2022
ANNUAL REPORT

AVA GROUP
IDENTIFY • ALERT • PROTECT

CORPORATE INFORMATION

ABN 67 064 089 318

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

COMPANY SECRETARIES

Neville Joyce, Kim Clark

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

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

STOCK EXCHANGE

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

BANKERS

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

AUDITORS

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

WEBSITE

www.theavagroup.com

Information correct as at 29 August 2022.

CHAIRMAN'S REPORT	04
FINANCIAL HIGHLIGHTS	06
ABOUT AVA GROUP	08
FUTURE FIBRE TECHNOLOGIES	10
BQT SOLUTIONS	14
GJD MANUFACTURING	16
FINANCIAL STATEMENTS	18

CHAIRMAN'S REPORT

DEAR FELLOW SHAREHOLDERS

FY2022 represented a year of significant progress in the transformation of Ava Risk Group Limited (Ava Group). Following the divestment of the Services Division in October 2021, Ava Group has been focused on the development of its world leading fibre sensing and access control technologies. In this respect, I am pleased to report to shareholders that the Company is well placed to pursue growth in FY2023 and beyond.

FY2022 | HIGHLIGHTS

The Ava Group produced a strong operational and financial performance in FY2022, notwithstanding the lingering business interruptions related to COVID-19, particularly with respect to critical supply chains and project related delays.

Key highlights for the financial year include:

- Successful divestment of the Services Division in October 2021 resulting in net proceeds to the Ava Group of $41.9 million, representing a circa 587% net cash investment return.
- Cash distribution of $38.8 million to Ava Group shareholders by way of special dividend and capital return.
- Growth of 13% in sales order intake for our market leading fibre sensing and access control technologies. Total order intake for FY2022 of $18.0 million compared to $15.9 million in the previous year (excluding orders against the Indian Ministry of Defence contract).
- Significant progress on the Aura-IQ development road map, completing successful proof of value trials on a number of operating mine sites. This culminated in the receipt of the first commercial order for Aura-IQ in July 2022 from a leading global manufacturer of conveyor systems.
- Execution of a global framework agreement for the supply of BQT products to dormakaba International Holding GmbH, a global leader in security access control systems. The first order under the agreement was fulfilled during FY2022 with significant growth expected from FY2023.
- Investment in senior management and business development capability focused on the key North American market, the world's largest security market. This investment has realised increased sales orders in North America, particularly in the energy sector.
- Continued focus on growing recurring revenue via long term support contracts to the FFT installation base – at the end of FY2022, 52 systems were covered under signed agreements. This is an increase of 48 systems compared to the prior year. During the year we have further invested in our Machine Learning capability to improve system performance, which will deliver a significant feature for our customers that sign up for a long term support contract.
- Expanded our licencing strategy with a new agreement signed with a partner in Latin America. First revenue from the licensing agreement is expected in FY2023.

STRONG FINANCIAL POSITION

Profit after tax in FY2022 was $33.1 million, underpinned by the gain on disposal of the Services Division ($31.9 million). The financial result demonstrates the value that Ava Group was able to unlock in the Services Division while under its stewardship. Pleasingly, it enabled Ava Group to distribute $38.8 million to its shareholders by way of special dividend and capital return.

Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") from continuing operations in FY2022 was $0.8 million compared to $9.2 million in the previous year. The reduction is due primarily to non-recurring licence revenue from the Indian Ministry of Defence contract of $7.8m which was recognised during FY2021 as well as government grant income of $0.6m associated with COVID-19 support.

Ava Group's cash position remains strong. The balance at 30 June 2022 was $15.2 million, having distributed $38.8 million to shareholders via special dividend and capital return. The Company has no borrowings and is well placed to support its next phase of growth.

STRATEGIC OPPORTUNITIES

Ava Group's strategic direction remains consistent with that identified following the divestment of the Services Division – to grow the revenue of its market leading fibre sensing and access control technologies by increasing market share and developing new and adjacent markets.

Ava Group continues to deliver new sensing solutions for adjacent markets. During FY2022, the conveyor condition monitoring solution was successfully integrated with fire detection fibre optic cable. This important milestone provides the Company with an opportunity to efficiently deploy its condition monitoring solution with fire detection applications, which is particularly attractive to end users in the mining industry. Revenue from condition monitoring has already commenced in FY2023.

The strategy of accelerating Ava Group's revenue model with recurring revenue and other predictable revenue streams remains on track. During FY2022, the Company grew the number of systems on long term support contracts, while continuing to invest in its Machine Learning capability, an essential feature of future long term support contracts. The global supply agreement signed with dormakaba provides BQT an opportunity to increase the volume of its smart locking solutions sold via a major global distributor. These initiatives have built a platform to enable Ava Group to compliment its core project based revenue with more predictable long term revenue streams.

On 1 August 2022, Ava Group announced the acquisition of a leading UK security technology supplier, GJD Manufacturing. GJD is an award-winning security equipment developer and manufacturer, specialising in optical based intrusion detection systems. The transaction unlocks significant strategic value for both FFT and BQT, by providing a complimentary product and technology portfolio while also providing access to an established go-to-market capability in the UK and Western Europe.

BOARD, MANAGEMENT AND GOVERNANCE

Having the right people, skills and expertise in place to support the growth ambition of Ava Group is a key priority for Management and the Board.

Jim Viscardi, joined Ava Group in July 2021 and has recently been promoted to Group Executive Vice President Global Security Sales, Marketing and Support. In his role, Jim has responsibility for sales, marketing and business development across the global security and access controls markets. His proven ability to lead sales teams is reflected in the improved sales order intake for the Company in FY2022.

Neville Joyce commenced in November 2021 as Group Chief Financial Officer and Company Secretary. Bringing both a commercial and finance background with him, Neville has quickly become the CEO's right-hand man and has recently taken on additional operational responsibilities. Neville replaced Leigh Davis who left Ava Group in November 2021. I take this opportunity to thank Leigh for his contribution over six years of service to Ava Group.

The Board is committed to conducting business in accordance with high governance standards. We continually review policies and procedures to ensure that they fulfill Ava Group's regulatory and compliance obligations. We also ensure that the Group's technology development roadmap is consistent with our strategic direction and meets market expectations.

FINALLY

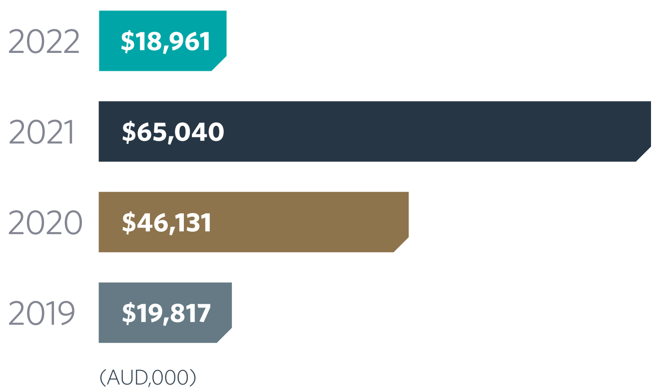
I would like to thank you, our shareholders and associates, for your continued support and engagement with the Ava Group as we build a world class security business. On behalf of my fellow Directors, I also thank the management team for their hard work, dedication and achievements throughout FY2022.

I am sure you share my optimism that Ava Group's strategy, people, performance and technology roadmap will drive future growth. I welcome the customers and staff from GJD to the Ava Group and look forward to their contribution to the ongoing success of the Company.

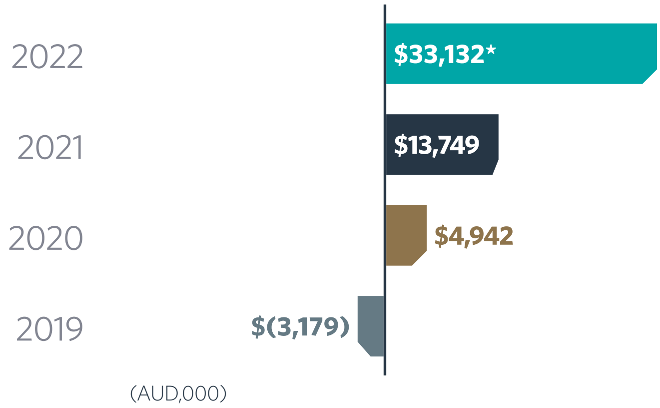
David L Cronin
Chairman

FINANCIAL HIGHLIGHTS

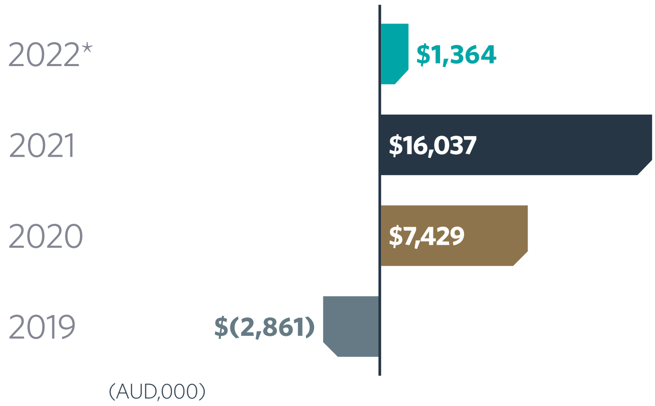
REVENUE AND OTHER INCOME



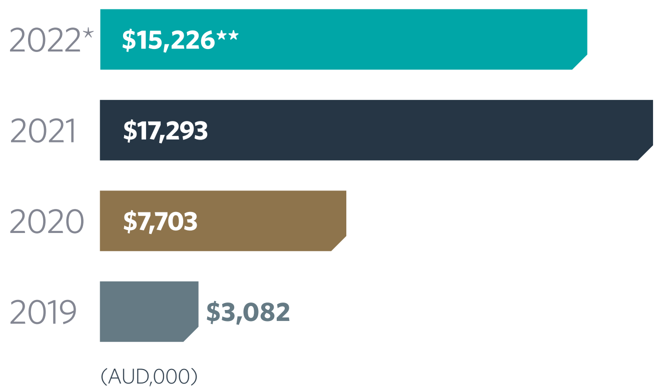
NPAT



EBITDA



CASH AS AT 30 JUNE 2022



+100
COUNTRIES

+2,500
SYSTEMS DEPLOYED

+3,500
SITES PROTECTED

* Includes $31.9M gain from divestment of Services Division (Ava Global).
** After distribution of $38.8M to shareholders during Q4 FY22 via special dividend and capital return.

KEY 2022 FIGURES

REVENUE
$19.0M

NPAT
$33.1M

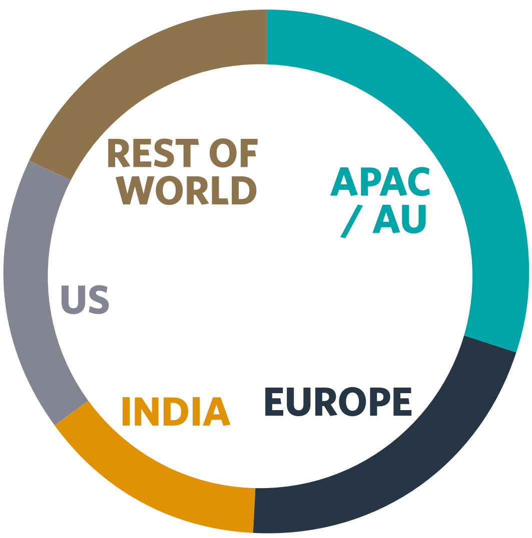
EBITDA
$1.4M

CASH BALANCE
$15.2M

US SALES
UP >50% YOY

SERVICES DIVISION DIVESTMENT
587% NET CASH INVESTMENT RETURN

REVENUE BY REGION



> "FY2022 REPRESENTED A YEAR OF SIGNIFICANT PROGRESS IN THE TRANSFORMATION OF AVA RISK GROUP LIMITED (AVA GROUP). FOLLOWING THE DIVESTMENT OF THE SERVICES DIVISION IN OCTOBER 2021, AVA GROUP HAS BEEN FOCUSED ON THE DEVELOPMENT OF ITS WORLD LEADING FIBRE SENSING AND ACCESS CONTROL TECHNOLOGIES."

ABOUT AVA GROUP

AVA RISK GROUP | PROTECTING HIGH VALUE ASSETS AND CRITICAL INFRASTRUCTURE

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

FUTURE FIBRE TECHNOLOGIES | FIBRE OPTIC INTRUSION DETECTION AND SENSING SYSTEMS

Future Fibre Technologies (FFT) manufactures a complete portfolio of fibre optic sensing solutions for the protection and monitoring 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 and services model

BQT SOLUTIONS | HIGH SECURITY ACCESS CONTROL TECHNOLOGY

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

GJD MANUFACTURING | OPTICAL SECURITY AND INTRUDER DETECTION EQUIPMENT

GJD Manufacturing (GJD) is an industry leader in the design, manufacturing and supply of professional external security and infra-red, microwave and laser intruder detector equipment including ANPR cameras and infrared and white-light LED Illuminators.

- Perimeter Optical Detectors
- Illuminators for video cameras
- ANPR cameras
- Surveillance solutions
- 60+ countries
- Custom and off the shelf products

* AVA Risk Group Limited Estimate.

1 AUGUST 2022 | AVA GROUP ACQUIRES GJD MANUFACTURING

GJD is an industry leader in the design, manufacturing and supply of professional external infra-red, microwave and laser intruder detector equipment including ANPR cameras and infrared and white-light LED Illuminators.

Supplying intruder detection and surveillance solutions to some of the most security conscious customers in the UK and Europe, GJD has established a growing OEM sales channel across multiple sectors which includes recognised multinational engineering and technology companies.

"Our strategic fit with Ava has been obvious from the start and we are very pleased to have found a world class home for our employees, customers and products. We will continue to capitalise on the growing global demand for our award-winning security solutions. I am very excited to be a shareholder in Ava and really look forward to the value and success we will all create as a combined business."

Mark Tibbenham
GJD Chairman

"GJD's product development, manufacturing and sales capabilities provide an exciting opportunity to expand our collective reach and access new customers and markets.

GJD, FFT and BQT each contribute significant domain expertise in their own right, along with two decades or more of innovation and success.

Together, our expanded product portfolio is highly relevant to the respective customers of each company - which include many of world's most security conscious blue-chip organisations."

