

## REVIEW OF OPERATIONS

### 1. RESULTS FOR FULL YEAR ENDED 30 JUNE, 2014

The Financial Report shows the following results for the consolidated MaxSec Group Limited ("MSP" or the "Group") entity.

#### (a) Revenue and Profit

The consolidated Group generated a net profit of \$187K (2013: \$260K) with revenues of \$3,144K (2013: \$3,610K).

This financial year end result represents a decrease of \$72K (-27.69%) on the previous year's net profit which is reflective of increased marketing effort and development of new markets. The lower revenue can be attributed to the delay in some major projects, some of which have already been invoiced in the new financial year.

#### (b) Net Cash

Net Cash used by Operating Activities was \$164K (2013: \$338K provided), receipts from customers amounted to \$2,808K (2013: \$3,619K) and payments to suppliers and employees amounted to \$3,259K (2013: \$3,538K) reflecting strict cost controls measures to mitigate decreased revenues and higher investment into marketing and market development efforts.

Net cash used in investing activities amounted to \$468K (2013: \$490K) and relates primarily to our investment in continuous improvement of product and technology platforms which will provide both revenue benefits and cost savings in future periods.

The net cash raised in financing activities for the year was \$500K (2013: \$Nil) from the issue of 20,000,000 shares.

Net cash available to the consolidated Group was \$1,054K (2013: \$1,183K).

### 2. OPERATIONS

During the 2014 financial year the Group supplied several significant projects in both Australia and the Middle East, however we also saw a delay in expected orders due to several client projects running behind schedule. We have continued to invest significantly in new products during the year which we feel will generate additional revenue and cost saving opportunities for the Group in future periods.

We have significantly increased our marketing and business development efforts during the course of 2014 and we are starting to see an increase in both brand awareness and also order enquiry.

### 3. New Products

The BQT Solutions divisions remain a leader in their markets through a sustained development program to deliver new and improved products and technologies. BQT Solutions Smart Reader and Biometrics division continues to improve our new integrated technology platform for their range of smart card readers and our locking division has developed two new models of the Cobalt side load lock.

### 4. SUMMARY AND OUTLOOK

The financial net profit performance of MaxSec Group Limited consolidated group continues to show a marked improvement on the prior years from 30 June, 2010:-

Year ended	Profit / Loss	Net Profit / (Loss) (\$000's)	Revenue (\$000's)
30 June, 2014	Profit	187	3,144
30 June, 2013	Profit	260	3,610
30 June, 2013	Profit	247	4,586
30 June, 2011	Profit	45	3,205
30 June, 2010	Loss	(842)	3,608
30 June, 2009	Loss	(3,716)	4,566
30 June, 2008	Loss	(13,691)	4,114
30 June, 2007	Loss	(29,041)	3,994

The Group has consolidated its products and service offering to a market that demands quality, innovation and excellent customer service and are well positioned to focus on expanding and supporting its global marketing and sales reach.

The Directors remain focused on continuing along the path of delivering the Group's stated strategic objectives as noted below and continue to support management in implementing and executing these objectives to increase shareholder value.

The investor presentation delivered at the Group's 2010 Annual General Meeting outlined the strategic objectives to be implemented by the MSP Board and Management, these are:-

- Develop and launch new products to increase market share and profitability;
- Targeted acquisitions to grow the product portfolio, revenue and profits;
- Implementation and continued development of a direct sales model for traditional core markets and a distribution model for developing and other markets; and
- Cost control and working capital maximization initiatives.

MaxSec Group Limited



Geoffrey J. Cleaves  
Chief Executive Officer



**MaxSec Group Limited (ABN 89 000 029 265)  
and Controlled Entities**

**Financial Report for the Year Ended 30 June 2014**

**APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014**

**Results for announcement to market**

<b>Key Information</b>	<b>2014 \$000</b>	<b>2013 \$000</b>	<b>% Change</b>
Revenue from ordinary activities	3,144	3,610	-12.91
Profit after tax from ordinary activities attributable to members	187	260	-27.69
Net profit attributable to members	187	260	-27.69

**Dividends paid and proposed**

There are no dividend reinvestment plans in operation. No dividends have been declared or paid during the current or previous financial year.

# MaxSec Group Limited (ABN 89 000 029 265)

## and Controlled Entities

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Group	
		2014 \$000	2013 \$000
<b>Continuing operations</b>			
Revenue		3,144	3,610
Other income		274	259
Raw materials and consumables used		(1,114)	(1,300)
Employee benefits expense		(1,300)	(1,293)
Depreciation and amortisation expense		(59)	(27)
Finance costs		(5)	(6)
Impairment of property, plant and equipment		-	-
Other expenses		(753)	(983)
Share of net profits of associates and joint venture entities		-	-
<b>Profit before income tax</b>		187	260
Tax expense		-	-
<b>Net profit from continuing operations</b>		187	260
<b>Discontinued operations</b>			
Profit/(Loss) for the year from discontinued operations after tax		-	-
<b>Net profit for the year</b>		187	260
<b>Other comprehensive income:</b>			
Net gain on revaluation of land and buildings		-	-
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		187	260
Net profit attributable to:			
Members of the parent entity		187	260
Non-controlling interest		-	-
		187	260
Total comprehensive income attributable to:			
Members of the parent entity		187	260
Non-controlling interest		-	-
		187	260
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic earnings per share (cents)		0.099 cents	0.153 cents
Diluted earnings per share (cents)		0.099 cents	0.153 cents

The accompanying notes form part of these financial statements.

