

# 2021 ANNUAL REPORT



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# 01

## CORPORATE INFORMATION

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ABN 67 064 089 318

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### DIRECTORS

David Cronin, Chairman and Non-Executive Director

Mark Stevens, Non-Executive Director

Mike McGeever, Non-Executive Director

Robert Broomfield, Group Chief Executive Officer and Executive Director

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### COMPANY SECRETARIES

Leigh Davis, Kim Clark

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### REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

10 Hartnett Close, Mulgrave, Victoria 3170, Australia

Telephone: +61 3 9590 3100

Facsimile: +61 3 9560 8000

Email: [investor@theavagroup.com](mailto:investor@theavagroup.com)

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### SHARE REGISTRY

Boardroom Pty Ltd Grosvenor Place, Level 12, 225 George Street, Sydney, NSW 2000, Australia

Telephone (within Australia): 1300 737 760

Telephone (outside Australia): +61 2 9290 9600

Facsimile: +61 2 9279 0664

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### STOCK EXCHANGE

Ava Risk Group Limited shares are quoted on the Australian Securities Exchange (ASX). ASX Code: AVA

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### BANKERS

Westpac Banking Corporation Level 18, 275 Kent Street, Sydney, NSW 2000, Australia

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### AUDITORS

Ernst & Young Level 23, 8 Exhibition Street, Melbourne, Victoria 3000

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### WEBSITE

[www.theavagroup.com](http://www.theavagroup.com)

Information correct as at 30 August 2021.

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# 03

## CHAIRMAN'S REPORT

### DEAR FELLOW SHAREHOLDERS,

For Ava Risk Group Limited (Ava Group), FY2021 has been one of strategic opportunity and discipline. While lifting profit margins from ongoing cost discipline and the realisation of FY2020 operational efficiencies, Ava Group has remained outwardly focussed and open to capitalising on strategic opportunities that present during these unprecedented times.

### FY2021 | HIGHLIGHTS

Despite the ongoing global challenges that come with COVID-19, Ava Group's achievements during FY2021 have underpinned a positive financial result and consolidated our strong platform for continued growth.

Key highlights for the financial year include:

- › Record revenues combined with continued profit margin growth to deliver exceptional results
- › Licencing fees of \$7.8 million generated by Indian Ministry of Defence (IMoD) contract
- › Strong recovery during Q4 FY2021 in perimeter protection technology (FFT) sales and orders that were delayed due to COVID-19 impacts, plus an order backlog of \$4.6 million
- › Growing sales of access control and locking products (BQT) with ongoing Australian government demand
- › Continued expansion of the Services Division (Ava Global) through existing and new clients
- › Increase in demand for remote services and technologies to access devices, upgrades and maintenance support, and
- › Strong interest in licencing programs and service agreements to generate annual recurring revenue.

Despite COVID-19 impacts on Aura IQ Proof of Value (PoV) trials, combined with internal approval delays relating to the corporate activity of our global mining customers, Management remains confident that Aura IQ sales will result from these successful on-ground trials.

Ava Group's development and engineering teams also remain focussed on performance enhancement, product development and application adaption - with new opportunities from adjacent markets demanding creative thinking and innovative solutions.

### STRONG FINANCIAL PERFORMANCE

Ava Group's total revenue for the 2021 financial year increased by 41% to a record \$65.0 million, continuing the Company's strong year on year revenue performance despite the ongoing challenges imposed by the global pandemic. Earnings before Interest, Tax, Depreciation, and Amortisation (EBITDA) from operations improved from \$7.4 million to \$16.0 million.

The Company remains focussed on managing operating costs which were up \$1.1 million compared to the prior year due to increased foreign exchange costs of \$0.5 million and increased Employee benefit expenses arising from higher costs in the Services Division due to increased Management profit share costs on the back of the much improved year on year profits from that Division. As a result of revenue and gross margin growth, combined with operating cost management, net profit after tax (NPAT) increased from \$4.9 million in FY2020 to \$13.7 million in FY2021.

As at 30 June 2021, Ava Group's total cash balance was approximately \$17.3 million and no debt, having paid \$7.1 million in dividends to its shareholders during FY2021.

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## STRATEGIC OPPORTUNITIES

On 17 August 2021, Ava Group announced the divestment of its non-core Services Division, Ava Global DMCC-LLC (Ava Global) for US\$46.4 million (A\$63.1 million) with anticipated net cash proceeds of US\$31.1 million (A\$42.4 million). Delivering a return on cash invested to Ava Risk Group of circa 587%. Completion is expected by the end of October 2021.

We express our congratulations to Chris Fergus and his management team at Ava Global for achieving an outstanding result for their stakeholders and wish them all the very best for the future.

The strategic divestment of Ava Global will allow Management to fully focus on the Company's higher margin technology businesses, growing recurring revenue and expanding into new markets and applications.

Ava Group's strategy to accelerate recurring revenue is in place and already showing results with contracts for multi-year comprehensive maintenance support agreements successfully closed during FY2021. Product enhancement and sales investments will support continued growth in this area.

Enquiries regarding technology licencing opportunities continue to be received from international companies, while Aura IQ will deliver a range of recurring revenue opportunities through its cloud-based SaaS model.

New and adjacent markets provide significant opportunities for FFT and BQT market leading technologies. Demand for innovative solutions recently led BQT to integrate its high security reader technology with an electromechanical cabinet lock to create a solution for data centres. This product will now be marketed globally.

While FFT continues to extend its Aura Platform to deliver new sensing capabilities to adjacent markets, including condition monitoring of buried terrestrial and sub-sea power cables. Aura Ai-2 is also being used to protect trains from safety hazards such as rockfalls on tracks and has demonstrated the ability to monitor freeways for real time incidents and variations in structural integrity.

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## BOARD AND MANAGEMENT

Ava Group's Board and Management are committed to navigating the impacts of COVID-19 and the disruption that this may cause to contract orders, supply chain and project delivery. Any measures or processes that can be put in place to manage and mitigate these delays will be considered and adopted as appropriate. Having the right people, skills and expertise in place to continue to support our strategic ambitions remains primary focus of the Management team.

In early August, the market was advised that Group Chief Financial Officer and Company Secretary Leigh Davis had resigned and would leave the Company in early November and be replaced by Neville Joyce. On behalf of the Board and Management, I would like to thank Leigh for his contribution over the last six years and I wish him well with his new career opportunity.

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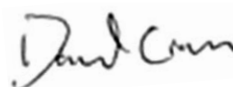
## GOVERNANCE

The Board is committed to conducting business in accordance with high governance standards as we focus on ensuring Ava Group has a contemporary approach to corporate business and ethics. We are fortunate and proud to have a very diverse and loyal employee base.

While our policies and practices are consistent in all substantial aspects with good corporate governance practice in Australia, we will continue to review areas for refinement and improvement in the coming year. We maintain a strong focus on Cybersecurity, which is essential for the continued support of our blue-chip customer base.

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

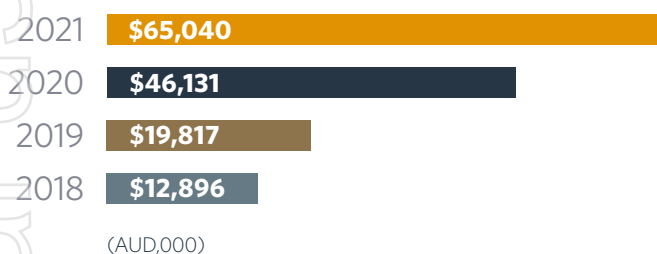
I am confident that Ava Group's strategy, people, performance and portfolio of world leading technologies will result in continued growth and success.



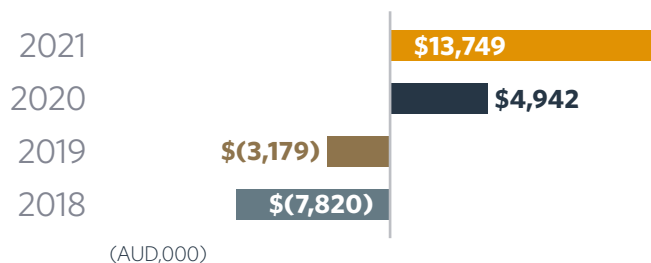
David L Cronin  
Chairman

# 04 FINANCIAL HIGHLIGHTS

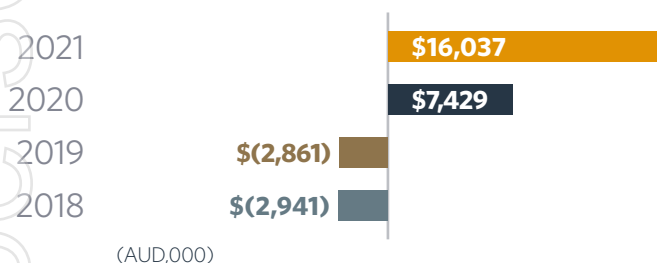
## REVENUE AND OTHER INCOME



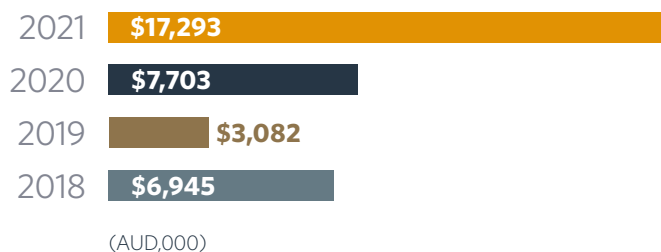
## NPAT



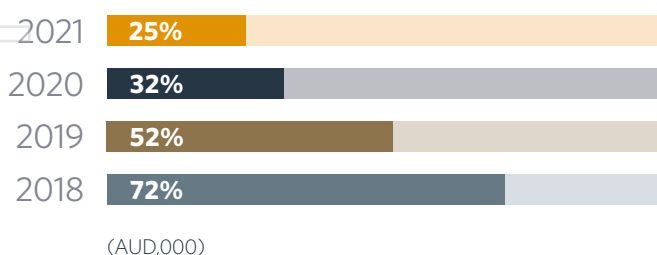
## EBITDA



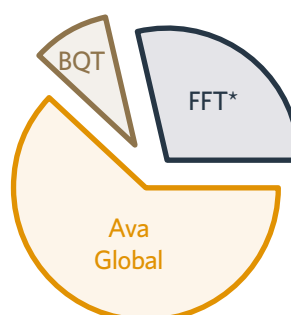
## CASH AS AT 30 JUNE



## OPERATING EXPENSES AS A % OF SALES REVENUE



## 2021 REVENUE BY SEGMENT

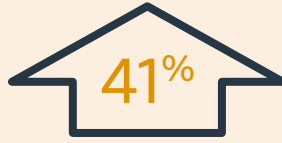


\* Includes the IMoD revenues and profits.

# KEY 2021 FIGURES

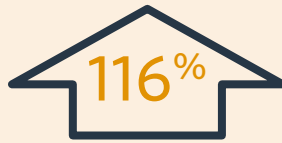


NPAT  
\$13.7 million



REVENUE UP

EBITDA



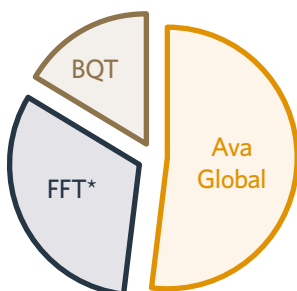
CASH BALANCE  
\$17.3 million

+100  
COUNTRIES

+2,500  
SYSTEMS DEPLOYED

+3,500  
SITES PROTECTED

2021 EBITDA  
BY SEGMENT



WHILE LIFTING PROFIT MARGINS FROM ONGOING COST DISCIPLINE AND THE REALISATION OF FY2020 OPERATIONAL EFFICIENCIES, AVA GROUP HAS REMAINED OUTWARDLY FOCUSED AND OPEN TO CAPITALISING ON STRATEGIC OPPORTUNITIES THAT PRESENT DURING THESE UNPRECEDENTED TIMES.



\* Includes the IMoD revenues and profits.

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# 05

## ABOUT AVA GROUP

### AVA RISK GROUP

Ava Risk Group Limited (Ava Group) is a market leader of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government customers in the world. Operating across two divisions, Ava Group brings together three highly compatible security related entities (Future Fibre Technologies, BQT Solutions and Ava Global Logistics), each with world leading technology, services and exceptional people.

### TECHNOLOGY DIVISION

#### FUTURE FIBRE TECHNOLOGIES

Future Fibre Technologies (FFT) manufactures a complete portfolio of fibre optic intrusion detection and location products for the protection of high value assets and critical infrastructure.

- › Perimeter Intrusions
- › Pipeline Interference
- › Condition Monitoring
- › Data Network Protection
- › 2,500+ systems installed in 70+ countries
- › US \$1-2 billion addressable market\*
- › Products & Services Model

### BQT SOLUTIONS

BQT Solutions (BQT) is a specialist in the development, manufacture and supply of high quality, high security card and biometric readers, electromechanical locks and related electronic security products.

- › Access Control Readers
- › High Security Locking
- › Custom Encryption
- › Biometric Solutions
- › 3,500+ sites in 50+ countries
- › US\$0.6-1.5 billion addressable market\*
- › Custom and off the shelf products

### SERVICES DIVISION

#### AVA GLOBAL LOGISTICS

Ava Global Logistics provides secure international logistics of high value assets on a fully insured door-to-door basis. This includes armoured vehicle collection and delivery at origin and destination, secure storage, commercial and chartered air and sea freight and customs brokerage services.

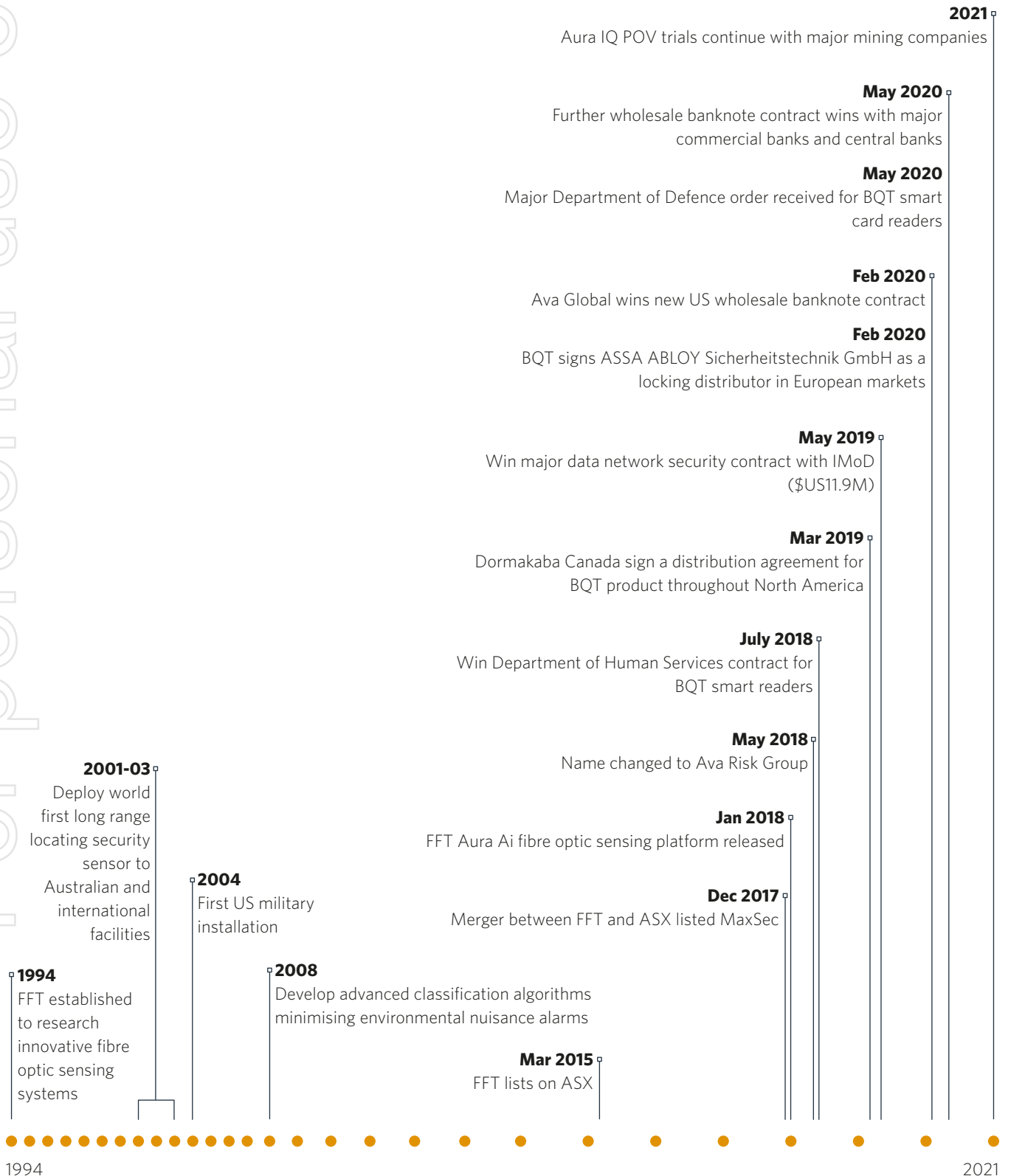
- › Risk Consulting
- › Precious Metals
- › High Risk Valuables
- › Banknotes
- › Partners in 100+ Countries
- › US \$0.6-1 billion addressable market\*
- › Recurring Revenue Model

\*Ava Risk Group Limited Estimate.



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## A HISTORY OF INNOVATION



# 06

## TECHNOLOGY DIVISION

AVA GROUP'S PERIMETER TECHNOLOGY (FFT) AND ACCESS CONTROL SOLUTIONS (BQT) CONTINUE TO GAIN INTERNATIONAL RECOGNITION AS THE SECURITY SOLUTIONS OF CHOICE FOR INDUSTRIES AND GOVERNMENTS WORLDWIDE.

### FY2021 HIGHLIGHTS | FFT

*"In a year of challenges associated with global travel restrictions, our technology licencing program for the Indian Ministry of Defence (IMoD) contract made great progress during FY2021 and generated \$7.8 million in licencing fees. Technology licencing beyond the IMoD contract will provide additional future revenue and earning visibility, and FFT is pleased to be receiving further interest in licencing programs from overseas security technology companies.*

*Although experiencing some COVID-19 related project delays in FY2021, there was strong growth in sales order activity during Q4, which was a result of our focused business development activity during the year and the re-activation of some of the delayed contracts. FFT finished the year with an order backlog of \$4.6m.*

*FFT made progress on initiatives to grow and broaden the Company's future revenue base. This included the Aura IQ conveyor monitoring solution with ongoing Proof of Value (POV) trials, strengthening IP protection with technology partner Mining3, and securing the first Aura IQ partnership agreement with the highly respected international mining service provider Strata Global.*

*FFT successfully concluded a number POV's in which the value of the Aura IQ solution was demonstrated, with the mining operations group submitting request for outside budget purchasing approval. Some of these funding approvals are delayed temporarily with a few cases due to corporate restructuring of mining assets underway in the second half of the financial year.*

*While this has created delays for some internal approvals FFT remains confident of significant commercial progress FY2022.*

*The Company's program to leverage FFT's large installation base to expand recurring revenue progressed during FY2021 and the first multi-year support contracts were received. FFT has a clear strategy in place for product enhancements, and sales investments, to accelerate this program. The value of these support agreements will continue to grow from FFT's ongoing advancement in software performance and capabilities, including our Cyber Assurance software testing, and rapidly expanding Machine Learning capability.*

*As mentioned, FY2021 was a year of both challenge and progress, and during this time FFT continued to invest in future growth by adding to our technology development and sales capabilities, including with a number of key appointments.*

*Dr Jim Katsifolis was appointed Director of Innovation at the end of FY2021 to focus on Aura Ai platform extensions, including Machine Learning. Jim was instrumental in the development of a number of FFT photonics platforms in the past, and we are delighted to have Jim and his extensive photonics and application experience to further strengthen our innovation capabilities.*

*While in the United States, FFT has been building sales and support capacity, most recently appointing Jim Viscardi as Vice President, Americas. With 20 years' sales leadership experience in security technology both in the U.S. and internationally, Jim's experience, relationships and knowledge across Homeland Security will significantly enhance FFT's position in the world largest security market.*

*FFT is well positioned to deliver innovative and high value sensing solutions addressing an expanding range of markets and applications, including the rapidly evolving future for 'Smart Cities' and 'Industry 4.0'."*

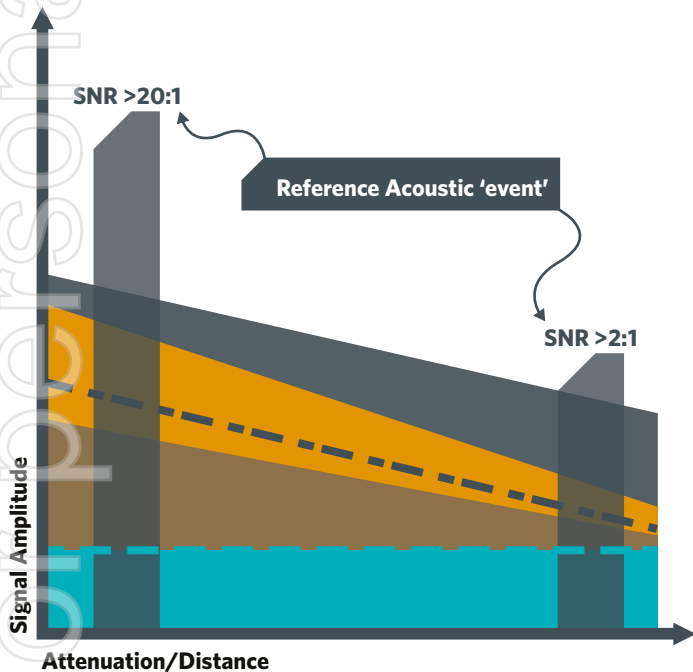
#### **Rob Broomfield**





Group Chief Executive Officer

## THE FFT DIFFERENCE

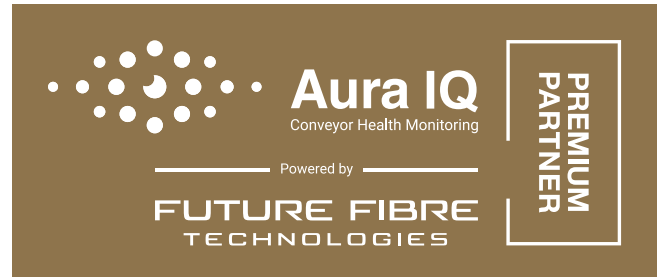
FFT consistently leads the industry in reliable, long distance detection due to exceptional design and engineering. For long distance buried fibre applications, such as pipeline, border or Smart City applications (where lower acoustic frequencies are of interest) fibre attenuation and its effect on the signal-to-noise (SNR) ratio of the received backscattered signal becomes the dominant factor that determines effective fibre sensing distance capability.