Rob Broomfield
Ava Group CEO

FY2021 HIGHLIGHTS (Unaudited)

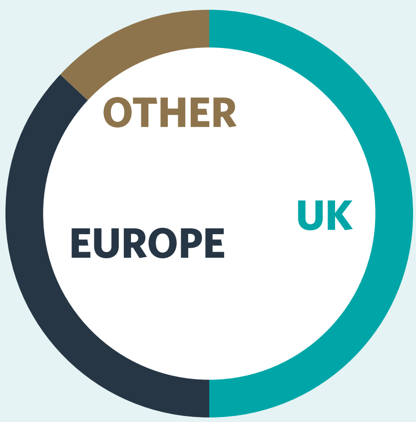
REVENUE
£4.6M
(circa A$7.95M)

EBITDA
£0.9M
(circa A$1.6M)

GROSS PROFIT MARGIN
46%

OEM SALES UP 50% FROM FY2020 TO
£1.9M
OR 41% OF TOTAL SALES

REVENUE



FUTURE FIBRE TECHNOLOGIES

GLOBAL SECURITY | FOCUS ON ENERGY

Ongoing investment in business development capabilities in targeted sectors and regions has resulted in numerous energy sector contract wins.

New projects secured in the last 18 months include hydro, solar and nuclear power plants and crucial energy distribution networks in Europe, North America and Latin America. This builds on earlier successes in solar installations and offshore wind farms – including the first European submarine power cable for an offshore wind farm.

SECOND LARGEST HYDROPOWER PLANT IN THE WORLD

Located on the border of Brazil and Paraguay, this hydropower plant is installing Aura Ai-2 to monitor its 12km perimeter. Since 1984, the plant has produced more than 2.8 million Gigawatts per hour – which is enough to supply the world for 45 days.

So why did this world leader in the production of clean and renewable energy select FFT's intrusion detection technology above other solutions? Because Aura Ai-2 provides customers the highest levels of confidence and security through a combination of market-leading detection performance, unsurpassed reliability and low total cost of ownership.

SECURITY SOLUTION OF CHOICE FOR SOLAR FARMS

FFT's intrusion detection technology is being used to protect the perimeters of solar farms across the United States, Canada, Europe and Latin America, and has now been selected to secure the perimeter of two major solar farms in Brazil.

With a combined perimeter length of approximately 100km, Aura Ai-2 will monitor the sites for unauthorised access, vandalism and theft, which could result in service interruption.

FFT's market leading perimeter intrusion detection solution was selected due to its low total cost of ownership and Mean Time Between Failure (MTBF) – which is 200% to 300% better than the industry average.

The stealthy covert buried solution was preferred over video analytics and radar security solutions due to the minimal infrastructure required for installation, low maintenance costs and longer lifespan. Future planned expansions will make the Brazil plant one of the largest in the world.

DELIVERING CYBER ASSURED SOLUTIONS FOR CRITICAL INFRASTRUCTURE

To meet the highest standard of cybersecurity, all FFT products are subjected to rigorous and continuous testing to ensure there are no weaknesses that could compromise an organisation's security credentials. Based on the National Institute of Standards & Technology (NIST) Cybersecurity Framework and combined with the 2900 Cybersecurity Standards of the globally recognised independent testing organisation Underwriter Laboratories (UL), the Company's internal cyber testing has recently undergone independent "Cyber Penetration" testing to meet the security expectations of the global energy sector.

EXPANSION INTO US ENERGY SECTOR

In June 2022, FFT secured a contract for the supply and installation of its fibre optic intrusion detection system at a major North American energy facility. As the largest energy sector sale to date, the project represents a significant strategic milestone in expanding its advanced sensing solutions to the US energy industry. Detection performance, reliability and flexible integration were all important considerations in the customer selecting FFT's solution.

"FFT's continued success in the energy sector validates the quality of our advanced sensing solutions in safeguarding critical assets. We are aggressively pursuing opportunities in the energy sector and expanding our presence in North America, our largest target market, where we continue to build out our sales infrastructure and capability."

Jim Viscardi
Executive Vice President
Global Security

FUTURE FIBRE TECHNOLOGIES <CONTINUED>

CONDITION MONITORING | FIRST AURA IQ CONTRACT SIGNED

In July 2022, Ava Group announced it had secured a contract for the supply and installation of Aura IQ with a leading global manufacturer of conveyor systems.

A significant strategic milestone in the development roadmap of FFT's condition monitoring solution for conveyor applications, it was the first commercial order for the FFT Aura IQ solution following the successful completion of a number of proof of value trials on operating mine sites.

Built on Ava Group's Aura fibre optic sensing platform, the solution was initially developed with world leading mining research organisation, Mining3, and uses advanced analytics and acoustic detection via fibre optic cable to improve conveyor efficiency and safety.

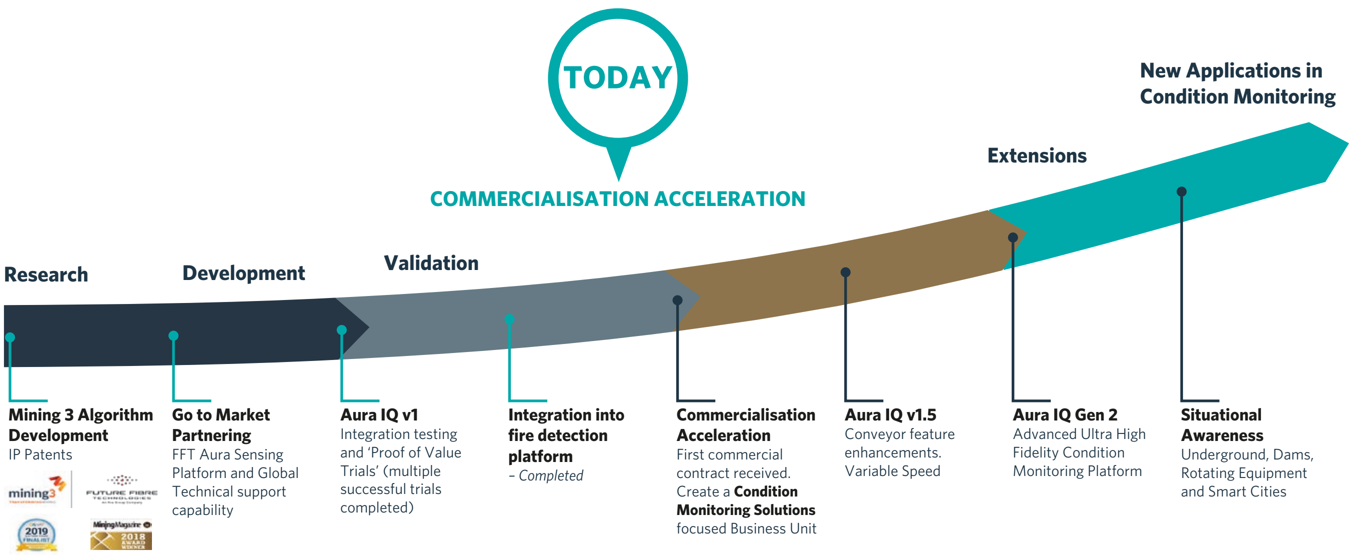
Aura IQ provides instant, real-time information on the state of wear on conveyor roller bearings, helping to reduce downtime and the risk of major damage from failed roller bearings.

The solution offers an important alternative to existing conveyor belt fault detection methods, which are often manual and prone to error.

"We are excited to receive the first commercial order for Aura IQ, our world leading fibre optic technology, which is the culmination of extensive product development efforts over a number of years. In addition, securing the contract with a global conveyor manufacturer really validates the effectiveness of the solution and we continue to develop Aura IQ to expand its deployment into other applications. Additional contracts, based on successful proof of value trials within the mining industry, are progressing through procurement processes and are expected over the remainder of calendar year 2022."

Rob Broomfield
Ava Group CEO

AURA IQ | DEVELOPMENT ROADMAP

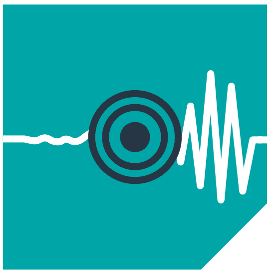


SMART CITY SOLUTIONS | ADJACENT MARKETS

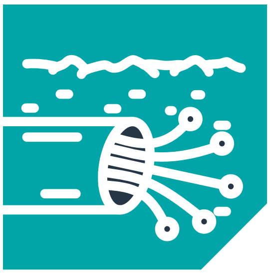
FFT continues to extend the Aura Platform beyond Aura Ai-2 for intrusion detection and Aura IQ conveyor belt condition monitoring - offering proven new sensing capabilities to adjacent markets. Ava Group's dedicated Condition Monitoring Team will continue to work with network and telecommunications operators to transform existing fibre networks into a high value source of real-time data on objects and events across cities and oceans.

Protecting transport infrastructure, vehicles and passengers from safety hazards such as intruders and threats to rail operations and safety.

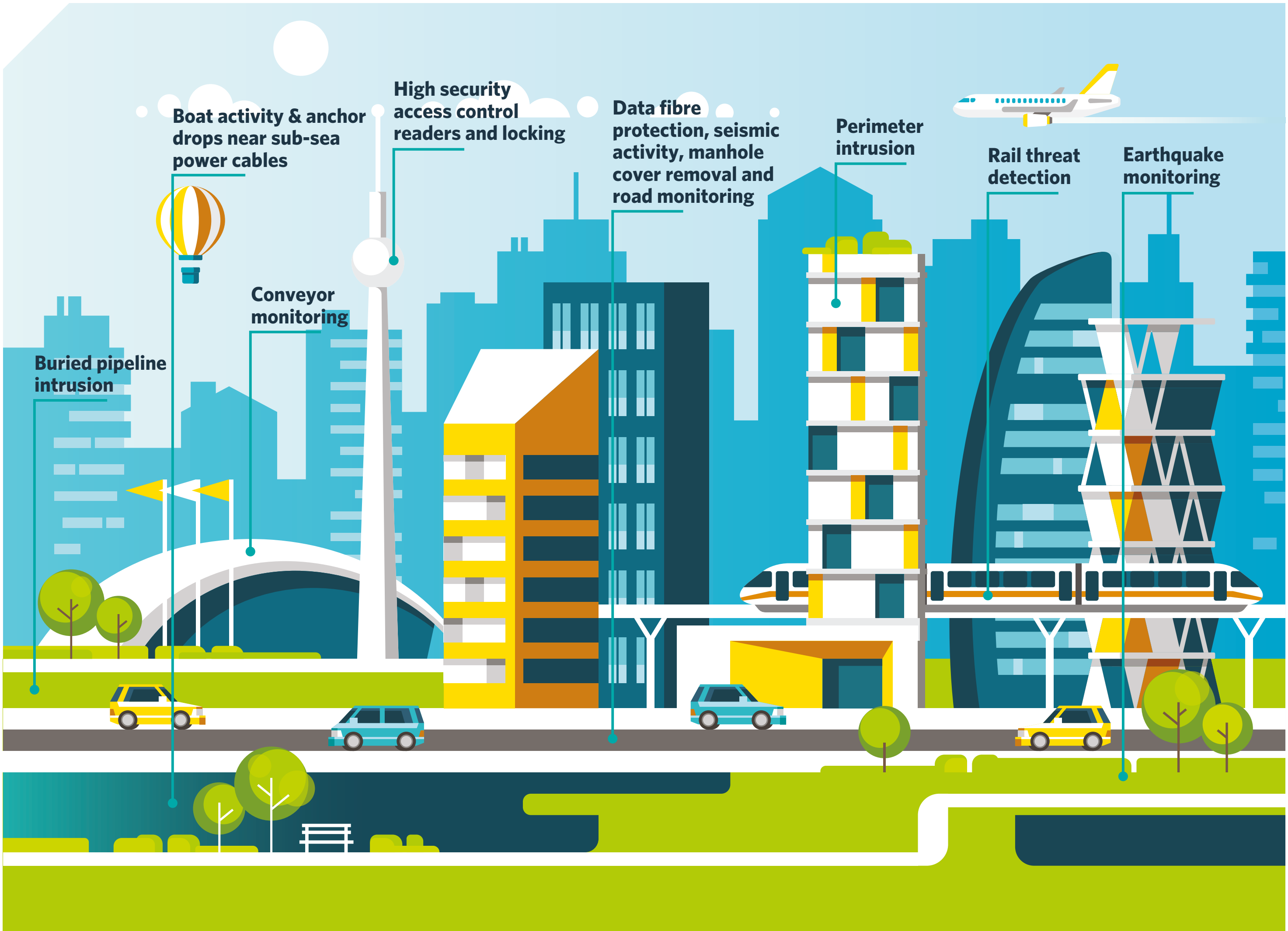
Classifying events of interest using buried fibre along roads, pipelines and power cables to protect infrastructure and manage planned maintenance activities.



Detecting seismic activity including low magnitude aftershocks.



Securing and monitoring buried terrestrial and critical sub-sea power cable assets.



BQT SOLUTIONS

GROWING GLOBAL PARTNERSHIPS

In late 2021, Ava Group entered into a Global Framework Agreement for Supply and Product Services with dormakaba International Holding GmbH – effective from 1 January 2022. The agreement enables BQT to sell its products in a jurisdiction in which dormakaba operates, including new markets in the United States and Europe.

With representatives in 130 countries, dormakaba is a global leader in providing security access control systems, locks, master key systems and digital locking mechanisms. The agreement with Ava Group is a testament to the high-quality products which BQT manufactures with particular emphasis being placed on the patented Cobalt range of locks which resolve sideload and misaligned door issues.

The first order under the agreement was fulfilled during FY22 with significant growth expected in FY23.

"Signing the Global Framework Agreement with an international leader such as dormakaba is a significant milestone and supports our strategy of expanding into new markets with our leading risk management technologies. Planning is well advanced to 'launch' BQT products in new markets in which dormakaba operates, as well as to support joint initiatives."

Rob Broomfield
Ava Group CEO

U.S. MARKET EXPANSION

With recent U.S. Government contracts received for BQT's High Security Access Readers and heightened access to the country's significant market through dormakaba, BQT is exploring campus lockdown solutions with a number of North American based security companies to identify a step forward in the protection of students and staff.

BQT's unique capability to offer distributors and major end users of its High Security Access Readers the ability to issue and self-manage access keys – instead of via the manufacturer – delivers significant improvements in security key control and is attracting significant interest.

NEW FLAGSHIP SERIES LOCK

The next generation Cobalt locking series is set to hit the market in 2023, with reduced production build timeframes and new product enhancements delivering wider market access – specifically in the U.S.

Developed to address two of the biggest issues in door locking, namely the ability to align a misaligned door and release when requested, the Cobalt Double lock is designed to secure 180° double-acting swing doors, while the Cobalt Single secures 90° single-acting doors.

Cobalt locks are typically installed in commercial doors and integrated into physical access control systems. This allows the user to determine access in and around a facility and provide traffic reports when needed. In addition, Cobalt series locks can be used in a simpler system where just controlling access to a single door can be implemented with a stand-alone access system.

