Ava Risk Group Limited

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A.B.N: 67 064 089 318

31 August 2020

Ava Group reports full year results with record $46.1M revenue & $7.4M EBITDA for FY2020

Ava Risk Group Limited (ASX: AVA) (**Ava Group or Company**) is pleased to announce its audited FY2020 financial results:

- Revenue & other income increased by 46% to $46.131 million
- EBITDA improved by 360% to $7.429 million
- NPAT improved by 205% to $4.942 million
- Net Operating Cash Flow increased to $5.956 million
- Cash as at 30 June 2020 $7.703 million

Despite the global challenges that have come with COVID-19, Ava Group's achievements during FY2020 have underpinned a positive financial result and delivered a platform for continued growth and expansion. Key highlights for the financial year include:

- Record revenues combined with cost management initiatives to deliver EBITDA and net profits;
- Continued expansion of the Services Division (Ava Global) through existing and new clients, and expanded service offering;
- Commencement of deliveries for the Indian Ministry of Defence (IMoD) Network Security Project - contributing $4.8 million in revenue in FY2020;
- Multiple orders for perimeter protection technology (FFT) at high security government and commercial sites across the United States, Middle East and Europe;
- Strong commercial interest in our new conveyor health monitoring solution (Aura IQ) with multiple Proof of Value trials underway;
- Growing sales of access control and locking products (BQT), underpinned by $3.4 million of orders from the Australian Department of Defence; and
- Ava Group's engineering and development teams have also remained focussed on performance upgrades of our intrusion detection and access control solutions - with customer deployments and competitive testing continuing to demonstrate a superior competitive position.

Ava Group Chairman, David Cronin, said, "From right sizing and streamlining operations, to delivering profitable growth and positive cashflow – an unrelenting focus on enhancement and improvement during the last financial year has transformed our business, opened new market opportunities and delivered record revenues and profitability for our shareholders".

Ava Group CEO, Rob Broomfield said “Our exceptional employees and portfolio of world leading products and service solutions has delivered our shareholders a significant increase in financial performance in FY2020. With a strong pipeline of growth opportunities and a highly scalable cost structure, I am confident that we have a solid platform for further growth and success in FY2021 and beyond”.

For further information, please contact:

Rob Broomfield, Group CEO
rob.broomfield@theavagroup.com
+61408243582

Leigh Davis, Group CFO & Company Secretary
leigh.davis@theavagroup.com
+61 3 9590 3103

Please refer to Note 1 below.

Approved for release for and on behalf of the Board of Directors by:

Leigh Davis

Company Secretary

-||-

About Ava Group

The Ava Group, comprising world leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT), and international secure logistics services division Ava Global, is a market leader in the provision of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

The Group features a range of complementary solutions including intrusion detection for perimeters, pipelines and data networks, biometric and card access control as well as the secure international logistics and storage of high value assets. Through decades of innovation, the Ava Group continues to build upon a comprehensive portfolio of premium services and technologies for the most complex and demanding markets.

Our business truly serves a global market, with our knowledgeable team spread across six continents, providing market and industry expertise directly to customers. With thousands of sites protected, the Ava Group is proven to deliver first class services and technologies that surpass the expectations of our partners and end users.

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Note 1

Forward Looking Statements

Information in this release is for general information purposes only. Certain statements in this document regarding the Company's financial position, business strategy and objectives, contain forward-looking statements (rather than being based on historical or current facts) and as such, are not able to be verified.

All forward-looking statements are based on the current views of the Company's management as well as reasonable assumptions made by, and information currently available to the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid. If assumptions are invalid this is likely to have an impact on the accuracy of the statement itself.

All data presented in this document reflects the current views of the Company with respect to future events. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Forward looking statements are also subject to external matters outside the control of the Company.

To the maximum extent permitted by law, the Company, its officers, employees and agents do not assume any obligation to release any updates or revisions to the information (including any forward looking statements) in this presentation to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this presentation or its content.

Ava Risk Group Limited

ACN 064 089 318

and controlled entities

Appendix 4E

Preliminary Final Report

For the year ended 30 June 2020

Lodged with the ASX under Listing Rule 4.3A

AVA RISK GROUP LIMITED REGISTERED OFFICE
10 Hartnett Close, Mulgrave, VIC 3170 Australia
TEL: + 613 9590-3100 Fax: + 613 9560-8000
www.theavagroup.com

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Name of Entity: Ava Risk Group Limited (“Company”, “Ava Group”)

Details of the reporting period

Current Period: 1 July 2019 – 30 June 2020

Previous Corresponding Period: 1 July 2018 – 30 June 2019

Results for announcement to the market

	Up / down	% movement	Amount of change $’000	2020 30-Jun $’000	2019 30-Jun $’000
Revenues from ordinary activities	up	46%	14,529	46,131	31,602
Profit/(Loss) from ordinary activities after tax attributable to members	up	205%	9,662	4,942	(4,720)
Profit/(Loss) for the period attributable to members	up	205%	9,662	4,942	(4,720)
EBITDA* profit/(loss) for the period attributable to members	up	360%	10,290	7,429	(2,861)

*** Earnings before interest, tax, depreciation and amortisation**

Dividends and distributions

Current Period:

No final or interim dividend has been declared or paid.