While many Distributed Acoustic Sensing (DAS) systems are based on Direct Detection techniques, Aura Ai-2 uses a coherent detection technique based on optical heterodyning - which provides superior receiver sensitivity and lower receiver noise. By combining heterodyning with FFT's proprietary Ultra Low Noise Balanced Detectors, Aura Ai-2 lowers the noise floor to improve its SNRs by at least a factor of 2 (3dB) - extending system reach for long range applications. Aura Ai-2 then doubles this sensing distance advantage by having two sensing channels combined with industry leading event classification software.



-  Rayleigh Fading, Polarisation Fading effects - SNR and event duration dependent
-  Background acoustic noise/activity - environment dependent
-  Photonics Noise (Laser/phase/shot/Rayleigh noise)
-  Electrical Noise

## AURA IQ | SNAPSHOT



### World-leading fibre optic technology

with advanced signal processing algorithms and cloud-based analysis, **reporting and alerts**

### Developed in partnership

with leading industry research organisation **Mining3**

### Proof of Value trials with mining houses and bulk material

handling facilities underway

### Cloud platform

supports future enhancements and **SaaS opportunities** for recurring revenue

### Premium partnership

with Strata Worldwide to distribute solution to **mining and tunnelling operations**

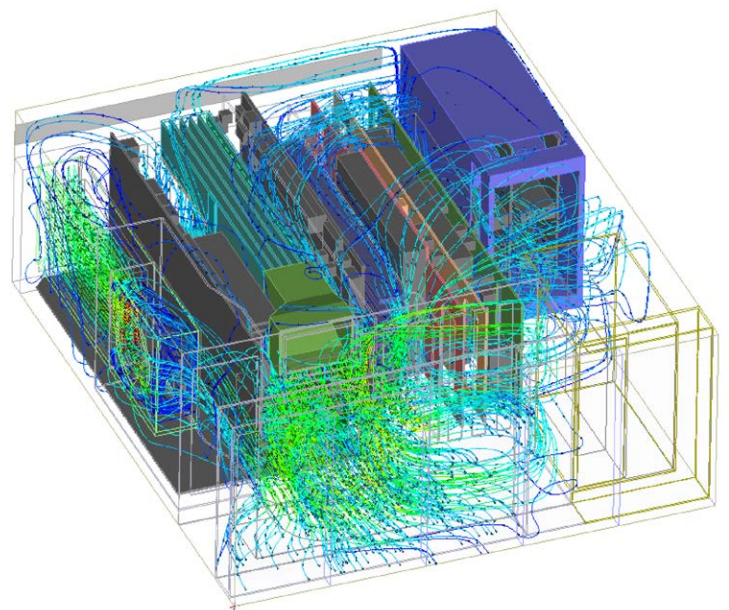


# 06

## TECHNOLOGY DIVISION CONTINUED

### EXPANDING APPLICATIONS AND MARKETS

FFT continues to extend its Aura Platform beyond the current Aura Ai-2 for intrusion detection and Aura IQ for conveyor belt condition monitoring, and offering new sensing capabilities to adjacent markets including condition monitoring of buried terrestrial and sub-sea power cables. These capabilities provide situational awareness around infrastructure that already contains fibre optic data cables. FFT Aura Ai-2 is being used to protect trains from safety hazards such as rockfalls on tracks and has demonstrated the ability to monitor freeways for real time traffic incidents, intruders as well as long variations in structural integrity. FFT continues to enhance the capabilities of its sensing technology for new applications and expansion opportunities.



### DELIVERING NEW STANDARDS IN RELIABILITY AND PERFORMANCE

FFT's Aura platform continues to validate the Company's leadership position in critical infrastructure sensing with exceptional reliability and availability. Analysis during FY2021 on the reliability of the large install base of Aura Ai-2 shows that the Mean Time Between Failure (MTBF) is 2 to 3 times longer than the industry average.

This performance results from FFT's decades long experience in the design and manufacture of commercial high performance photonic sensing systems for real world applications. In addition to careful design and component selection, Aura Ai-2's development focussed on comprehensive thermal modelling to ensure all critical components were kept operating well below their design limits - maximising the reliability of all components.

Critical internal system voltages, temperatures and optic power levels are also constantly monitored for early signs of system or component degradation - providing further confidence in long term system reliability. Advanced warning of any preventative action required are monitored locally or remotely from FFT's Technical Support Centres.



# MACHINE LEARNING

Providing advanced detection and event classification capability, FFT's software platform (FOSS) continues to make outstanding progress. Since being first integrated in late FY2020, FOSS Machine Learning has been field tested at some on FFT's most challenging perimeter installations globally achieving significant event classification and nuisance handling improvements over FFT's previous industry leading capabilities. This has enabled the delivery of exceptionally high Probability of Detection (POD) without any compromise in Nuisance Alarm Rates (NAR), with some sites rapidly achieving 100% POD and 0% NAR from hundreds of tests in some of the noisiest environments. These results are a testament to the careful selection and validation of optimal Deep Learning models for real-time Machine Learning, specifically optimised for Aura AI-2's sensing technology and applications. FFT is working in collaboration with Australian Universities and researchers to further optimise its Machine Learning capabilities for a range of sensing applications.

# CASE STUDY

A large seaport in the Middle East with a high security perimeter fence required early detection of stealthy intrusion attempts.

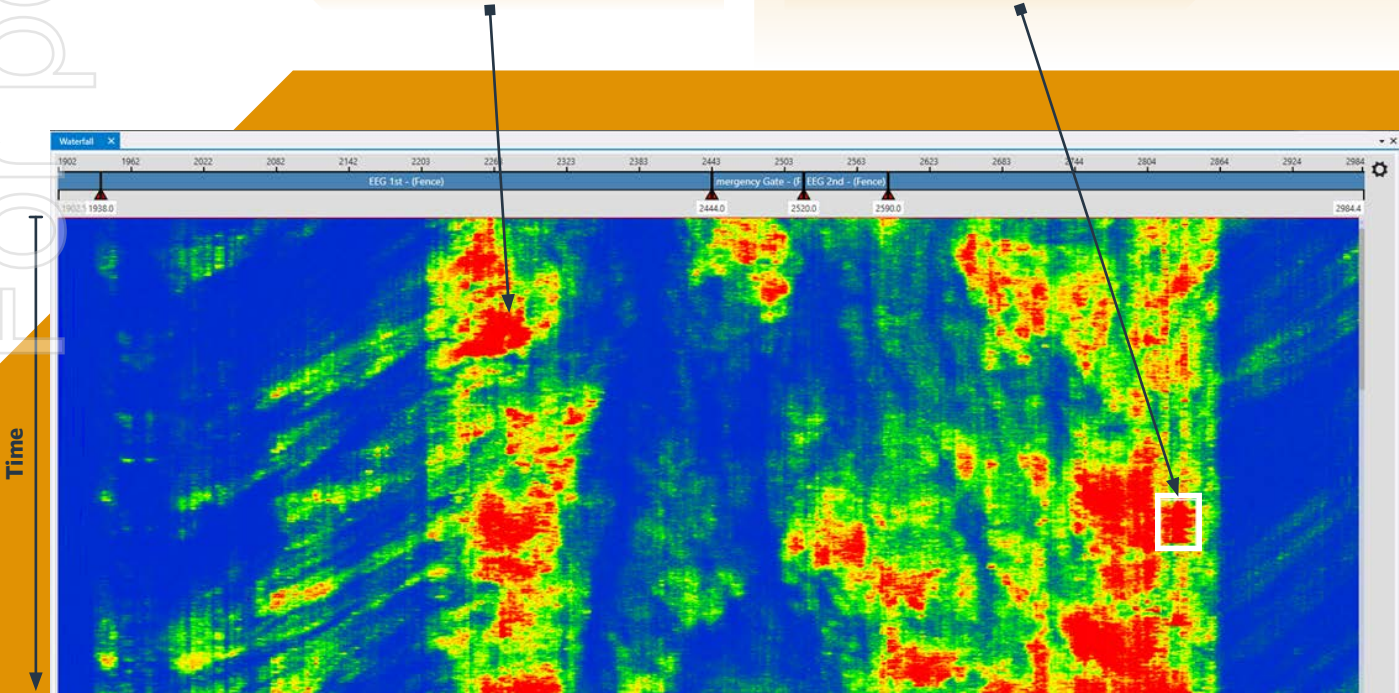
However, the site was subject to heavy winds that generated large low frequency signals in the frequency bands needed to detect intrusions.

Traditional event classification events could not achieve both high detection sensitivity for intrusions and the suppression of wind related nuisance alarms.

FFT applied Machine Learning capabilities and quickly obtained the required performance outcomes.

Heavy gust of wind shaking the perimeter fence.

FFT Machine Learning identifying fence cutting signals and classifying the intrusion event amongst a heavy wind gust.



# 06

## TECHNOLOGY DIVISION CONTINUED

### FY2021 HIGHLIGHTS | BQT

*"Although FY2021 presented some significant obstacles with continuity of supply, lead time extensions and ever changing work environments, BQT achieved record results underpinned with the successful delivery of the \$3.4 million Department of Defence contract ahead of schedule. This entire project was produced and delivered while navigating lockdowns and was successfully rolled out to countless sites across Australia as planned. This project, and ongoing opportunities that come from supplying high security smart reader solutions to the Department of Human Services, demonstrate the fact that BQT's custom high security smart cards and biometric readers continue to be the trusted solution for some of Australia's most critical government facilities.*

*BQT continued to expand its Preferred Partner Program and remains focussed on supporting existing and securing new local and regional partners in Australia, Europe and the United States as well as tackling impromptu projects in numerous markets. This is in addition to growing existing distribution agreements with some of the world's locking industry leaders. BQT is actively leveraging its go to market strategy with dormakaba to deliver material sales into the US and Europe, while capitalising on the post-COVID demand from the current ASSA ABLOY contract.*

*The consolidation of BQT's production activities to Auckland continued to deliver operational efficiencies and support customer demand. These improvements, along with the addition of a new Electronics Engineer and Commercial Finance Manger provide the stable base that future success will be built upon.*

*BQT remains committed to building on the Company's portfolio of innovative, high-security solutions with design of the next generation Cobalt motor driven door lock while a new reader offering is also underway. This commitment to product development and expansion of new and existing partnerships will see BQT's footprint continue grow across multiple sectors globally."*

**Matthew Nye-Hingston**

Chief Operating Officer - BQT

### COBALT LOCK EVOLUTION

BQT's flagship locking products, the Cobalt locks are getting an upgrade with the development of the next generation now underway. The Cobalt is a revolutionary, low voltage motor driven door lock for 180° swing doors while the Cobalt-mini is suited for 90° doors. Since their introduction to the market in 2013, it has been widely accepted that these locks have set the category standard with the feature set they offer.

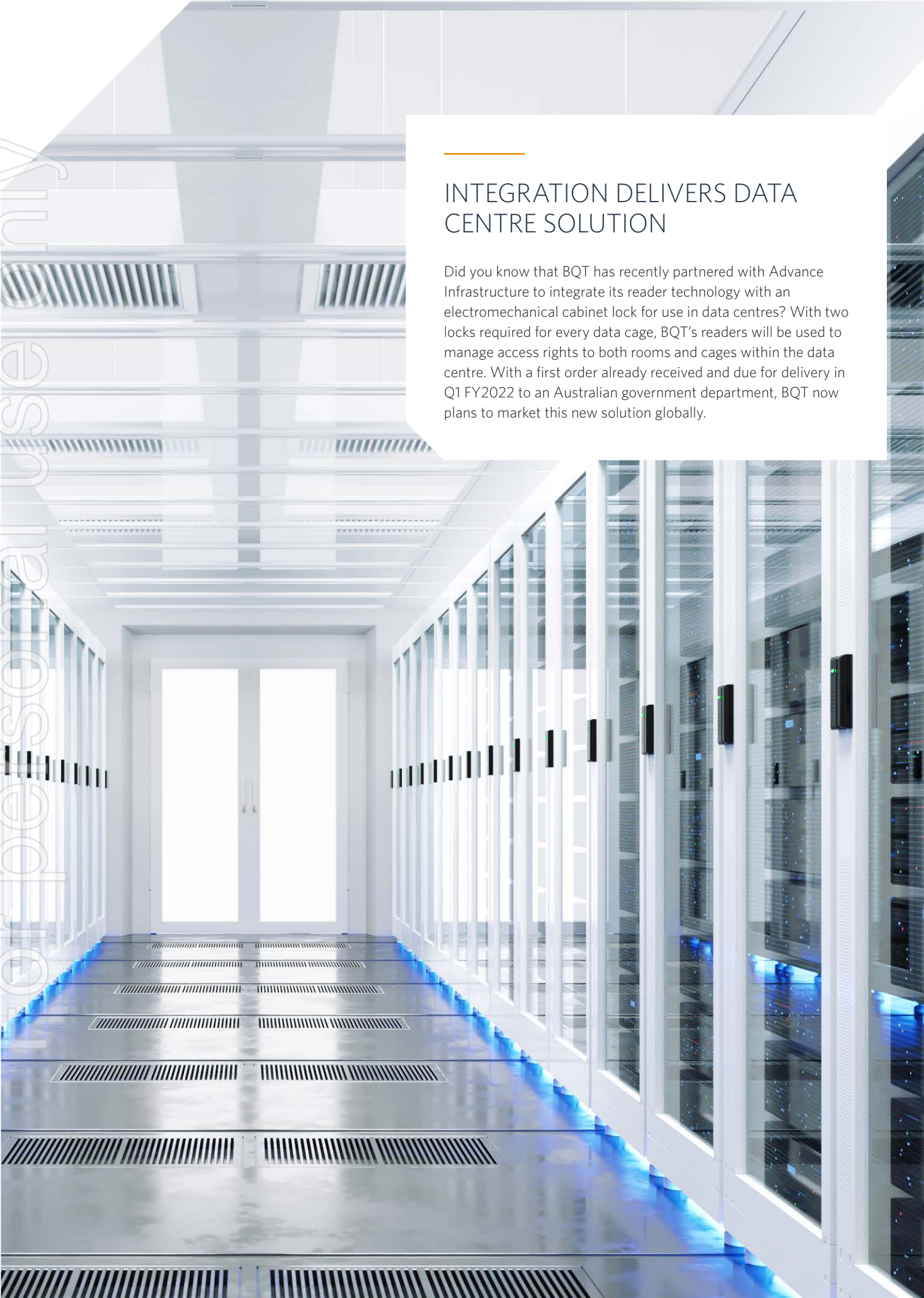
Both locks address the biggest issues in door locking - the ability to align a misaligned door and the ability to then release the door when requested, even when excessive load is being applied. Typically used in commercial doors and controlled by access control systems, the new generation of Cobalt locks will continue to provide best in class function in these areas with the addition of some further enhancements. Both locks will receive a reduction in overall height, critical in offering access to additional installations and markets, while an increase in both reliability and strength are key design elements being implemented. The expectation is to see the design and sample testing completed over the coming months with a market release towards the end of 2021 or early 2022.



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**INTEGRATION DELIVERS DATA CENTRE SOLUTION**

Did you know that BQT has recently partnered with Advance Infrastructure to integrate its reader technology with an electromechanical cabinet lock for use in data centres? With two locks required for every data cage, BQT's readers will be used to manage access rights to both rooms and cages within the data centre. With a first order already received and due for delivery in Q1 FY2022 to an Australian government department, BQT now plans to market this new solution globally.



# 07 SERVICES DIVISION

AVA GROUP'S SERVICES DIVISION (AVA GLOBAL) CONTINUES TO EXPAND ITS PRESENCE IN THE SECURE INTERNATIONAL LOGISTICS SECTOR FOR THE TRANSPORT OF BANKNOTES AND PRECIOUS METALS ACROSS THE GLOBE ON A FULLY INSURED DOOR TO-DOOR BASIS.

## FY2021 HIGHLIGHTS | AVA GLOBAL

*"We continue to be delighted with the trajectory of Ava Global's business performance since its inception in 2016. FY2021 was yet another transformational year with particularly strong growth in the Americas, Europe and Africa - despite the logistical challenges posed by the COVID-19 pandemic. Having established an excellent reputation in the precious metals and banknote sectors, further market share opportunities and geographical expansion should further strengthen our market position."*

**Chris Fergus**

Chief Executive Officer - Ava Global

## KEY SECTORS

### FINANCIAL INSTITUTIONS

Secure transport of cash and precious metals with a global network of trusted service providers. Secure storage and inventory management of precious metals and secure storage and processing of cash.

### REFINERIES

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

### MINING

Secure international logistics support in the transport of pre-refined precious metals around the world from mines to refineries with detailed risk management assessment.

### BULLION TRADERS

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

### GOVERNMENT & CENTRAL BANKS

Secure international logistics support for large-scale foreign currency and precious metal movements. Secure storage and inventory management of precious metals and secure storage and processing of cash.

### CONSULTING

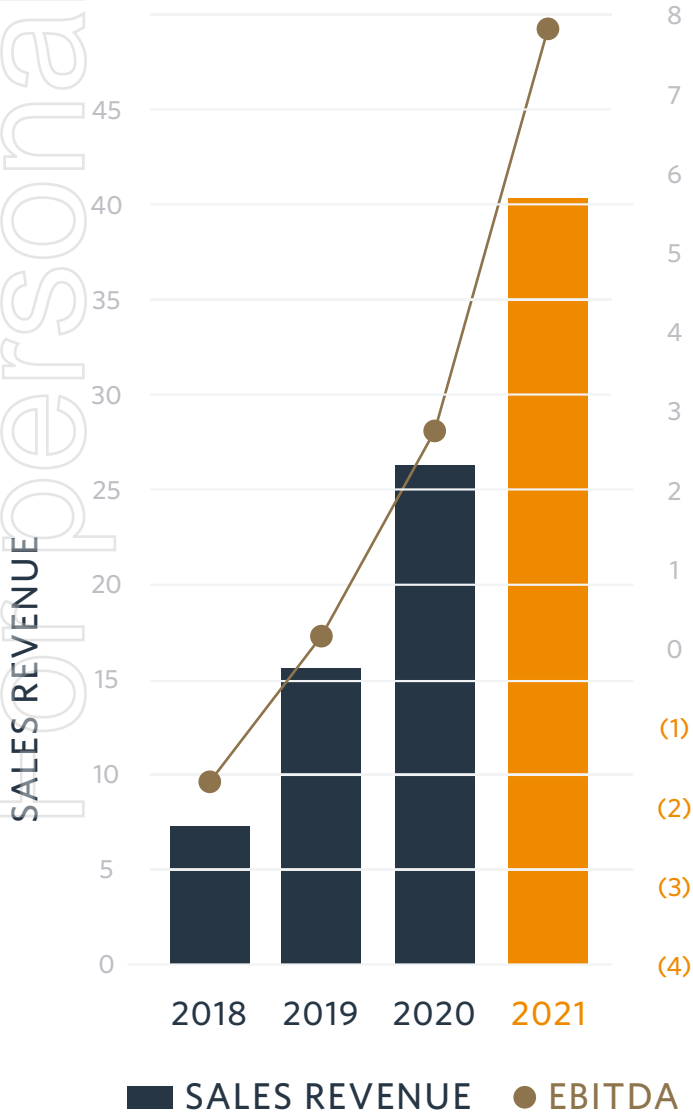
A dedicated risk manager and risk management team providing pre-feasibility and feasibility studies to support supply chain management, supported by the experience and market intelligence from Ava Group's global strategic partner network.