SECURING NATURES GENTLE GIANTS

When an iconic Australian zoo was designing a new elephant enclosure, they needed a reliable lock - rain, hail or shine. BQT's YG80 was the obvious choice.

Able to work in all environments, the YG80 is dependable inside and out. From 40°C summer days to the most severe winter storms. Add in dust and dirt from the enclosure and the IP67 rated lock is reliable in all situations.

The strength of the YG80 also needed to match the size of the gates, and although the YG80 is a 'small' lock in comparison to an elephant enclosure, it packs a punch when it comes to the holding force - ensuring a safe environment for elephants, keepers and zoo visitors.

Seamless integration with the zoo's access control system provides keepers with real-time information about gate and bolt pin positions – if in place or not and whether secured or not - providing peace of mind that both elephants and zoo visitors safe.

The YG80 is the most advanced BQT all-weather lock developed to date. Suited for indoor and outdoor installations, the YG80 can be used for roller door locking applications, large doors and gates, and even elephant enclosures.

GJD MANUFACTURING

ABOUT GJD | OUR APPROACH

GJD is an industry leader in the design, manufacturing and supply of professional external optical detector solutions. The company's strong and continuous growth comes from its commitment to producing leading intrusion detection technology, with exceptional performance and after-sales support.

PROJECT SNAPSHOT

GJD's complimentary product and technology portfolio unlocks significant strategic value, while providing access to an established go-to-market capability in the UK and Western Europe.

CUTTING NUISANCE ACTIVATIONS

To protect multiple garden centre sites in Kent covering a large land area, GJD's D-TECT X wireless sensor combined with CCTV camera equipment provides a highly efficient and cost effective solution to problem nuisance activations that had plagued the owners for some considerable time.

ENHANCING CCTV IMAGES

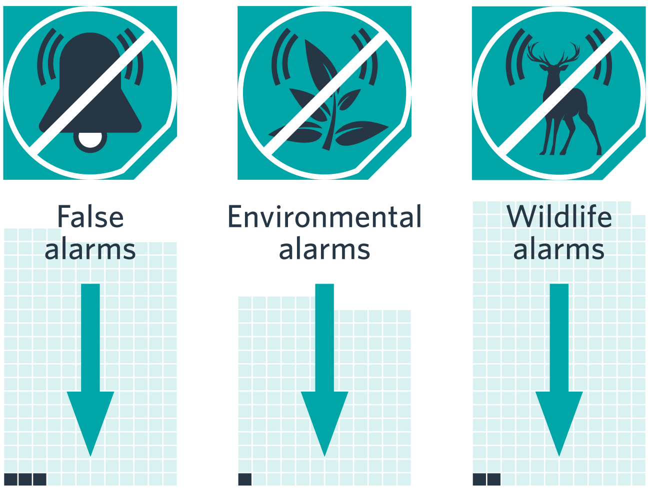
With 28 cameras and four CCTV servers, a large solar farm based in South Wales required a security system upgrade to address issues with functionality, image quality and nuisance alarms. The solution included the installation of GJD's Clarius external Infra-Red illuminator, which resulted in a highly effective CCTV system that provides full site protection.

DELIVERING COST EFFECTIVE SECURITY DETECTORS

GJD's Elite detector was successfully deployed as the main movement detector and downstream transmitter of information at over 72 sites for a company active in the aggregate industry – demonstrating the cost effectiveness of the solution, its robust nature and inherent reliability.

REDUCING FALSE ALARMS, ENHANCING ALARM CAPTURE

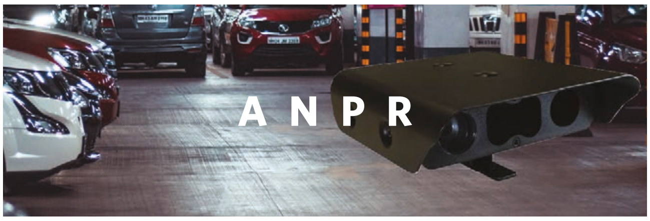
With a large number of false alarm triggers, a school in South Manchester required a quick and reliable solution. The installation of GJD's external D-TECT 3 PIR detectors dramatically reduced nuisance alarm triggers, delivering impressive results.



PRODUCT PORTFOLIO

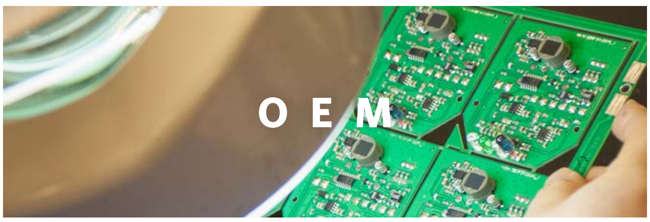
External detectors designed for perimeter protection. Technology includes PIR, microwave, dual-tech, quad PIR and laser suitable for a wide range of sectors.

External Infra-Red, White-Light, Hybrid and IP LED illuminators used for detection, deterrence, and safety-critical applications. TV production companies also utilise illuminators to enhance dark footage.



Automatic number plate recognition cameras with advanced Infra-Red technology. Utilising GORETM Valve solutions, GJD's ANPR cameras are suitable in all environmental conditions.

Energy efficient security lighting and enunciator systems, enabling the user to monitor, control and switch outdoor lighting for separate zones.



Design and manufacture of bespoke products for other manufacturers on an OEM basis.

KEY SECTORS

Industrial
Government
Education
Transport
Residential
Commercial
Hazardous
Heritage
Media

PARTNER NETWORK

GJD partners with distributors throughout the UK, Europe, and the rest of the world to provide state-of-the-art perimeter protection solutions to systems integrators, professional security installers and organisations in all industries.

AWARD WINNING SOLUTIONS

In addition to multiple security industry awards, GJD has been recognised with the prestigious Queen's Award for Enterprise in International Trade – the UK's highest accolade for international business success.

DETEKTOR INTERNATIONAL AWARD
Highly Commended Product 2015
ALARM & DETECTION

Rochdale Business Awards

FINANCIAL STATEMENTS

TABLE OF CONTENTS

DIRECTORS' REPORT	20
AUDITOR'S INDEPENDENCE DECLARATION	42
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	44
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	46
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	48
CONSOLIDATED STATEMENT OF CASH FLOWS	49
NOTES TO THE FINANCIAL STATEMENTS	50
DIRECTORS' DECLARATION	99
INDEPENDENT AUDITOR'S REPORT	100
SHAREHOLDER INFORMATION	106

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 2022 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 2021 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
David Cronin Chairman of the Board (Appointed 31 August 2018) Non-Executive Director (Appointed 10 April 2018)	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 & consulting group Pierce Group Asia where he is responsible for its technology focussed corporate development and investment activities. 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&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. 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.
Mike McGeever Non-Executive Director (Appointed 8 August 2018)	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. Mr McGeever has a Master of Business Administration from the University of Portsmouth (England).
Mark Stevens Non-Executive Director (Appointed 11 March 2015)	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. 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.
Robert Broomfield Group Chief Executive Officer (Appointed 10 July 2020) Chief Operating Officer (COO) – Technology (12 February 2018 – 09 July 2020) Executive Director (Appointed 27 February 2008	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. 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. Robert has previously had 10 years' experience with IBM in Australia and the United States.

Joint Company Secretaries

Neville Joyce

Appointed 3 November 2021

Neville is a highly experienced financial and commercial executive with proven expertise across multiple sectors including energy, mining, technology and manufacturing. With extensive experience in leadership, management and strategic financial analysis, Neville has held senior finance positions at Origin and Energy Australia including roles as Chief Financial Officer and Divisional Head of Finance. Prior to joining Ava Group, Neville was Group Chief Financial Officer at Redflex Holdings Ltd from 2017 to 2021. Neville is a CPA and holds a Bachelor of Business.

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.

Leigh Davis FCPA, B. Bus, MBA, GAICD

Appointed 20 February 2015, resigned 3 November 2021

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.

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	3	3	1	1
M Stevens	12	12	3	3	1	1
M McGeever	12	12	3	3	1	1
R Broomfield	12	12	-	-	-	-

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 1% 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 30%. 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	33,519,937	200,000	-
M Stevens	1,218,396	200,000	-
M McGeever	6,005,000	200,000	-
R Broomfield	3,270,266	178,221	-

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 was operated under Ava Global DMCC. This activity was however disposed. Refer to Note 24 Discontinued Operations.

Operating and Financial Review

OPERATING REVIEW

Following the divestment of the Services Division in October 2021, the focus within Ava Group has been to build on our market leading fibre-optic sensing and access control technologies.

We have invested in expanding our business development and sales capability, particularly in North America, the world's largest security market. Additional capabilities were added to our global sales team and it is pleasing to note that sales order intake for FFT grew by 16% on the previous year (excluding Indian Ministry of Defence contract). We continue to win competitive contracts to deploy our fibre-optic perimeter detection technology to critical infrastructure assets, again noting the award of contracts for our solutions at a large North American power plant and European offshore windfarm during FY2022.

During FY2022 we accelerated development of our Machine Learning capability to improve system performance for detection rates, and reduce nuisance alarms to levels not previously seen. This will become a compelling feature of future long term support contracts to both our existing and new customers. At 30 June 2022 there were 52 systems signed to support agreements and we expect to grow this opportunity as we further develop and add compelling value to our support offering. The investment and development in FFT's Machine Learning infrastructure will also underpin our expansion into new condition monitoring applications in the years ahead.

Further progress was made on the development roadmap for Aura IQ, our condition monitoring solution for mining conveyors. At the request of a leading global mining company, Ava Group completed integration and validation of our condition monitoring solution with fire detection fibre optic cable, which improves ease of deployment. A number of proof of value trials for our condition monitoring solution were completed at operating mine sites, culminating in the first commercial order for Aura-IQ being received in July 2022.

Revenue in BQT was unfavourably impacted in Q1 FY2022 by COVID-19 related lockdowns, particularly in the Australian market. As these restrictions eased, performance of BQT improved substantially and it exits FY2022 with significant momentum. Importantly, we continued to develop our smart locking solutions and signed a global framework agreement with dormakaba International GmbH, a global leader in security access control systems.

The Company successfully navigated the challenges posed by the lingering business interruption associated with COVID-19. The beginning of FY2022 was impacted by COVID-19 related lockdowns in Australia which negatively affected the timing of some orders and also impacted the completion of a number of proof of value trials for Aura-IQ. As lockdown restrictions eased, supply chain constraints and pricing pressure became prevalent during the second half of the year. To date the Company has been successful in securing critical components and managing supplier costs. This will remain a key issue in FY2023.

FINANCIAL RESULTS FOR THE YEAR

	2022	2021	Change
	A$ m	A$ m	%
Revenue – continuing operations	19.0	25.3	(6.3)
EBITDA* - continuing operations	0.8	9.2	(8.4)
Profit / (loss) after tax – continuing operations	(0.7)	6.6	(7.3)
Profit / (loss) after tax – discontinued operations	33.8	7.1	26.7
Profit / (loss) after tax - Group	33.1	13.7	19.4

* EBITDA excluding unrealised foreign exchange variances

DIRECTORS' REPORT <CONTINUED>

FINANCIAL REVIEW

The consolidated profit after income tax attributable to the shareholders of Ava Risk Group for the year ended 30 June 2022 was $33.1 million up from $13.7 million in the previous financial year.

The consolidated result includes a contribution from Discontinued Operations relating to the disposal of its Services Division, which was sold in October 2021. Profit in FY2022 from Discontinued Operations net of tax was $33.8 million which consisted of $1.9 million from operations prior to its disposal and a gain on disposal of $31.9 million. In the previous financial year operating profit net of tax was $7.1 million for the Services Division.

The result from Continuing Operations for the year ended 30 June 2022 was a loss of $0.7 million compared to a profit of $6.6 million in the previous financial year. All subsequent commentary relates to the Continuing Operations of Ava Risk Group.

Revenue and other income in FY2022 of $19.0 million was $6.3 million lower than the previous year (FY2021: $25.3 million). The reduction to revenue is driven by licence revenue recognised in FY2021 attributable to the Indian Ministry of Defence ("IMOD") contract which did not recur in FY2022 as well as government grant income of $0.6m associated with COVID-19 support. When adjusted for these items, revenue in FY2022 grew by 12% driven by increased order intake in FFT.

Gross margin increased slightly to 65%. This pleasing outcome has been achieved against a backdrop of significant supply chain constraints, particularly during the second half of the year.

Operating costs increased by $1.6 million. The increased expenditure is driven by additional investment in business development and sales resources, particularly in North America. This investment has been integral to growing our order intake and revenues for FFT and leaves the Company well placed to grow in the future. Operating costs associated with travel and market related activity have also increased in FY2022 as much of this activity was suspended due to COVID-19 during FY2021.

The cash position of the Company remains strong with a cash balance of $15.2 million at 30 June 2022 (FY2021: $17.3 million). Cash flow from operations of $2.5m were supplemented by the proceeds from the disposal of the International Valuable Logistics business of $36.5 million. Ava Risk Group distributed $38.8 million to shareholders via a capital return and special dividend.

OUTLOOK

Ava Risk Group is very confident about the future prospects of the Company. We have market leading technology in both our fibre sensing and access control markets, a balance sheet that supports our growth ambition and the organisational capability to execute our plans.

FFT will aggressively pursue opportunities in the perimeter security segment, leveraging our increased business development capability in North America. We will continue to pursue long term support contracts with our existing customer base to grow recurring revenue and believe that the system improvements we have made using Machine Learning will provide a compelling product proposition. We are well placed to progress the deployment of Aura-IQ, particularly within the mining industry where we have successfully completed numerous proof of value trials and integration work. We will also look to expand the application of Aura-IQ to "situational awareness", pursuing opportunities in adjacent markets such as telecommunications.

An immediate key focus for BQT is to grow its relationship with key channel partners such as dormakaba. Our smart locking solutions are unique in the market and we will look to exploit this technology via our channel partners in order to significantly grow sales volume.

In August 2022, Ava Risk Group announced its acquisition of GJD Manufacturing, a leading UK security technology supplier specialising in optical based intrusion detection systems. The addition of GJD is an important accelerator of growth for the Ava Group. Its product offering is complimentary to FFT's fibre based intrusion detection systems. Its channel management and proven go to market capability in the UK and Western Europe is complimentary to BQT's presence in North America and Asia-Pacific. We believe that we can use Ava Group's existing capability to grow GJD sales in North America and Asia-Pacific while leveraging GJD's capability to grow the sale of AVA Group products in the UK and Western Europe.

Significant changes in the state of affairs

During the financial year the following events took place.

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 was USD $46.4 million (A$62.2 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 received net cash proceeds of USD $31.1m (A$41.9 million). Further details are found in Note 24 - Discontinued Operations.