# MaxSec Group Limited (ABN 89 000 029 265)

## and Controlled Entities

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Consolidated Group	
	2014	2013
	\$000	\$000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,054	1,183
Trade and other receivables	653	610
Inventories	663	653
Other assets	80	161
<b>TOTAL CURRENT ASSETS</b>	<b>2,450</b>	<b>2,607</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	42	34
Intangible assets	1,577	1,397
Other non-current assets	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,619</b>	<b>1,431</b>
<b>TOTAL ASSETS</b>	<b>4,069</b>	<b>4,038</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	342	649
Provisions	208	525
Other current liabilities	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>550</b>	<b>1,174</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	39	34
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>39</b>	<b>34</b>
<b>TOTAL LIABILITIES</b>	<b>589</b>	<b>1,208</b>
<b>NET ASSETS</b>	<b>3,480</b>	<b>2,830</b>
<b>EQUITY</b>		
Issued capital	60,761	60,261
Reserves	24,300	24,337
Retained earnings	(81,581)	(81,768)
Parent interest	3,480	2,830
Non-controlling interest	-	-
<b>TOTAL EQUITY</b>	<b>3,480</b>	<b>2,830</b>

The accompanying notes form part of these financial statements.

# MaxSec Group Limited (ABN 89 000 029 265)

## and Controlled Entities

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group	
	2014	2013
	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	2,808	3,619
Other receipts	273	259
Payments to suppliers and employees	(3,259)	(3,538)
Dividends received	-	-
Interest received	19	26
Finance costs	(5)	(6)
Income tax paid	-	(22)
Net cash provided by operating activities	(164)	338
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for product development expenses	(468)	(489)
Proceeds from sale of property, plant and equipment	-	15
Purchase of property, plant and equipment	-	(16)
Loans to related parties:		
– payments made	-	-
– proceeds from repayments	-	-
Net cash used in investing activities	(468)	(490)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	500	-
Loans from related parties:		
– payments made	-	-
– proceeds from borrowings	-	-
Dividends paid by parent entity	-	-
Net cash provided by (used in) financing activities	500	-
Net increase/(decrease) in cash held	(132)	(152)
Cash and cash equivalents at beginning of financial year	1,183	1,320
Exchange adjustment	3	15
Cash and cash equivalents at end of financial year	1,054	1,183

The accompanying notes form part of these financial statements

# MaxSec Group Limited (ABN 89 000 029 265)

## and Controlled Entities

### APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

#### Statement of Retained Earnings Showing Movements

	2014 \$000	2013 \$000
Balance at the beginning of the year	(81,768)	(82,028)
Prior year adjustment		
Net profit attributable to members of the parent entity	187	260
Capital profit on sale of investments transferred to capital profit reserve	-	-
Transfers to reserve	-	-
Dividends	-	-
Balance at the end of the year	(81,581)	(81,768)

#### Net Tangible Assets per Share

	2014 \$/share	2013 \$/share
Net tangible assets per share	1.004 cents	0.844 cents

# MaxSec Group Limited (ABN 89 000 029 265)

## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

#### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (MaxSec Group Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, 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. A list of the subsidiaries is provided in Note 3.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

#### Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination, other than those associated with the issue of a financial instrument, are recognised as expenses in profit and loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.



# MaxSec Group Limited (ABN 89 000 029 265)

## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

#### Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

#### b. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

#### c. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable

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## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	10-30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

#### d. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in *AASB 116: Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

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## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

#### **e. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

#### **f. Investments in Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

#### **g. Intangibles Other than Goodwill**

##### **Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life.

##### **Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

# **MaxSec Group Limited (ABN 89 000 029 265)**

## **and Controlled Entities**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

#### **h. Foreign Currency Transactions and Balances**

##### **Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### **Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

##### **Group companies**

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

#### **i. Employee Benefits**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employee's services provided to reporting date, calculated at undiscounted amounts based on remuneration, wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs such as worker's compensation insurance premiums and payroll tax (if applicable).

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

#### **j. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

#### **k. Provision for Warranties**

Provision is made in respect of the Group's best estimate of the liability on all products and services under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group's history of warranty claims.