## CONTINUED STRONG PERFORMANCE

Ava Global continued to perform strongly during Q4 FY2021 with revenues totalling \$11.8 million - up \$1.8 million on the previous quarter. Growth was largely driven by new agreements with banks, bullion traders, mining companies and refineries. Full year FY2021 revenues were up by \$15.3 million over the prior corresponding period. FY2021 gross margins also improved by 6% to 33% compared with FY2020. EBITDA improved by \$5.4 million to \$7.8 million.

## REVENUE AND EBITDA | 2018 TO 2021



## AVA GLOBAL | SNAPSHOT



### Global Footprint

24 hour sales and operational coverage from offices around the globe

### Expertise: +150 years

of industry expertise across the leadership team

### Blue chip clients

Major mining, banking, refining and wholesale currency

### Partnership mode

Service capability in more than 100 countries through a strategic partner network

### Risk management

Comprehensive insurance and in-house risk management team

### Technology

Bespoke operating system for secure logistics

### Global storage

For international client base of mines, refiners, banks and bullion traders

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FINANCIAL  
STATEMENTS

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# 03 DIRECTORS' REPORT

The directors present their report together with the financial report of the Consolidated Entity (referred to hereafter as the "Group" or "Consolidated Entity") consisting of Ava Risk Group Limited (referred to hereafter as the "Company" or "Ava Risk Group") and the entities it controlled for the financial year ended 30 June 2021 and auditor's report thereon.

## Directors

The names of directors in office at any time during or since the end of the year are detailed in the table below.

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

## Information on Company Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of Ava Risk Group at any time since 1 July 2020 to the date of this report is provided below with details of the company secretaries as at the year end.

Name, qualifications, and independence status	Experience, special responsibilities and other directorships
<b>David Cronin</b> Chairman of the Board (Appointed 31 August 2018)  Non-Executive Director (Appointed 10 April 2018)	<p>David has over 25 years professional experience and more than 15 years of international experience at the director/chairman board level. David is presently the Managing Director of the investment &amp; consulting group Pierce Group Asia where he is responsible for its technology focussed corporate development and investment activities.</p> <p>Previous to his role at Pierce Group Asia, David was an investment manager for the London listed Guinness Peat Group PLC and Director of M&amp;A for its technology focussed division. Working for several large financial and non-financial institutions, David has been involved in various advisory, executive level and board positions with several early to mid-stage technology companies.</p> <p>David has extensive knowledge of Ava Risk Group and the security markets that it services. He has more than 10 years of board level experience within Ava Risk Group, having previously served as a Director and Chairman of Ava Risk Group prior to its IPO.</p>
<b>Mike McGeever</b> Non-Executive Director (Appointed 8 August 2018)	<p>Mr McGeever has over 35 years' experience in the military, facilities and securities sectors. Prior to his retirement in 2015, Mr McGeever was the Managing Director and founder of Transguard Group LLC, a UAE based security and facilities management company and one of the largest security companies in the world, employing 55,000 staff. Prior to that he held senior positions in a range of security and facilities focussed companies.</p> <p>Mr McGeever has a Master of Business Administration from the University of Portsmouth (England).</p>
<b>Mark Stevens</b> Non-Executive Director (Appointed 11 March 2015)	<p>With more than 30 years of experience in senior management roles with multi-national corporations, Mark is a seasoned executive with broad experience in sales and general management in the telecommunications and Information technology sector.</p> <p>Mark has held senior positions with Nortel Networks Inc., Aircom International Limited, ECI Telecom Ltd, Transmode Systems AB, and more recently Infinera Corporation. He has lived and worked in Europe, the United States, Singapore and Australia. Mark holds a Master of Business Administration from the University of Melbourne, a Bachelor of Engineering degree from Monash University and is a Graduate Member of the Australian Institute of Company Directors.</p>

Name, qualifications, and independence status	Experience, special responsibilities and other directorships
<p><b>Scott Basham</b></p> <p>Group Chief Executive Officer</p> <p>Executive Director</p> <p>(Appointed 12 March 2019)</p> <p>(Announced 09 July 2020, Resigned 09 September 2020)</p>	<p>Scott Basham is an experienced security industry specialist. As a proven sales and business development executive, in addition to overseeing Ava Risk Group global strategy and operations, Mr Basham, also led the global technology sales and marketing teams.</p> <p>Scott is an internationally experienced corporate executive who has a wealth of knowledge and experience of the security industry, gained from 20 years of involvement on major project teams for global technology organisations, working with manufacturing facilities worldwide.</p> <p>Scott`s expertise encompasses leadership and general management of multiple ANZ business units, strategic sales and business development, international marketing and communications throughout Asia and the Pacific, as well as commercial, operational and program management.</p>
<p><b>Robert Broomfield</b></p> <p>Group Chief Executive Officer</p> <p>(Appointed 10 July 2020)</p> <p>Chief Operating Officer (COO) - Technology</p> <p>(12 February 2018 - 09 July 2020)</p> <p>Executive Director</p> <p>(Appointed 27 February 2008)</p>	<p>Robert is an experienced business executive with more than 30 years of management experience including more than 25 years in senior positions within companies operating in the security industry.</p> <p>Prior to joining Ava Risk Group, he was with Vision Systems Limited, where he served as the General Manager of Asia Pacific for their Fire and Security systems. In addition to his international sales and marketing success, Robert has extensive experience in operations management, including product engineering, procurement, manufacturing and operations.</p> <p>Robert has previously had 10 years` experience with IBM in Australia and the United States.</p>

### Joint Company Secretaries

#### **Leigh Davis FCPA, B. Bus, MBA, GAICD**

Appointed 20 February 2015

Leigh is a Fellow of CPA Australia with more than 25 years` finance and accounting experience across a range of industries including energy, technology and telecommunications. Leigh has served as Chief Financial Officer and Company Secretary of both ASX listed and private companies and has previously held Commercial Finance and Corporate Reporting roles in Australia, the United Kingdom and Europe for NYSE, NASDAQ and FTSE listed companies. Leigh holds a Bachelor of Business (Accounting) degree, and an MBA from London Business School. He is also a graduate of the Australian Institute of Company Directors. Leigh announced his resignation on 06 August 2021, he will leave the Company on 03 November 2021.

#### **Kim Clark**

Appointed 20 January 2017

Kim is an experienced business professional with 24 years` experience in the banking and finance industries and 7 years as a Company Secretary (in-house) of an ASX300 company. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance and governance. Kim currently acts as Company Secretary to various ASX listed and unlisted companies in Australia and is the Head of Corporate Services for Boardroom Pty Limited`s Queensland office.

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## DIRECTORS' REPORT CONTINUED

### Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the number of meetings attended by each director are:

	Board of Directors' Meetings		Meetings of Audit & Risk Committee (ARC)		Meetings of Remuneration & Nomination Committee (REM)	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
D Cronin	12	12	5	5	3	3
M Stevens	12	12	5	5	3	3
M McGeever	12	12	5	5	3	3
R Broomfield	12	12	5	5	3	3
S Basham	-	-	-	-	-	-

### Committee Membership

As at the date of this report, the company had an Audit & Risk Committee, and a Remuneration & Nomination Committee of the Board of Directors. Members acting on the committees of the Board during the year were:

Audit Committee	Remuneration & Nomination Committee
M Stevens (Chairman)	M McGeever (Chairman)
D Cronin	D Cronin
M McGeever	M Stevens

### Gender Diversity Policy

The Remuneration & Nomination Committee is responsible for setting the diversity policy of the Company.

The Committee has established a diversity policy for the Company, which is disclosed on the Company website. Measurable objectives for achieving gender diversity have been set with the Company assessing annually both the objectives and the entity's progress in achieving them. The Company has set an objective to increase the representation of women across the business to 25%, women in key executive level positions to 25%, and women on the Board to 20%.

There has been a 5% increase in the percentage of positions held by women across the business year on year, with the level of representation of women across the business now at 29%. Whilst Ava Risk Group particularly focuses on narrowing the gap in gender representation across all levels, it strives for equal development opportunities for all employees, irrespective of gender, cultural, physical capabilities, or other differences.

**Directors' Interests in shares or options**

As at the date of this report, the interests of the directors in the shares and options of Ava Risk Group are as detailed below:

	Number of ordinary shares	Number of performance rights	Number of options over ordinary shares
D Cronin	32,663,070	-	-
M Stevens	1,218,396	-	-
M McGeever	6,005,000	-	-
R Broomfield	3,220,331	170,554	-

**Principal Activities**

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

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

**Operating and Financial Review****Operating Results for the Year**

The consolidated profit after income tax attributable to the shareholders of Ava Risk Group for the year ended 30 June 2021 was \$13.749 million, up \$8.807 million on the previous financial year (30 June 2020: \$4.942 million).

**OPERATING AND FINANCIAL REVIEW****HIGHLIGHTS**

- › Revenue from ordinary activities of \$65.040 million for the twelve months to 30 June 2021 a 41% increase on 2020 (\$46.131 million).
- › Services Division revenue up 61% to \$40.340 million, as AVA Global logistics expanded its customer base and captured a greater share of existing client spend.
- › The Technology Division revenue is up 17% to \$24.700 million despite limited access to sites and delays due to COVID-19 restrictions. Technology Division revenues included licencing fees from the Indian MOD project of \$7.754 million a 62% increase on 2020 (\$4.781 million).
- › Gross margin improved slightly compared to the prior year at 49% (2020: 48%) despite a greater mix of revenues coming from the lower margin Services Division as the Technology Division improved its Gross margin over the previous year, bolstered by the contribution of high margin revenues from the Indian MOD project.
- › Operating expenses excluding finance costs, depreciation and amortisation of \$16.318 million (2020: \$15.143 million) due to:
  - › An increase in Employee benefit expenses relating to Services Division management incentive payments;
  - › An increase in R&D expenditure; and
  - › Foreign exchange impact of a weaker AUD on USD revenues and certain foreign currency based expenditure; offset by
  - › A reduction in travel and entertainment costs due to continuing COVID-19 related travel restrictions
- › EBITDA improved by \$8.608 million to \$16.037 million during the year (2020: \$7.429 million).
- › Significant growth (195%) in net operating cashflow resulting in \$17.293 million cash balance as at 30 June 2021 after payment during the year of \$7.138 million of dividends to shareholders.

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## DIRECTORS' REPORT CONTINUED

### GROUP RESULTS

	2021	2020	Change
	A\$ m	A\$ m	%
Revenue and other income	65.040	46.131	41%
EBITDA	16.037	7.429	116%
Profit for the year	13.749	4.942	178%
Net cash flows from operating activities	17.581	5.956	195%

### REVIEW OF FINANCIAL RESULTS

Despite the continuing economic challenges that the coronavirus pandemic presents, the Group saw substantial growth in revenue from both Services Division and the Technology Division. The Services Division benefitted from a strong demand for its services with an increase in services rendered through customer expansion including mining companies, precious metal refiners, and central and commercial banks together with continuing demand from existing customers. The Technology Division recorded \$7.754 million in Licence Fees from the Indian MoD project and experienced increased demand for remote services and technology to access devices, provide system updates and maintenance support.

Sales revenue for the 2021 financial year grew year on year by 41% to \$65.040 million (\$46.131 in 2020), continuing the company's strong year on year revenue growth over recent years despite COVID-19 hampering and delaying orders for the Technology Division. EBITDA from operations saw an improvement to \$16.037 million, an increase of 116% over the previous year. The Group achieved a gross margin of 49% (2020: 48%) and continued its focus on managing operating costs. As a result, net profit after tax (NPAT) improved by 178% to \$13.749 million. The total cash balance also increased from \$7.703 million at the start of the financial year to \$17.293 million after payment of \$7.138 million in dividends to shareholders.

### OPERATING REVIEW

Around the world, Ava Risk Group customers rely on our products, technologies and expertise to help protect their perimeters, facilities and supply chains, and keep their assets and people safe and secure. With our customers facing growing protection needs, we've remained committed to supporting them with the most advanced and affordable security and risk management solutions available. Our customer focus, strengthening market position and reputation was evidenced by the announcement of a number of key milestones and contract wins across numerous strategic sectors and territories during the year. Key achievements included:

- › Growth of existing client revenues in our international logistics business unit with new clients to our international logistics business unit;
- › On-going delivery of the IMoD Project, contributing \$7.754 million in licence fee revenue during the financial year;
- › A number of "Proof of Value" trials for the Company's innovative Aura-IQ conveyer health monitoring solutions which enhances mining safety and performance;
- › BQT delivered a significant smart reader and card system for the Australian Department of Human Services (DHS) contract as part of a larger Australian Government master contract.



In the financial year just ended, disappointingly a number of Proof of Value (POV) trials of the Aura IQ conveyer health monitoring solution were delayed due to site access restrictions caused by the COVID-19 pandemic. This innovative solution enhances mining safety and performance and represents an important opportunity for future growth for the Group. Focus on continuing development of a multi-year comprehensive maintenance offering will leverage cross-business opportunities through the Group's strong customer relationships.

The Services Division continued to perform well growing its share of market and the improvement in profit margin reflects a shift in product mix and investment in technology to automate processes. As a result, the Services Division continues to build a market-leading position in the international valuable logistics sector and is a trusted partner of a number of major companies in the precious metals and wholesale banknote markets.

We also continued to invest in the people, culture and systems that underpin our company. Our culture is somewhat unique and a key element of our ongoing success. We are a truly diverse company, with employees from many different nationalities working in our offices across the globe. We are proud of our ability to attract and retain great talent and will continue to invest in our people and culture as the company grows.

## OUTLOOK

At Ava Risk Group, we are confident and optimistic about the future. We believe our strategy, combined with our people, performance and portfolio of world leading products and solutions will keep the Company strong for many years to come.

On 16 August 2021, the Group entered into a binding agreement with TTG Bidco Ltd, to sell its Service Division business operations via a share purchase agreement for all the share capital of the subsidiary Ava Global DMCC. The sale consideration is USD \$46.4 million (A\$63.1 million) in cash. After closing adjustments and payment of management incentives and accrued bonuses payable under the performance plan agreement in place with the Services Division Management team, the Group is expected to receive net cash proceeds of USD \$31.1m (A\$42.4 million).

This amount is payable to the Group on completion, which is expected to occur by the end of October 2021.

Following this expected divestment of its Services Division by end of October 2021 Ava Risk Group during FY2022 will be focussed upon:

- › The delivery of \$5.8m in orders received (backlog) and orders delayed from the financial year just ended;
- › Generation of meaningful revenue from the partial conversion of the \$50m sales pipeline (3-year value) for the Aura-IQ systems which are being commercialised via the "Proof of Value" program;
- › Leveraging a go-to-market strategy with Dormakaba to deliver material sales into the US and Europe for BQT;
- › Increase in post-Covid-19 sales to Assa Abloy in Europe under our existing signed contract;
- › Further IMoD style licencing transactions;
- › Further sales for power cable monitoring solutions via the Group's low cost, high profit, industry partner model;
- › Increase in comprehensive maintenance contracts from the large install base of thousands of systems to expand annual maintenance and remoting servicing solutions and grow annual recurring revenues.

## COVID-19 RECOVERY

Timing of recovery in markets across the globe is challenging to predict. The Technology Division is expected to continue navigating successfully and manage most of the related international logistics delays and ongoing constraints on certain electronic components.

Management expects supply chain disruptions to continue into the new financial year which may impact the timing of delivery orders.

To better manage the supply chain, the Technology Division is encouraging customers to provide advanced forecasting and allow longer lead times for deliveries.

# 03

## DIRECTORS' REPORT CONTINUED

### Significant changes in the state of affairs

During the financial year there were no significant changes in the state of affairs of the Consolidated Entity.

### After balance date events

#### Divestment of the Services Division

On 16 August 2021, the Group entered into a binding agreement with TTG Bidco Ltd, to sell its Service Division business operations via a share purchase agreement for all the share capital of the subsidiary Ava Global DMCC. The sale consideration is USD \$46.4 million (A\$63.1 million) in cash. After closing adjustments and payment of management incentives and accrued bonuses payable under the performance plan agreement in place with the Services Division Management team, the Group is expected to receive net cash proceeds of USD \$31.1m (A\$42.4 million).

This amount is payable to the Group on completion, which is expected to occur by the end of October 2021.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### Likely developments

Likely development of the operations of the Group are encompassed in the Operating and Financial Review section of this report.

### Environmental regulation and performance

The Consolidated Entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws. The Group has complied with all environmental regulations to which it is subject.

### Dividends recommended or declared

During the financial year ended 30 June 2021; the following dividends were declared (2020: \$nil):

	2021
	\$'000
Special dividend at the rate of 1 cent per share on 23 October 2020	2,392
Special dividend at the rate of 2 cents per share on 11 March 2021	4,832
<b>Total Dividends</b>	<b>7,224</b>

### Share options granted to directors and executives

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

Other than those noted above, there were no options over unissued ordinary shares granted by Ava Risk Group during or since the financial year end to directors and executives in office.

### Shares under option

Unissued ordinary shares of Ava Risk Group under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
14 March 2018	3,000,000	\$0.20	31 December 2021

No option holder has any right under the options to participate in any other share issue of the company.

### Shares issued on exercise of options

During the year ended 30 June 2021, the group granted 500,000 options to the former CEO and Executive Director Scott Basham with an exercise price of \$0.15. The fair value of the options was determined using a Black Scholes option pricing model. The options are split into two equal tranches, one vesting on 31 December 2020 and the second vesting on 30 June 2021. Both tranches have an expiry date of 31 December 2021.

During the year ended 30 June 2021 the Company issued 250,000 ordinary shares as a result of an exercise of options by Mr. Basham. In addition, during July 2021 a further 250,000 ordinary shares were issued as a result of a further exercise of 250,000 options by Mr. Basham. No other shares in the Company have been issued during or since the end of the financial year as a result of the exercise of an option.

There are no amounts unpaid on shares issued on exercise of options.

### Performance rights

During the year ended 30 June 2021, the following performance rights were issued to Executive KMP:

	Grant date	Number of PSRs issued	Fair value at Grant date	Vesting conditions	Vesting dates
		\$	\$		
R Broomfield	29/10/2020	353,419	\$ 0.66	Continuity of employment and achievement of agreed performance KPIs	Tranche 1 - 31/08/2022
L Davis	30/10/2020	314,812	\$ 0.61		Tranche 2 - 31/08/2023
M Nye-Hingston	30/10/2020	233,106	\$ 0.61		

The performance rights were granted as part of remuneration in two equal tranches, vesting on 31 August 2022 and 31 August 2023 with vesting conditions relating to continuity of employment and achievement of agreed performance KPIs in FY 2021.

Unissued ordinary shares of Ava Risk Group under performance rights at the date of this report are as follows:

Date performance rights granted	Number of unissued ordinary shares under rights	Expiry date of the performance rights
23-Sep-2019	161,414	31-Aug-2021
23-Sep-2019	161,415	31-Aug-2022
28-Oct-2019	389,768	31-Aug-2021
28-Oct-2019	389,769	31-Aug-2022
31-Oct-2019	49,935	31-Aug-2021
31-Oct-2019	49,935	31-Aug-2022
29-Oct-2020	35,342	31-Aug-2022
29-Oct-2020	35,342	31-Aug-2023
31-Oct-2020	147,551	31-Aug-2022
31-Oct-2021	147,551	31-Aug-2023

No performance rights holder has any right under the performance rights to participate in any other share issue of the company.

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## DIRECTORS' REPORT CONTINUED

After balance date, Robert Broomfield and Leigh Davis were issued 112,972 and 84,176 ordinary shares in the company as a result of the exercise of performance rights that vested for both employees on 30 June 2021. The performance rights were granted as part of their remuneration for FY2019.

### **Proceedings on behalf of the Consolidated Entity**

No person has been granted leave of Court to bring proceedings against the Consolidated Entity.

### **Indemnification and Insurance of Directors and Officers**

Ava Risk Group maintains a Directors and Officers insurance policy that, subject to some exceptions provides insurance cover to past, present and future directors and officers of the Consolidated Entity and its subsidiaries. The Company has paid a premium for the policy.

In addition, under the Constitution of the Company, and to the extent permitted by law, each director of the Company is indemnified by the Company against liability incurred to another person (other than the Company or related body corporate) except where the liability arises out of conduct involving a lack of good faith. Accordingly, each director is indemnified against any liability for costs and expenses incurred by the director in defending proceedings, whether civil or criminal, in which judgement is given in favour of the director or in which the director is acquitted, or in connection with an application in relation to such proceedings in which a court grants relief to the officer under the Corporations Act 2001.

### **Indemnification of auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors Ernst & Young Australia, as part of the terms of its annual engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payments have been made to indemnify Ernst & Young during or since the financial year.

The Company has not otherwise during or since the financial year, indemnified or agreed to indemnify a director or auditor of the Company or any related body corporate against a liability incurred as a director or auditor.

### **Rounding of amounts**

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

## REMUNERATION REPORT (AUDITED)

The Directors present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2021. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

The table below lists the Executives of the Company whose remuneration details are outlined in this Remuneration Report. These Executives, together with the Directors, are defined as Key Management Personnel (KMP) under Australian Accounting Standards. In this report Executive KMP (Executives) refers to the KMP other than the Non Executive Directors. Non Executive Directors have oversight of the strategic direction of the Company but have no direct involvement in the day to day management of the business.

