and notes set out on pages 4 to 24 are in accordance with the *Corporations Act 2001* including :

(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 2022 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 2023

## 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 half-year financial report of Ava Risk Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its 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*.

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.

**BDO Audit Pty Ltd**

A handwritten signature in black ink. The signature consists of the letters 'BDO' in a large, bold, sans-serif font, followed by the name 'Tim Fairclough' in a cursive script.

**Tim Fairclough**  
**Director**

Melbourne, 24 February 2023