After balance date events

Acquisition of GJD

On 1 August 2022, the Group entered into a Sale and Purchase Agreement to acquire 100% of the shareholding of MTD Holdings Limited, the parent company of GJD Manufacturing Limited ("GJD").

GJD is a UK-based security equipment designer and manufacturer, specialising in intruder detection systems. Its products include professional grade external detector equipment as well as infrared and white-light LED illuminators and Automatic Number Plate Recognition cameras. GJD counts some of the UK and Europe's most security conscious end users as customers and has a growing OEM sales channel across multiple sectors, including well-known multinational engineering and technology companies.

The acquisition price of approximately $7.8 million was funded 60% in cash and 40% in AVA shares. The cash consideration has been paid and share consideration is based on the last share price on trading day before 1 August 2022.

Given the close proximity of the acquisition to the approval date of these financial statements, the Purchase Price Allocation is yet to commence and as a result, the required AASB 3 *Business Combination* disclosures cannot be made.

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 2022 and 30 June 2021; the following dividends were declared:

	2022 $000	2021 $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
Special dividend at the rate of 13 cents per share, paid on 10 March 2022	31,586	-

Share options granted to directors and executives

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

There are no unissued ordinary shares of Ava Risk Group under option at the date of this report.

Capital Return

During the financial year ended 30 June 2022, the Group announced a return of capital of 3.114 cents per share totalling $7.6m. The return was paid in on 5 May 2022 following an Extraordinary General Meeting held on 22 April 2022.

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 were split into two equal tranches, one vesting on 31 December 2020 and the second vesting on 30 June 2021. Both tranches had an expiry date of 31 December 2021 and ordinary shares were issued to Mr. Basham in January 2021 and June 2021 respectively.

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 2022, the following performance rights were issued to Executive KMP:

	Grant date	Number of PSRs issued	Fair value
		$	$
Robert Broomfield	28-Oct-21	167,939	0.45
Neville Joyce	31-Jan-22	67,854	0.52
Matthew Nye-Hingston	1-Sep-21	116,259	0.55

The performance rights were granted as part of remuneration in two equal tranches, vesting on 31 August 2023 and 31 August 2024 with vesting conditions relating to continuity of employment and achievement of agreed performance KPIs in FY 2022.

During the year ended 30 June 2022, the following performance rights were issued to Non-Executive KMP:

	Grant date	Number of PSRs issued	Fair value
		$	$
David Cronin	28-Oct-21	200,000	0.29
Mark Stevens	28-Oct-21	200,000	0.29
Mike McGeever	28-Oct-21	200,000	0.29

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

Date the Performance rights were granted	Number of unissued ordinary shares under rights	Expiry date of the performance rights
23/09/2019	110,232	31/08/2022
28/10/2019	389,769	31/08/2022
31/10/2019	49,935	31/08/2022
29/10/2020	35,342	31/08/2022
29/10/2020	35,342	31/08/2023
30/10/2020	58,276	31/08/2022
30/10/2020	58,277	31/08/2023
1/09/2021	261,891	31/08/2023
1/09/2021	261,895	31/08/2024
28/10/2021	28,801	31/08/2023
28/10/2021	28,801	31/08/2024
28/10/2021	600,000	5/10/2022
31/01/2022	14,114	31/08/2023
31/01/2022	14,114	31/08/2024

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

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 2022. 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 Non-Executive 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 Director

Robert Broomfield	Group Chief Executive Officer (CEO) – appointed on 10 July 2020 and Executive Director – appointed 27 February 2008.

(iii) Other KMPs

Neville Joyce	Group Chief Financial Officer (CFO) and Company Secretary – appointed on 3 November 2021.
Mathew Nye-Hingston	Chief Operating Officer BQT appointed on 1 March 2021. Previously, held the position of Head of BQT Technology & Director BQT Operations.
Leigh Davis	Group Chief Financial Officer (CFO) and Company Secretary – appointed on 9 February 2015 (resigned 3 November 2021).
Christopher Fergus	Chief Executive Officer (CEO) – Services Division (Business divested on 16 August 2021).
James Alston	Chief Operating Officer & Chief Financial Officer – Services Division (Business divested on 16 August 2021).

SALE OF AVA GLOBAL (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. Christopher Fergus and James Alston are no longer employed by the Group and ceased to be a KMP of the Group.

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

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 2022 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.

The remuneration for each NED is set out below in Section 3 of this report.

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 2022 and 30 June 2021 is detailed in 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 and the Remuneration Committee reviews annually.

i. 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, (refer to note 2.2 ii). 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 2022 - Financial performance conditions	Weighting	Non-financial performance conditions	Weighting
Group CEO	Technology Division revenue and EBITDA Targets	70%	Increased market share and new market initiatives	30%
Group CFO	Technology Division revenue and EBITDA Targets	80%	Systems and policies improvements and increase in investor exposure	20%
COO (BQT)	BQT Business Segment Revenue and EBITDA Targets	80%	Increased market share and new market initiatives	20%

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 2022, 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 2023 and 31 August 2024 respectively.

ii. 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.

3. Executive contractual arrangements

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

Robert Broomfield Group Chief Executive Officer & Executive Director Appointed 10 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 $330,000 inclusive of superannuation. He has a notice period of 3 months. **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.
Neville Joyce Group Chief Financial Officer & Company Secretary Appointed 3 November 2021	**Contract of Employment** Neville Joyce is employed by Ava Risk Group as a permanent, full-time employee. Mr Joyce commenced his position with Ava Risk Group in November 2021 and is employed on a current base salary of AUD $330,000, inclusive of superannuation. On the completion of the six- month probation period, Mr Joyce received a cash bonus of $30,000. **Performance Conditions** The contract provided for a bonus up to 24% 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.

Matthew Nye- Hingston Chief Operating Officer – BQT Appointed 1 March 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 $222,074 (AUD $200,743) 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.
Leigh Davis Group Chief Financial Officer & Company Secretary Appointed 9 February 2015 Resigned 3 November 2021	**Contract of Employment** Leigh Davis was employed by Ava Risk Group as a permanent, full-time employee. Mr Davis commenced his position with Ava Risk Group in February 2015 and was employed on a base salary of AUD $251,850, inclusive of superannuation. In FY22, Leigh Davis did not participate in the FY22 plan.
Christopher Fergus Chief Executive Officer – Services Division Appointed 1 February 2016 Business divested on 16 August 2021 on the disposal of AVA Global	**Contract of Employment** Christopher Fergus was 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 was USD$378,167 (approx. AUD $550,073) per annum inclusive of superannuation and allowances. He has a notice period of 8 weeks, following his appointment as Group Chief Executive Officer on 10 July 2020. **Performance Conditions** Ava Global DMCC had a performance plan which allowed 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 provided 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 were 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 expired if the executive resigns from their employment or is terminated by the Company. As a result of the sale of AVA Global, Mr. Fergus received a bonus of USD $7.8m (approx AUD $10.9m). In addition Mr Fergus has accrued a performance cash bonus for financial year 2022 of USD$183,615 (approx. AUD $255,580) based on the net profits.
James Alston Chief Financial Officer - Services Division Appointed 1 February on 2016 Business divested on 16 August 2021 on the disposal of AVA Global	**Contract of Employment** James Alston was 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 USD$276,217 (approx. AUD $401,779) per annum inclusive of superannuation and allowances. He has a notice period of 3 months. **Performance Conditions** Ava Global DMCC had 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 provided 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 were 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 expired if the executive resigns from their employment or is terminated by the Company. As a result of the sale of AVA Global, Mr. Alston received a bonus of $1.5m (approx AUD$ 2.1m). In addition, Mr Alston has accrued a cash bonus for financial year 2022 of USD$14,682 (approx. AUD $20,437) based on the net profits.

Remuneration of Key Management Personnel for the year ended 30 June 2022

	Note	Salary and Fees	Short-term Cash Bonus	Bonus on Sale of business	Other benefits(5)
		$	$	$	$
Non-Executive Directors					
David Cronin		65,000	-	-	-
Mark Stevens		65,000	-	-	-
Mike McGeever		63,000	-	-	-
Sub-total Non-Executive Directors		**193,000**	**-**	**-**	**-**
Executives					
Robert Broomfield	1	289,551	17,820	-	-
Leigh Davis	2	89,285	-	-	-
Neville Joyce	3	200,000	40,800	-	-
Chris Fergus	4	60,331	255,580	10,857,282	63,925
James Alston	4	47,370	20,437	2,120,563	49,149
Matthew Nye-Hingston		196,863	16,336	-	-
Sub-total executive KMP		**883,400**	**350,973**	**12,977,845**	**113,074**
Totals		**1,076,400**	**350,973**	**12,977,845**	**113,074**

1 Appointed as Group Chief Executive Officer on 10 July 2020.

2 Resigned on 3 November 2021.

3 Appointed as Group Chief Financial Officer on 3 November 2021. As part of the Employment contract, Neville Joyce received $30,000 at the end of the Probation period.

4 Business divested on 16 August 2021. In addition to Performance bonuses accrued up until the sale, Mr Fergus and Mr Alston received approximately $10.9m and $2.1m relating to the sale of AVA Global.

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

Post employment benefit	Long Service Leave	Share-based Payment expense	Total	Performance Related
$	$	$	$	$
6,500	-	45,676	117,176	39%
6,500	-	45,676	117,176	39%
-	-	45,676	108,676	42%
13,000	**-**	**137,028**	**343,028**	**-**
23,568	19,165	27,795	377,899	12%
9,946	-	46,998	146,229	32%
22,500	-	5,220	268,520	17%
15,117	-	-	11,252,235	99%
2,367	-	-	2,239,886	96%
-	-	41,347	254,546	23%
73,498	**19,165**	**121,360**	**14,539,315**	**-**
86,498	**19,165**	**258,388**	**14,882,343**	**-**

DIRECTORS' REPORT <CONTINUED>

Remuneration of Key Management Personnel for the year ended 30 June 2021

	Note	Salary and Fees	Short-term Cash Bonus	Other benefits[(5)]	Post-employment benefits
		$	$	$	$
Non-Executive Directors					
David Cronin		65,000	-	-	-
Mark Stevens		65,000	-	-	6,175
Mike McGeever		63,000	-	-	-
Sub-total Non-Executive Directors		**193,000**	**-**	**-**	**6,175**
Executives					
Scott Basham	1	49,171	2,750	-	11,089
Robert Broomfield	2,4	259,005	11,309	-	21,694
Leigh Davis	3,4	221,573	20,148	-	22,870
Chris Fergus	4	230,842	1,241,381	219,956	52,547
James Alston	4	178,823	270,650	141,674	11,205
Matthey Nye-Hingston		180,544	18,648	1,698	-
Sub-total executive KMP		**1,119,958**	**1,564,886**	**363,328**	**119,405**
Totals		**1,312,958**	**1,564,886**	**363,328**	**125,580**

[1] Appointed as Group Chief Executive Officer on 12 March 2019. Resigned on 9 July 2020, effective 09 September 2020.

[2] Appointed as Group Chief Executive Officer on 10 July 2020.

[3] Resigned on 06 August 2021, effective from 03 November 2021.

[4] 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.

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

Termination benefits	Long Service Leave	Share-based Payment expense	Total	Performance Related
$	$	$	$	$
-	-	-	65,000	-
-	-	-	71,175	-
-	-	-	63,000	-
-	**-**	**-**	**199,175**	**-**
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	232,439	22%
153,619	**13,598**	**64,487**	**3,399,281**	**-**
153,619	**13,598**	**64,487**	**3,598,456**	**-**

4. Relationship between remuneration and Company performance

4.1 Remuneration not dependent on satisfaction

The board seeks to align remuneration policies to the long-term creation of wealth by the Company for shareholders.

4.2 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). Short-term Performance- based remuneration granted to key management personnel has regard to Company performance over a 12-month period.

The following table sets out the performance conditions used for performance-linked incentive payments.

Technology Division		FY 22
Financial		
Group CEO and Group CFO	Revenue Target - Technology Division	partly met
	EBITDA Target - Technology Division	not met
COO (BQT)	Revenue Target - Access Control solutions	not met
	EBITDA Target - Access Control Solutions	partly met
Non-Financial		
Group CEO	Increase market share and new market	Partially met
Group CFO	Systems and policies improvements and	partly met
COO (BQT)	Increased market share and new market	not met

Service Division		FY 21 outcome
CEO - Services Division / COO & CFO - Services Division	Performance based on Enterprise value at the sale of AVA Global	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.

4.3 Impact of Company's performance on shareholder wealth

The following table summarises Company performance and key performance indicators

Financial performance	2022	2021	2020	2019	2018
Earnings					
Revenues excluding interest income ($'000)	18,961	65,714	46,640	31,673	20,275
% increase/(decrease) in revenue	-71%	41%	47%	56%	52%
Profit/(Loss) for the year ($'000)	33,132	13,749	4,947	(4,729)	(4,241)
% increase/(decrease) in profit before tax	141%	178%	205%	(12%)	46%
Shareholder value					
Share price $	0.18	0.38	0.16	0.15	0.12
Change in share price (%)	-53%	145%	3%	30%	-18%
Dividends to shareholders ($'000)	31,586	7,224	-	-	-
Return of capital ($'000)	7,566	-	-	-	-
KMP remuneration					
Total remuneration of KMP	$14,882,343	$3,598,456	$3,052,714	$1,808,625	$1,485,805
Total performance-based remuneration	$13,587,206	$1,629,373	$1,185,289	$91,676	$10,000

5. Performance based rewards

5.1 Cash bonus

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

2022	Maximum cash bonus	Amount awarded	% Achieved	% Forfeited
Robert Broomfield	66,000	17,820	27%	73%
Neville Joyce	40,000	10,800	27%	73%
Matthew Nye-Hingston	32,672	16,336	50%	50%

The cash bonuses associated with the achievement of these awards relating to the financial year ending 30 June 2022 will be paid during the financial year ending 30 June 2023.

5.2 Performance rights awarded

The following table summarises the results of the performance rights awarded and allocated to Executive KMPs during the year ended 30 June 2022.

	Number of performance rights awarded	Grant date	Fair value at Grant date $	Number of performance rights allocated based on FY22 KPIs achieved
Robert Broomfield	167,939	28-Oct-21	75,607	57,602[1]
Neville Joyce	67,854	31-Jan-22	35,109	28,228[1]
Matthew Nye-Hingston	116,259	1-Sep-22	63,361	58,129

[1] Included 16,794 and 13,571 of performance rights have been awarded to Robert Broomfield and Neville Joyce respectively.
These vest subject to the Company's market traded share price being at least 55c across 30 consecutive days, and subject to continuing of service.

5.3 Vesting dates

The expiry dates are 31 August 2023 and 31 August 2024 respectively and the conditions are the continuity of employment.