### 1. Details of key management personnel (KMP)

The table below lists the KMP of the Company whose remuneration details are outlined in this Remuneration Report.

#### (i) Non-Executive Directors

David Cronin	Chairman (Non-Executive) – appointed 31 August 2018 (Appointed as Non-Executive Director on 10 April 2018)
Mark Stevens	Non-Executive Director – appointed 11 March 2015
Mike McGeever	Non-Executive Director – appointed 8 August 2018

#### (ii) Executive Directors

Robert Broomfield	Group Chief Executive Officer (CEO) – appointed on 10 July 2020 and Executive Director – appointed 27 February 2008.
Scott Basham	Group Chief Executive Officer (CEO), appointed 12 March 2019 and Executive Director - appointed 12 March 2019 and resigned 9 September 2020

#### (iii) Other Key Management Personnel

Leigh Davis	Group Chief Financial Officer (CFO) and Company Secretary – appointed on 9 February 2015.
Christopher Fergus	Chief Executive Officer (CEO) – Services Division.
James Alston	Chief Operating Officer & Chief Financial Officer – Services Division.
Mathew Nye-Hingston	Chief Operating Officer BQT appointed on 1 March 2021. Previously, held the position of Head of BQT Technology & Director BQT Operations.

## CHANGES TO KMP

### Resignation of Scott Basham as Group Chief Executive Officer (CEO)

On 10 July 2020, the Company announced the resignation of Scott Basham from the role of Group Chief Executive Officer (CEO) with effect from 09 September 2020.

### Appointment of Robert Broomfield as Group Chief Executive Officer (CEO)

On 10 July 2020, the Company announced the promotion of Robert Broomfield from Chief Operating Officer - Technology Division to Group Chief Executive Officer (CEO) effective from 10 July 2020.

### Resignation of Leigh Davis as Group Chief Financial Officer (CFO) and Company Secretary

On 6 August 2021, the company announced the resignation of Leigh Davis from the role of Group Chief Financial Officer and Company Secretary. He will leave the Company on 3 November 2021.

### Appointment of Neville Joyce Group Chief Financial Officer (CFO)

On 6 August 2021 the Company announced that Neville Joyce has been appointed Group Chief Financial Officer (CFO) and Company Secretary effective from November 2021.

There were no other changes to KMP after reporting date and before the date the financial report was authorised for issue.

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## DIRECTORS' REPORT CONTINUED

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### 2. Remuneration policies

The board policy for determining the nature and amount of remuneration of key management personnel is agreed by the Board of Directors as a whole, after receiving recommendations from the Remuneration and Nomination Committee. The Remuneration and Nomination Committee currently comprises three members of the Board of Directors. All members are Non-Executive Directors.

The Board or the Remuneration and Nomination Committee may engage external consultants to provide independent advice where it considers it appropriate to ensure that the Company attracts and retains talented and motivated directors and employees who can enhance Company performance through their contributions and leadership. During the year ended 30 June 2021 neither the Board nor the Remuneration and Nomination Committee engaged any external consultants.

#### 2.1 Non-Executive Director remuneration arrangements

The remuneration of Non-Executive Directors (NEDs) consists of directors' fees, which includes attendance at Committee meetings. NEDs do not receive retirement benefits other than compulsory superannuation scheme contributions.

Each NED, including the Chairman receives a base fee of \$65,000 per annum exclusive of post-retirement benefits for being a director of the Company.

As part of their remuneration NEDs may receive share options or performance rights in the Company and are encouraged to hold shares in the Company. This is in line with the Company's overall remuneration philosophy and aligns NEDs with shareholder interests.

The remuneration of NEDs for the year ended 30 June 2021 and 30 June 2020 is detailed in Tables 1 and 2 respectively of this report.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The Company's current aggregate fee pool is \$250,000 per year.

#### 2.2 Executive remuneration arrangements

For executives the Company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for service between the Company and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment and achievement of certain KPIs, thereby aligning executive and shareholder interests.

### FIXED REMUNERATION

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market. Salary packages are subject to local regulatory labour laws. In the United Arab Emirates (UAE), gratuity benefits upon termination are calculated on base salary. Health insurance provided by the employer is a regulatory requirement in UAE and is included in the salary packaging of executives based there.

## SHORT-TERM INCENTIVE (STI)

The objective of the STI program is to link the achievement of the Group's annual operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level that provides sufficient reward to the Executive KMP for exceeding the operational targets and at such a level that the cost to the Group is reasonable in the circumstances.

Actual STI payments granted to each Executive KMP depend on the extent to which specific annual operational targets set at the beginning of the financial year are met or exceeded. The CEO's targets are set by the Remuneration and Nomination Committee. The targets for all other executives are set by the CEO.

STI rewards are assessed annually by the Remuneration and Nomination Committee and are usually paid in cash and performance rights. Achievement against individual targets are assessed on an individual basis. Vesting conditions are decided upon on a case-by-case basis.

A summary of the measures and weightings are set out in the table below:

Executive	FY 2021 - Financial performance conditions	Weighting	Non-financial performance conditions	Weighting
Group CEO and Group CFO	Technology Division Revenue EBITDA Targets	50 - 80%	Systems improvements, enhancement of policies, market share and other strategic or individual goals.	20-50%
COO (BQT)	BQT Business Segment Revenue and EBITDA Targets	50%	Systems improvements, enhancement of policies, market share and other strategic or individual goals.	50%
Services Division CEO / Services Division COO & CFO	Annual profits	100%	N/A	0%

Performance targets are set for an annual period. If performance targets (financial and non-financial) are met for the annual period and the Executive KMP remains employed on 31 August 2021, the Executive KMP will receive the cash component (typically 50% of total STI). Subject to continued employment typically 50% of the performance rights (or 25% of the total STI) will vest on 31 August 2022 and 31 August 2023 respectively.

## LONG-TERM INCENTIVE (LTI)

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

The options or performance rights are usually issued for nil or nominal consideration and are granted in accordance with the Company's Employee Equity Incentive Plan (EIP).

Options and performance rights are issued for a specified period and are convertible into ordinary shares. The exercise price of the options or performance rights are determined by the Directors having regards to the market price of a share on invitation date, grant date, or another specified date after grant close and desirable performance hurdles that are aligned with shareholder interests. All options and performance rights expire on the earlier of their expiry date or three months after termination of the employee's employment subject to Board's discretion. Options and performance rights do not vest until any vesting or performance criteria set at granting have been met in accordance with the terms and conditions of the EIP.

There are no voting or dividend rights attached to the options and performance rights. Voting rights will attach to the ordinary shares when the options or performance rights have been exercised. Unvested options or performance rights cannot be transferred and will not be quoted on the ASX.

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## DIRECTORS' REPORT CONTINUED

### 3. Executive contractual arrangements

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

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**Robert Broomfield**

Group Chief Executive Officer  
& Executive Director

Appointed 10 July 2020

Chief Operating Officer –  
Technology for the period 1  
July 2019 – 09 July 2020.

**Contract of Employment**

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

Mr Broomfield commenced his position with Ava Risk Group in July 2006. His current base salary is AUD \$282,735 inclusive of superannuation. He has a notice period of 3 months. There were no changes to the conditions of Mr Broomfield's contract, including remuneration, following his appointment as Group Chief Executive Officer on 10 July 2020.

**Performance Conditions**

The contract provides for a bonus of up to 40% of base salary inclusive of superannuation, which is payable half in cash and half in performance rights and is conditional upon meeting pre-defined KPI's (as disclosed in Section 4) by the executive.

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**Scott Basham**

Group Chief Executive Officer  
& Executive Director

Appointed 12 March 2019

Resigned 9 September 2020  
(Announced 10 July 2020)

**Contract of Employment**

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

Mr Basham commenced his position with Ava Risk Group in March 2019. His base salary was AUD \$275,000 inclusive of superannuation. He had a notice period of 2 months. In accordance with the provisions of his employment contract Mr Basham served notice on the Company effective 09 July 2020 of his intention to resign. His notice period ended on 09 September 2020.

**Performance Conditions**

The contract provided for a bonus of up to 40% of base salary inclusive of superannuation, which is payable in half in cash and half in performance rights and is conditional upon meeting pre-defined KPI's (as disclosed in Section 4) by the executive which are selected and assessed by the Board.

Mr Basham accrued no cash bonus in the 2021 financial year.

In addition to the above, following his resignation, the Company entered into an Agreement with Mr Basham to allow for a further 2 month's salary to be paid at the end of his notice period, together with the issue of 500,000 options.

The share options vested on 31 December 2020 with an exercise price of 15 cents and an expiry date of 31 December 2021 and 250,000 options vested on 30 June 2021 with an exercise price of 15 cents and an expiry date of 31 December 2021.

The above options were subject to certain conditions to be met during the notice period. Those conditions were met and the options awarded. Mr Basham exercised 250,000 options in January 2021 and a further 250,000 in July 2021.

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**Christopher Fergus**

Chief Executive Officer –  
Services Division

Appointed 01 February 2016

**Contract of Employment**

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

Mr. Fergus commenced employment with Ava Global DMCC in February 2016. His base salary is AED1,296,000 (AUD \$469,348) per annum inclusive of superannuation and allowances. He has a notice period of 8 weeks.

**Performance Conditions**

Ava Global DMCC has a performance plan which allows for senior employees of the Company to share in a pooled allocation of up to 32.7% of the exit value of Ava Global DMCC in excess of USD \$5.3 million. In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates, after allowing for all costs and expenses, including the amount of this shared annual bonus pool. The incentives are payable in cash conditional upon achievement of divisional net profits by the executives. Up to 52.6% of the pooled allocation has been allocated to Mr Fergus. The performance plan expires if the executive resigns from their employment or is terminated by the Company.

Mr Fergus has accrued a cash bonus for financial year 2021 of AED 3,427,799 (AUD1,241,381).

**Leigh Davis**

Group Chief Financial Officer  
& Company Secretary

Appointed 09 February 2015

Resigned 06 August 2021

**Contract of Employment**

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

Mr Davis commenced his position with Ava Risk Group in February 2015 and is employed on a current base salary of AUD \$251,850, inclusive of superannuation. He has a notice period of 1 month.

**Performance Conditions**

The contract provides for a bonus up to 40% of base salary, inclusive of superannuation, which is payable in half in cash and half in performance rights upon meeting pre-defined KPI's (as disclosed in Section 4) by the executive.

**James Alston**

Chief Financial Officer & Chief  
Operating Officer –  
Services Division

Appointed 01 February 2016

**Contract of Employment**

James Alston is employed by Ava Global DMCC as a permanent, full-time employee.

Mr. Alston commenced employment with Ava Global DMCC in February 2016. His base salary is AED840,000 (AUD \$304,207) per annum inclusive of superannuation and allowances. He has a notice period of 3 months.

**Performance Conditions**

Ava Global DMCC has a performance plan which allows for senior employees of the Company to share in a pooled allocation of up to 32.7% of the exit value of Ava Global DMCC in excess of USD \$5.3 million. In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates, after allowing for all costs and expenses, including the amount of this shared annual bonus pool. The incentives are payable in cash conditional upon achievement of divisional net profits by the executives. 11.47% of the pooled allocation has been allocated to Mr Alston. The performance plan expires if the executive resigns from their employment or is terminated by the Company.

Mr Alston has accrued a cash bonus for financial year 2021 of AED 747,340 (AUD270,650).

**Matthew Nye-Hingston**

Chief Operating Officer – BQT

Appointed 01 March 2021

Head of BQT Technology &  
Director BQT Operations for  
the period 1 July 2019 – 28  
February 2021

**Contract of Employment**

Matthew Nye-Hingston is employed by BQT Solutions (NZ) Ltd as a permanent, full-time employee.

Mr Nye-Hingston commenced his position with BQT Solutions (NZ) Ltd in July 2019 and is employed on a current base salary of NZD \$205,339 (AUD \$191,070) inclusive of superannuation. He has a notice period of 8 weeks.

**Performance Conditions**

The contract provides for a bonus up to 40% of base salary, inclusive of superannuation, which is payable half in cash and half in performance rights upon meeting pre-defined KPI's (as disclosed in Section 4) by the executive.

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## 03

DIRECTORS'  
REPORT  
CONTINUED

## 3.1 Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2021

	Salary and Fees	Short-term Cash Bonus	Other Benefits#	Post Employment Superannuation
	\$	\$	\$	\$
<b>Non-Executive Directors</b>				
D. Cronin	65,000	-	-	-
M. Stevens	65,000	-	-	6,175
M. McGeever	63,000	-	-	-
<b>Sub-total Non-Executive Directors</b>	<b>193,000</b>	<b>-</b>	<b>-</b>	<b>6,175</b>
<b>Executives</b>				
S. Basham(i)	49,171	2,750	-	11,089
R. Broomfield(ii) (iv)	259,005	11,309	-	21,694
L. Davis(iii) (iv)	221,573	20,148	-	22,870
C. Fergus	230,842	1,241,381	219,956	52,547
J. Alston	178,823	270,650	141,674	11,205
M. Nye-Hingston (iv)	180,544	18,648	1,698	-
<b>Sub-total executive KMP</b>	<b>1,119,158</b>	<b>1,564,886</b>	<b>363,328</b>	<b>119,405</b>
<b>Totals</b>	<b>1,312,158</b>	<b>1,564,886</b>	<b>363,328</b>	<b>125,580</b>

(i) Appointed as Group Chief Executive Officer on 12 March 2019. Resigned on 9 July 2020, effective 09 September 2020.

(ii) Appointed as Group Chief Executive Officer on 10 July 2020.

(iii) Resigned on 06 August 2021, effective from 03 November 2021.

(iv) During the year, these individuals received a one-time AUD \$800 payment (NZD \$800 for M. Nye-Hingston), which was made to all Technology Division employees, to cover additional costs to work from home during the pandemic.

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

Termination benefits	Long Term		Total	Performance Related
	Long Service Leave	Share-based Payment (performance rights)		
\$	\$	\$	\$	\$
-	-	-	65,000	-
-	-	-	71,175	-
-	-	-	63,000	-
-	-	-	<b>199,175</b>	-
153,619	-	(13,026)	203,603	1%
-	5,073	16,147	313,228	9%
-	8,525	29,817	302,933	16%
-	-	-	1,744,726	71%
-	-	-	602,352	45%
-	-	31,549	232,349	22%
<b>153,619</b>	<b>13,598</b>	<b>64,487</b>	<b>3,399,281</b>	
<b>153,619</b>	<b>13,598</b>	<b>64,487</b>	<b>3,598,456</b>	

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## 03

# DIRECTORS' REPORT CONTINUED

**Table 2: Remuneration for the year ended 30 June 2020**

	Salary and Fees	Short-term Cash Bonus	Other Benefits#	Post Employment Superannuation
	\$	\$	\$	\$
<b>Non-Executive Directors</b>				
D. Cronin	61,750	-	-	-
M. Stevens	61,750	-	-	5,866
M. McGeever	58,800	-	-	-
<b>Sub-total Non-Executive Directors</b>	<b>182,300</b>	<b>-</b>	<b>-</b>	<b>5,866</b>
<b>Executives</b>				
S. Basham(i)	241,298	2,750	-	20,578
R. Broomfield	245,295	81,374	-	20,658
L. Davis	199,614	14,910	-	20,931
C. Fergus	341,214	761,419	31,696	37,316
J. Alston	241,294	213,087	79,326	23,571
M. Nye-Hingston	161,532	10,481	2,121	-
<b>Sub-total executive KMP</b>	<b>1,430,247</b>	<b>1,084,022</b>	<b>113,143</b>	<b>123,054</b>
<b>Totals</b>	<b>1,612,547</b>	<b>1,084,022</b>	<b>113,143</b>	<b>128,920</b>

(i) Appointed as Group Chief Executive Officer on 12 March 2019. Resigned on 9 July 2020, effective 09 September 2020.

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

Termination benefits	Long Term		Total	Performance Related
	Long Service Leave	Share-based Payment (performance rights)		
\$	\$	\$	\$	\$
-	-	10,000	71,750	14%
-	-	10,000	77,616	13%
-	-	10,000	68,800	15%
-	-	<b>30,000</b>	<b>218,166</b>	
-	987	14,952	280,565	6%
-	6,111	26,984	380,422	28%
-	5,717	20,618	261,790	14%
-	-	-	1,171,646	65%
-	-	-	557,278	38%
-	-	8,713	182,847	10%
-	<b>12,815</b>	<b>71,267</b>	<b>2,834,548</b>	
-	<b>12,815</b>	<b>101,267</b>	<b>3,052,714</b>	

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## 03

# DIRECTORS' REPORT CONTINUED

## 4. Relationship between remuneration and Company performance

### (a) Remuneration not dependent on satisfaction of performance condition

The Non-Executive Directors' remuneration policy is not directly related to Company performance. The board seeks to align remuneration policies to the long-term creation of wealth by the Company for shareholders.

### (b) Remuneration dependent on satisfaction of performance condition

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonuses (STIs) and Performance Share Rights (PSRs). Performance-based remuneration granted to key management personnel has regard to Company performance over a 12-month period.

**Table 3: The following table sets out the performance conditions used for performance-linked incentive payments.**

Technology Division		FY 21 outcome
Financial		
<b>Group CEO and Group CFO</b>	Revenue Target - Technology Division	Not met
	EBITDA Target - Technology Division	Not met
<b>COO (BQT)</b>	Revenue Target - Access Control Solutions	Not met
	EBITDA Target - Access Control Solutions	Met
Non-Financial		
<b>Group CEO</b>	AVA Risk Group Ltd Share price growth, increase market share	Partially met
<b>Group CFO</b>	System improvements and enhancement of policies	Met
<b>COO (BQT)</b>	Increase market share, re-establishment of major customer contracts for Access Control Solutions	Partially met
Service Division		FY 21 outcome
<b>CEO - Services Division / COO &amp; CFO - Services Division</b>	Achievement of divisional net profits after tax for International Valuable Logistics (Services Division)	Met

These performance conditions are selected to align the goals and incentives of the KMP with the creation of shareholder wealth during the relevant period.

Quantitative financial performance conditions are assessed against the Consolidated Entity's financial report for the year. Other performance conditions are assessed by the CEO, or in the case of the CEO's performance conditions, the Board giving consideration to outcomes achieved, external influences and a range of other qualitative factors. These assessments ensure clearly defined and objective assessment of financial and quantitative targets and promote fair and reasonable judgements in respect of qualitative performance conditions.

**Table 4: The following table sets out the terms and conditions of each grant of the performance-linked bonuses affecting compensation in current and future years.**

2021	Maximum cash bonus	Amount awarded	% Achieved	% Forfeited
R Broomfield	56,547	11,309	20%	80%
L Davis	50,370	20,148	40%	60%
M Nye-Hingston	37,297	18,648	50%	50%
C Fergus	1,241,381	1,241,381	100%	-
J Alston	270,650	270,650	100%	-

The cash bonuses associated with the achievement of these awards relating to the financial year ending 30 June 2021 will be paid during the financial year ending 30 June 2022.

**Table 5: The following table summarises the results of the performance rights awarded and allocated during the year.**

	Number of performance rights awarded	Number of performance rights allocated based on FY 2021 KPIs achieved	% Performance rights allocated	% Forfeited
R Broomfield	353,419	70,684	20%	80%
L Davis	314,812	125,924	40%	60%
M Nye-Hingston	233,106	116,553	50%	50%

Subsequent to the grant, the above performance grant rights were curtailed due to key performance metrics and objectives not met. As a result,

- › Executive Director, Robert Broomfield, forfeited 282,735 performance rights.
- › L Davis and M Nye-Hingston forfeited 188,888 and 116,553 performance rights respectively.

## 03

# DIRECTORS' REPORT CONTINUED

## (c) Impact of Company's performance on shareholder wealth

**Table 6: The following table summarises Company performance and key performance indicators.**

Financial performance	2021	2020	2019	2018	2017
<b>Earnings</b>					
Revenues excluding interest income (\$'000)	65,714	46,640	31,673	20,275	13,360
% increase/(decrease) in revenue	41%	47%	56%	52%	(10)%
Profit/(Loss) before tax (\$'000)	13,749	4,947	(4,729)	(4,241)	(7,820)
% increase/(decrease) in profit before tax	178%	205%	(12)%	46%	(35)%
<b>Shareholder value</b>					
Change in share price (%)	145%	3%	30%	(18)%	(71)%
Share price	0.38	0.155	0.15	0.12	0.14
Dividend declared to shareholders (\$'000)	\$7,224	-	-	-	-
Return of capital (\$'000)	-	-	-	-	-
<b>KMP remuneration</b>					
Total remuneration of KMP	\$3,598,456	\$3,052,714	\$1,808,625	\$1,485,805	\$1,723,166
Total performance-based remuneration	\$1,629,373	\$1,185,289	\$91,676	\$10,000	\$117,400



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

### SHARE OPTIONS ISSUED

During the year ended 30 June 2021, the group granted 500,000 options to the former CEO and Executive Director Scott Basham. The exercise price is \$0.15. The fair value of the options, \$88,817 was based on a Black Scholes option pricing model. The options are split into two equal tranches, one vesting on 31 December 2020 and the second vesting on 30 June 2021. Both tranches have an expiry date of 31 December 2021.

