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REVIEW OF OPERATIONS

1. RESULTS FOR FULL YEAR ENDED 30 JUNE, 2017

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

(a) Revenue and Profit

Revenue from ordinary activities for the year ended 30 June, 2017 increased 71% to $7.449 million from the previous year (2016: $4.344 million). The consolidated group generated a net loss of $3.435 million during the year to 30 June, 2017, (2016: $1.390 million).

The increase in revenue was principally due to the establishment and growth of operations of Ava, our secure logistics division and the increased sales and marketing activity of the BQT Solutions division. The net loss for the financial year is $3.435 million (2016: $1.390 million) and represents the Group's costs in establishing and developing Ava as well as the establishment of additional resources to expand the BQT Solutions business into developing markets.

(b) Net Cash

Net Cash used by Operating Activities was $2.733 million (2016: $1.276M), receipts from customers amounted to $7.429 million (2016: $4.763M) and payments to suppliers and employees amounted to $10.482 million (2016: $6.272M) The net cash used in Operating Activities is reflective of the costs of operation and development of the BQT Solutions business and the establishment and development of the secure international logistics division, Ava.

Net cash used in investing activities amounted to $576K (2016: $545K) and relates primarily to our investment in new products and technology platforms which will provide both revenue benefits and cost savings in future periods.

There was no cash raised in financing activities for the year (2016: $6.121M). This amount raised in the previous year was for the establishment of secure international logistics division, Ava and for the expansion of the BQT Solutions business.

Net cash available to the consolidated Group was $1.587 million (2016: $4.968M).

2. OPERATIONS

The development and establishment of our secure logistics business unit, Ava is progressing to plan. Ava is now building its portfolio of foundation clients and is positioned to develop its' business through a global network of offices and strategic partnerships across six continents.

Ava has now executed service level agreements with key foundation clients who have a total annual international secure logistics spend in excess of $45 million and are in advanced discussions with clients that spend in excess of $60 million.

During the year BQT Solutions have appointed additional sales resources in the US, European and MENA markets and have focused our sales and marketing team with the appointment of a Global Sales and Marketing Executive who is tasked to expand our relationships with our blue chip clients as well as developing new opportunities on a global platform.

3. New Products

BQT Solutions product portfolio has expanded during the year with the development and addition of our miPASS Access template management system and range of managed biometric products, miPASS Strata offline access control system, OSDP output readers, Phase and amplitude modulation shift migration readers and improvements to our range of highly secure smart readers.

SUMMARY AND OUTLOOK

The financial performance of MaxSec Group Limited consolidated group is in line with our expectation, considering the investment into the Ava business and our ongoing BQT Solutions expansion program.

Year ended		Net Profit / (Loss)	Revenue
30 June, 2017	($000's)	(3,435)	7,449
30 June, 2016	($000's)	(1,392)	4,344
30 June, 2015	($000's)	411	5,202

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, these are:-

- Develop and launch new products and services 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 BQT's traditional core markets and a distribution model for developing and other markets;
- Integrated sales approach offering holistic security solutions to Group clients; and
- Cost control and working capital maximisation 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 2017

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

RESULTS FOR ANNOUNCEMENT TO MARKET

Key Information	2017 $000	2016 $000	% Change
Revenue from ordinary activities	7,449	4,344	71.46
Profit after tax from ordinary activities attributable to members	-3,435	-1,390	146.94
Net profit attributable to members	-3,435	-1,390	146.94