Previous Corresponding Period:

No final or interim dividend was declared or paid.

Details of dividends/distribution reinvestment plan

The Company does not have a dividend reinvestment plan.

Net tangible assets per security

	Current Period	Previous Corresponding Period
Net asset backing per share	10.8 cents	8.6 cents
Net tangible asset backing per share	5.4 cents	3.2 cents

Control gained or lost over entities during the period

There were no changes in control over entities during the period

(2019: In November 2018, the Company acquired the remaining shares in MaxSec Group Limited (now MaxSec Group Pty Limited) through a compulsory acquisition taking total ownership to 100%, for a consideration of $1.240 million.)

Details of associates and joint venture entities

The Company did not have any associated entities or joint ventures during the year (2019: None).

Other significant information

Refer to Commentary on Results below for details on other significant matters and information regarding the Consolidated Entity.

Commentary on significant features of operating performance

The net result for the Consolidated Entity attributable to shareholders for the year ended 30 June 2020 is a profit of $4.942 million (2019: loss of $4.720 million).

Revenue

Total revenue and other income for the year was $46.640 million (2019: $31.686 million). Refer to Commentary on Results for further explanation of the primary causes of the increase.

Commentary on Results

Review and Results of Operations

Operating and Financial Review

Highlights

- Revenue from ordinary activities of $46.131 million for the twelve months to 30 June 2020 a 46% increase on FY2019 ($31.602 million).

- Gross margin of 48% (FY2019: 43%) as a result of higher contribution to Group sales from lower margin Services Division sales more than offset by improved margins in the Technology Division driven by full margin Indian MoD licence fee income.

- Operating expenses excluding depreciation and amortisation of $15.213 million (FY2019 $16.601 million) due to:
  - A reduction in advertising & marketing costs compared to the prior year
  - Foreign exchange impact of a weaker USD on revenues and certain foreign based expenditure
  - A reduction in travel and entertainment costs as a result of COVID19 related travel restrictions
  - A reduction in facilities and office costs through business operations restructuring which resulted in office closures, and the impact of AASB16 new accounting standard changes on the classification of office lease expenditure

- Net profit from ordinary activities of $4.942 million, a 205% improvement on FY2019 loss of $4.729 million.

- Positive earnings before interest, taxes, depreciation and amortisation (EBITDA) of $7.429 million - a 360% improvement on FY2019 EBITDA loss of $2.861 million.

- Net assets of $25.415 million (FY2019 $20.244 million) due to working capital changes and operating profits.

Financial Results

Financially, FY2020 was a transformative year for the business, with continued rapid revenue growth, and a focus on cost containment and efficient use of resources, the business has now broken ground to produce EBITDA profits and significant net profit, following years of losses. We are well placed for further growth and profit improvement in FY2021, despite the economic challenges that the coronavirus pandemic presents.

Total sales revenue for the 2020 financial year grew a pleasing 46% to a record $46.131 million, continuing the company's strong year on year revenue growth despite the uncertain global economic climate. EBITDA from operations improved from a loss of $2.861 million to a profit $7.429 million. The business kept a close focus on managing its operating costs which were down 9% compared to the prior year. Net profit after tax (NPAT) experienced a significant turnaround to a profit of $4.942 million in FY2020, from a loss of $4.729 million in FY2019, due to the revenue and gross margin growth and operating costs reductions. Our total cash balance also increased from $3.082 million at the start of the year to $7.703 million by year end.

Operating Review

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

- Growth of existing client revenues in our international logistics business unit
- Signing of several new clients to our international logistics business unit
- The commencement of deliveries for the Indian MoD Project, contributing $4.781 million in revenue during the financial year
- A number of orders relating to the protection of perimeters at high security government and commercial sites across the United States, Middle East, and Europe
- Growing sales of our range of BQT access control and locking products, underpinned by a recent $3.4 million order from the Australian Department of Defence

In FY2020, our engineering and product development teams remained focused on performance upgrades for our range of highly reliable intrusion detection and access control products. Customer deployments and competitive tests have proven our superior competitive position, while our security solutions continued to gain international interest.

Our unique Aura IQ conveyor belt condition monitoring solution is gaining commercial interest. During the year we conducted a number of Proof of Value (POV) trials for mining houses and bulk material handling facilities around the globe. Many more are now underway and with this solution opening a new $300+ million addressable market for the Company we anticipate continued success and sales interest in this new and exciting solution in FY2021.

Our Services Division continues to build a market leading position in the international valuables logistics sector and is already a trusted partner of a number of major companies in the precious metals and wholesale banknote markets. The division performed particularly well during the final quarter of the financial year, able to buck the broader economic trends, to significant grow its revenues compare to the same time last year. With industry consolidation occurring, the business is well placed to benefit from customers that need to or want to diversify their international logistics supply chain risk.