The following table summarises the results of the performance rights awarded and allocated to Non-Executive Directors during the year ended 30 June 2022.

	Number of performance rights awarded	Grant date	Fair value at Grant date $
David Cronin	200,000	28-Oct-21	57,220
Mark Stevens	200,000	28-Oct-21	57,220
Mike McGeever	200,000	28-Oct-21	57,220

Non-Executive Directors were issued a total of 600,000 performance rights on 28 October 2021. The performance rights have a nil exercise price and vest on 5 October 2022. The fair value of each performance rights was $0.29.

The performance rights issued to the Non-Executive directors vest on 5 October 2022 subject to the Company's market traded share price being at least 49 cents or above across 30 consecutive days in September 2022 and subject to continuity of service with the Company.

6. Key management personnel's equity holdings

6.1 Number of options held by key management personnel:

	Note	Balance at beginning of Period	Granted	Net Change Other#	Balance at End of Period
2021		**1 July 2020**			**30 June 2021**
Executives					
Scott Basham	1	-	500,000	(250,000)	250,000
Chris Fergus		200,000	-	(200,000)	-
Total		**200,000**	**500,000**	**(450,000)**	**250,000**

[1] Resigned on 9 July 2020, effective 9 September 2020.

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

2022	Note	Balance at beginning of Period 1 July 2021	On exercise of options and rights	Net change, other	Balance at End of Period 30 June 2022
Non-Executive Directors					
David Cronin		32,663,070	-	856,867	33,519,937
Mark Stevens		1,218,396	-	-	1,218,396
Mike McGeever		6,005,000	-	-	6,005,000
Sub-total		**39,886,466**	**-**	**856,867**	**40,743,333**
Executives					
Robert Broomfield		3,107,359	162,907	-	3,270,266
Leigh Davis	2, 4	284,176	255,501	(139,677)	400,000
Chris Fergus	3, 4	3,285,204	-	1,012,287	4,297,491
Matthew Nye-Hingston		795,145	34,105	-	829,250
Sub-total		**7,471,884**	**452,513**	**872,610**	**8,797,007**
Total		**47,358,350**	**452,513**	**1,729,477**	**49,540,340**

[1] Resigned on 9 July 2020, effective 9 September 2020.

[2] Resigned on 3 November 2021.

[3] Business divested on 16 August 2021.

[4] Held the same share balances disclosed at the date of resignation and at 30 June 2022.

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

2021	Note	Balance at beginning of Period 1 July 2020	On exercise of options and rights	Net change, other	Balance at End of Period 30 June 2021
Non-Executive Directors					
David Cronin		32,463,070	200,000	-	32,663,070
Mark Stevens		1,018,396	200,000	-	1,218,396
Mike McGeever		5,805,000	200,000	-	6,005,000
Sub-total		**39,286,466**	**600,000**	**-**	**39,886,466**
Executives					
Scott Basham	1	100,000	250,000	-	350,000
Robert Broomfield		2,994,387	112,972	-	3,107,359
Leigh Davis	2	200,000	84,176	-	284,176
Chris Fergus		3,285,204	-	-	3,285,204
Matthew Nye-Hingston		795,145	-	-	795,145
Sub-total		**7,374,736**	**447,148**	**-**	**7,821,884**
Total		**46,661,202**	**1,047,148**	**-**	**47,708,350**

[1] Resigned on 9 July 2020, effective 9 September 2020.

[2] Resigned on 3 November 2021.

6.3 Number of performance rights held by key management personnel

2022	Note	Balance at beginning of Period 1 July 2021	Granted as remuneration	Exercised	Forfeited / lapsed	Balance at end of year 30 June 2022 (unvested) 30 June 2022	Fair value of rights granted during the year $
Non-Executive Directors							
D Cronin		-	200,000	-	-	200,000	57,220
M Stevens		-	200,000	-	-	200,000	57,220
M McGeever		-	200,000	-	-	200,000	57,220
Sub-total Non-Executive Directors		**-**	**600,000**	**-**	**-**	**600,000**	**171,660**
Executives							
Robert Broomfield	1, 2	283,526	167,939	(162,907)	(110,337)	178,221	75,607
Leigh Davis	1	300,901	-	(300,901)	-	-	-
Neville Joyce		-	67,854	-	(39,626)	28,228	35,109
Matthew Nye-Hingston	1, 3	184,763	116,259	(34,105)	(58,130)	208,787	63,361
Sub-total executive KMP		**769,190**	**352,052**	**(497,913)**	**(208,093)**	**415,236**	**174,077**
Totals		**769,190**	**952,052**	**(497,913)**	**(208,093)**	**1,015,236**	**345,737**

[1] The performance rights were granted in two tranches, vesting on 31 August 2023 and 31 August 2024 with vesting conditions relating to continuity of employment. Despite his resignation, the performance rights of Leigh Davis vested at the board's discretion.

[2] As at the date of the report, 85,277 Performance Shares are expected to vest on 31 August 2022.

[3] As at the date of the report, 92,381 Performance Shares are expected to vest on 31 August 2022.

2021	Note	Balance at beginning of Period 1 July 2020	Granted as remuneration	Exercised	Forfeited / lapsed	Balance at end of year 30 June 2022 30 June 2021	Fair value of rights granted during the year $
Non-Executive Directors							
D Cronin		200,000	-	(200,000)	-	-	-
M Stevens		200,000	-	(200,000)	-	-	-
M McGeever		200,000	-	(200,000)	-	-	-
Sub-total Non-Executive Directors		**600,000**	**-**	**600,000**	**-**	**-**	**-**
Executives							
Scott Basham		334,957	-	(16,748)	(318,209)	-	-
Robert Broomfield	1	570,323	353,419	(112,972)	(527,244)	283,526[2]	231,490
Leigh Davis	1	448,597	314,812	(84,176)	(378,332)	300,901[3]	192,035
Matthew Nye-Hingston	1	204,054	233,106	-	(252,397)	184,763	142,195
Sub-total executive KMP		**1,557,931**	**901,337**	**(213,896)**	**(1,476,182)**	**769,190**	**565,720**
Totals		**2,157,931**	**901,337**	**(813,896)**	**(1,476,182)**	**769,190**	**565,720**

[1] 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.

[2] Of which,112,972 Performance shares were vested and delivered in FY 22

[3] Of which, 84,176 Performance shares were vested and delivered in FY 22

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 Asia Pty Ltd, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of $219,000 (2021: $253,230). Accounts Payable balance at 30 June 2022 totals $44,812 (FY2021: $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.

AUDITOR'S INDEPENDENCE DECLARATION

Building a better
working world

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 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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

Ernst & Young

R Bembridge

Richard Bembridge
Partner
29 August 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022	Note	Consolidated 2022 $'000	2021 $'000 Restated[1]
Revenue and other income from continuing operations			
Revenue from contracts with customers	4 (a)	**18,621**	24,700
Other income	4 (b)	**340**	607
Total Revenue and other income		**18,961**	**25,307**
Cost of raw materials and consumables used		**(6,629)**	(6,161)
Employee benefit expenses		**(6,357)**	(6,311)
Research and development		**(1,759)**	(1,170)
Advertising and marketing		**(386)**	(163)
Travel and entertainment		**(346)**	(97)
Facilities and office		**(454)**	(375)
Compliance, legal, and administration		**(1,262)**	(1,115)
(Provision for) reversal of impairment of receivables		**(64)**	20
Depreciation and amortisation expenses	11,12	**(1,689)**	(1,798)
Finance expense		**(27)**	(80)
Foreign exchange gains (losses)		**585**	(631)
Other expenses		**(931)**	(733)
Total expenses		**(19,319)**	**(18,614)**
(Loss) Profit before income tax		**(358)**	**6,693**
Income tax expense	5	**(304)**	(21)
(Loss) Profit for the year from continuing operations		**(662)**	6,672
Discontinued operations			
Profit from discontinued operations, net of tax	24	**33,794**	7,077
Profit for the year		**33,132**	**13,749**

For the year ended 30 June 2022 *(Continued)*	Note	Consolidated 2022 $'000	2021 $'000 Restated[1]
Exchange differences on translation of foreign operations, net of tax		**(296)**	(834)
Exchange differences reclassified to profit or loss on disposal of discontinued operation		**575**	-
Total other comprehensive income/(loss) for the year		**279**	(834)
Total comprehensive income for the year		**33,411**	**12,915**
Profit for the year attributable to:			
Equity holders of the parent company		**33,132**	13,749
Total comprehensive income for the year attributable to:			
Equity holders of the parent company		**33,411**	12,915
Earnings per share attributable to ordinary shareholders of AVA Risk Group from continuing operations	6		
Basic earnings (loss) per share		**(0.27)**	2.77
Diluted earnings (loss) per share		**(0.27)**	2.69
Earnings per share attributable to ordinary shareholders of AVA Risk Group	6		
Basic earnings per share		**13.63**	5.72
Diluted earnings per share		**13.46**	5.55

[1] Restated to disclose International Valuables Logistics (IVL) as a discontinued operation.

The above Consolidated statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2022	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**15,226**	17,293
Receivables	8	**4,739**	9,270
Contract assets	8	**-**	1,573
Inventories	9	**3,256**	3,126
Other current assets	10	**400**	339
Total Current Assets		**23,621**	**31,601**
Non-Current Assets			
Plant and equipment	11	**491**	420
Intangible assets	12	**5,954**	10,845
Right of use assets	14	**249**	385
Deferred tax asset	5	**96**	-
Other non-current assets		**-**	2
Total Non-Current Assets		**6,790**	**11,652**
TOTAL ASSETS		**30,411**	**43,253**
LIABILITIES			
Current Liabilities			
Payables	15	**2,254**	8,671
Contract liabilities	16	**225**	218
Lease liabilities	14	**131**	210
Provisions	17	**1,381**	1,515
Total Current Liabilities		**3,991**	**10,614**

As at 30 June 2022 *(Continued)*	Note	Consolidated 2022 $'000	2021 $'000
Non-Current Liabilities			
Provisions	17	**47**	69
Lease liabilities	14	**153**	220
Contract liabilities	16	**272**	310
Total Non-Current Liabilities		**472**	**599**
TOTAL LIABILITIES		**4,463**	**11,213**
NET ASSETS		**25,948**	**32,040**
EQUITY			
Contributed equity	18(a)	**50,793**	59,062
Accumulated losses		**(22,564)**	(24,110)
Reserves		**(2,281)**	(2,912)
TOTAL EQUITY		**25,948**	**32,040**

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

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
At 1 July 2021	**59,062**	**1,397**	**(1,262)**	**(3,047)**	**(24,110)**	**32,040**
Profit for the year	-	-	-	-	33,132	**33,132**
Other comprehensive income/(loss)	-	-	279	-	-	**279**
Total comprehensive income for the year	**-**	**-**	**279**	**-**	**33,132**	**33,411**
Transactions with owners in their capacity as owners						
Dividends/distributions	-	-	-	-	(31,586)	**(31,586)**
Shares issued	638	-	-	-	-	**638**
Share issue costs	(12)	-	-	-	-	**(12)**
Share based payments	-	352	-	-	-	**352**
Capital return	(7,566)	-	-	-	-	**(7,566)**
Share buy-back	(1,329)	-	-	-	-	**(1,329)**
Total transactions with owners in their capacity as owners	**(8,269)**	**352**	**-**	**-**	**(31,586)**	**(39,503)**
Balance at 30 June 2022	**50,793**	**1,749**	**(983)**	**(3,047)**	**(22,564)**	**25,948**
At 1 July 2020	**58,349**	**1,176**	**(428)**	**(3,047)**	**(30,635)**	**25,415**
Profit for the year	-	-	-	-	13,749	**13,749**
Other comprehensive (loss)	-	-	(834)	-	-	**(834)**
Total comprehensive income for the year	**-**	**-**	**(834)**	**-**	**13,749**	**12,915**
Transactions with owners in their capacity as owners						
Dividends/distributions	-	-	-	-	(7,224)	**(7,224)**
Shares issued	732	-	-	-	-	**732**
Share issue costs	(19)				-	**(19)**
Share based payments	-	221	-	-	-	**221**
Total transactions with owners in their capacity as owners	**713**	**221**	**-**	**-**	**(7,224)**	**(6,290)**
Balance at 30 June 2021	**59,062**	**1,397**	**(1,262)**	**(3,047)**	**(24,110)**	**32,040**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022	Note	Consolidated 2022 $'000	2021 $'000
Cash flow from operating activities			
Receipts from customers		**30,800**	62,651
Receipts from government grants		**-**	684
Payments to suppliers and employees		**(28,154)**	(45,679)
Interest received		**1**	-
Tax paid		**(135)**	(34)
Finance costs		**(5)**	(6)
Lease interest paid		**(22)**	(35)
Net cash flows from operating activities	**7**	**2,485**	**17,581**
Cash flow from investing activities			
Payment for intangible assets		**(1,126)**	(914)
Payment for plant and equipment		**(270)**	(171)
Disposal of subsidiaries, net of cash and transaction costs	24(b)	**36,469**	-
Net cash flows from (used in) investing activities		**35,073**	**(1,085)**
Cash flow from financing activities			
Proceeds from share issue	18(b)	**638**	732
Share issue expense		**(12)**	(19)
Share buy back		**(1,329)**	-
Capital return		**(7,566)**	-
Dividends paid	18(g)	**(31,232)**	(7,138)
Payment of lease liabilities		**(226)**	(276)
Net cash flows (used in) financing activities		**(39,727)**	**(6,701)**
Net (decrease) increase in cash and cash equivalents		**(2,169)**	9,795
Net foreign exchange differences on cash		**102**	(205)
Cash and cash equivalents at beginning of year		**17,293**	7,703
Cash and cash equivalents at end of year	**7**	**15,226**	**17,293**

The above Consolidated statement of cash flows includes Discontinued Operations (Refer to Note 24) and should be read in conjunction with the accompanying notes.

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 2022 were authorised for issue in accordance with a resolution of the directors on 29 August 2022.

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 $33,132 million for the year (2021: after-tax profit of $13.749 million) and its total assets exceed total liabilities by $25,948 million (2021: $32.040 million) with cash of $15,226 million (2021: $17.293 million).

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 reviewed new or revised accounting standards which became effective for the annual reporting period commencing on or after 1 July 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

FORTHCOMING STANDARDS AND AMENDMENTS NOT YET ADOPTED

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

1.5 Summary of significant accounting policies

a) Revenue

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

Technology	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).
Services (Discontinued Operations)	Secure international logistics and storage for high value assets, and risk consultancy services (Logistics or Ava Global).

Sale 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 *Revenue from Contracts with Customers* 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).

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.

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	2-5
Motor vehicles	5
Computer equipment	2
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 (e) 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

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.