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 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Group	
		2017 $000	2016 $000
Continuing operations			
Revenue		7,449	4,344
Other income		392	252
Raw materials and consumables used		(4,663)	(1,656)
Employee benefits expense		(4,015)	(1,303)
Depreciation and amortisation expense		(330)	(276)
Finance costs		(3)	(5)
Impairment of property, plant and equipment		-	-
Other expenses		(2,265)	(2,746)
Share of net profits of associates and joint venture entities		-	-
Profit before income tax		(3,435)	(1,390)
Tax expense		-	-
Net profit from continuing operations		(3,435)	(1,390)
Discontinued operations			
Profit/(Loss) for the year from discontinued operations after tax		-	-
Net profit for the year		(3,435)	(1,390)
Other comprehensive income:			
Net gain on revaluation of land and buildings		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(3,435)	(1,390)
Net profit attributable to:			
Members of the parent entity		(3,435)	(1,390)
Non-controlling interest		-	-
		(3,435)	(1,390)
Total comprehensive income attributable to:			
Members of the parent entity		(3,435)	(1,390)
Non-controlling interest		-	-
		(3,435)	(1,390)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		-0.837 cents	-0.339 cents
Diluted earnings per share (cents)		-0.796 cents	-0.322 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 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Consolidated Group	
	2017	**2016**
	$000	**$000**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,587	4,968
Trade and other receivables	1,907	1,771
Inventories	1,102	1,042
Other assets	90	117
TOTAL CURRENT ASSETS	4,686	7,898
NON-CURRENT ASSETS		
Property, plant and equipment	97	105
Intangible assets	2,335	2,149
Other non-current assets	-	-
TOTAL NON-CURRENT ASSETS	2,432	2,254
TOTAL ASSETS	7,118	10,152
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	2,070	1,015
Provisions	195	184
Other current liabilities	-	-
TOTAL CURRENT LIABILITIES	2,265	1,199
NON-CURRENT LIABILITIES		
Provisions	40	29
TOTAL NON-CURRENT LIABILITIES	40	29
TOTAL LIABILITIES	2,305	1,228
NET ASSETS	4,813	8,924
EQUITY		
Issued capital	66,857	66,857
Reserves	23,951	24,627
Retained earnings	(85,995)	(82,560)
Parent interest	4,813	8,924
Non-controlling interest	-	-
TOTAL EQUITY	4.813	8,924

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 2017

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Group	
	2017	**2016**
	$000	**$000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	7,429	4,763
Other receipts	303	208
Payments to suppliers and employees	(10,482)	(6,272)
Dividends received	-	-
Interest received	20	30
Finance costs	(3)	(5)
Income tax paid	-	-
Net cash provided by operating activities	(2,733)	(1,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for product development expenses	(568)	(492)
Patent Registration	-	(1)
Purchase of property, plant and equipment	(8)	(52)
Loans to related parties:		
– payments made	-	-
– proceeds from repayments	-	-
Net cash used in investing activities	(576)	(545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	6,485
Payments for capital raised	-	(364)
Loans from related parties:		
– payments made	-	-
– proceeds from borrowings	-	-
Dividends paid by parent entity	-	-
Net cash provided by (used in) financing activities	-	6,121
Net increase/(decrease) in cash held	(3,309)	4,301
Cash and cash equivalents at beginning of financial year	4,968	682
Exchange adjustment	(72)	(14)
Cash and cash equivalents at end of financial year	1,587	4,968

MaxSec Group Limited (ABN 89 000 029 265)
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APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Statement of Retained Earnings Showing Movements

	2017 $000	2016 $000
Balance at the beginning of the year	(82,560)	(81,169)
Prior year adjustment		-
Net profit attributable to members of the parent entity	(3,435)	(1,390)
Remeasurement of retirement benefit obligation	-	-
Capital profit on sale of investments transferred to capital profit reserve	-	-
Transfers to reserve	-	-
Dividends	-	-
Balance at the end of the year	(85,995)	(82,560)

Net Tangible Assets per Share

	2017 $/share	2016 $/share
Net tangible assets per share	0.604 cents	1.669 cents

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.