### PERFORMANCE RIGHTS ISSUED

During the financial year ended 30 June 2021, 901,338 performance rights were awarded to KMP

	Grant date	Number of PSRs issued	Fair value at Grant date	Vesting dates	Vesting conditions
		\$	\$		
R Broomfield	29/10/2020	353,419	\$ 0.66	31/08/2022 31/08/2023	FY 2021 - Performance KPIs and continuity of employment
L Davis	30/10/2020	314,812	\$ 0.61	31/08/2022 31/08/2023	
M Nye-Hingston	30/10/2020	233,106	\$ 0.61	31/08/2022	

## 03

# DIRECTORS' REPORT CONTINUED

## 6. Key management personnel's equity holdings

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

2021	Balance at beginning of Period	Granted as remuneration	Granted other	Net Change Other#	Balance at End of Period	Vested at 30 June 2021	
	1 July 2020				30 June 2021	Exercisable	Not Exercisable
<b>Executives</b>							
S Basham(i)	-	-	500,000	(250,000)	250,000	250,000	-
C Fergus	200,000	-	-	(200,000)	-	-	-
<b>Total</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>(750,000)</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>

(i) Resigned on 9 July 2020, effective 09 September 2020.

# Includes lapsed and forfeitures

### (b) Number of shares held in Ava Risk Group by key management personnel (direct and indirect)

2021	Balance at beginning of Period	Granted as remuneration	On exercise of options and rights	Net Change Other	Balance at End of Period
	1 July 2020				30 June 2021
<b>Non-Executive Directors</b>					
D Cronin	32,463,070	-	200,000	-	32,663,070
M Stevens	1,018,396	-	200,000	-	1,218,396
M McGeever	5,805,000	-	200,000	-	6,005,000
<b>Sub-total</b>	<b>39,286,466</b>	<b>-</b>	<b>600,000</b>	<b>-</b>	<b>39,886,466</b>

2021	Balance at beginning of Period	Granted as remuneration	On exercise of options and rights	Net Change Other	Balance at End of Period
(Continued)	1 July 2020				30 June 2021
<b>Executives</b>					
S Basham(i)	100,000	-	250,000	-	350,000
R Broomfield	2,994,387	-	112,972	-	3,107,359
L Davis(ii)	200,000	-	84,176	-	284,176
C Fergus	3,285,204	-	-	-	3,285,204
J. Alston	-	-	-	-	-
M. Nye-Hingston	795,145	-	-	-	795,145
<b>Sub-total</b>	<b>7,374,736</b>	<b>-</b>	<b>447,148</b>	<b>-</b>	<b>7,821,884</b>
<b>Total</b>	<b>46,661,202</b>	<b>-</b>	<b>1,047,148</b>	<b>-</b>	<b>47,708,350</b>

(i) Resigned as Group CEO and Executive Director on 09 July 2020, effective 09 September 2020.

(ii) Resigned as Group CFO and Company Secretary on 10 August 2021, effective from 03 November 2021.

2020	Balance at beginning of Period	Granted as remuneration	On exercise of options and rights	Net Change Other	Balance at End of Period
	1 July 2019				30 June 2020
<b>Non-Executive Directors</b>					
D Cronin	32,463,070	-	-	-	32,463,070
M Stevens	518,396	-	-	500,000	1,018,396
M McGeever(i)	4,105,100	-	-	1,700,000	5,805,000
<b>Sub-total</b>	<b>37,086,466</b>	<b>-</b>	<b>-</b>	<b>2,200,000</b>	<b>39,286,466</b>
<b>Executives</b>					
S Basham(ii)	100,000	-	-	-	100,000
R Broomfield	2,994,387	-	-	-	2,994,387
L Davis	200,000	-	-	-	200,000
C Fergus	3,285,204	-	-	-	3,285,204
M. Nye-Hingston	795,145	-	-	-	795,145
<b>Sub-total</b>	<b>7,374,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,374,736</b>
<b>Total</b>	<b>44,461,202</b>	<b>-</b>	<b>-</b>	<b>2,200,000</b>	<b>46,661,202</b>

(i) On-market purchase.

(ii) Resigned as Group CEO and Executive Director on 09 July 2020, effective 09 September 2020.

## 03

DIRECTORS'  
REPORT  
CONTINUED

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

2021	Balance at beginning of Period	Granted as remuneration	Exercised	Forfeited / lapsed	Vested balance at end of year	Unvested and balance at end of year	Value of performance rights granted during the year at grant date
	1 July 2020					30 June 2021	\$
<b>Non-Executive Directors</b>							
D Cronin	200,000	-	(200,000)	-	-	-	-
M Stevens	200,000	-	(200,000)	-	-	-	-
M McGeever	200,000	-	(200,000)	-	-	-	-
<b>Sub-total</b>	<b>600,000</b>	<b>-</b>	<b>(600,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Executives</b>							
S Basham	334,957	-	(16,748)	(318,209)	-	-	-
R Broomfield(i)	570,323	353,419	(112,972)	(527,244)	112,972	170,554	231,490
L Davis(i)	448,597	314,812	(84,176)	(378,332)	84,176	216,725	192,035
M Nye-Hingston(i)	204,054	233,106	-	(252,397)	-	184,763	142,195
<b>Sub-total</b>	<b>1,557,931</b>	<b>901,337</b>	<b>(213,896)</b>	<b>(1,476,182)</b>	<b>197,148</b>	<b>572,042</b>	<b>565,720</b>
<b>Total</b>	<b>2,157,931</b>	<b>901,337</b>	<b>(813,896)</b>	<b>(1,476,182)</b>	<b>197,148</b>	<b>572,042</b>	<b>565,720</b>

(i) The performance rights were granted in two equal tranches, vesting on 31 August 2022 and 31 August 2023 with vesting conditions relating to continuity of employment.

During the year ended 30 June 2021, the performance rights granted to the Non-Executive Directors met the share price target of \$0.22 and vested on 1 September 2020.

After the 30 June 2021 balance date, Robert Broomfield and Leigh Davis were issued 112,972 and 84,176 ordinary shares in the company as a result of the exercise of performance rights that vested for both employees on 30 June 2021. The performance rights were granted as part of remuneration for FY2019.

2020	Balance at beginning of Period	Granted as remuneration(iii)	Forfeited / lapsed	Vested balance at end of year	Unvested and balance at end of year	Value of performance rights granted during the year at grant date
	1 July 2019				30 June 2020	\$
<b>Non-Executive Directors</b>						
D Cronin(i)	-	200,000	-	-	200,000	10,000
M Stevens(i)	-	200,000	-	-	200,000	10,000
M McGeever(i)	-	200,000	-	-	200,000	10,000
<b>Sub-total</b>	<b>-</b>	<b>600,000</b>	<b>-</b>	<b>-</b>	<b>600,000</b>	<b>30,000</b>
<b>Executives</b>						
S Basham(ii)	-	334,957	-	-	334,958	38,520
R Broomfield(ii)	225,944	344,379	-	112,972	457,351	39,603
L Davis(ii)	168,352	280,245	-	84,176	364,421	30,827
M Nye-Hingston(ii)	-	204,054	-	-	204,054	22,446
<b>Sub-total</b>	<b>394,296</b>	<b>1,163,635</b>	<b>-</b>	<b>197,148</b>	<b>1,360,783</b>	<b>131,396</b>
<b>Total</b>	<b>394,296</b>	<b>1,763,635</b>	<b>-</b>	<b>197,148</b>	<b>1,960,783</b>	<b>161,396</b>

(i) The performance rights were granted on 31 October 2019 with vesting condition of the Company's share price being at least 22 cents per share on 01 September 2020.

(ii) The performance rights were granted in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to continuity of employment.

## 7. Other transactions with key management personnel

During the current and previous financial year, the Group transacted with related entities of directors, other than in their capacity as director as follows:

The Consolidated Entity purchased consulting services from Pierce Group Asia Pte Limited and Pierce CIM PTE LTD, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of \$253,230 (2020: \$296,625). Accounts Payable balance at 30 June 2021 totals \$nil (FY2020: \$nil). These arrangements were in the normal course of business and included amounts related to the provision of consultancy and administration services, and general office expenses provided by the related entities for the benefit of the Consolidated Entity.

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

# 03

## DIRECTORS' REPORT CONTINUED

### 8. Voting and comments made at the Company's 2020 Annual General Meeting (AGM)

At the Company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and 99.2% of votes were cast for the adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

### END OF THE REMUNERATION REPORT

#### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

#### Non-audit services

Non-audit services are approved by resolution of the Audit and Risk Committee and approval is provided in writing to the Board of Directors. Non-audit services were provided by the auditors of entities in the Consolidated Group during the year, namely Ernst & Young, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2021	2020
	\$	\$
<b>Amounts paid and payable for non-audit services:</b>		
Tax compliance and tax advice services	64,000	90,000
Assurance related service	-	-
<b>Total auditors' remuneration for non-audit services</b>	<b>64,000</b>	<b>90,000</b>

Signed in accordance with a resolution of the directors.



Robert Broomfield  
Chief Executive Officer

30 August 2021



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

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

As lead auditor for the audit of the financial report of Ava Risk Group Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Richard Bembridge  
Partner  
30 August 2021

## 05

CONSOLIDATED STATEMENT  
OF COMPREHENSIVE  
INCOME

For the year ended 30 June 2021	Note	Consolidated	
		2021	2020
		\$'000	\$'000
<b>Revenue and other income</b>			
Revenue from contracts with customers	4	<b>65,040</b>	46,131
Other income	4	<b>674</b>	509
		<b>65,714</b>	<b>46,640</b>
<b>Less: Expenses</b>			
Cost of raw materials and consumables used		<b>(33,359)</b>	(24,055)
Employee benefit expenses		<b>(11,525)</b>	(10,488)
Research and development		<b>(1,170)</b>	(953)
Advertising and marketing		<b>(185)</b>	(141)
Travel and entertainment		<b>(209)</b>	(684)
Facilities and office		<b>(505)</b>	(597)
Compliance, legal, and administration		<b>(1,266)</b>	(1,175)
Reversal of (Provision for) impairment of receivables		<b>20</b>	(138)
Depreciation and amortisation expenses	11,12,14	<b>(2,226)</b>	(2,425)
Finance costs		<b>(41)</b>	(70)
Foreign exchange losses		<b>(669)</b>	(180)
Other expenses		<b>(809)</b>	(787)
		<b>(51,944)</b>	<b>(41,693)</b>
<b>Profit for the year before income tax</b>		<b>13,770</b>	4,947
Income tax expense	5	<b>(21)</b>	(5)
<b>Profit for the year</b>		<b>13,749</b>	4,942
Profit for the year attributable to:			
Equity holders of the parent company		<b>13,749</b>	4,942



For the year ended 30 June 2021 <i>(Continued)</i>	Consolidated		
	Note	2021 \$'000	2020 \$'000
<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		<b>(834)</b>	1
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent company:		<b>12,915</b>	<b>4,943</b>
<b>Profit per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (Cents)	6	<b>5.72</b>	2.11
Diluted earnings per share (Cents)	6	<b>5.55</b>	2.03

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2021	Note	Consolidated	
		2021	2020
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	17,293	7,703
Receivables	8	9,270	5,970
Contract assets	8	1,573	2,451
Inventories	9	3,126	3,931
Other current assets	10	339	272
<b>Total Current Assets</b>		<b>31,601</b>	<b>20,327</b>
<b>Non-Current Assets</b>			
Plant and equipment	11	420	644
Intangible assets	12	10,845	12,043
Right of use assets	14	385	654
Other non-current assets	10	2	12
<b>Total Non-Current Assets</b>		<b>11,652</b>	<b>13,353</b>
<b>TOTAL ASSETS</b>		<b>43,253</b>	<b>33,680</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	15	8,671	5,392
Contract liabilities	15	218	431
Lease liabilities	14	210	305
Provisions	17	1,515	1,375
<b>Total Current Liabilities</b>		<b>10,614</b>	<b>7,503</b>

For the year ended 30 June 2021	Consolidated		
	Note	2021	2020
(Continued)		\$'000	\$'000
<b>Non-Current Liabilities</b>			
Provisions non current	17	69	53
Lease liabilities	14	220	408
Contract liabilities	15	310	301
<b>Total Non-Current Liabilities</b>		<b>599</b>	<b>762</b>
<b>TOTAL LIABILITIES</b>		<b>11,213</b>	<b>8,265</b>
<b>NET ASSETS</b>		<b>32,040</b>	<b>25,415</b>
<b>EQUITY</b>			
Contributed equity	18	59,062	58,349
Accumulated losses		(24,110)	(30,635)
Reserves		(2,912)	(2,299)
<b>TOTAL EQUITY</b>		<b>32,040</b>	<b>25,415</b>

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

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# 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 2020</b>	<b>58,349</b>	<b>1,176</b>	<b>(428)</b>	<b>(3,047)</b>	<b>(30,635)</b>	<b>25,415</b>
Profit for the year	-	-	-	-	13,749	<b>13,749</b>
Other comprehensive income/(loss)	-	-	(834)	-	-	<b>(834)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(834)</b>	<b>-</b>	<b>13,749</b>	<b>12,915</b>
<b>Transactions with owners in their capacity as owners</b>						
Shares issued	732	-	-	-	-	<b>732</b>
Share issue costs	(19)	-	-	-	-	<b>(19)</b>
Dividends/Distributions (note 18 (g))	-	-	-	-	(7,224)	<b>(7,224)</b>
Share -based payments	-	221	-	-	-	<b>221</b>
<b>Total transactions with owners in their capacity as owners</b>	<b>713</b>	<b>221</b>	<b>-</b>	<b>-</b>	<b>(7,224)</b>	<b>(6,290)</b>
<b>Balance at 30 June 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>

	Share Capital	Share based payment Reserve	Foreign Exchange Translation Reserve	Other Equity Reserves	Accumulated Losses	Total Equity
(Continued)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2019</b>	<b>58,226</b>	<b>1,014</b>	<b>(429)</b>	<b>(3,047)</b>	<b>(35,520)</b>	<b>20,244</b>
Effect of adoption of new accounting standards					(57)	(57)
<b>At 1 July 2019 adjusted</b>	<b>58,226</b>	<b>1,014</b>	<b>(429)</b>	<b>(3,047)</b>	<b>(35,577)</b>	<b>20,187</b>
Profit for the year	-	-	-	-	4,942	<b>4,942</b>
Other comprehensive income/(loss)	-	-	1	-	-	<b>1</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>4,942</b>	<b>4,943</b>
<b>Transactions with owners in their capacity as owners</b>						
Shares issued	125	-	-	-	-	<b>125</b>
Share issue costs	(2)	-	-	-	-	<b>(2)</b>
Share -based payments	-	162	-	-	-	<b>162</b>
<b>Total transactions with owners in their capacity as owners</b>	<b>123</b>	<b>162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>285</b>
<b>Balance at 30 June 2020</b>	<b>58,349</b>	<b>1,176</b>	<b>(428)</b>	<b>(3,047)</b>	<b>(30,635)</b>	<b>25,415</b>

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

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# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021	Note	Consolidated	
		2021	2020
		\$'000	\$'000
<b>Cash flow from operating activities</b>			
Receipts from customers		62,651	42,319
Receipts from government grants and other tax incentives		684	548
Payments to suppliers and employees		(45,679)	(36,849)
Tax paid		(34)	(5)
Lease interest paid	14	(35)	(54)
Finance costs paid		(6)	(16)
Interest received		-	13
<b>Net cash flows from operating activities</b>	<b>7</b>	<b>17,581</b>	<b>5,956</b>
<b>Cash flow from investing activities</b>			
Payment for intangible assets		(914)	(930)
Payment for plant and equipment		(171)	(147)
<b>Net cash flows (used in) investing activities</b>		<b>(1,085)</b>	<b>(1,077)</b>
<b>Cash flow from financing activities</b>			
Proceeds from share issue	18 (b)	732	125
Share issue expenses		(19)	(2)
Dividends paid	18 (g)	(7,138)	-
Payment of lease liabilities		(276)	(301)
<b>Net cash flows used in financing activities</b>		<b>(6,701)</b>	<b>(178)</b>

For the year ended 30 June 2021	Consolidated		
	Note	2021	2020
(Continued)		\$'000	\$'000
<b>Net increase in cash and cash equivalents</b>		<b>9,795</b>	4,701
Net foreign exchange differences on cash		<b>(205)</b>	(80)
Cash and cash equivalents at beginning of year		<b>7,703</b>	3,082
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>17,293</b>	<b>7,703</b>

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

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# NOTES TO THE FINANCIAL STATEMENTS

## 1. Statement of significant accounting policies

The following is a summary of significant accounting policies adopted by the Consolidated Entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### 1.1. Basis of preparation of the financial report

The general purpose financial report covers Ava Risk Group and controlled entities as a Consolidated Entity. Ava Risk Group is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. Ava Risk Group is a for-profit entity for the purpose of preparing the financial statements.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The consolidated financial statements of Ava Risk Group for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 30 August 2021.

## COMPLIANCE WITH IFRS

The consolidated financial statements of Ava Risk Group also comply with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

## HISTORICAL COST CONVENTION

The financial report has been prepared under the historical cost convention.

## SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial report requires the use of certain estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

### 1.2. Going concern

The financial report has been prepared on a going concern basis which assumes the Group will have sufficient cash to pay its debts as and when they become payable for a period of at least 12 months from the date the financial report was authorised for issue. The Group reported an after-tax profit of \$13.749 million for the year (2020: after-tax profit of \$4.942 million) and its total assets exceed total liabilities by \$32.040 million (2020: \$25.415 million) with cash of \$17.293 million (2020: \$7.703 million).



**COVID - 19**

The timing and extent of recovery in markets across the globe remains challenging to predict. Ava Risk Group expects to continue successfully navigating and managing international logistics delays and ongoing supply chain constraints on certain electronic components related to products manufactured by its Technology Division. Management expects supply chain disruptions to continue into the new financial year which may impact the timing of delivery of customer orders. To better manage the supply chain, the Technology Division is encouraging customers to provide advanced forecasting and allow longer lead times for deliveries of orders. The Group's Services Division operations have not been adversely impacted by conditions as a result of the continuing pandemic.

**1.3. Principles of consolidation**

The consolidated financial statements are those of the Consolidated Entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

**BUSINESS COMBINATION**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Acquisition costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

- (a) fair value of consideration transferred,
- (b) the recognised amount of any non-controlling interest in the acquiree, and
- (c) the acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Goodwill is tested annually for impairment.

**SUBSIDIARIES**

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

**TRANSACTIONS ELIMINATED ON CONSOLIDATION**

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable directly or indirectly to the Group are presented as non-controlling interests.

**NON-CONTROLLING INTERESTS**

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

**1.4. New and amended standards****NEW AND AMENDED STANDARDS ADOPTED**

The Group is required to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2020.

The affected policies and standards are:

- › Conceptual Framework for Financial Reporting and AASB 2019-1 References to the Conceptual Framework
- › AASB 2018-6 Definition of a Business
- › AASB 2018-7 Definition of Material
- › AASB 2019-5 Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

The adoption of the above standards and amendments did not have a material impact on the current or prior period.

**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.

**1.5. Summary of significant accounting policies****a) Revenue**

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

<b>Technology</b>	Design and manufacture of fibre optic intrusion detection systems (FFT- Perimeter Security Products),
	Design and manufacture of electro-mechanical locks, biometrics and access control cards, card readers and biometric terminals (BQT – Access Control Products),
<b>Services</b>	Secure international logistics and storage for high value assets, and risk consultancy services (Logistics or Ava Global).

**Sales of Goods****ACCESS CONTROL PRODUCT**

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

## PERIMETER SECURITY PRODUCT

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

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

### **i. Variable consideration**

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

### **ii. Warranty provisions**

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

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

### **iii. Licencing fees**

The Group generates income from licencing fees. Revenue is recognised at a point in time when licence activation is available to the customer. This corresponds with the point that the customer can direct the use of, and obtain substantially, all of the remaining benefits from the licence at the point in time at which the licence transfers.

### **Rendering of services**

## PERIMETER SECURITY PRODUCT

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

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

## SECURE LOGISTICS

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

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

International logistics services are recognised as revenue over time, using an input method to measure the progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefit as the entity performs the service (i.e. another entity would not need to re-perform the service, for example distance already travelled).

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## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### CONTRACT BALANCES

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

#### GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions.

Government grants are recognised as income over the period to match the costs the grant intends to compensate.

Government grants relating to intangible assets are credited to the asset carrying value and recognised in the profit or loss over the period and proportions in which amortisation expense on those assets is recognised.

#### INTEREST INCOME

Interest income is recognised when it becomes receivable on a proportionate basis taking into account the interest rates applicable to the financial assets.

#### DIVIDENDS

Dividends are recognised as revenue when the right to receive payment is established.

#### OTHER REVENUES

Other operating revenues are recognised as they are earned, and goods or services provided.

#### **b) Foreign currency translations and balances**

#### FUNCTIONAL AND PRESENTATION CURRENCY

The Group's consolidated financial statements are presented in Australian Dollars ("AUD"), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using the functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement of translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in Other Comprehensive Income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in Other Comprehensive Income.