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

Outlook

At Ava Group, we are confident and optimistic about the future. We believe our strategy, combined with our people, performance and portfolio of world leading products and solutions will keep the Company strong for many years to come. Ava Group is well on track for continued substantial growth in FY2021 and will be focused upon:

- Continuing to grow our share of spending from our existing logistics customers and continuing to win business in this market from new clients
- Continuing to build and convert a material sales pipeline for our technology products, through ever improving focus and practices for new business development activity
- Successful completion of several major 'proof of value' validation trials already underway for our Aura IQ conveyer health monitoring solution
- Continued product and service innovation, with a focus on after-market support of our installed products and solutions, as well as migrating or upgrading our existing installed base of customers to the latest released versions of our market leading technologies
- Managing our operational cost base, growing economies of scale from our operating capability, and optimising our asset utilisation

Whilst the Group has not seen a significant impact on our business to date as a result of the COVID-19 outbreak which was declared a pandemic by the World Health Organization in March 2020, the outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain. As at the date of this report however they are not having a material impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

On 09 July 2020 Scott Basham provided the Company notice of his intention to step down as CEO and Executive Director of the Company. Rob Broomfield has been appointed to the role of Group Chief Executive Officer effective from Scott's resignation.

The Company will also continue to consider acquisition targets that support and drive future growth.
Other than the matters noted above there has been no matter or circumstance, which has arisen subsequent to 30 June 2020 that has significantly affected or may significantly affect the operations of the consolidated entity, or the results of those operations, or the state of affairs of the consolidated entity.

Rob Broomfield
Chief Executive Officer
31 August 2020

Compliance Statement

Audit/review of accounts upon which this report is based

This report is based on accounts to which one of the following applies (tick one):

☒	The accounts have been audited (refer attached financial statements).	☐	The accounts have been subject to review (refer to attached financial statements)
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not been audited or reviewed.

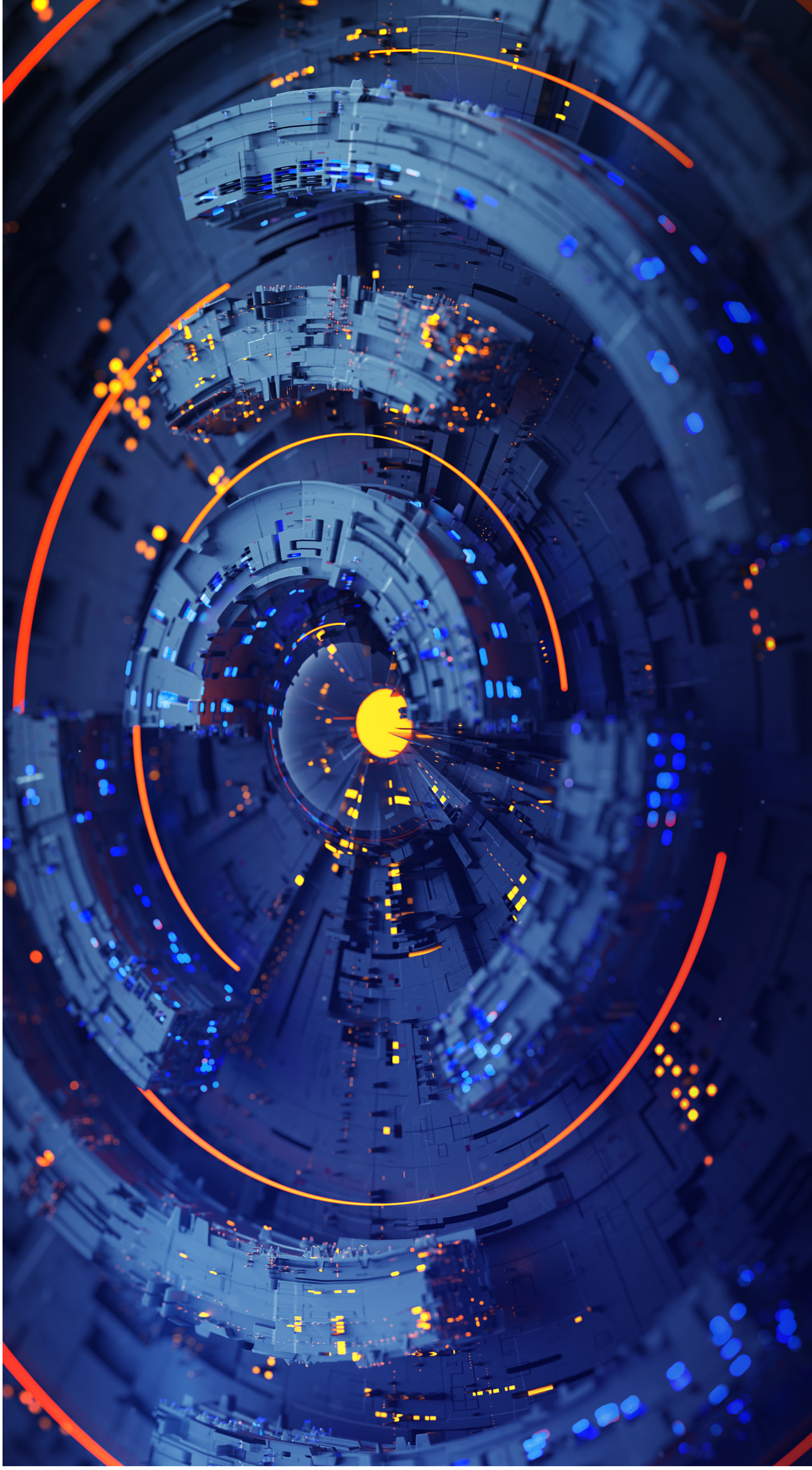
The financial report contains an independent audit report which is unmodified with a Material Uncertainty related to Going Concern.