#### **l. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 2 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

#### **m. Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax (GST).

#### **n. Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

#### **o. Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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## and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

### **p. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **q. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

### **r. Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

### **s. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

### **t. Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

### **u. New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

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## and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

### Note 2: OPERATING SEGMENTS

#### (i) Segment performance

	Australia \$000	UK \$000	US \$000	Magna \$000	Total \$000
<b>30-Jun-14</b>					
<b>Revenue</b>					
External sales	1,833	455	48	788	3,124
Intersegment sales	688	-	-	46	734
Interest Income	20	-	-	-	20
<b>Total segment revenue</b>	<b>2,541</b>	<b>455</b>	<b>48</b>	<b>834</b>	<b>3,878</b>
Reconciliation of segment revenue to group revenue:					
Other revenue	274	-	-	-	274
Intersegment elimination	-688	-	-	-46	-734
Revenue from discontinued operations	-	-	-	-	-
<b>Total group revenue</b>	<b>2,127</b>	<b>455</b>	<b>48</b>	<b>788</b>	<b>3,418</b>
<b>Segment net profit from continuing operations before tax</b>	<b>587</b>	<b>-112</b>	<b>-71</b>	<b>-217</b>	<b>187</b>
<b>Net profit before tax from continuing operations</b>					<b>187</b>

#### 30-Jun-13

<b>Revenue</b>					
External sales	2,461	434	167	522	3,584
Intersegment sales	917	-	-	42	959
Interest revenue	26	-	-	-	26
<b>Total segment revenue</b>	<b>3,404</b>	<b>434</b>	<b>167</b>	<b>564</b>	<b>4,569</b>
Reconciliation of segment revenue to group revenue:					
Other revenue	258	-	-	-	258
Intersegment elimination	-917	-	-	-42	-959
Revenue from discontinued operations	-	-	-	-	-
<b>Total group revenue</b>	<b>2,745</b>	<b>434</b>	<b>167</b>	<b>522</b>	<b>3,868</b>
<b>Segment net profit from continuing operations before tax</b>	<b>621</b>	<b>-209</b>	<b>-44</b>	<b>-108</b>	<b>260</b>
<b>Net profit before tax from continuing operations</b>					<b>260</b>

#### (ii) Segment assets

	Australia \$000	UK \$000	US \$000	Magna \$000	Total \$000
<b>30-Jun-14</b>					
<b>Segment assets</b>	<b>1,997</b>	<b>168</b>	<b>33</b>	<b>1,617</b>	<b>3,815</b>
Segment asset increases for the period:					
– capital expenditure	197	-	-	51	248
– acquisitions	6	-	-	-	6
<b>Total group assets</b>	<b>2,200</b>	<b>168</b>	<b>33</b>	<b>1,668</b>	<b>4,069</b>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

**30-Jun-13**

<b>Segment assets</b>	1,923	160	10	1,400	3,493
Segment asset increases for the period:					
– capital expenditure	293	-	-	252	545
– acquisitions	-	-	-	-	-
<b>Total group assets</b>	<b>2,216</b>	<b>160</b>	<b>10</b>	<b>1,652</b>	<b>4,038</b>

(iii) *Segment liabilities*

	<b>Australia \$000</b>	<b>UK \$000</b>	<b>US \$000</b>	<b>Magna \$000</b>	<b>Total \$000</b>
<b>30-Jun-14</b>					
<b>Segment liabilities</b>	21,387	8,871	1,870	1,273	33,401
Reconciliation of segment liabilities to group liabilities:					
Intersegment eliminations	-17,343	-9,813	-4,433	-1,223	-32,812
<b>Total group liabilities</b>	<b>4,044</b>	<b>-942</b>	<b>-2,563</b>	<b>50</b>	<b>589</b>

**30-Jun-13**

<b>Segment liabilities</b>	21,598	7,970	1,809	1,129	32,506
Reconciliation of segment liabilities to group liabilities:					
Intersegment eliminations	-20,767	-7,720	-1,781	-1,030	-31,298
<b>Total group liabilities</b>	<b>831</b>	<b>250</b>	<b>28</b>	<b>99</b>	<b>1,208</b>

### Note 3: INVESTMENTS IN SUBSIDIARIES

	Country of Incorporation	Percentage Owned (%)*	
		2014	2013
Subsidiaries of <b>MaxSec Group Limited</b> :			
BQT Solutions (Australia) Pty. Ltd.	Australia	100	100
BQT Solutions (UK) Limited	UK	100	100
BQT Solutions America Inc.	USA	100	100
BQT Solutions (SEA) Pte. Ltd. (previously known as Magna Electronics Pte. Ltd.)	Singapore	100	100
BQT Solutions (NZ) Limited (previously known as Manz Engineering Limited)	New Zealand	100	100
BQT Intelligent Security Systems Pty. Ltd.	Australia	60	60
4C Satellites Limited	Australia	60	60

\* Percentage of voting power is in proportion to ownership

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

**Note 4: COMMENTARY ON THE RESULTS FOR THE PERIOD**

Refer to the commentary on the results for the period contained in the "Review of Operations" included within this report.

**Note 5: STATUS OF AUDIT**

This Preliminary Final Report is based on accounts to which the accounts are in the process of being audited. At this stage the directors anticipate a clean audit report. Any further potential modifications to the audit report are unknown at this time.