## FOREIGN SUBSIDIARIES

Entities that have a functional currency different to the presentation currency are translated as follows:

- › Assets and liabilities are translated at the closing rate on reporting date;
- › Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- › All resulting exchange differences are recognised in other comprehensive income.

### c) Income tax and other taxes

The income tax expense or benefit is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- › when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- › in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- › When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- › In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### d) Tax consolidation legislation

Ava Risk Group has implemented the tax consolidation legislation and has formed a tax consolidated group with FFT Mena Pty Ltd, MaxSec Group Pty Ltd, BQT Solutions (Australia) Pty Ltd, 4C Satellites Ltd and BQT Intelligent Security Systems Pty Ltd, with Ava Risk Group Limited as the head entity.

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

Revenues, expenses and purchased assets are recognised net of the amount of GST except:

- › When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- › Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### e) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. An asset's recoverable amount is the higher of an asset's or the cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

#### g) Inventories

Inventories are valued at the lower of average cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacities. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### h) Plant and equipment

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

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

Plant and Equipment	Years
Office furniture and equipment	2-10
Motor vehicles	5
Computer equipment	2-7
Production plant and equipment	2-10
Demonstration equipment	2-5

#### i) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## GROUP AS A LESSEE

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## RIGHT-OF-USE ASSETS

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Right of use assets	Years
Office Space and IT Equipment	3-5
Motor vehicles	3-5

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (m) Impairment of non-financial assets.

## LEASE LIABILITIES

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

In calculating the present value of lease payments, the Group uses the lessee's incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Lease liabilities in the Statement of financial position (see Note 14).

## SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS.

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

### j) Intangibles

## TRADEMARKS AND LICENCES

Trademarks and Licences are recognised at cost of acquisition. Trademarks and Licences have a finite life and are amortised on a systematic basis, matched to the future economic benefits over the life of the asset, less any impairment losses.

## RESEARCH AND DEVELOPMENT

- › Expenditure on research activities is recognised as an expense when incurred;
- › Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:
  - › The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
  - › Its intention to complete and its ability and intention to use or sell the asset



- › How the asset will generate future economic benefits
- › The availability of resources to complete the asset
- › The ability to measure reliably the expenditure during development

Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful lives. Amortisation commences when the intangible asset is available for use between 5 and 10 years depending on the product type. During the period of development, the asset is tested for impairment annually.

Customer base and customer contracts acquired through a business combination are recorded at their fair value at the date of acquisition. Customer lists are amortised on a straight-line basis over the period of expected benefit (5 years). Contracts are amortised on a straight-line basis over the period of expected benefit (3 years).

## PATENTS

Patents are initially recognised at the cost on acquisition. Patents have a finite life and are amortised on a systematic basis matched to the future economic benefits over the life of the asset, less any impairment losses. Amortisation of the patents commences on approval of the patent and is matched to the timing of economic benefits flowing to the Company from the application of the technology.

Patents are reviewed for impairment at the end of the financial year and more frequently when an indication of impairment exists. Any impairment charge is recorded separately. Patents are amortised over a period of 3-10 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

### k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within terms negotiated with suppliers.

### l) Financial instruments - initial recognition and subsequent measurement

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

## Financial Assets

## INITIAL RECOGNITION AND MEASUREMENT

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to significant accounting policies in section 1.5 (a) Revenue.

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

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

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

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### SUBSEQUENT MEASUREMENT

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

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

The Group only holds financial assets at amortised cost.

### FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

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

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

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

The Group's financial assets at amortised cost includes cash and cash equivalents, and trade receivables.

### DERECOGNITION

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## IMPAIRMENT OF FINANCIAL ASSETS

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. COVID19 macro-economic conditions have been considered but are not forecast to have any material impacts.

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

### Financial Liabilities

## INITIAL RECOGNITION AND MEASUREMENT

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

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

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

## DERECOGNITION

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

## OFFSETTING OF FINANCIAL INSTRUMENTS

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

### m) Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of lease liabilities, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

### n) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### WARRANTY PROVISIONS

Provision is made for the estimated liability on all products and services still under warranty at balance date. This provision is estimated having regard to prior service warranty experience. In calculating the liability at balance date, amounts were not discounted to their present value as the effect of discounting was not material. In determining the level of provision required for warranties, the Group has made judgments in respect of the expected performance and the costs of fulfilling the warranty. Historical experience and current knowledge have been used in determining this provision. The initial estimate of warranty-related costs is revised annually.

### EMPLOYEE ENTITLEMENTS

- i. Wages, salaries, annual leave, long service leave and personal leave expected to be settled within 12 months

Liabilities for wages and salaries, including non-monetary benefits, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating personal leave are recognised when the leave is taken and are measured at the rates paid or payable.

- ii. Long service leave and annual leave expected to be settled after 12 months

The liability for long service leave and annual leave expected to be settled after 12 months is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

- iii. Short-term Incentive payments (STI's)

The Consolidated Entity recognises a provision when an STI is payable, to the extent that it is probable, in accordance with the employee's contract of employment, and the amount can be reliably measured.

- iv. Long-term Incentive payments (LTI's)

The Consolidated Entity recognises a provision when an LTI is payable, to the extent that it is probable, in accordance with the employee's contract of employment, and the amount can be reliably measured.

- v. Pensions and other post-employment benefits

The Company contributes to defined contribution superannuation/pension funds on behalf of employees in respect of employee services rendered during the year. These superannuation/pension contributions are recognised as an expense in the same period when the employee services are received. Generally, contributions are made at applicable local jurisdiction statutory rates where relevant.

- vi. Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The Consolidated Entity recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

## **o) Share-based payment transactions**

### **Equity settled transactions**

The Group provides benefits to its employees (including senior executives) in the form of share-based payments, whereby employees render services in exchange for share options or performance rights (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes or Binomial valuation model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Ava Risk Group (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

### **p) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **q) Earnings per share**

#### **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- › the profit / loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares,
- › by the weighted average number of ordinary shares outstanding during the financial year.

#### **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- › the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- › the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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# NOTES TO THE FINANCIAL STATEMENTS

**CONTINUED**

## **r) Parent entity financial information**

The financial information for the parent entity, Ava Risk Group Limited, has been prepared on the same basis as the consolidated financial statements, except Investments in subsidiaries. They are accounted for at cost less impairment charge in the financial statements of Ava Risk Group Limited. Dividends received are recognised in the parent entity's profit or loss.

## **s) Comparatives**

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

## **t) Rounding of amounts**

The parent entity and the Consolidated Entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

## **u) Foreign Exchange rates**

The presentation currency of the Group is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at reporting date.

All exchange differences in the financial reports are taken to the statement of comprehensive income.

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## **2. Significant accounting judgements, estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a material impact on the entity and that are believed to be reasonable under the circumstances.

### **a) Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## **(I) IMPAIRMENT OF TANGIBLE AND INTANGIBLES ASSETS**

The Group determines whether tangible and intangible assets are impaired at least on an annual basis by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Consolidated Entity. Goodwill is tested for impairment on at least an annual basis. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations.

If an indicator of impairment exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Refer to note 13 for further details.

## (II) MEASURING TRADE RECEIVABLES

The Group considers trade receivables ability to pay including timing and the amount of payment. In considering ability to pay consideration is given to macro-economic, and industry specific conditions, as well as any information known about specific customer risks. COVID19 global economic impacts, have not had a material impact on the Group's measurement of trade receivables.

## (III) SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes or binomial valuation model, with the assumptions detailed in Note 23.

## (IV) CAPITALISATION OF DEVELOPMENT COSTS

Judgement is required using the criteria outlined in note 1(i), where expenditure meets the definition of development.

The Group capitalises costs for development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed when the development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

Capitalised development costs have a finite life and are amortised on a systematic basis over the expected life of the asset and cease at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Costs capitalised include direct payroll and payroll related costs of employees' time spent on the development projects.

## (V) LEASED ASSETS AND LIABILITIES

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

The Group has some lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for some office leases with shorter non-cancellable period (i.e., three to five years). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 14 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

## (VI) LEASES - ESTIMATING THE INCREMENTAL BORROWING RATE

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessee 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 3. 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 perimeter security, access control solutions, and international valuable logistics, which are its reportable segments. These divisions offer different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations of each reportable segment:

Product type	Reportable segment	Operations
Technology	Perimeter Security	Global leader in fibre optic intrusion detection systems; perimeter intrusions, oil and gas pipeline third party interference and data network tapping and tampering.
	Access Control Systems	Providing secure, reliable smart card reader and card systems, biometric solutions, electric locking and access control products.
Services	International Valuable Logistics	Global provider of secure international logistics of high-risk valuables, precious metals and currency.

#### b) Reportable Segments

2021	Perimeter Security	Access Control Solutions	International Valuable Logistics	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>					
External customers	18,455	6,245	40,340	-	65,040
Interest Income	-	249	-	(249)	-
Other income	549	58	67	-	674
Intersegment revenue	265	204	290	(759)	-
<b>Segment revenue and other income</b>	<b>19,269</b>	<b>6,756</b>	<b>40,697</b>	<b>(1,008)</b>	<b>65,714</b>
Depreciation and amortisation	(1,122)	(676)	(428)	-	(2,226)
Finance costs	(20)	(19)	(251)	249	(41)
Income tax	(21)	-	-	-	(21)
<b>EBITDA</b>	<b>5,861</b>	<b>2,420</b>	<b>7,756</b>	<b>-</b>	<b>16,037</b>
<b>Segment operating profit/(loss)</b>	<b>4,698</b>	<b>1,974</b>	<b>7,077</b>	<b>-</b>	<b>13,749</b>



2020	Perimeter Security	Access Control Solutions	International Valuable Logistics	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>					
External customers	16,768	4,304	25,059	-	46,131
Interest Income	135	9	-	(131)	13
Other income	437	22	37	-	496
Intersegment revenue	399	160	455	(1,014)	-
<b>Segment revenue and other income</b>	<b>17,739</b>	<b>4,495</b>	<b>25,551</b>	<b>(1,145)</b>	<b>46,640</b>
Depreciation and amortisation	(1,052)	(1,142)	(231)	-	(2,425)
Finance costs	(51)	(141)	(8)	131	(70)
Income tax	(5)	-	-	-	(5)
<b>EBITDA</b>	<b>4,270</b>	<b>774</b>	<b>2,385</b>	<b>-</b>	<b>7,429</b>
<b>Segment operating profit/(loss)</b>	<b>3,297</b>	<b>(501)</b>	<b>2,146</b>	<b>-</b>	<b>4,942</b>

### c) Geographic information

	2021	2020
	\$'000	\$'000
<b>Revenue</b>		
Australia	5,345	1,871
APAC (excluding Australia)	2,331	4,187
India	8,974	6,594
MENA	1,849	1,990
Europe	33,766	21,456
North America	9,090	8,610
Rest of world	3,685	1,423
<b>Total external revenue by region</b>	<b>65,040</b>	<b>46,131</b>

Revenue from two customers in the International Valuable Logistics division amounted to \$21.679 million and \$8.178 million respectively (FY2020: one customer \$9,845 million) and revenue from one customer in the Perimeter Security division amounts to \$7.754 million (FY2020: \$4.962 million).

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### d) Non-current operating assets

	2021	2020
	\$'000	\$'000
Australia	9,333	10,193
United Arab Emirates	1,435	1,681
Rest of world	882	1,225
<b>Total non-current assets by region</b>	<b>11,650</b>	<b>13,099</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

	2021	2020
	\$'000	\$'000
<b>Non-current operating assets</b>	<b>11,650</b>	13,099
Customer contracts intangible assets <sup>(1)</sup>	-	242
Other non-current assets	2	12
<b>Total non-current assets</b>	<b>11,652</b>	<b>13,353</b>

(1) Customer contracts of \$242,000 in the year ended 30 June 2020, have been excluded from the geographical split (\$nil in the year ended 30 June 2021) as the asset is composed of customers from Australia and a variety of geographical regions.

## 4. Revenue from continuing operations and other income

### a) Revenue from contracts with customers

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>Revenue from contracts with customers</b>		
Revenue from sales of goods	15,739	14,704
Revenue from licence fees	7,754	4,781
Revenue from provision of services	41,547	26,646
<b>Total revenue from contracts with customers</b>	<b>65,040</b>	<b>46,131</b>
<b>Other income</b>		
Interest	-	13
Government grants and incentives	652	465
Other Income	22	31
<b>Total other income</b>	<b>674</b>	<b>509</b>
<b>Total Revenues and other income</b>	<b>65,714</b>	<b>46,640</b>

### b) Disaggregation of revenue

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	23,493	19,485
Services transferred over time*	41,547	26,646
<b>Total disaggregation of revenue</b>	<b>65,040</b>	<b>46,131</b>

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

### c) Performance obligations

The Group hold contract liabilities in relation to services including extended warranty, support, commissioning and training which have been invoiced in advance with the services yet to be provided. Refer to note 15 for further details.

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

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>Contract liabilities</b>		
Expected to be recognised as revenue within 1 year	218	430
Expected to be recognised as revenue after more than 1 year	310	301
	<b>528</b>	<b>731</b>

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 5. Income tax

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>(a) Components of tax expense/(benefit):</b>		
Current tax	-	-
Deferred tax	-	-
Under provision in prior year	21	5
	<b>21</b>	5
<b>(b) Prima facie tax payable</b>		
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense/(benefit) as follows:		
Accounting profit before tax	13,764	4,947
At the Group's statutory income tax rate of 30% (2020: 27.5%)	4,129	1,360
Tax effect of amounts which are not deductible in calculating taxable income	67	52
Difference in tax rates in foreign subsidiaries	(2,215)	(558)
Tax incentives	-	-
Utilisation of withholding tax credits	-	(165)
Utilisation of carried forward tax losses / unbooked tax losses	(1,962)	(779)
Other	2	95
Income tax expense/(benefit)	<b>21</b>	5
<b>(c) Deferred income tax related to items charged or credited directly to equity</b>		
Decrease/(Increase) in deferred tax assets	-	-

Management assessed deferred tax assets and liabilities for the reporting period 30 June 2021 and their recoverability based on the forecasted taxable profits. Tax losses in Australia can be carried forward indefinitely subject to the satisfaction of either the continuity of ownership test or the alternative business continuity test. Management deemed it appropriate not to recognise any additional deferred tax assets due to uncertainty on whether those assets would be utilised against future profits generated in Australia and in foreign jurisdictions. Management will continue to assess this position each reporting period.

The Group has unutilised tax losses that arose in Australia of \$12.342million (2020: \$23.328 million). In addition, the Group has tax losses totalling \$9.276million (2020: \$11.123 million) in respect of foreign subsidiaries. The Group is currently assessing the status of carried forward losses with respect of its foreign subsidiaries.

In addition, the Group has tax credits of \$1.192 million (2020: \$0.165 million) available in relation to Indian withholding taxes paid on licence fee income invoiced for its IMod project. These tax credits are available to be used by the Company in the tax year in which they are received.

## 6. Earnings per share

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

	Consolidated	
	2021	2020
(a) Profit used in calculating earnings per share	\$'000	\$'000
<b>For basic and diluted loss per share:</b>		
Net profit from continuing operations attributable to ordinary equity holders of the parent	<b>13,749</b>	4,942
(b) Weighted average number of shares	<b>2020</b>	2020
	<b>Number</b>	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>240,445,855</b>	234,252,180
<i>Adjustments for calculation of diluted earnings per share</i>		
Dilutive share options / performance rights	<b>7,328,247</b>	8,728,715
Weighted average number of ordinary shares adjusted for the effect of dilution used as the denominator in calculating diluted earnings per share	<b>247,774,102</b>	242,980,895
(c) Profit per share	<b>2020</b>	2020
	<b>Cents</b>	Cents
Basic profit per share	<b>5.72</b>	2.11
Diluted profit per share	<b>5.55</b>	2.03

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.

250,000 shares were issued in July 2021 as the result of an exercise of share options.

197,148 ordinary shares were also issued on 16 August 2021 as the result of performance rights being exercised by KMP.

Since reporting date there have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 7. Cash and cash equivalents

	Consolidated	
	2021	2020
	\$'000	\$'000
Cash at bank and on hand	17,293	7,703
	<b>17,293</b>	7,703
<b>(a) Reconciliation of net profit after tax to net cash flow used in operations</b>		
Profit for the year after tax	13,749	4,942
<i>Adjustment for non-cash income and expense items:</i>		
Depreciation and amortisation	2,226	2,425
Share-based payments (equity settled)	221	162
Unrealised foreign exchange	69	(484)
Bad debts written off and provision for impairment of receivable	(20)	138
Impairment of inventory	460	-
Accrued income from licence fees	-	(1,971)
Other	(193)	(104)
<i>Changes in assets and liabilities</i>		
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	(2,633)	(1,106)
Other assets	(57)	126
Inventories	421	561
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	3,356	1,354
Provisions	(18)	(87)
<b>Net cash from operating activities</b>	<b>17,581</b>	<b>5,956</b>

(Continued)	Consolidated	
	2021	2020
	\$'000	\$'000

#### (b) Non-cash financing and investing activities

Share-based payments	221	162
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The Group's exposure to interest rate risk is discussed in Note 20. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents and receivables mentioned above.

## 8. Receivables

	Consolidated	
	2021	2020
	\$'000	\$'000
Trade receivables - current (gross)	9,301	5,918
Contract assets (d)	1,573	2,451
Provision for expected credit loss (a,b)	(187)	(244)
<b>Trade receivables (net)</b>	<b>10,687</b>	<b>8,125</b>
Security deposits and bonds	55	59
Other receivables (c)	101	237
<b>Carrying amount of trade and other receivables</b>	<b>10,843</b>	<b>8,421</b>

Movements in the expected credit loss provision were as follows:

At 1 July	244	107
(Reverse) Charge for the year	(20)	138
Amounts written off	(37)	(1)
At 30 June	187	244

#### (a) Provision for impairment

The Company has reversed \$20,000 of Provision for expected credit loss recovered in financial year ended 30 June 2021 (2020: \$138,000, impairment).

In line with AASB 9 Financial Instruments, an expected credit loss assessment was performed with no additional impairment recognised at 30 June 2021.

#### (b) Past due but not considered impaired

As at 30 June 2021, trade receivables past due but not considered impaired are: \$1.473 million (2020: \$1.260 million). Contract assets are unbilled receivables for services that have been delivered and are not past due.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

Trade receivables and contract assets ageing analysis at 30 June 2021 is as follows:

	Consolidated		Consolidated	
	2021	2021	2020	2020
	\$'000	\$'000	\$'000	\$'000
Not past due	9,214	-	6,865	-
Past due 1 - 30 days	1,035	-	886	-
Past due 31-60 days	157	-	35	-
Past due 61-90 days	94	-	231	-
Past due more than 91 days	374	(187)	352	(244)
	<b>10,874</b>	<b>(187)</b>	<b>8,369</b>	<b>(244)</b>

### (c) Other receivables

These amounts related primarily to other indirect tax refunds due from various international tax jurisdictions and other sundry debtors. Additionally in financial year ended 30 June 2020 there were government grant receivables of \$102,000.

### (d) Contract assets

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

## 9. Inventories

	Consolidated	
	2021	2020
	\$'000	\$'000
Raw materials and stores (at cost)	1,159	1,268
Work in progress (at cost)	773	1,105
Finished goods held for sale (at lower of cost and net realisable value)	1,148	1,200
Spares (at cost)	46	358
	<b>3,126</b>	<b>3,931</b>

During financial year ended 30 June 2021, \$460,000 (2020: \$17,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of raw materials and consumables used.



## 10. Other assets

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>Current</b>		
Prepayments	339	272
<b>Non-current</b>		
Non-current prepayments	2	12
<b>Total Other assets</b>	<b>341</b>	<b>284</b>

Prepayments are not interest bearing.