Signature

Date 31 August 2020
Name Leigh Davis
Position Company Secretary

2020:

Annual Report



AVA GROUP
SECURITY RISK MANAGEMENT

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

Leigh Davis, Kim Clark

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

10 Hartnett Close, Mulgrave, Victoria 3170, Australia

Telephone: +61 3 9590 3100

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SHARE REGISTRY

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

Telephone (within Australia): 1300 737 760

Telephone (outside Australia): +61 2 9290 9600

Facsimile: +61 2 9279 0664

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 31 August 2020.

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Chairman's Report

Dear Fellow Shareholders,

For Ava Risk Group Limited (Ava Group), FY2020 has been one of focus and transformation.

From right sizing and streamlining operations, to delivering profitable growth and positive cash flow - an unrelenting focus on enhancement and improvement during the last financial year has transformed our business, opened new market opportunities and delivered record revenues and profitability.

FY2020 | Highlights

Despite the global challenges that have come with COVID-19, Ava Group's achievements during FY2020 have underpinned a positive financial result and delivered a platform for continued growth and expansion.

Key highlights for the financial year include:

- Record revenues combined with cost management initiatives to deliver EBITDA and net profits
- Continued expansion of the Services Division (Ava Global) through existing and new clients, and expanded service offering
- Commencement of deliveries for the Indian Ministry of Defence (IMoD) Network Security Project - contributing $4.8 million in revenue
- Multiple orders for perimeter protection technology (FFT) at high security government and commercial sites across the United States, Middle East and Europe
- Strong commercial interest in our new conveyor health monitoring solution (Aura IQ) with multiple Proof of Value trials underway, and
- Growing sales of access control and locking products (BQT), underpinned by $3.4 million of orders from the Australian Department of Defence.

Ava Group's engineering and development teams have also remained focussed on performance upgrades of our intrusion detection and access control solutions - with customer deployments and competitive testing continuing to demonstrate a superior competitive position.

Strong Financial Performance

Ava Group's total revenue for the 2020 financial year increased by 46% to a record $46.1 million, continuing the Company's strong year on year revenue performance despite the uncertain global economic climate. EBITDA from operations improved from a loss of $2.9 million to a profit $7.4 million.

The Company remains focussed on managing operating costs which were down 9% compared to the prior year. Due to revenue and gross margin growth, combined with operating cost reductions, net profit after tax (NPAT) showed a significant turnaround - from a $4.7 million loss in FY2019 to a profit of $4.9 million in FY2020.

As at June 2020, Ava Group's total cash balance was $7.703 million - up from $3.082 million at the beginning of the financial year.

COVID-19 | Challenges and Opportunities

Managing the impacts of COVID-19 and mitigating the challenges and uncertainty that the pandemic continues to create is a key focus of both Board and Management. The health and safety of our staff and customers around the globe remains a paramount priority and we continue to support them to maintain appropriate safety measures based on local conditions.

Despite COVID-19 related global challenges within the air freight sector, the Services Division has successfully maintained and increase its full suite of services to its customer base and continues to perform strongly - increasing its revenue, margin and customer diversification during Q4 FY2020.

In fact, COVID-19 restrictions provided Ava Global with the opportunity to innovate and offer a range of bespoke cargo and charter aircraft solutions to ensure it could continue to deliver currency, precious metals and other valuable goods for its customers.

Recent consolidation within the secure global logistics sector is also creating opportunities for Ava Global to secure new customers and further increase its share of addressable client spend.

The Technology Division has been impacted by some order delays associated with the pandemic. Supply chains have also experienced some delays, while international travel for commissioning systems and attending to maintenance services remains a challenge. Some of our major system integrator customers have also had their programs to deploy at end user sites delayed.

While we have seen some improvement to these challenges, we continue to monitor this rapidly changing situation and adapt our operating strategy appropriately. Pleasingly, during these uncertain times, we expect that the IMoD project will continue to deliver strong revenue and profit growth in FY2021.

Chairman's Report
Continued

Board and Management

While Ava Group's Board and Management have been navigating the challenges of COVID-19, we have also remained focussed on improving and optimising the business to ensure that the right skills and expertise are in place to support our strategic ambitions. To that end, the Board worked closely with the Senior Management Team to agree a change of management within the Technology Division.

In July, Ava Group announced that Technology Division Chief Operating Officer Rob Broomfield would replace Scott Basham, following his resignation as Group CEO. I would like to take the opportunity to thank Scott for his contribution to implementing our transformation strategy and wish him well in his future endeavours.

Following the appointment of Mike McGeever as Chairman of Ava Group's international valuables and logistics subsidiary, the addition of Grant Angwin to the Ava Global management team has further expanded the depth of skills and experience within the Services Division - especially in the precious metals sector.

Under the helm of Services Division CEO Chris Fergus and reporting directly to the Ava Group Board, the Services Division is being led by three of the most experienced people in the industry today.