Notes to the Financial Statements <CONTINUED>

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.

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.

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;

(i) 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

(i) 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 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.

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

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).

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 intangible 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 customers' 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 and judgement is exercised. COVID-19 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 22.

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).

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, reported as a Discontinued Operations	Global provider of secure international logistics of high-risk valuables, precious metals and currency.

Notes to the Financial Statements <CONTINUED>

b) Reportable Segments

30 June 2022	Perimeter Security $'000	Access Control Solutions $'000	Eliminations $'000	Total Continuing Operations $'000	Discontinued operations (IVL) $'000	Eliminations $'000	Consolidated $'000
Revenue and other income							
External customers	14,105	4,516	-	18,621	11,075	-	29,696
Intersegment revenue	215	150	(365)	-	75	(75)	-
	14,320	4,666	(365)	18,621	11,150	(75)	29,696
Other income	323	16	-	339	-	-	339
Interest income	1	-	-	1	-	-	1
	324	16	-	340	-	-	340
Segment revenue and other income	**14,644**	**4,682**	**(365)**	**18,961**	**11,150**	**(75)**	**30,036**
EBITDA	**360**	**1,004**	**-**	**1,364**	**1,940**	**-**	**3,304**
Depreciation and amortisation	(961)	(728)	-	(1,689)	(29)	-	(1,718)
Finance costs	(31)	(3)	-	(34)	7	-	(27)
Interest income	1	-	-	1	-	-	1
Income tax	(90)	(214)	-	(304)	(38)	-	(342)
Segment operating profit/(loss) [1]	**(721)**	**59**	**-**	**(662)**	**1,880**	**-**	**1,218**

[1] Segment operating profit (loss) excludes the gain on sale of discontinued operation amounting to $31,914,000 (2021 - nil). Refer to Note 24.

30 June 2021	Perimeter Security	Access Control Solutions	Eliminations	Total Continuing Operations	Discontinued operations (IVL)	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and other income							
External customers	18,455	6,245	-	24,700	40,340	-	**65,040**
Intersegment revenue	265	204	(469)	-	290	(290)	**-**
	18,720	6,449	(469)	24,700	40,630	(290)	**65,040**
Other income	549	58		607	67		**674**
Interest income	-	249	(249)	-	-	-	**-**
	549	307	(249)	607	67	-	**674**
Segment revenue and other income	**19,269**	**6,756**	**(718)**	**25,307**	**40,697**	**(290)**	**65,714**
EBITDA	**5,861**	**2,171**	**498**	**8,530**	**7,756**	**(249)**	**16,037**
Depreciation and amortisation	(1,122)	(676)	-	(1,798)	(428)	-	(2,226)
Finance costs	(20)	(19)	-	(39)	(251)	249	(41)
Interest income	-	249	(249)	-	-	-	-
Income tax	(21)	-	-	(21)	-	-	(21)
Segment operating profit	**4,698**	1,725	**249**	**6,672**	**7,077**	**-**	**13,749**

c) Geographic information

	2022			2021		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Australia	3,615	19	3,634	4,688	657	**5,345**
APAC (excluding Australia)	2,013	-	2,013	2,251	80	**2,331**
Europe	3,986	8,696	12,682	4,235	29,531	**33,766**
India	2,671	-	2,671	8,974	-	**8,974**
MENA	778	237	1,015	357	1,492	**1,849**
United States of America	3,277	961	4,238	1,117	3,646	**4,763**
Rest of world	2,281	1,162	3,443	3,078	4,934	**8,012**
Total external revenue by region	**18,621**	**11,075**	**29,696**	**24,700**	**40,340**	**65,040**

d) Non-current operating assets

	2022 $'000	2021 $'000
Australia	**6,106**	9,333
United Arab Emirates	**-**	1,435
Rest of world	**588**	882
Total non-current assets by region	**6,694**	**11,650**

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

	2022 $'000	2021 $'000
Non-current operating assets by region	**6,694**	11,650
Other non-current assets	**96**	2
Total non-current assets	**6,790**	**11,652**

4. Revenue from continuing operations and other income

a) Revenue from contracts with customers

	Consolidated	
	2022 $'000	202 $'000
Revenue from sales of goods	**17,502**	15,739
Revenue from licence fees	**-**	7,754
Revenue from provision of services	**1,119**	1,207
Total revenue from contracts with customers – continuing operations	**18,621**	**24,700**
Revenue from provision of services - discontinued operations (note 24)	**11,075**	**40,340**
Total revenue from contracts with customers	**29,696**	**65,040**

(b) Other income

	Consolidated	
	2022	2021
	$'000	$'000
Government Grants	-	585
Other income	**340**	22
Total other income - continuing operations	**340**	**607**
Other income - discontinued operations	-	**67**
Total other income	**340**	**674**
Total Revenues and other income	**30,036**	**65,714**

(c) Disaggregation of revenue

Timing of revenue recognition		
Goods transferred at a point in time	**17,502**	23,493
Services transferred over time	**1,119**	1,207
Total revenue form contracts with customers-continuing operations	**18,621**	**24,700**
Services transferred over time - Discontinued operations	11,075	40,340
Total revenue from contracts with customers	**29,696**	**65,040**

(d) 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	
	2022	2021
	$'000	$'000
Contract liabilities		
Expected to be recognised as revenue within 1 year	**225**	218
Expected to be recognised as revenue after more than 1 year	**272**	310
Total Contract liabilities	**497**	**528**

5. Income tax

	Consolidated 2022 $'000	2021 $'000
(a) Components of tax expense/(benefit):		
Current tax	**284**	-
Deferred tax	**(96)**	-
Under provision in prior year	**154**	21
	342	**21**
(b) Prima facie tax payable		
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense/(benefit) as follows:		
Accounting (loss) profit before tax arising from Continuing Operations	**(358)**	6,693
Profit before tax from Discontinued Operation	**33,832**	7,077
	33,474	**13,770**
At the Group's statutory income tax rate of 30.0%	**10,042**	4,131
Difference in tax rates in foreign subsidiaries	**(681)**	(2,215)
Tax effect of amounts which are not deductible in calculating taxable income	**106**	67
Non-assessable income	**(9,574)**	-
Recognition of previously unbooked temporary differences	**(96)**	-
Unbooked tax losses	**521**	-
Adjustments in respect of current income tax of previous years	**154**	-
Utilisation of carried forward tax losses / unbooked tax losses	**(157)**	(1,962)
Other	**27**	-
Income tax expense	**342**	**21**
Income tax expense in the profit or loss	**304**	**21**
Income tax attributable to a discontinued operation	**38**	**-**
	342	**21**

Management assessed deferred tax assets and liabilities for the reporting period 30 June 2022 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 $17.470million (2021: $16.624million). In addition, the Group has tax losses totalling $9.455million (2021: $9.276million) in respect of foreign subsidiaries. The Group is currently assessing the status of carried forward losses with respect of its foreign subsidiaries.

6. Earnings per share

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

	Consolidated	
	2022	**2021**
(a) Profit used in calculating earnings per share	**$'000**	**$'000**
For basic and diluted loss per share:		
Net (loss) profit after tax from continuing operations	**(662)**	6,672
Profit after tax from discontinued operations	**33,794**	7,077
Total	**33,132**	**13,749**

(b) Weighted average number of shares	**2022**	**2021**
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**243,062,589**	240,445,855
Adjustments for calculation of diluted earnings per share		
Dilutive share options / performance rights	**3,031,866**	7,328,247
Weighted average number of ordinary shares adjusted for the effect of dilution used as the denominator in calculating diluted earnings per share	**246,094,455**	247,774,102

(c) i. Earnings per share from continuing operations	**2022**	**2021**
	Cents	**Cents**
Basic (loss) earnings per share	**(0.27)**	2.77
Diluted (loss) earnings per share	**(0.27)**	2.69
ii. Earnings per share attributable to the shareholders of AVA Risk Group Limited		
Basic profit per share	**13.63**	5.72
Diluted profit per share	**13.46**	5.55

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

Diluted profit per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Since reporting date there have been 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. Please refer to note 28.

7. Cash and cash equivalents

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Cash at bank and on hand	**15,226**	17,293

(a) Reconciliation to Net Cash Flow from Operations		
Profit for the year after tax	**33,132**	13,749
Adjustment for non-cash income and expense items:		
Depreciation and amortisation	**1,507**	1,964
Lease amortisation	**211**	262
Share-Based payments (equity settled)	**352**	221
Unrealised foreign exchange	**(132)**	69
Bad debts written off and provision for (reversal of) impairment of receivable	**82**	(20)
Impairment on inventory	**111**	460
Gain on Discontinued operations recognised in the income statement	**(32,846)**	-
Income tax accrued	**135**	-
Other	**175**	(193)
Changes in assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	**1,021**	(2,633)
Other assets	**94**	(57)
Inventories	**(130)**	421
Increase/(decrease) in liabilities:		
Trade and other payables	**(1,222)**	3,356
Provisions	**(5)**	(18)
Net cash from operating activities	**2,485**	**17,581**
(b) Non-cash financing and investing activities		
Share-based payments	**352**	**221**

The cash balance at 30 June 2022 includes an amount of $354,000 (2021 - $87) which is held in trust by the corporate secretary for outstanding dividend payments (refer to note 18 (g)).

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 2022 $'000	2021 $'000
Trade receivables - current (gross)	**4,762**	9,301
Contract assets (d)	**-**	1,573
Provision for expected credit loss (a)	**(185)**	(187)
Trade receivables (net)	**4,577**	**10,687**
Security deposits and bonds	**68**	55
Other receivables (c)	**94**	101
Carrying amount of trade and other receivables	**4,739**	**10,843**

Movements in the expected credit loss provision were as follows:		
At 1 July	**187**	244
Discontinued operations	**(44)**	-
Charge for the year	**64**	(20)
Amounts written off	**(22)**	(37)
At 30 June	**185**	**187**

(a) Provision for impairment

In line with AASB 9 *Financial Instruments*, an expected credit loss assessment was performed as at at 30 June 2022.

(b) Past due but not considered impaired

As at 30 June 2022, trade receivables past due but not considered impaired are: $0.503 million (2021: $1.473 million). Contract assets are unbilled receivables for services that have been delivered and are not past due.

	Gross 2022 $'000	Impairment 2022 $'000	Gross 2021 $'000	Impairment 2021 $'000
Not past due	**4,086**	**-**	9,214	-
Past due 1 – 30 days	**392**	**-**	1,035	-
Past due 31-60 days	**73**	**-**	157	-
Past due 61-90 days	**11**	**-**	94	-
Past due more than 91 days	**200**	**(185)**	374	(187)
	4,762	**(185)**	**10,874**	**(187)**

(c) Other receivables

These amounts related primarily to other indirect tax refunds due from various international tax jurisdictions and other sundry debtors.

(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	
	2022	2021
	$'000	$'000
Raw materials and stores (at cost)	**1,597**	1,159
Work in progress (at cost)	**737**	773
Finished goods held for sale (at lower of cost and net realisable value)	**877**	1,148
Spares (at cost)	**45**	46
Total Inventories	**3,256**	**3,126**

During financial year ended 30 June 2022 $86,000 (2021: $460,000) was recognised as an impairment for inventories carried at net realisable value. This is recognised in cost of raw materials and consumables used.

10. Other assets

	Consolidated	
	2022	2021
	$'000	$'000
Current		
Prepayments	**400**	339
Non-current		
Non-current prepayments	**-**	2
Total Other assets	**400**	**341**

Prepayments are not interest bearing.

11. Plant and equipment

	Computer equipment	Motor vehicles	Plant and equipment	Office furniture and equipment	Demon-stration equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year Ended 30 June 2022						
Carrying amount at beginning of year	98	-	120	46	156	**420**
Additions	235	-	30	11	-	**276**
Disposals	(6)	-	-	-	-	**(6)**
Depreciation charge for the year[1]	(68)	-	(48)	(20)	(63)	**(199)**
Discontinued operations	(5)	-	-	(1)	-	**(6)**
Exchange adjustment	6	-	2	6	(8)	**6**
Carrying amount at end of year	**260**	**-**	**104**	**42**	**85**	**491**
At 30 June 2022						
Cost	1,087	42	1,210	571	2,056	**4,966**
Accumulated depreciation and impairment	(827)	(42)	(1,106)	(529)	(1,971)	**(4,475)**
Net carrying amount	**260**	**-**	**104**	**42**	**85**	**491**

[1] Depreciation expense for the year includes expense classified as Discontinued operation in the income statement.

	Computer equipment	Motor vehicles	Plant and equipment	Office furniture and equipment	Demon-stration equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year Ended 30 June 2021						
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 expense for the year	(20)	(10)	(81)	(30)	(225)	**(366)**
Reclassifications	(47)	-	47	-	-	**-**
Exchange adjustment	(3)	-	4	(3)	-	**(2)**
Carrying amount at end of year	**98**	**-**	**120**	**46**	**156**	**420**
At 30 June 2021						
Cost	863	42	1,180	561	2,056	**4,702**
Accumulated depreciation and impairment	(765)	(42)	(1,060)	(515)	(1,900)	**(4,282)**
Net carrying amount	**98**	**-**	**120**	**46**	**156**	**420**

Notes to the Financial Statements <CONTINUED>

12. Intangible Assets

(a) Reconciliation of carrying amounts

	Goodwill	Trademarks	Development costs	Patents	Acquired customer lists / contracts	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2022						
Carrying amount at beginning of year	5,018	821	4,359	317	330	**10,845**
Additions	-	-	1,107	19	-	**1,126**
Amortisation[1]	-	(70)	(934)	(73)	(231)	**(1,308)**
Discontinued operations	(4,278)	(409)	-	-	-	**(4,687)**
Exchange adjustment	(38)	(10)	25	3	(2)	**(22)**
Carrying amount at end of year	**702**	**332**	**4,557**	**266**	**97**	**5,954**
At 30 June 2022						
Cost (gross carrying amount)	702	878	8,685	2,494	2,585	**15,344**
Accumulated amortisation	-	(546)	(4,128)	(2,081)	(2,488)	**(9,243)**
Accumulated impairment charges	-	-	-	(147)	-	**(147)**
Net carrying amount	**702**	**332**	**4,557**	**266**	**97**	**5,954**

[1] Amortisation for the year includes expense classified as Discontinued operations in the income statement

	Goodwill	Trademarks	Development costs	Patents	Acquired customer lists / contracts	Total
Year ended 30 June 2021						
Carrying amount at beginning of year	5,428	1,016	4,406	388	805	**12,043**
Additions	-	-	856	58	-	**914**
Amortisation	-	(128)	(864)	(127)	(477)	**(1,596)**
Exchange adjustment	(410)	(67)	(39)	(2)	2	**(516)**
Carrying amount at end of year	**5,018**	**821**	**4,359**	**317**	**330**	**10,845**
At 30 June 2021						
Cost (gross carrying amount)	5,018	1,287	7,578	2,475	2,585	**18,943**
Accumulated amortisation	-	(466)	(3,219)	(2,011)	(2,255)	**(7,951)**
Accumulated impairment charges	-	-	-	(147)	-	**(147)**
Net carrying amount	**5,018**	**821**	**4,359**	**317**	**330**	**10,845**

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 Allocation	International Secure Logistics	Access Control Solutions (including locks and readers)	Total
At 1 July 2021	4,278	740	**5,018**
Discontinued operations	(4,278)	-	**(4,278)**
Impact of foreign currency	-	(38)	**(38)**
At 30 June 2022	**-**	**702**	**702**

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 two identifiable CGUs:

› Perimeter security

› Access control solutions

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 three years, with detailed management forecasts used in years 4 – 5, then reverting to a terminal value of 2%.
Discount rate:	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. Pre-tax discount rates: • Perimeter security – 17.93% (2021 - 18.57%) • Access controls – 17.93% (2021 - 17.74%) Post-tax discount rates: • Perimeter security – 16.07% (2021 - 14.58%) • Access controls – 16.07% (2021 - 14.58%)
Revenue growth	Forecast growth in year 1 to 3 is based on Board approved projections, and detailed assessed conversion of known revenue opportunities for the business. Years 4 – 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

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.