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

	Computer equipment	Motor vehicles	Plant and equipment	Office furniture and equipment	Demonstration equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year Ended 30 June 2021</b>						
Carrying amount at beginning of year	87	12	109	61	375	644
Additions	82	-	41	26	8	157
Disposals	(1)	(2)	-	(8)	(2)	(13)
Depreciation charge for the year	(20)	(10)	(81)	(30)	(225)	(366)
Reclassifications	(47)	-	47	-	-	-
Exchange adjustment	(3)	-	4	(3)	-	(2)
<b>Carrying amount at end of year</b>	<b>98</b>	<b>-</b>	<b>120</b>	<b>46</b>	<b>156</b>	<b>420</b>
<b>At 30 June 2021</b>						
Cost	863	42	1,180	561	2,056	4,702
Accumulated depreciation and impairment	(765)	(42)	(1,060)	(515)	(1,900)	(4,282)
<b>Net carrying amount</b>	<b>98</b>	<b>-</b>	<b>120</b>	<b>46</b>	<b>156</b>	<b>420</b>

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

	Computer equipment	Motor vehicles	Plant and equipment	Office furniture and equipment	Demonstration equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year Ended 30 June 2020</b>						
Carrying amount at beginning of year	101	14	161	136	434	<b>846</b>
Additions	38	-	10	11	98	<b>157</b>
Disposals	-	-	-	(10)	-	<b>(10)</b>
Depreciation charge for the year	(52)	(3)	(62)	(76)	(157)	<b>(350)</b>
Exchange adjustment	-	1	-	-	-	<b>1</b>
<b>Carrying amount at end of year</b>	<b>87</b>	<b>12</b>	<b>109</b>	<b>61</b>	<b>375</b>	<b>644</b>
<b>At 30 June 2020</b>						
Cost	829	44	1,092	543	2,050	<b>4,558</b>
Accumulated depreciation and impairment	(742)	(32)	(983)	(482)	(1,675)	<b>(3,914)</b>
<b>Net carrying amount</b>	<b>87</b>	<b>12</b>	<b>109</b>	<b>61</b>	<b>375</b>	<b>644</b>

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

### (a) Reconciliation of carrying amounts

	Goodwill	Trademarks	Development costs	Patents	Acquired customer lists / contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2021</b>						
Carrying amount at beginning of year	5,428	1,016	4,406	388	805	<b>12,043</b>
Additions	-	-	856	58	-	<b>914</b>
Disposals	-	-	-	-	-	<b>-</b>
Amortisation	-	(128)	(864)	(127)	(477)	<b>(1,596)</b>
Exchange adjustments	(410)	(67)	(39)	(2)	2	<b>(516)</b>
<b>Carrying amount at end of year</b>	<b>5,018</b>	<b>821</b>	<b>4,359</b>	<b>317</b>	<b>330</b>	<b>10,845</b>

	Goodwill	Trademarks	Develop- ment costs	Patents	Acquired customer lists / contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2021</b>						
Cost (gross carrying amount)	5,018	1,287	7,578	2,475	2,585	<b>18,943</b>
Accumulated amortisation	-	(466)	(3,219)	(2,011)	(2,255)	<b>(7,951)</b>
Accumulated impairment charges	-	-	-	(147)	-	<b>(147)</b>
<b>Net carrying amount</b>	<b>5,018</b>	<b>821</b>	<b>4,359</b>	<b>317</b>	<b>330</b>	<b>10,845</b>
<b>Year ended 30 June 2020</b>						
Carrying amount at beginning of year	5,318	1,133	4,253	521	1,488	<b>12,713</b>
Additions	-	-	925	5	-	<b>930</b>
Disposals	-	-	(5)	-	-	<b>(5)</b>
Amortisation	-	(134)	(782)	(138)	(717)	<b>(1,771)</b>
Exchange adjustments	110	17	15	-	34	<b>176</b>
<b>Carrying amount at end of year</b>	<b>5,428</b>	<b>1,016</b>	<b>4,406</b>	<b>388</b>	<b>805</b>	<b>12,043</b>
<b>At 30 June 2020</b>						
Cost (gross carrying amount)	5,428	1,354	6,761	2,419	2,583	<b>18,545</b>
Accumulated amortisation	-	(338)	(2,355)	(1,884)	(1,778)	<b>(6,355)</b>
Accumulated impairment charges	-	-	-	(147)	-	<b>(147)</b>
<b>Net carrying amount</b>	<b>5,428</b>	<b>1,016</b>	<b>4,406</b>	<b>388</b>	<b>805</b>	<b>12,043</b>

**(b) Development costs**

During the year ended 30 June 2021, the Group incurred additional gross development costs of \$0.856 million (2020: \$0.925 million).

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

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

**13. Carrying value of non-financial assets**

For assets excluding goodwill, an assessment is made each reporting period to determine whether there is an indicator of impairment.

Goodwill	International Secure Logistics	Access Control Solutions (including locks and readers)	Total
At 1 July 2020	4,688	740	<b>5,428</b>
Impact of foreign currency	(410)	-	<b>(410)</b>
<b>At 30 June 2021</b>	<b>4,278</b>	<b>740</b>	<b>5,018</b>

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

**Key assumptions and estimates**

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations, unless there is evidence to support a higher fair value less cost of disposal.

The Group has three identifiable CGUs:

- › Perimeter security
- › Access control solutions
- › International valuable logistics

Each CGU was tested for impairment in accordance with the Group's accounting policies, using a value in use methodology. The impacts of COVID19 on future cash flows was considered when determining inputs for the value-in-use calculations.

Key Assumptions	Description
Future cash flows	VIU calculations, inclusive of working capital movements and forecast capital expenditure based on financial projections approved by the Board for the first year, with detailed management forecasts used in years 2 - 5, then reverting to a terminal value of 2%.
Discount rate:	<p>A discount rate was applied to cash flow projection assessed to reflect the time value of money and the perceived risk profile of the stage of the business.</p> <p>Pre-tax discount rates:</p> <ul style="list-style-type: none"> <li>• Perimeter security - 18.57%</li> <li>• Access controls - 17.74%</li> <li>• International Valuable Logistics - 14.58%</li> </ul> <p>Post-tax discount rates:</p> <ul style="list-style-type: none"> <li>• Perimeter security - 14.58%</li> <li>• Access controls - 14.58%</li> <li>• International Valuable Logistics - 14.58%</li> </ul>
Revenue growth	Forecast growth in year 1 is based on Board approved projections, and detailed assessed conversion of known revenue opportunities for the business. Years 2 - 5 assume growth is achieved within existing business markets and geographies, along with expansion of the business into new markets and geographies.
Gross margins	Forecasting consistent gross margins over the life of the model relative to historic gross margins achieved.

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

## 14. Leases

### GROUP AS A LESSEE

The Group has lease contracts for office space, IT equipment and vehicles used in its operations. Leases of office space and IT equipment generally have lease terms between 3 and 5 years, while motor vehicles generally have lease terms between 3 and 4 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below. The Group also has certain leases of office space and IT equipment with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION AND PROFIT OR LOSS

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

	Right-of-use assets			
	Office Space & IT Equipment	Motor Vehicles	Total	Lease liabilities
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2020</b>	<b>623</b>	<b>31</b>	<b>654</b>	<b>713</b>
Additions	57	-	57	57
Disposal	(64)	-	(64)	(64)
Depreciation expense	(242)	(20)	(262)	-
Interest expense	-	-	-	35
Payments	-	-	-	(311)
<b>As at 30 June 2021</b>	<b>374</b>	<b>11</b>	<b>385</b>	<b>430</b>
<b>As at 1 July 2019</b>	<b>925</b>	<b>20</b>	<b>945</b>	<b>1,002</b>
Additions	19	28	47	47
Disposal	(34)	-	(34)	(35)
Depreciation expense	(287)	(17)	(304)	-
Interest expense	-	-	-	54
Payments	-	-	-	(355)
<b>As at 30 June 2020</b>	<b>623</b>	<b>31</b>	<b>654</b>	<b>713</b>

The classification of lease liabilities is set out below:

	2021	2020
	\$'000	\$'000
Current	210	305
Non-Current	220	408
<b>As at 30 June</b>	<b>430</b>	<b>713</b>

The following are the amounts recognised in profit or loss:

	2021	2020
	\$'000	\$'000
Depreciation expense of right-of-use assets	262	304
Interest expense on lease liabilities	35	54
Expense relating to short term and low value leases	105	153
<b>Total amount recognised in profit and loss</b>	<b>402</b>	<b>511</b>

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (Refer Note 2).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years	More than five years	Total
	\$'000	\$'000	\$'000
<b>2021</b>			
Extension options not reasonably certain to be exercised	225	24	249
<b>2020</b>			
Extension options not reasonably certain to be exercised	221	26	247

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 15. Trade and other payables

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>Trade payables, accruals and other payables</b>		

#### Current

Trade payables	<b>3,403</b>	2,323
Accruals and other payables	<b>5,268</b>	3,069
	<b>8,671</b>	<b>5,392</b>

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

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>Contract liabilities</b>		
Balance at 1 July	<b>732</b>	720
Deferred during year	<b>447</b>	859
Recognised as revenue during the year	<b>(681)</b>	(847)
<b>Balance at 30 June</b>	<b>528</b>	<b>732</b>

Due within 1 year	<b>218</b>	431
Due after more than 1 year	<b>310</b>	301
	<b>528</b>	732

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

Revenue recognised of \$0.681 million (2020: \$0.847 million) in the year represents performance obligations which have been met during the financial year in relation to contract liabilities held at year-end.



## 16. Borrowings

The Group has no borrowings. An unused bank overdraft facility totalling \$1 million was cancelled during the year. It was secured by 1st ranking fixed and floating charges over the assets of Ava Risk Group which have been removed as part of the cancellation of the facility.

## 17. Provisions

### (a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	2021	2020
	\$'000	\$'000
<b>Current</b>		
Employee entitlements - annual leave	815	704
Employee entitlements - long service leave	458	411
Provision for warranty claims	242	260
	<b>1,515</b>	<b>1,375</b>
<b>Non-current</b>		
Employee entitlements - long service leave	69	53
	<b>69</b>	<b>53</b>
	2021	2020
	\$'000	\$'000
<b>Provision for warranty claims</b>		
<b>Consolidated</b>		
At 1 July 2020	260	211
Arising during the year	3	49
Provision used during the year	(21)	-
<b>At 30 June 2021</b>	<b>242</b>	<b>260</b>
Current	242	260
Non-current	-	-
	242	260

### (b) Nature and timing of provisions

#### (I) WARRANTY PROVISION

Warranties include predominantly provision booked for probable claims by customers for product faults as well as provision for claimable warranty for other goods and services sold by the Group.

## (II) EMPLOYEE ENTITLEMENTS

Refer to Note 1(o) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of long-service leave, which is part of this provision. This provision also includes provision booked for employees who earn but are yet to use their vacation entitlements. This amount includes on-costs for pension and superannuation, worker's compensation insurance and payroll tax.

## 18. Contributed equity

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>(a) Ordinary shares</b>		
Ordinary share capital, issued and fully paid	59,062	58,349
	<b>59,062</b>	<b>58,349</b>
	Number of shares	\$'000
<b>(b) Movement in ordinary shares on issue</b>		
At 1 July 2020	235,365,568	58,349
Share issue	6,263,834	732
Share issue costs	-	(19)
<b>At 30 June 2021</b>	<b>241,629,402</b>	<b>59,062</b>
<b>(b) Movement in ordinary shares on issue</b>		
At 1 July 2019	234,115,568	58,226
Share issue	1,250,000	125
Share issue costs	-	(2)
<b>At 30 June 2020</b>	<b>235,365,568</b>	<b>58,349</b>

**(c) Terms and conditions of contributed equity**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**(d) Share options****EMPLOYEE SHARE SCHEME**

The Group continued to offer employee participation in share-based incentive schemes as part of the remuneration packages for the employees of the Consolidated Entity. Refer to Note 23: Share Based Payments for detailed disclosures.

No options have been issued between balance date and the date of this report. The Company entered into an agreement during the financial year ended 30 June 2021 with former Chief Executive Officer Mr Basham and issued 250,000 options vesting on 31 December 2020 with an exercise price of 15 cents and an expiry date of 31 December 2021 and a further 250,000 options vesting on 30 June 2021 with an exercise price of 15 cents and an expiry date of 31 December 2021 subject to certain conditions to be met during his employment notice period, which ended on 09 September 2020. Mr Basham exercised 250,000 of these options during the year ended 30 June 2021 and exercised a further 250,000 options subsequent to balance date during July 2021.

(i) Options over ordinary shares: The following options to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2021:

Date granted	Expiry date	Exercise price (\$)	Number of options				
			Balance at start of the year	Granted during the year	Exercised during the year	Forfeited, lapsed and other movements during the year	Vested and exercisable at end of the year
<b>2021</b>							
10/11/2017	10/11/2020	\$0.21	200,000	-	(199,938)	(62)	-
29/11/2017	31/12/2020	\$0.12	2,000,000	-	(2,000,000)	-	-
14/03/2018	31/12/2021	\$0.13	1,500,000	-	(1,500,000)	-	-
14/03/2018	31/12/2021	\$0.15	1,500,000	-	(1,500,000)	-	-
14/03/2018	31/12/2021	\$0.20	3,000,000	-	-	-	3,000,000
8/09/2020	31/12/2021	\$0.15	-	500,000	(250,000)	-	250,000
<b>Total</b>			<b>8,200,000</b>	<b>500,000</b>	<b>(5,449,938)</b>	<b>(62)</b>	<b>3,250,000</b>
Weighted average exercise price			\$0.16	\$0.15	\$0.14	\$0.21	\$0.20

(ii) Options over ordinary shares: The following options to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2020:

Date granted	Expiry date	Exercise price (\$)	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited, lapsed and other movements during the year	Vested and exercisable at end of the year
<b>2020</b>							
15/03/2015	15/03/2020	\$0.23	1,500,000	-	-	(1,500,000)	-
10/11/2017	10/11/2020	\$0.21	200,000	-	-	-	200,000
29/11/2017	31/12/2020	\$0.12	2,000,000	-	-	-	2,000,000
29/11/2017	19/05/2020	\$0.10	1,375,000	-	-	(1,375,000)	-
10/05/2018	19/05/2020	\$0.10	250,000	-	-	(250,000)	-
14/03/2018	31/12/2021	\$0.13	1,500,000	-	-	-	1,500,000
14/03/2018	31/12/2021	\$0.15	1,500,000	-	-	-	1,500,000
14/03/2018	31/12/2021	\$0.20	3,000,000	-	-	-	3,000,000
<b>Total</b>			<b>11,325,000</b>	<b>-</b>	<b>-</b>	<b>(3,125,000)</b>	<b>8,200,000</b>
Weighted average exercise price			\$0.16	-	-	\$0.16	\$0.16

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# NOTES TO THE FINANCIAL STATEMENTS

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### (e) Performance rights

During the financial year 2021, 1,205,537 performance rights (2020: 1,763,634) were awarded to Key Management Personnel as part of their remuneration package.

#### Year ended 30 June 2021

Date granted	Vesting date	Exercise Price (\$)	Balance at start of the year	Granted during the year	Forfeited lapsed, and other movements during the year	Vested and exercisable at end of the year	Unvested and exercisable at end of the year
1/07/2018	01/07/2020	\$0.00	112,972	-	(112,972)	-	-
1/07/2018	01/07/2021	\$0.00	112,972	-	-	-	112,972
1/07/2018	01/07/2020	\$0.00	84,176	-	(84,176)	-	-
1/07/2018	01/07/2021	\$0.00	84,176	-	-	-	84,176
23/09/2019	31/08/2021	\$0.00	528,559	-	(367,144)	-	161,414
23/09/2019	31/08/2022	\$0.00	628,560	-	(367,146)	-	161,415
28/10/2019	31/08/2021	\$0.00	468,939	-	(79,171)	-	389,768
28/10/2019	31/08/2022	\$0.00	468,942	-	(79,173)	-	389,769
31/10/2019	31/08/2021	\$0.00	339,668	-	(289,732)	-	49,935
31/10/2019	31/08/2022	\$0.00	339,668	-	(289,734)	-	49,935
31/10/2019	01/09/2020	\$0.00	600,000	-	(600,000)	-	-
29/10/2020	31/08/2022	\$0.00	-	176,709	(141,367)	-	35,342
29/10/2020	31/08/2023	\$0.00	-	176,710	(141,368)	-	35,342
30/10/2020	31/08/2022	\$0.00	-	426,059	(278,508)	-	147,551
30/10/2020	31/08/2023	\$0.00	-	426,059	(278,505)	-	147,554
<b>Total</b>			<b>3,668,632</b>	<b>1,205,537</b>	<b>(3,108,996)</b>	<b>-</b>	<b>1,765,173</b>

During the year ended 30 June 2021 the Company granted performance rights as part of remuneration to key management personnel. The vesting conditions of the performance rights are based on key performance metrics and objectives being met. The fair value of the performance rights was based on a Black Scholes option pricing model.

- › Executive Director, Robert Broomfield, was issued 353,419 performance rights following approval of the shareholders at the AGM on 29 October 2020. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2022, with the second vesting on 31 August 2023.
- › Other key management personnel were issued a total of 852,118 performance rights. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2022, with the second vesting on 31 August 2023.

Subsequent to the grant, the above performance grant rights were forfeited due to key performance metrics and objectives not met. As a result,

- › Executive Director, Robert Broomfield, forfeited 336,153 performance rights.
- › Other key management personnel forfeited 544,086 performance rights.

#### Year ended 30 June 2020

Date granted	Vesting date	Exercise Price (\$)	Balance at start of the year	Granted during the year	Forfeited lapsed, and other movements during the year	Vested and exercisable balance at end of the year	Unvested balance at end of the year
<b>2020</b>							
1/07/2018	01/07/2020	\$0.00	112,972	-	-	112,972	-
1/07/2018	01/07/2021	\$0.00	112,972	-	-	-	112,972
1/07/2018	01/07/2020	\$0.00	84,176	-	-	84,176	-
1/07/2018	01/07/2021	\$0.00	84,176	-	-	-	84,176
23/09/2019	31/08/2021	\$0.00	-	528,559	-	-	528,559
23/09/2019	31/08/2022	\$0.00	-	528,560	-	-	628,560
28/10/2019	31/08/2021	\$0.00	-	468,939	-	-	468,939
28/10/2019	31/08/2022	\$0.00	-	468,942	-	-	468,942
31/10/2019	31/08/2021	\$0.00	-	339,668	-	-	339,668
31/10/2019	31/08/2022	\$0.00	-	339,668	-	-	339,668
31/10/2019	01/09/2020	\$0.00	-	600,000	-	-	600,000
<b>Total</b>			<b>394,296</b>	<b>3,274,336</b>	<b>-</b>	<b>197,148</b>	<b>3,471,484</b>

During the year ended 30 June 2020 the Company granted performance rights as part of remuneration to key management personnel and key employees. The vesting conditions of the performance rights are based on key performance metrics and objectives being met. With the exception of the Non-executive Directors, the fair value of the performance rights was based on a Black Scholes option pricing model. The fair value of the performance rights for Non-executive directors were calculated using a binomial model.

- › Non-executive Directors were issued 600,000 performance rights, following approval of the shareholders at the Company's Annual General Meeting (AGM) on 31 October 2019. The performance rights have a share price target of \$0.22 with a vesting date of 1 September 2020.
- › Executive Directors, Scott Basham and Robert Broomfield, were issued performance rights of 334,958 and 344,378 respectively, following approval of the shareholders at the AGM on 31 October 2019. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.
- › Other key management personnel were issued a total of 484,298 performance rights. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.
- › Other key employees were issued a total of 1,510,702 performance rights. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.

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# NOTES TO THE FINANCIAL STATEMENTS

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### (f) Capital management

When managing capital, management's objective is to ensure the Consolidated Entity continues to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitor capital through the gearing ratio (net debt / total capital). Net debt is calculated as total borrowings (including trade and other payables) as shown in the balance sheet less cash and cash equivalents. The gearing ratios based on continuing operations at 30 June 2021 and 2020 were as follows:

	Consolidated	
	2021	2020
	\$'000	\$'000
Total borrowings *	9,102	6,105
Less cash and cash equivalents	17,293	7,703
Net borrowings / (cash)	(8,191)	(1,598)
Total equity	32,040	25,415
<b>Total capital</b>	<b>23,849</b>	<b>23,817</b>

Gearing ratio	0%	0%
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\* Includes trade and other payables as well as leases and interest-bearing loans and borrowings

No changes were made to the objectives, policies, or processes for managing capital during the year ended 30 June 2021.

### (g) Dividends

	Consolidated	
	2021	2020
	\$'000	\$'000
Special dividend at the rate of 1 cent per share, paid on 23 October 2020	2,392	-
Special dividend at the rate of 2 cents per share, paid on 11 March 2021	4,832	-
Total Dividends	7,224	-
Dividends paid in cash (funds transferred to the shareholders)	(7,138)	-
Amount owed to shareholders	86	-

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## 19. Reserves

### Nature and purpose of reserves

#### SHARE BASED PAYMENT RESERVE

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

Foreign exchange translation reserve

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

### Other equity reserve

Other equity represents the difference between the fair value of ordinary shares issued to acquire non-controlling interest and the initial value of non-controlling interests.

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## 20. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, lease liabilities, cash and short-term deposits.

### Risk exposures and responses

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk, and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate. Monitoring levels of exposure to various foreign currencies and assessments of market forecasts for foreign currency exchange rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk; liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of the risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Committee under the authority of the Board. The board reviews and agrees policies for managing each of the risks identified below, including hedging of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

#### a) Interest rate risk

The Group's main interest rate risk relates primarily to the Group's cash and cash equivalents held in interest bearing accounts.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

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# NOTES TO THE FINANCIAL STATEMENTS

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Financial instruments	Interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
<b>30 June 2021</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	
Cash	17,293	17,293	0.01%	Variable
Lease liabilities	(430)	(430)	6.84%	Fixed
<b>Total financial assets</b>	<b>16,863</b>	<b>16,863</b>	<b>0.16%</b>	
<b>30 June 2020</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	
Cash	7,703	7,703	0.01%	Variable
Lease liabilities	(713)	(713)	6.35%	Fixed
<b>Total financial assets</b>	<b>6,990</b>	<b>6,990</b>	<b>0.64%</b>	

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt where possible. At 30 June 2021, the Group had no borrowings (2020: nil) and lease liabilities of \$430,000 (2020: \$713,000).