Governance

The Board remains committed to conducting business in accordance with high governance standards as we focus on ensuring Ava Group has a contemporary approach to corporate business and ethics. During the year we introduced a Corporate Whistleblower Policy and an updated Anti-Bribery and Corruption Policy aimed at continuing to ensure we maintain the highest ethical standards in all that we do. While our policies and practices are consistent in all substantial aspects with good corporate governance practice in Australia, we will continue to review areas for refinement and improvement in the coming year.

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

I am confident that Ava Group's strategy, people, performance and portfolio of world leading products and solutions provides a solid platform for further success in FY2021 and beyond.

David L Cronin
Chairman

"DESPITE THE GLOBAL CHALLENGES THAT HAVE COME WITH COVID-19, AVA GROUP'S ACHIEVEMENTS DURING FY2020 HAVE UNDERPINNED A POSITIVE FINANCIAL RESULT AND DELIVERED A PLATFORM FOR CONTINUED GROWTH AND EXPANSION."

REVENUE UP
46%

OPERATING COSTS
9%

NPAT
$4.9 million

CASH BALANCE
$7.7 million

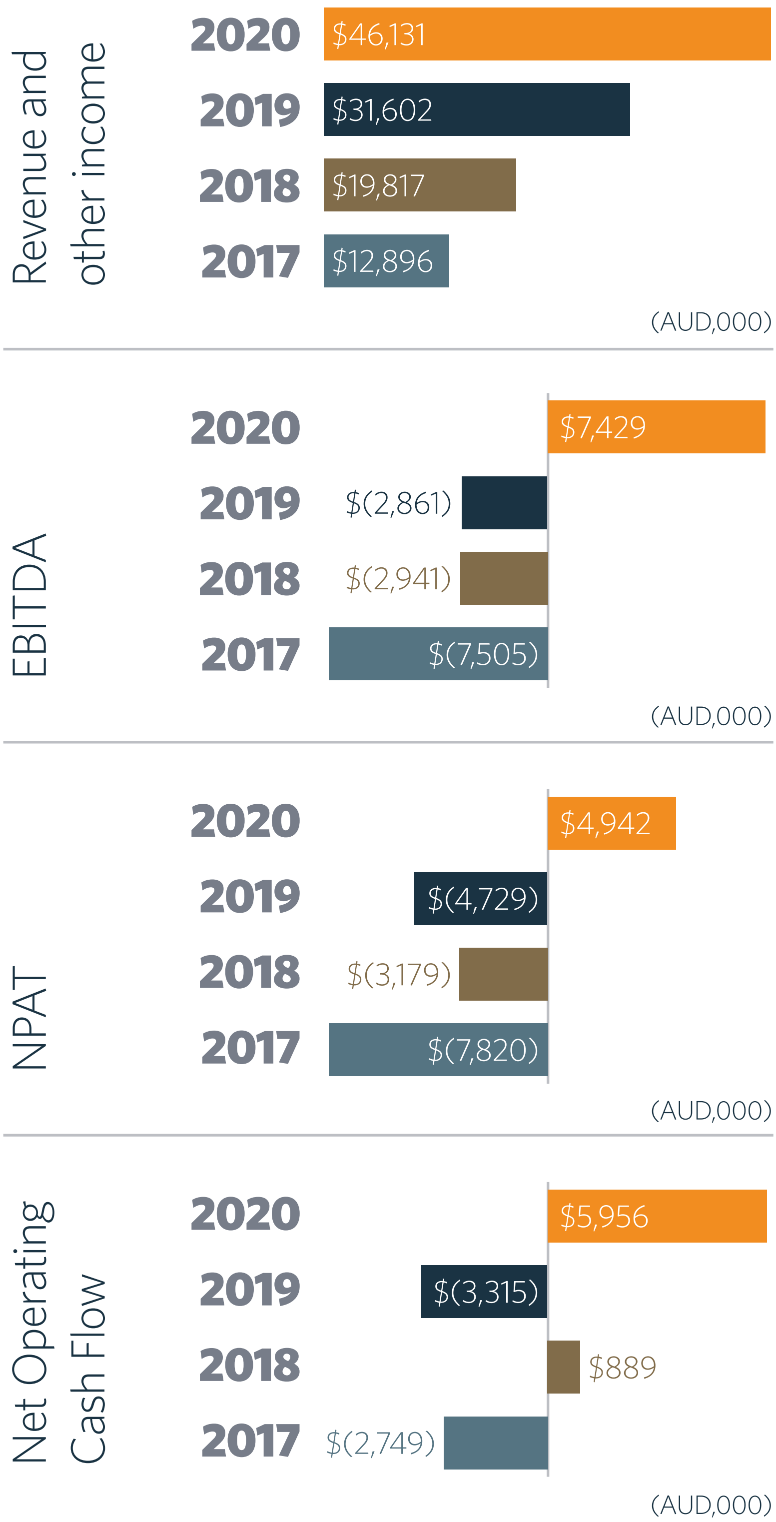
Ava Group's Aura IQ conveyor monitoring technology has been recognised as a finalist in two categories of the 2020 Queensland Mining Awards – **Best New Product Launch Award** and **Collaboration Award** in conjunction with Mining3.