Goodwill

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

(i) the consideration transferred;
(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
(iii) 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. Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

c. 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.

d. 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 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:

Class of Fixed Asset	Depreciation Rate
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.

e. 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.

f. 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.

g. 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.

h. 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.

i. 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.

j. Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

k. 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.

l. 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.

m. 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.

n. 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).

o. 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.

p. 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.

q. 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.

r. 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.

s. 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.

t. 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 preceding period in addition to the minimum comparative financial statements is presented.

u. 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.

Note 2: OPERATING SEGMENTS

(i) *Segment performance*

	Australia	UK	US	SEA	AVA	Total
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
30-Jun-17						
Revenue						
External sales	2,141	894	51	2,347	1,997	7,430
Intersegment sales	1,051	-	-	754	-	1,805
Interest Income	18	2	-	-	-	20
Total segment revenue	3,210	896	51	3,101	1,997	9,255
Reconciliation of segment revenue to group revenue:						
Other revenue	392	-	-	-	-	392
Intersegment elimination	-1,051	-	-	-754	-	-1,805
Revenue from discontinued operations	-	-	-	-	-	-
Total group revenue	2,551	896	51	2,347	1,997	7,842
Segment net profit from continuing operations before tax	400	-240	-141	-179	-3,276	-3,435
Net profit before tax from continuing operations						-3,435

30-Jun-16						
Revenue						
External sales	2,110	920	47	1,237	-	4,314
Intersegment sales	824	-	-	641	-	1,465
Interest revenue	30	-	-	-	-	30
Total segment revenue	2,964	920	47	1,878	-	5,809
Reconciliation of segment revenue to group revenue:						
Other revenue	252	-	-	-	-	252
Intersegment elimination	-824	-	-	-641	-	-1,465
Revenue from discontinued operations	-	-	-	-	-	-
Total group revenue	2,392	920	47	1,237	-	4,596
Segment net profit from continuing operations before tax	494	-121	-105	-198	-1,460	-1,390
Net profit before tax from continuing operations						-1,390

(ii) *Segment assets*

	Australia $000	UK $000	US $000	SEA $000	AVA $000	Total $000
30-Jun-17						
Segment assets	2,472	479	46	2,875	1,246	7,118
Segment asset increases for the period:						
– capital expenditure	-	-	-	-	-	-
– acquisitions	-	-	-	-	-	-
Total group assets	2,472	479	46	2,875	1,246	7,118
30-Jun-16						
Segment assets	6,302	378	68	2,832	572	10,152
Segment asset increases for the period:						
– capital expenditure	-	-	-	-	-	-
– acquisitions	-	-	-	-	-	-
Total group assets	6,302	378	68	2,832	572	10,152

(iii) *Segment liabilities*

	Australia $000	UK $000	US $000	SEA $000	AVA $000	Total $000
30-Jun-17						
Segment liabilities	20,282	8,959	2,591	3,203	6,042	41,077
Reconciliation of segment liabilities to group liabilities:						
Intersegment eliminations	-16,081	-9,959	-5,058	-2,574	-5,100	-38,772
Total group liabilities	4,202	-1,000	-2,467	629	942	2,305

30-Jun-16						
Segment liabilities	20,729	9,211	2,555	2,975	1,984	37,454
Reconciliation of segment liabilities to group liabilities:						
Intersegment eliminations	-16,761	-9,898	-5,003	-2,713	-1,851	-36,226
Total group liabilities	3,968	-687	-2,448	262	132	1,228

Note 3: INVESTMENTS IN SUBSIDIARIES

	Country of Incorporation	Percentage Owned (%)*	
		2017	**2016**
Subsidiaries of ***MaxSec Group Limited***:			
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.	Singapore	100	100
BQT Solutions (NZ) Limited	New Zealand	100	100
BQT Intelligent Security Systems Pty. Ltd.	Australia	60	60
4C Satellites Limited	Australia	60	60
AVA Global DMCC	U.A.E.	100	100
AVA USA Inc.	USA	100	100
AVA Germany GmbH	Germany	100	100

** Percentage of voting power is in proportion to ownership*

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.