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

The Group's fixed rate borrowings comprising the leases are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2021, and at 30 June 2020, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit / (losses) and equity would have been affected as follows:

Judgments of reasonably possible movements*:	Post Tax Profit			Equity
	Higher/(Lower)			Higher/(Lower)
	2021	2020	2021	2020
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

<b>Consolidated</b>				
+ 1/2% (50 basis points)	<b>61</b>	28	<b>61</b>	28
- 1/2% (50 basis points)	<b>(61)</b>	(28)	<b>(61)</b>	(28)

\* A 50 basis point increase and a 50 basis point decrease is used and represents management's assessment of the reasonably possible change in interest rates.



## b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, and cash balances.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follows:

USD		\$'000
30 June 2021		
Cash and cash equivalents		7,026
Trade and other receivables		5,026
Trade and other payables		(428)
<b>Total exposure</b>		<b>11,624</b>
30 June 2020		
Cash and cash equivalents		2,582
Trade and other receivables		4,321
Trade and other payables		(575)
<b>Total exposure</b>		<b>6,328</b>

### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD exchange rate with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

USD	% Change in rate	Effect on profit/(loss) before tax	Effect on equity
		\$'000	\$'000
<b>30 June 2021</b>	10%	<b>814</b>	<b>814</b>
	-10%	<b>(814)</b>	<b>(814)</b>
<b>30 June 2020</b>	10%	459	459
	-10%	(459)	(459)

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# NOTES TO THE FINANCIAL STATEMENTS

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### c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables (including contract assets). The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments, net of any provisions for expected credit losses of those assets. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis.

### d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group monitors its risk of a shortage of funds using cash flow forecasting and liquidity planning.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of variety of equity and debt instruments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivatives financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2021	2020
Financial liabilities	\$'000	\$'000
12 months or less	8,882	5,697
1-5 years	220	408
Over 5 years	-	-
<b>Total contractual cash flows</b>	<b>9,102</b>	<b>6,105</b>

## FAIR VALUE

The fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

## 21. Related party disclosure

### (a) Subsidiaries

The consolidated financial statements include the financial statements of Ava Risk Group and the subsidiaries listed in the following table.

Name	Country of Incorporation	Principal Activity	% Equity Interest	
			2021	2020
<b>Parent Entity</b>				
Ava Risk Group Ltd	Australia	Manufacture and sale of security systems	100	100
<b>Subsidiaries of Ava Risk Group Ltd</b>				
FFT MENA Pty Ltd	Australia	Holding company	100	100
Future Fibre Technologies (US) Inc.	USA	Sales Support and other services	100	100
MaxSec Group Pty Ltd	Australia	Access Control and International valuables logistics	100	100
<b>Subsidiaries of FFT MENA Pty Ltd</b>				
Future Fibre Technologies MENA FZ-LLC	U.A.E	Sales Support and other services	100	100
Future Fibre Technologies Europe AG(*)	Switzerland	Sales Support and other services	-	100
Future Fibre Technologies Europe Ltd	United Kingdom	Sales Support and other services	100	100
FFT India Pvt Ltd	India	Sales Support and other services	100	100
<b>Subsidiaries of MaxSec Group Pty Ltd</b>				
BQT Intelligent Security Systems Pty Ltd	Australia	Access Control	60	60
4C Satellites Ltd	Australia	Access Control	60	60
BQT Solutions (Australia) Pty Ltd	Australia	Access Control	100	100
BQT Solutions (SEA) Pte Ltd	Singapore	Access Control	100	100
BQT Solutions (UK) Ltd	United Kingdom	Access Control	100	100
<b>Subsidiaries of BQT Solutions (SEA) Pte Ltd</b>				
BQT Solutions (NZ) Ltd	New Zealand	Access Control	100	100
<b>Subsidiaries of BQT Solutions (UK) Ltd</b>				
Ava Global DMCC	U.A.E	Secure international logistics	100	100
BQT Solutions America Inc	USA	Access Control	100	100
<b>Subsidiaries of Ava Global DMCC</b>				
Ava Germany GmbH	Germany	Secure international logistics	100	100
Ava USA Inc	USA	Secure international logistics	100	100

(\*) Dissolved September 2020

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

Transactions between the Company and its subsidiaries principally arise from the granting of loans and the provision of sales support and other services. All transactions undertaken during the financial year with subsidiaries are eliminated in the consolidated financial statements.

### (b) Ultimate parent

Ava Risk Group Ltd is the ultimate Australian parent entity and the ultimate parent of the Group.

### (c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 22.

### (d) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms unless otherwise stated.

## 22. Key management personnel

### a) Compensation for Key Management Personnel

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	3,241,172	2,809,712
Post-employment and other long-term benefits	139,178	141,735
Termination benefits	153,619	-
Share-based payments	64,487	101,267
Total compensation	3,598,456	3,052,714

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

There were no loans to directors or key management personnel during the year ending 30 June 2021 (2020: nil).

### c) Other transactions and balances with Key Management Personnel and their related parties

## DIRECTORS

During the current and previous financial year, the Group transacted with related entities of directors, other than in their capacity as director as follows:

The Consolidated Entity purchased consulting services from Pierce Group Asia Pte Limited and Pierce CIM PTE LTD, entities related to Chairman and Non-Executive Director, David Cronin, who is a director of each related entity, for an amount of \$253,230 (2020: \$296,625). Accounts Payable balance at 30 June 2021 totals \$nil (FY2020: \$nil). These arrangements were in the normal course of business and included amounts related to the provision of consultancy and administration services, and general office expenses provided by the related entities for the benefit of the Consolidated Entity.

## KEY MANAGEMENT PERSONNEL

There were no other transactions with other KMP during the year ended 30 June 2021 (FY2020 none).

### 23. Share-based payments

#### a) Recognised share-based payment expenses

The expense recognised for employee and corporate services received during the year is shown in the table below:

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>Expense arising from equity-settled share-based payment transactions:</b>		
Share options	89	-
Performance rights	132	162
	<b>221</b>	<b>162</b>

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

## GRANTS

During the financial year ended 30 June 2021, the Company granted performance rights as part of remuneration to three senior executives, Robert Broomfield, Leigh Davis and Matthew Nye-Hingston as well as another employee. The fair value of each performance right was calculated using an option pricing model as discussed below.

The performance share rights were split into two equal tranches one of which will vest at 31 August 2022 with the second tranche vesting on 31 August 2023. The vesting conditions are based on achievement of pre-defined performance KPIs and continuity of employment.

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

During the year ended 30 June 2020, the Company granted performance rights as part of remuneration to three Non-Executive directors David Cronin, Mark Stevens, and Michael McGeever as well as four senior executives, Scott Basham, Robert Broomfield, Leigh Davis, and Matthew Nye-Hingston. The fair value of each performance right was calculated using an option pricing model as discussed below.

The performance rights issued to the Non-Executive directors vested on 01 September 2020 subject to the Company's market traded share price being at least 22 cents. Those issued to the senior executives are split into two equal tranches one of which will vest at 31 August 2021 with the second tranche vesting on 31 August 2022. The vesting conditions are based on achievement of pre-defined performance KPIs and continuity of employment.

During the year ended 30 June 2021, the group granted 500,000 options to the former CEO and Executive Director Scott Basham. The exercise price is \$0.15. The fair value of the options was based on a Black Scholes option pricing model. The options are split into two equal tranches, one vested on 31 December 2020 and the second vested on 30 June 2021. Both tranches have an expiry date of 31 December 2021.

Refer to point (d) for the model inputs relating to the fair value of the performance rights and share options.

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# NOTES TO THE FINANCIAL STATEMENTS

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### c) Summaries of performance rights and share options granted

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

	2021 Number	2020 Number
Outstanding at the beginning of the year	8,200,000	11,325,000
Granted during the year	500,000	-
Exercised during the year	(5,449,938)	-
Forfeited lapsed, and other movements during the year	(62)	(3,125,000)
<b>Outstanding at the end of the year</b>	<b>3,250,000</b>	<b>8,200,000</b>

The following table illustrates the number of share options held at year end and movements during the financial year ended:

	2021 Number	2020 Number
Outstanding at the beginning of the year	3,668,632	394,296
Granted during the year	1,205,537	3,274,336
Exercised during the year	(813,896)	-
Forfeited lapsed, and other movements during the year	(3,108,996)	-
<b>Outstanding at the end of the year</b>	<b>1,765,173</b>	<b>3,668,632</b>

### d) Option and performance rights pricing models

The fair value of the equity-settled share options or performance rights granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options or performance rights were granted. The fair value is derived from the Black-Scholes model using the closing share price of Ava Risk Group ordinary shares on grant date, Australian Government Long-term bond interest rates as published by the Reserve Bank of Australia as a proxy for the risk-free interest rate, having regard for the bond maturity that is most closely aligned to the period of time remaining until the options/performance rights expiry date, and the option/performance rights exercise prices and quantities as noted above. Historical price volatility was used to estimate expected price volatility, over the expected life of the options and performance rights.

The model inputs for performance rights granted during in respect of remuneration included:

## 2021 PERFORMANCE RIGHTS

Number of performance rights granted	176,709	176,710	426,059	426,059
Fair value of performance rights granted (prior to forfeitures)	\$115,745	\$115,745	\$259,896	\$259,896
Exercise price:	\$-	\$-	\$-	\$-
Grant date:	29-Oct-20	29-Oct-20	30-Oct-20	30-Oct-20
Expiry date:	31-Aug-22	31-Aug-23	31-Aug-22	31-Aug-23
Share price at grant date:	\$0.655	\$0.655	\$0.61	\$0.61
Expected price volatility of the Company's shares:	98.95%	98.95%	99.08%	99.08%
Expected dividend yield:	0%	0%	0%	0%
Risk-free interest rate:	0.13%	0.13%	0.13%	0.13%

## 2020 PERFORMANCE RIGHTS

Number of performance rights granted	528,558	528,561	468,939	468,942	339,667	339,669	600,000
Fair value of performance rights granted	\$58,141	\$58,145	\$46,895	\$46,895	\$39,062	\$39,062	\$30,000
Exercise price:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant date:	23-Sep-19	23-Sep-19	28-Oct-19	28-Oct-19	31-Oct-19	31-Oct-19	31-Oct-19
Expiry date:	31-Aug-21	31-Aug-21	31-Aug-21	31-Aug-22	31-Aug-21	31-Aug-22	01-Sep-20
Share price at grant date:	\$0.11	\$0.11	\$0.10	\$0.10	\$0.115	\$0.115	\$0.115
Expected price volatility of the Company's shares:	92.3%	92.3%	92.3%	92.3%	92.3%	92.3%	80.0%
Expected dividend yield:	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate:	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.86%

## 2021 SHARE OPTIONS

Number of share options granted	250,000	250,000
Fair value of options granted	\$43,691	\$45,126
Exercise price:	\$0.15	\$0.15
Grant date:	9-Sep-2020	9-Sep-2020
Expiry date:	31-Dec-2021	31-Dec-2021
Share price at grant date:	\$0.30	\$0.30
Expected price volatility of the Company's shares:	93.22%	103.04%
Expected dividend yield:	0%	0%
Risk-free interest rate:	0.13%	0.13%

There were no share options issued in financial year 2020.

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**24. Contingencies**

Ava Global DMCC has a performance plan which allows for senior employees of the Company to share in a pooled allocation of up to 32.7% of the exit value of Ava Global DMCC in excess of USD \$5.3 million. In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates, after allowing for deduction of the bonus pool amount, and any other expenses, costs or taxes. The incentives are payable in cash conditional upon approval by the Ava Risk Group Limited Board of Directors and achievement of divisional net profits by the executives. The performance plan expires if the executive resigns from their employment or is terminated by the Company.

Other than the above the Group had no contingencies at 30 June 2021.

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**25. Events after the balance sheet date**

## DIVESTMENT OF THE SERVICES DIVISION

On 16 August 2021, the Group entered into a binding agreement with TTG Bidco Ltd to sell its Service Division business operations via a share purchase agreement for all the share capital of the subsidiary Ava Global DMCC. The sale consideration is USD \$46.4 million (A\$63.1 million) in cash. After closing adjustments and payment of management incentives and accrued bonuses payable under the performance plan agreement in place with the Services Division Management team, the Group is expected to receive net cash proceeds of USD \$31.1m (A\$42.4 million).

This amount is payable to the Group on completion, which is expected to occur by the end of October 2021.

There has been no other matters or circumstances, which have arisen since 30 June 2021 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2021, of the Consolidated Entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2021, of the Consolidated Entity.



## 26. Parent Entity Information

### (a) Summary financial information

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

Ava Risk Group Limited:	2021	2020
Summarised statement of financial position	\$'000	\$'000
<b>Assets</b>		
Current assets	14,944	14,740
Non-current assets	14,254	19,943
<b>Total assets</b>	<b>29,198</b>	<b>34,683</b>
<b>Liabilities</b>		
Current liabilities	1,022	4,260
Non-current liabilities	262	403
<b>Total liabilities</b>	<b>1,284</b>	<b>4,663</b>
<b>Net Assets</b>	<b>27,914</b>	<b>30,020</b>
<b>Equity</b>		
Contributed Capital	59,062	58,349
Share-based payment reserve	1,392	1,171
Accumulated losses	(32,540)	(29,500)
<b>Total Equity</b>	<b>27,914</b>	<b>30,020</b>
<b>Ava Risk Group Limited:</b>		
<b>Summarised statement of comprehensive income</b>		
Profit/(loss) for the year	4,185	3,511
Other comprehensive income for the year	-	-
<b>Total comprehensive income of the parent entity</b>	<b>4,185</b>	<b>3,511</b>

### (b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees in respect of subsidiaries entities.

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020. For information about guarantees given by the parent entity, please see above.

### (d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2021, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2020: None).

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# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 27. Auditor's remuneration

The auditor of Ava Risk Group is for the year ended 30 June 2021 was Ernst & Young.

	Consolidated	
	2021	2020
<b>Auditor's remuneration</b>	\$	\$

Amounts received or due and receivable by the company's auditor for:

- Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	<b>238,000</b>	267,000
- Fees for assurance services that are required by legislation to be provided by the auditor	-	-
- Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Fees for other services	-	-
- Tax compliance and tax advice services	<b>64,000</b>	90,000
<b>Total fees to Ernst &amp; Young</b>	<b>302,000</b>	<b>357,000</b>

	Consolidated	
	2021	2020
<b>Auditor's remuneration</b>	\$	\$

Amounts received or due and receivable by foreign entities of Ernst & Young for:

- Audit and review of the financial statements	<b>25,250</b>	22,500
	<b>25,250</b>	<b>22,500</b>

## 10

DIRECTORS'  
DECLARATION

In accordance with a resolution of the directors of Ava Risk Group Limited, I state that:

1. In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2021 and of their performance for the year ended on that date; and

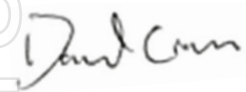
(ii) complying with Accounting Standards and Corporations Regulations 2001, and other mandatory professional reporting requirements;

(iii) also comply with International Financial Reporting Standards as stated in Note 1.1 of the consolidated financial statements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board



David Cronin  
Chairman

Melbourne, 30 August 2021



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Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Ava Risk Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



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

### Why significant

PPE totalling \$0.4 million, ROU assets totalling \$0.7 million, intangible assets totalling \$5.8 million and goodwill totalling \$5.0 million represent significant balances recorded on the consolidated statement of financial position, relative to total assets.

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

- Perimeter security
- Access control solutions – locks and readers
- International valuable logistics.

The recoverability of PPE, ROU assets and intangible assets (including goodwill) is contingent on future cash flows which are established using significant judgements including revenue growth and profit margin.

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

Our assessment of the Group's impairment test performed was a key audit matter because the assessment process is complex and highly judgemental.

In addition, the key underlying assumptions are affected by expected future market or economic conditions, including the rapidly evolving COVID-19 pandemic. The associated assets are also significant to the overall financial statements.

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

### How our audit addressed the key audit matter

The audit procedures we performed included the following:

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

In respect of the Group's DCF impairment models for each CGU we:

- Agreed the underlying cash flow projections to Board approved forecasts;
- Tested the mathematical accuracy;
- Compared revenue growth and profit margins to historically achieved results;
- Considered the historical accuracy of the Group's cash flow forecasts;
- Assessed the Group's COVID-19 related assumptions for CGUs expected to be impacted by COVID-19;
- Assessed the Group's assumptions for terminal growth rates in comparison to economic and industry forecasts;
- Assessed the reasonableness of sustaining capital expenditure forecasts in line with historical levels and current business strategy;
- Assessed discount rates through comparing the cost of capital for the Group with comparable businesses; and
- Considered earnings multiples against comparable companies as a valuation cross check.

We performed sensitivity analysis in respect of the revenue growth assumptions, which were considered to have the most significant impact on carrying values, to ascertain the extent of changes in those assumptions which would be required for the CGU to be impaired. We assessed the likelihood of these changes in assumptions arising.

We assessed the adequacy of the Group's financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis.

## 2. Revenue recognition

### Why significant

Revenue recognition accounting policies of the Group's revenue streams can be found at Note 1.5 of the consolidated financial report.

Judgement is involved in determining whether the criteria for revenue recognition has been met and that revenue is recognised in the correct period including consideration of transactions occurring close to balance sheet date.

Revenue recognition was considered a key audit matter due to the complexity associated in assessing the timing of revenue recognition of the Group's different revenue streams.

### How our audit addressed the key audit matter

The audit procedures we performed included the following:

- We evaluated the design and effectiveness of key controls in place to ensure product sales were appropriately recognised in accordance with the Group's revenue recognition policy.
- We obtained general ledger and subsidiary ledger data from the Group's accounting system and performed correlation analysis between revenue, receivables and cash to identify unusual trends in product sales during the year.
- We verified the amount of product sales and licence fees for a sample of revenue transactions during the year, by agreeing to sales contracts, delivery documentation or customer acknowledgement and receipts from customers.
- We tested the amount of logistics services revenue for a sample of revenue transactions for the period, by agreeing to sales invoices and delivery and shipping documentation.
- Our procedures included selecting a sample of sales transactions recorded both prior to and subsequent to balance sheet date to assess whether product sales and service-based revenue were recognised in the appropriate period.
- We also assessed the adequacy of the Group's revenue disclosures in the consolidated financial report.

## Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 46 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Ava Risk Group Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.





## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Richard Bembridge'.

Richard Bembridge  
Partner

Melbourne  
30 August 2021

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## SHAREHOLDER INFORMATION

### Distribution of equity securities (as at 17 August 2021)

#### ORDINARY SHARE CAPITAL

242,076,550 fully paid ordinary shares are held by 4,022 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The numbers of shareholders, by size of holding, in each class are:

Size of shareholding	Number of holders	Ordinary shares held	% of issued capital
1 - 1,000	425	246,264	0.10%
1,001 - 5,000	1,460	4,032,898	1.67%
5,001 - 10,000	710	5,658,568	2.34%
10,001 - 100,000	1,209	38,522,648	15.91%
100,001 and over	218	193,616,172	79.98%
<b>Total</b>	<b>4,022</b>	<b>242,076,550</b>	<b>100.00%</b>

The number of shareholders holding less than a marketable parcel of 1,137 shares (based on the share price of \$0.44 on 17 August 2021) is 485 and they hold 310,440 shares.

#### Substantial shareholders (as at 17 August 2021)

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

Name of Shareholder	Fully paid ordinary shares	
	Number of shares	% of issued capital
Pandon Holdings Pte Limited	32,270,536	13.33%
Barnaby Investments Pty Ltd	14,890,821	6.15%
Valwren Pty Ltd	12,587,170	5.20%
	<b>59,748,527</b>	<b>24.68%</b>

**Twenty largest shareholders (as at 17 August 2021)**

	Name of Shareholder	Number of shares	% of issued capital
1	BELL POTTER NOMINEES LTD	31,950,717	13.20%
2	BNP PARIBAS NOMINEES PTY LTD	19,996,397	8.25%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	17,253,948	7.13%
4	BANNABY INVESTMENTS PTY LTD	14,890,821	6.15%
5	VALWREN PTY LIMITED	12,587,170	5.20%
6	DIXSON TRUST PTY LIMITED	7,339,998	3.03%
7	CITICORP NOMINEES PTY LIMITED	6,053,360	2.50%
8	MR STEPHEN ROSS CAREW	5,000,000	2.07%
9	MR DAVID MALCOLM SOUTH	4,250,000	1.76%
10	BNP PARIBAS NOMINEES PTY LTD	3,706,041	1.53%
11	MR ROBERT ANDREW BROOMFIELD	3,220,331	1.33%
12	CHAG PTY LTD	3,000,000	1.24%
13	BFA SUPER PTY LTD	2,978,384	1.23%
14	CHERYL LEE TAPANES	2,600,000	1.07%
15	BOND STREET CUSTODIANS LIMITED	2,394,021	0.99%
16	MR GRAHAM WALLACE RAY	2,286,000	0.94%
17	MR JOSEPH MORRIN	1,250,000	0.52%
18	CARRIER INTERNATIONAL PTY LTD	1,230,000	0.51%
19	MR MARK WILLIAM STEVENS	1,218,396	0.50%
20	AVALON AMBER PTY LTD	1,008,240	0.42%
		<b>140,009,033</b>	<b>57.84%</b>

**Voting Rights**

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

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