Amounts recognised in the statement of financial position and profit or loss	Right-of-use assets			
	Office Space & IT Equipment	Motor Vehicles	Total	Lease liabilities
	$'000	$'000	$'000	$'000
As at 1 July 2021	**374**	**11**	**385**	**(430)**
Additions	120	-	120	(120)
Depreciation expense[1]	(207)	(4)	(211)	-
Discontinued operations	(60)	(7)	(67)	52
Exchange adjustments	22	-	22	(12)
Interest expense	-	-	-	(27)
Payments	-	-	-	253
As at 30 June 2022	**249**	**-**	**249**	**(284)**
As at 1 July 2020	**623**	**31**	**654**	**(713)**
Additions	57	-	57	(57)
Disposal	(64)	-	(64)	64
Depreciation expense	(242)	(20)	(262)	-
Interest expense	-	-	-	(35)
Payments	-	-	-	311
As at 30 June 2021	**374**	**11**	**385**	**(430)**

The classification of lease liabilities is set out below:

	2022 $'000	2021 $'000
Current	131	210
Non-Current	153	220
As at 30 June	**284**	**430**

[1] Depreciation expense for the year includes expense classified as Discontinued operation in the income statement.

The following are the amounts recognised in profit or loss:

	2022 $'000	2021 $'000
Depreciation expense of right-of-use assets	**211**	262
Interest expense on lease liabilities	**27**	35
Expense relating to short term leases	**91**	105
Total amount recognised in profit and loss	**329**	**402**

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 $'000	More than five years $'000	Total $'000
2022			
Extension options not reasonably certain to be exercised	-	-	-
2021			
Extension options not reasonably certain to be exercised	225	24	**249**

15. Trade and other payables

Trade payables, accruals and other payables	Consolidated 2022 $'000	2021 $'000
Current		
Trade payables	**786**	3,403
Accruals and other payables	**1,468**	5,268
Total Trade and Other Payables	**2,254**	**8,671**

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

16. Contract liabilities

Contract liabilities	2022 $'000	2021 $'000
Balance at 1 July	**528**	732
Deferred during year	**187**	447
Recognised as revenue in the year	**(218)**	(651)
Balance at 30 June	**497**	**528**
Due within 1 year	**225**	218
Due after more than 1 year	**272**	310
Balance at 30 June	**497**	**528**

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.

17. Provisions

	2022 $'000	2021 $'000
Current		
Employee entitlements – annual leave	741	815
Employee entitlements – long service leave	393	458
Provision for warranty claims	247	242
Total Current Provisions	**1,381**	**1,515**
Non-current		
Employee entitlements – long service leave	47	69
Total Non-Current Provisions	**47**	**69**

(a) Movements in Warranty provisions

	2022 $'000	2021 $'000
At 1 July	**242**	**260**
Arising during the year	49	3
Provision used during the year	(43)	(21)
Exchange adjustments	(1)	-
At 30 June	**247**	**242**
Current	247	242
Non-current	-	-
At 30 June	**247**	**242**

(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 2022 $'000	2021 $'000
(a) Ordinary shares		
Ordinary share capital, issued and fully paid	**50,793**	59,062
	50,793	**59,062**

	Number of shares	$'000
(b) Movement in ordinary shares on issue		
At 1 July 2021	**241,629,402**	59,062
Share buyback and cancellation	**(2,950,000)**	(1,329)
Share issue		
On exercise of Share Options	**3,250,000**	638
On exercise of Performance Share Rights	**1,033,783**	-
Capital return to shareholders	**-**	(7,566)
Share issue costs	**-**	(12)
At 30 June 2022	**242,963,185**	**50,793**

	Number of shares	$'000
(b) Movement in ordinary shares on issue		
At 1 July 2020	**235,365,568**	58,349
Share issue		
On exercise of Share Options	**5,449,938**	732
On exercise of Performance Share Rights	**813,896**	-
Share issue costs	**-**	(19)
At 30 June 2021	**241,629,402**	**59,062**

(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.

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 22 Share Based Payments for detailed disclosures.

No options have been issued between balance date and the date of this report.

(d) Options over ordinary shares

The following option to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2022:

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	Balance at end of the year
14/03/2018	31/12/2021	$0.20	3,000,000	-	(3,000,000)	-	-
8/09/2020	31/12/2021	$0.15	250,000	-	(250,000)	-	-
Total			**3,250,000**	**-**	**(3,250,000)**	**-**	**-**
Weighted average exercise price			$0.16	-	$0.20	-	$0.00

The following option to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2021:

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	Balance at end of the year
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
Total			**8,200,000**	**500,000**	**(5,449,938)**	**(62)**	**3,250,000**
Weighted average exercise price			$0.16	$0.15	$0.14	$0.21	$0.16

(e) Performance rights

During the financial year 2022, 1,837,129 performance rights (2021: 1,205,537) were awarded.

Outstanding Performance Rights - Year ended 30 June 2022

Date granted	Expiry date	Exercise Price ($)	Balance at start of the year	Granted during the year	Forfeited lapsed, and other movements during the year	Balance at end of the year (unvested [1])
1/07/2018	30/06/2021	$0.00	112,972	-	(112,972)	-
1/07/2018	30/06/2020	$0.00	84,176	-	(84,176)	-
23/09/2019	30/06/2020	$0.00	161,414	-	(161,414)	-
23/09/2019	31/08/2022	$0.00	161,415	-	(51,183)	110,232
28/10/2019	31/08/2021	$0.00	389,768	-	(389,768)	-
28/10/2019	31/08/2022	$0.00	389,769	-	-	389,769
31/10/2019	31/08/2021	$0.00	49,935	-	(49,935)	-
31/10/2019	31/08/2022	$0.00	49,935	-	-	49,935
29/10/2020	31/08/2022	$0.00	35,342	-	-	35,342
29/10/2020	31/08/2023	$0.00	35,342	-	-	35,342
30/10/2020	31/08/2022	$0.00	147,551	-	(89,275)	58,276
30/10/2020	31/08/2023	$0.00	147,554	-	(89,277)	58,277
1/09/2021	31/08/2023	$0.00	-	500,666	(238,775)	261,891
1/09/2021	31/08/2024	$0.00	-	500,670	(238,775)	261,895
28/10/2021	31/08/2023	$0.00	-	83,969	(55,168)	28,801
28/10/2021	31/08/2024	$0.00	-	83,970	(55,169)	28,801
28/10/2021	5/10/2022	$0.00	-	600,000	-	600,000
31/01/2022	31/08/2023	$0.00	-	33,927	(19,813)	14,114
31/01/2022	31/08/2024	$0.00	-	33,927	(19,813)	14,114
Total			**1,765,173**	**1,837,129**	**(1,655,513)**	**1,946,789**

[1] As at the date of this report Performance Shares with expiry date 31/08/2022 are expected to vest.

FY 22 Grants

During the year ended 30 June 2022, the Company granted performance rights as part of remuneration to senior executives and key employees. 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.

Subsequent to the grant, the above performance grant rights were forfeited due to FY performance metrics and objectives not met. As a result, Executive Director, Robert Broomfield, forfeited 110,337 performance rights. Other key management personnel forfeited 97,756 performance rights.

i. Senior executives and key employees

Senior management and key employees were issued a total of 1,237,129 performance rights. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2023, with the second vesting on 31 August 2024 (only time vesting).

ii. Non-Executive Directors

Non-Executive Directors were issued a total of 600,000 performance rights on 28 October 2021. The performance rights have a nil exercise price and vest on 5 October 2022. The fair value of each performance rights was $0.29.

Outstanding Performance Rights - Year ended 30 June 2021

Date granted	Expiry date	Exercise Price ($)	Balance at start of the year	Granted during the year	Forfeited lapsed, and other movements during the year	Balance at end of the year
1/07/2018	30/06/2021	$0.00	112,972	-	(112,972)	-
1/07/2018	30/06/2021	$0.00	112,972	-	-	112,972
1/07/2018	30/06/2020	$0.00	84,176	-	(84,176)	-
1/07/2018	30/06/2021	$0.00	84,176	-	-	84,176
23/09/2019	30/06/2020	$0.00	528,559	-	(367,144)	161,415
23/09/2019	31/08/2022	$0.00	528,560	-	(367,146)	161,414
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)	49,936
31/10/2019	31/08/2022	$0.00	339,668	-	(289,734)	49,934
31/10/2019	30/06/2021	$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
Total			**3,668,632**	**1,205,537**	**(3,108,996)**	**1,765,173**

FY 21 Grants

Senior executives and key employees

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.

(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 2022 and 2021 were as follows:

		Consolidated
	2022	2021
	$'000	$'000
Total borrowings *	**2,539**	9,102
Less cash and cash equivalents	**15,226**	17,293
Net borrowings / (cash)	**(12,687)**	(8,191)
Total equity	**25,948**	32,040
Total capital	**13,261**	**23,849**
Gearing ratio	**0%**	**0%**

* Includes trade and other payables as well as leases

(g) Dividends

	Consolidated	
	2022	2021
	$'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
Special dividend at the rate of 13 cents per share, paid on 10 March 2022	**31,586**	-
Total dividends declared	**31,586**	**7,224**
Dividends paid in cash	**(31,232)**	(7,138)
Amount owed to shareholders	**354**	**86**

In the prior year, Special dividends were declared on 23 October 2020 and 11 March 2021 which represented 1c and 2c per share respectively. On 22 February 2022 a Special Dividend of 13c per share was declared in conjunction with a capital return (see note 18).

19. 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.

20. Financial Risk Management

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.

Financial instruments	Interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
30 June 2022	**$'000**	**$'000**	**%**	
Cash	**15,226**	**15,226**	**0.01%**	Variable
Lease liabilities	**(284)**	**(284)**	**6.84%**	Fixed
Total financial assets	**14,942**	**14,942**	**0.12%**	
30 June 2021	**$'000**	**$'000**	**%**	
Cash	17,293	17,293	0.01%	Variable
Lease liabilities	(430)	(430)	6.84%	Fixed
Total financial assets	**16,863**	**16,863**	**0.16%**	

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt where possible. At 30 June 2022, the Group had no borrowings (2021: nil) and lease liabilities of $284,000 (2021: $430,000).

Sensitivity analysis

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

At 30 June 2022, and at 30 June 2021, 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:

		Post Tax Profit		Equity
		Higher/(Lower)		Higher/(Lower)
	2022	2021	2022	2021
Judgments of reasonably possible movements*:	**$'000**	**$'000**	**$'000**	**$'000**
Consolidated				
+ 1% (100 basis points)	**107**	121	**107**	121
-0.5% (50 basis points)	**(53)**	(61)	**(53)**	(61)

* A 1% increase and a 0.5% 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 2022	
Cash and cash equivalents	6,790
Trade and other receivables	3,114
Trade and other payables	(306)
Total exposure	**9,598**
30 June 2021	
Cash and cash equivalents	7,026
Trade and other receivables	5,026
Trade and other payables	(428)
Total exposure	**11,624**

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.

	% Change in rate	Effect on profit/(loss) before tax	Effect on equity
USD		$'000	$'000
30 June 2022	10%	**672**	**672**
	-10%	**(672)**	**(672)**
30 June 2021	10%	814	814
	-10%	(814)	(814)

(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
	2022	2021
Financial liabilities	**$'000**	**$'000**
12 months or less[1]	**2,395**	8,882
1-5 years[2]	**155**	220
Over 5 years	**-**	-
Total contractual cash flows	**2,550**	**9,102**

[1] Includes trade and other payables and lease liabilities.

[2] Relates to lease liabilities

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

Name	Country of Incorporation	Principal Activity	% Equity Interest 2022	2021
Parent Entity				
Ava Risk Group Ltd	Australia	Manufacture and sale of security systems	100	100
Subsidiaries of Ava Risk Group Ltd			100	100
FFT MENA Pty Ltd	Australia	Holding company	100	100
Future Fibre Technologies (US) Inc.	USA	Sales Support and other services	100	100
Name	**Country of Incorporation**	**Principal Activity**	**% Equity Interest 2022**	**2021**
Subsidiaries of FFT MENA Pty Ltd				
Future Fibre Technologies MENA FZ-LLC (in Liquidation)	U.A.E	Sales Support and other services	100	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
Subsidiaries of MaxSec Group Pty Ltd				
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
Subsidiaries of BQT Solutions (SEA) Pte Ltd				
BQT Solutions (NZ) Ltd	New Zealand	Access Control	100	100
Subsidiaries of BQT Solutions (UK) Ltd				
Ava Global DMCC	U.A.E	Secure international logistics	-	100
BQT Solutions America Inc	USA	Access Control	100	100
Subsidiaries of Ava Global DMCC				
Ava Germany GmbH	Germany	Secure international logistics	-	100
Ava USA Inc	USA	Secure international logistics	-	100

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) 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	
	2022	2021
	$	$
Short-term employee benefits	**1,540,447**	3,241,172
Bonus on Sale of business	**12,977,845**	-
Post-employment and other long-term benefits	**105,663**	139,178
Termination benefits	**-**	153,619
Share-based payments	**258,388**	64,487
Total compensation	**14,882,343**	**3,598,456**

(b) Loans to/from Key Management Personnel

There were no loans to directors or key management personnel during the year ending 30 June 2022 (2021: 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 Asia Pty Ltd, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of $219,000 (2021: $253,230). Accounts Payable balance at 30 June 2022 totals $44,812 (FY2021: $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.