FINANCIAL REVIEW FAST 100 2020 IN COOPERATION WITH statista

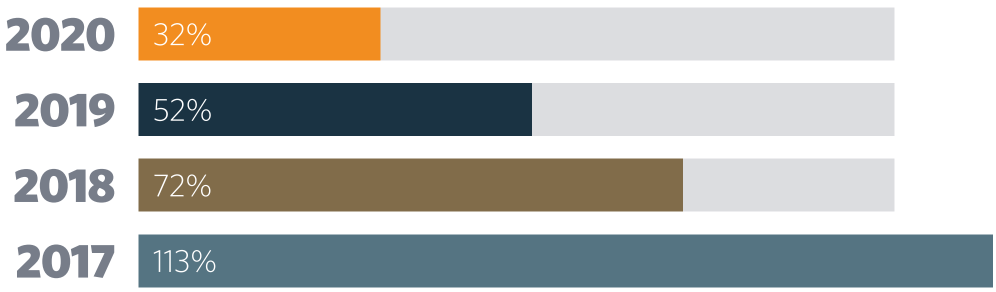
FT FINANCIAL TIMES High-Growth Companies Asia-Pacific 2020 statista

BOWEN BASIN MINING CLUB PRESENTS QUEENSLAND MINING AWARDS 2020 FINALIST

Financial Highlights

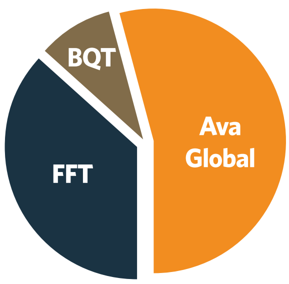


Operating Expenses as a % of Sales Revenue

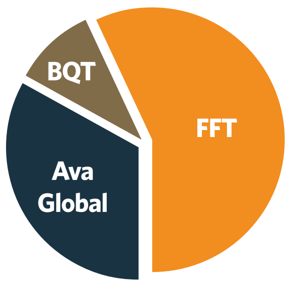


Cash as at 30 June

2020 Revenue by Segment



2020 EBITDA by Segment



About Ava Group

Ava Risk Group Limited (Ava) is a market leader of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government customers in the world.

Operating across two divisions, Ava Group brings together three highly compatible security related entities (Future Fibre Technologies, BQT Solutions and Ava Global Logistics), each with world leading technology, services and exceptional people.

Technology Division

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

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.

Services Division

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

Focus on Cyber Security

"Ava Group welcomes the release of the Cyber Security Strategy 2020 which outlines Australia's approach to protecting Australians from growing cyber threats. An effective Cyber Security Strategy can only be implemented through strong partnerships that drive cyber resilience. Having shared our insights and experience with Government in relation to data network infrastructure protection, with our SecureLink systems being rolled out globally to protect more than 40,000 kms of sensitive data networks, we look forward to working together to create a world leading cyber security infrastructure for Australia."

Mark Stevens
Non-Executive Director

Through decades of innovation, Ava Group continues to build on its comprehensive portfolio of premium security services and technologies for the most complex and demanding markets.

TECHNOLOGY DIVISION

SERVICES DIVISION

Locations

With an experienced team spread across six continents, Ava Group provides market and industry expertise directly to its customers. With its technology protecting thousands of sites, Ava Group is proven to deliver first class risk solutions that surpass the expectations of its customers, end users and partners.

Technology Division

Ava Group's perimeter technology (FFT) and access control solutions (BQT) continue to gain international recognition as the security solutions of choice for industries and governments worldwide.

FY2020 Highlights | FFT

"The realisation of a number of years of focussed effort to secure and start the delivery of the Indian Ministry of Defence contract was a FY2020 highlight for many reasons. Not only is the project a milestone for FFT in terms of scale, but also marks a new capability for the fulfilment and licencing of our intrusion detection technology. The ability to deploy our solutions in a more innovative and appropriate way on large infrastructure deals such as this create new opportunities for FFT on a global basis and expands our "Go to Market" options for major projects in the future. It also demonstrates that FFT's range of fibre optic technologies are sufficiently mature that we are able to transfer manufacturing to partners under licence for significant international installations, whilst ensuring the company's IP is fully protected. While the Aura platform remains central to FFT's perimeter intrusion detection solution set, the platform's capabilities continue to create opportunities in adjacent markets and technology partnerships. Aura IQ is a great example of this - having worked with Mining3 to develop a conveyor health monitoring solution for the mining sector. We have also received interest from other fibre optic technology companies to OEM the Aura platform. The continuous improvement of our software (FOSS) and how we harness the potential of machine learning remains a key focus for our development team. FFT's extensive and growing library of fibre optic sensing events means that we have the capability to be able to continue to use this in conjunction with machine learning to reduce nuisance alarms and further differentiate our perimeter intrusion detection technology from other solutions on the market."

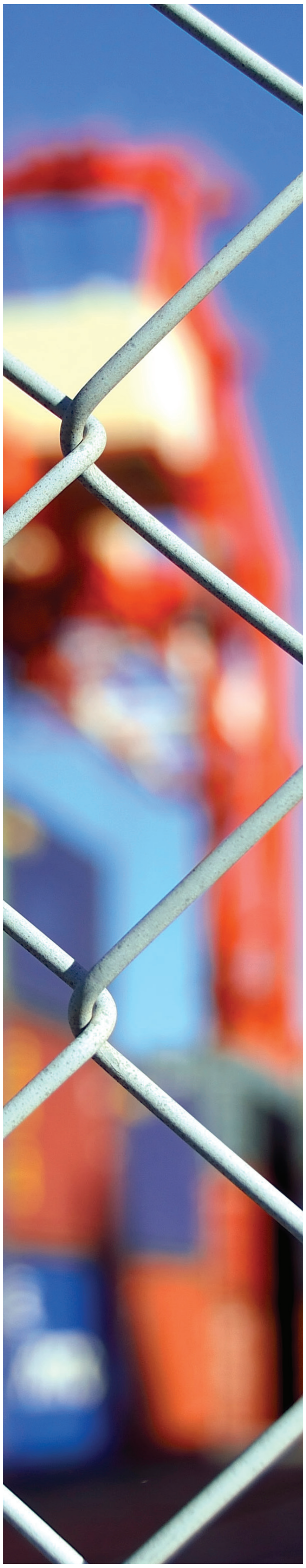
Robert Broomfield
Group Chief Executive Officer

Snapshot | Indian MOD Contract | Value US$11.9M+ (A$16.5M+)

- Large scale supply of FFT's SecureLink technology to protect more than 40,000kms of data communications cables for the Indian Ministry of Defence.
- FFT licenced technology to in-country manufacturing partner SFO Technologies Private Limited (SFO).
- Total contract value estimated at US$11.9M (A$16.5M).
- Revenues received as at 30 June 2020 total A$4.8M
- Balance of the project expected to be recognised in FY2021 (circa A$11.7M).
- Additional revenue from a subsequent seven year spares and maintenance contract with an estimated value of a further US$3.4M (A$4.7M).
- Contract establishes FFT technology in growing cyber security market.
- Fulfilment and licencing model offers low working capital, low risk and high margin GTM approach.

FOSS 5.0 | Machine Learning

Throughout the COVID-19 pandemic, FFT's software development team has continued to maintain output of significant enhancements. This has resulted in the release of FOSS 5.0, the software platform that will be integrated with machine learning and innovative data capture tools to continuously improve event classification and reduce nuisance alarms. With access to a growing library of labelled fibre optic sensing events, FOSS variants will be able to be continuously retrained to recognise new events as they are identified by FFT systems installed globally. Upgrades of classification capabilities are a planned extension available to FFT customers as part of an expanding range of comprehensive maintenance offerings, which include cyber assurance testing applied to all FFT software releases.



Technology Division
Continued

Aura IQ Update | Conveyor Health Monitoring

In a recent Proof of Value (POV) Trial with a large multinational group, Aura IQ was used to monitor a 1.7km conveyor located in an underground coal mine in Queensland. The cost of personnel to check and maintain the conveyor, plus unscheduled stoppages was significant. Once installed, Aura IQ substantially reduced planned and unplanned maintenance, along with man hours for monitoring and maintaining the conveyor. The life-time of rollers was also prolonged and reduced conveyor downtime resulted in increased utilisation and revenue. In terms of business outcomes, the estimated financial benefits/costs savings per year were estimated to be A$37.1 million per annum, with utilisation time up by 5%*. Intangible outcomes included enhanced occupational health, hygiene and safety risk management, remote monitoring and alerts, removal of subjective assessment of roller condition, possible monitoring of additional elements of the drive units and future productivity enhancements through data analytics. These types of outcomes are indicative of how Aura IQ can increase productivity, maintenance efficiency and cost savings. Since its launch, interest in Aura IQ has been significant with a diverse portfolio of rollout opportunities spread across six regions, 21 countries and five industry sectors - totalling over $50+ million in potential total contract value.

*Based on forecasted benefits from Production and Maintenance Cost Analysis.

Three POV Trials successfully completed
Europe / Asia

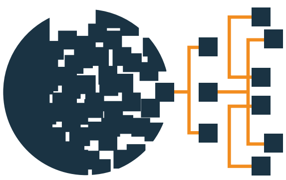
Six POV Trials underway
Africa / Asia / Oceania / LATAM

In a recent POV Trial for a major mining company with 10 sites, **Aura IQ** identified a specific conveyor linestand issue that traditional conveyor monitoring techniques would have been unable to detect. Final POV Trial Technical Report indicated overall **success criteria of 93.3%**, exceeding expectations.

FFT HAS MORE THAN 2,500 SYSTEMS PROTECTING TRANSPORT, GOVERNMENT, MILITARY, MINING, OIL & GAS, AND UTILITY ASSETS ACROSS 69 COUNTRIES.

$1B+
ADDRESSABLE MARKET

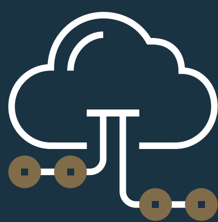
65-80%
GROSS MARGIN



2,500+
FFT
SYSTEMS DEPLOYED

PRODUCTS & SERVICES MODEL

FFT's Aura platform is being used by technology partners for new applications such as to monitor power cables under the streets in major cities and across rivers. Most power cables have a fibre optic cable integrated into their construction to allow monitoring of temperature. This fibre can also be used to monitor for disturbances near the cable such as manhole covers in cities and boat activities around submarine cable.