There were no other transactions with other KMP during the year ended 30 June 2022 (FY2021 none).

(a) Recognised share-based payment expense

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

	Consolidated	
	2022	2021
	$'000	$'000
Expenses arising from equity-settled share-based payment transactions:		
Share options	-	89
Performance rights	**352**	132
	352	**221**

(b) Types of share-based payments

FY 22 GRANTS

Senior Executive Grants

During the financial year ended 30 June 2022, the Company granted performance rights as part of remuneration to three senior executives, Robert Broomfield, Neville Joyce 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.

Non-Executive Directors Grants

During the financial year ended 30 June 2022, the Company granted performance rights as part of remuneration to three Non-Executive directors David Cronin, Mark Stevens, and Michael McGeever.

The performance rights issued to the Non-Executive directors vest on 5 October 2022 subject to the Company's market traded share price being at least 49 cents or above across 30 consecutive days in September 2022.

FY 21 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 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 2022, and were exercised in January 2022.

(c) Summaries of performance rights and share options granted

i. Share Options

	2022	2021
	Number	Number
Outstanding at the beginning of the year	**3,250,000**	8,200,000
Granted during the year	-	500,000
Exercised during the year	**(3,250,000)**	(5,449,938)
Forfeited lapsed, and other movements during the year	-	(62)
Outstanding Share Options	-	**3,250,000**

ii. Performance Share Rights

	2022 Number	2021 Number
Outstanding at the beginning of the year	**1,765,173**	3,668,632
Granted during the year	**1,837,129**	1,205,537
Exercised during the year	**(1,033,783)**	(813,896)
Forfeited lapsed, and other movements during the year	**(621,730)**	(2,295,100)
Total share-based payments	**1,946,789**	**1,765,173**

(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:

FY 2022 PERFORMANCE SHARE RIGHTS GRANTED

Number of performance rights granted	1,001,336	167,939	600,000	67,854
Fair value of performance rights granted (prior to forfeitures)	$545,728	$75,607	$171,660	$35,308
Exercise price:	$-	$-	$-	$-
Grant date:	1/09/2021	28/10/2021	28/10/2021	31/01/2022
Expiry date (Tranche 1):	31/08/2023	31/08/2023	5/10/2022	31/08/2023
Expiry date (Tranche 2):	31/08/2024	31/08/2024	N/a	31/08/2024
Share price at grant date:	0.55	0.46	0.46	0.46
Expected price volatility of the Company's shares:	0.84%	0.66%	0.85%	0.66%
Expected dividend yield:	0%	0%	0%	0%
Risk-free interest rate:	0.16%	0.10%	1.47%	0.10%

FY 2021 PERFORMANCE SHARE RIGHTS GRANTED

Number of performance rights granted	353,419	852,118
Fair value of performance rights granted (prior to forfeitures)	$115,745	$519,792
Exercise price:	$-	$-
Grant date:	29/10/2020	30/10/2020
Expiry date (Tranche 1):	31/08/2022	31/08/2022
Expiry date (Tranche 2):	31/08/2023	31/08/2023
Share price at grant date:	$0.65	$0.61
Expected price volatility of the Company's shares:	98.95%	99.08%
Expected dividend yield:	0.00%	0.00%
Risk-free interest rate:	0.13%	0.13%

There were no share options issued in financial year ended 30 June 2022.

FY 2021 SHARE OPTIONS GRANTED

Number of share options granted	250,000	250,000
Fair value of share options granted (prior to forfeitures)	$43,691	$45,126
Exercise price:	$0.15	$0.15
Grant date:	9/09/2020	9/09/2020
Expiry date	31/12/2021	31/12/2021
Share price at grant date:	$0.30	$0.30
Expected price volatility of the Company's shares:	93.22%	103.04%
Expected dividend yield:	0.00%	0.00%
Risk-free interest rate:	0.13%	0.13%

23. Commitments

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

24. Discontinued Operations

Sale of International Valuables Logistics (IVL)

In October 2021, the Group sold its International Valuables Logistics (IVL). The IVL Segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of comprehensive Income has been re- presented to show the discontinued operation separately from continuing operations.

(a) Financial performance and cash flow information

		Consolidated
	7-Oct-21	30-Jun-21
	$'000	$'000
Revenue from contracts with customers	**11,075**	40,340
Other income	**-**	67
Revenue and other income	**11,075**	40,407
Total Expenses	**(9,157)**	(33,330)
Profit before income tax for the period	**1,918**	7,077
Income tax expense	**(38)**	-
Profit from discontinued operations	**1,880**	7,077
Gain on sale of discontinued operations (see note (b))	**31,914**	-
Profit after tax for the period from discontinued operations	**33,794**	**7,077**

The net cash flows generated by IVL, are as follows

		Consolidated
	7-Oct-21	30-Jun-21
	$'000	$'000
Operating	**947**	5,093
Financing	**(32)**	(56)
Investing	**(6)**	(7)
Net cash inflow (outflow)	**909**	**5,030**

Earnings per share – discontinued

		Consolidated
	cents	cents
Basic earnings per share	**13.90**	2.94
Diluted earnings per share	**13.73**	2.86

(b) Details of the sale of the subsidiaries

	7-Oct-21
	$'000
Consideration	62,187
Performance plan paid to management and employees of AVA Global	(20,308)
Consideration received, paid in cash	41,879
Carrying amount of net assets sold	(9,033)
Transaction costs incurred	(357)
Gain on sale before reclassification of foreign currency reserve	32,489
Reclassification of foreign currency translation reserve	(575)
Gain on sale of discontinued operation	**31,914**

(c) Carrying amounts of assets and liabilities sold

	7-Oct-21
	$'000
ASSETS	
Current Assets	
Cash and cash equivalents	5,053
Receivables	4,909
Inventories	39
Total Current Assets	**10,001**
Non-Current Assets	
Plant and equipment	6
Intangible assets	4,687
Right of use assets	67
Total Non-Current Assets	**4,760**
TOTAL ASSETS	**14,761**
LIABILITIES	
Current Liabilities	
Payables	5,639
Tax liabilities	36
Other liabilities	53
TOTAL LIABILITIES	**5,728**
NET ASSETS	**9,033**

(d) Subsidiaries disposed

The IVL Segment comprised of the following entities:

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

Notes to the Financial Statements <CONTINUED>

25. Parent Entity Information

(a) Summary financial information

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

Ava Risk Group Limited:	2022	2021
Summarised statement of financial position	**$'000**	**$'000**
Assets		
Current Assets	**13,421**	14,944
Non-Current Assets	**14,573**	16,116
Total assets	**27,994**	**31,060**
Liabilities		
Current liabilities		
Payables	**1,549**	1,295
Contract liabilities	**212**	214
Borrowings	**2,904**	-
Lease liabilities	**68**	132
Provisions	**1,022**	933
Current Liabilities	**5,755**	**2,574**
Non-Current Liabilities		
Provisions	**47**	69
Lease liabilities	**125**	193
Contract liabilities	**272**	310
Non-Current Liabilities	**444**	572
Total Liabilities	**6,199**	**3,146**
Net (Liabilities) Assets	**21,795**	**27,914**
Equity		
Contributed equity	**50,793**	59,062
Accumulated losses	**(30,742)**	(32,540)
Reserves	**1,744**	1,392
Total Equity	**21,795**	**27,914**

Ava Risk Group Limited:	2022	2021
Summarised statement of comprehensive income	$'000	$'000
Profit for the year	33,384	4,185
Other comprehensive income for the year	-	-
Total comprehensive income of the parent entity	**33,384**	**4,185**

(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 2022 or 30 June 2021.

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

As at 30 June 2022, the parent entity had commitments of $352,000 relating to the purchase of Fibre Optic cable with its main supplier (30 June 2021: None).

26. Auditor's remuneration

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

	Consolidated	
	2022	2021
Auditor's renumeration	$	$
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	**255,000**	238,000
- 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 or other services	**-**	-
- Tax compliance and tax advice services	**71,600**	64,000
Total fees to Ernst & Young	**326,600**	**302,000**

	Consolidated	
	2022	2021
Auditor's renumeration	$	$
Amounts received or due and receivable by foreign entities of Ernst & Young for:		
- Audit and review of the financial statements	**10,500**	25,250
	10,500	**25,250**

27. Events after the Balance Sheet Date

On 1 August 2022, the Group announced into a Sale and Purchase Agreement to acquire 100% of the shareholding of MTD Holdings Limited, the parent company of GJD Manufacturing Limited ("GJD").

GJD is a UK-based security equipment designer and manufacturer, specialising in intruder detection systems. Its products include professional grade external detector equipment as well as infrared and white-light LED illuminators and Automatic Number Plate Recognition cameras. GJD counts some of the UK and Europe's most security conscious end users as customers and has a growing OEM sales channel across multiple sectors, including well-known multinational engineering and technology companies.

The acquisition price of approximately $7.8 million was funded 60% in cash and 40% in AVA shares. The cash consideration has been paid and share consideration is based on the last share price on trading day before 1 August 2022.

Given the close proximity of the acquisition to the approval date of these financial statements, the Purchase Price Allocation is yet to commence and as a result, the required AASB 3 *Business Combination* disclosures cannot be made.

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 2022 and of their performance for the year ended on that date; and

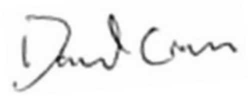
(ii) complying with Accounting Standards and Corporations Regulations 2001, and other mandatory professional reporting requirements;

(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 2022.

On behalf of the Board



David Cronin
Chairman

Melbourne, 29 August 2022

Building a better
working world

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 2022, 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 2022 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 judgment, 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.

Building a better working world

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

Why significant	How our audit addressed the key audit matter
PPE totalling $0.5 million, ROU assets totalling $0.2 million, intangible assets totalling $5.2 million and goodwill totalling $0.7 million represent significant balances recorded on the consolidated statement of financial position, relative to total assets. The Group has two identifiable cash generating units ("CGUs"): • Perimeter security • Access control solutions – locks and readers 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 both CGUs. Our assessment of the Group's impairment test is a key audit matter because the assessment process is complex and highly judgmental. In addition, the key underlying assumptions are affected by expected future market or economic conditions, including the ongoing impacts of the 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.	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 two 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.

Building a better working world

2. Revenue recognition

Why significant	How our audit addressed the key audit matter
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 is considered a key audit matter due to the complexity associated in assessing the timing of revenue recognition of the Group's different revenue streams.	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 trends in product sales during the year which are not in line with our expectations. • We verified the amount of product sales for a sample of revenue transactions during the year, by agreeing to sales contracts, delivery documentation or customer acknowledgement and receipts from customers. • 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.

3. Discontinued Operations

Why significant	How our audit addressed the key audit matter
As disclosed in Note 24 to the consolidated financial report, on 7 October 2021, the Group completed the sale of its International Valuable Logistics business, Ava Global DMCC. The Ava Global DMCC business has been presented as a Discontinued Operation in accordance with *AASB 5 Non- Current Assets Held for Sale and Discontinued Operations* After closing adjustments, and payment of Management incentives and accrued bonuses payable under the performance plan, the Group received net cash proceeds amounting to $41.9M. Discontinued operations is a key audit matter due to the significance of the transaction to the Group's financial position and performance during the year.	The audit procedures we performed included the following: • We obtained and assessed Management's analysis summarising the accounting treatment of the disposal, including the gain arising from the disposal. • We evaluated the terms and conditions with respect to the business sale and related agreements. • We audited the results of Ava Global DMCC from 1 July 2021 to date of disposal and agreed this to the Discontinued Operations results disclosed. • We engaged EY tax specialists to assess the resulting tax implications.

Building a better working world

Why significant	How our audit addressed the key audit matter
	• We also assessed the adequacy of the Group's disclosures in the consolidated financial report in accordance with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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 2022 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.

- 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.

Building a better
working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Ava Risk Group Limited for the year ended 30 June 2022, 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.

Ernst & Young

Ernst & Young

R Bembridge

Richard Bembridge
Partner

Melbourne
29 August 2022

Shareholder Information

Distribution of equity securities (as at 18 August 2022)

ORDINARY SHARE CAPITAL

242,963,185 fully paid ordinary shares are held by 3,763 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	375	199,944	0.08%
1,001 – 5,000	1,318	3,703,769	1.52%
5,001 – 10,000	660	5,302,231	2.18%
10,001 – 100,000	1,187	37,980,520	15.63%
100,001 and over	223	195,776,721	80.58%
Total	**3,763**	**242,963,185**	**100.00%**

The number of shareholders holding less than a marketable parcel of 1,851 shares (based on the share price of $0.27 on 18 August 2022 is 181) and they hold 32,893 shares.

Substantial shareholders (as at 18 August 2022)

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

	Fully paid ordinary shares	
Name of Shareholder	Number of shares	% of issued capital
Pandon Holdings Pte Limited	32,463,070	13.36%
Valwren Pty Ltd	14,133,800	5.82%
Barnaby Investments Pty Ltd	11,853,886	4.88%
	58,450,756	**24.06%**

Twenty largest shareholders (as at 18 August 2022)

	Name of Shareholder	Number of shares	% of issued capital
1	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	31,950,717	13.15%
2	BNP PARIBAS NOMS PTY LTD <DRP>	17,313,575	7.13%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,086,753	4.56%
4	MR STEPHEN ROSS CAREW <BMS A/C>	10,000,000	4.12%
5	BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	9,948,859	4.10%
6	DIXSON TRUST PTY LIMITED	7,339,998	3.02%
7	VALWREN PTY LIMITED <WFIT A/C>	6,750,000	2.78%
8	VALWREN PTY LIMITED <SANDY FAMILY INVESTMENT A/C>	6,000,000	2.47%
9	CITICORP NOMINEES PTY LIMITED	5,967,711	2.46%
10	CHAG PTY LTD	4,400,000	1.81%
11	MR DAVID MALCOLM SOUTH	4,250,000	1.75%
12	BFA SUPER PTY LTD <GDN SUPER FUND A/C>	2,978,384	1.23%
13	MR ROBERT ANDREW BROOMFIELD	2,713,379	1.12%
14	CHERYL LEE TAPANES	2,600,000	1.07%
15	GOLDRUSH FUND PTY LTD <GOLDRUSH A/C>	2,000,000	0.82%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK	1,467,963	0.60%
17	DMX CAPITAL PARTNERS LIMITED	1,406,000	0.58%
18	MR ATHAR JAMEEL BHUTTO	1,377,777	0.57%
19	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,347,705	0.56%
20	AVALON AMBER PTY LTD	1,344,330	0.55%
		132,243,151	**54.43%**

Voting Rights

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

IDENTIFY • ALERT • PROTECT

www.theavagroup.com