Technology Division
Continued

FY2020 Highlights | BQT

"BQT's FY2020 focus has been the consolidation of production activities and streamlining of operations in our Auckland facility. Right-sizing the BQT business has not only improved the bottom line, but allowed us to better support our customers by bringing management and operations together under one roof. Securing $3.4 million of orders from the Department of Defence was a highlight and key milestone - demonstrating the Australian Government's ongoing commitment to BQT's high security reader solutions. BQT enjoys a long-term working relationship with government departments in Australia and we look forward to that continuing. To support the delivery of large-scale contracts, BQT is now actively employing engineering, sales and support staff. As we consolidate BQT's distribution network in partnership with some of the largest players in the locking market, we anticipate our current supply agreements with both ASSA ABLOY and dormakaba will deliver a significant uptick in sales and extend our reach into new territories and markets."

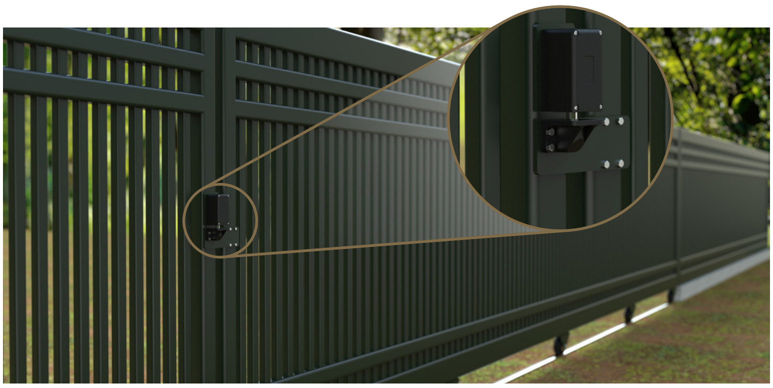
Matthew Nye-Hingston
Head of BQT Technology & Director BQT Operations

BQT secures $3.4M Department of Defence Contracts

In May, Ava Group announced that an order had been received from Australia's Department of Defence for its high-security, custom encrypted, access control technology. Recent contracts will see more than 12,000 BQT readers deployed nationally across defence facilities and bases. With the first systems despatched in May, the balance is expected to be fulfilled by the end of H1 FY2021. BQT has long been the provider of choice for advanced mission-critical technology solutions to protect vital national infrastructure and as such has enjoyed a long-term relationship with major government agencies both in Australia and around the world. This new contract also demonstrates the suitability of BQT's access control solutions for large scale programs that require close working relationships between the manufacturer, installer and end user.

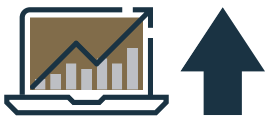
Teaming up with ASSA ABLOY and dormakaba

In addition to a distribution agreement with dormakaba Canada to supply the YG80 ORCA lock into the North American market, ASSA ABLOY Germany is now a direct customer of BQT's locking products. The new supply agreement with the locking industry leader will cover European countries and anticipate extending the relationship to extend to the emerging Indian and other markets. Prior to the impact of the COVID-19 pandemic, BQT Q3 FY2020 sales to ASSA ABLOY increased by more than 270% compared to the same period last year. BQT also continues to expand its relationship with dormakaba - both in terms of product range and distribution reach - with a view to securing a global distribution agreement during FY2021.



The YG80 ORCA lock is the most advanced BQT roller door and gate lock developed to date and succeeds the YG10 - winner ISC West's 2018 SIA New Product Showcase Award.

45-60%
GROSS MARGIN



$600M+
ADDRESSABLE MARKET

CUSTOM & OFF THE SHELF PRODUCTS

BQT has tens of thousands of highend access control card readers, biometric terminals, electro-mechanical locks and related security devices installed at over 3,500 sites worldwide.

3,500+
SITES

High security BQT readers are being deployed at one of New Zealand's largest prisons. Waikeria Prison is located on a 1,200-hectare site near Te Awamutu in the Waikato. Delivered through System Integrator Honeywell Fire & Security, the contract marks the first project win for BQT in New Zealand and creates further opportunities for the roll-out of its access control systems in correctional facilities across the country.

Services Division

Ava Group's Services Division (Ava Global) continues to expand its presence in the secure international logistics sector for the transport of banknotes and precious metals across the globe on a fully insured door-to-door basis.

"We are delighted with the trajectory of Ava Global's business performance since its inception in 2016. FY2020 was in many ways a transformational year with particularly strong Q4 FY2020 growth in the Americas, Europe and Africa - despite the logistical challenges posed by the COVID-19 pandemic. Having established good momentum, further investment in our business development capabilities in key client sectors and in the Asia region will enable us to further leverage Ava Global's strong and scalable operational capability and growing reputation."

Chris Fergus
Chief Executive Officer – Ava Global

Ava Global | Snapshot

Global Footprint

24 hour sales and operational coverage from offices around the globe

Expertise: +150 years

of industry expertise across the leadership team

Blue chip clients

Major mining, banking, refining and wholesale currency referencesertise across the leadership team

Partnership model

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

Risk management

Comprehensive insurance and **in-house risk management team**

Technology

Bespoke operating system for **secure logistics**

Global storage

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

Ava Global Logistics | Key Sectors

FINANCIAL INSTITUTIONS

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

REFINERIES

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

MINING

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

BULLION TRADERS

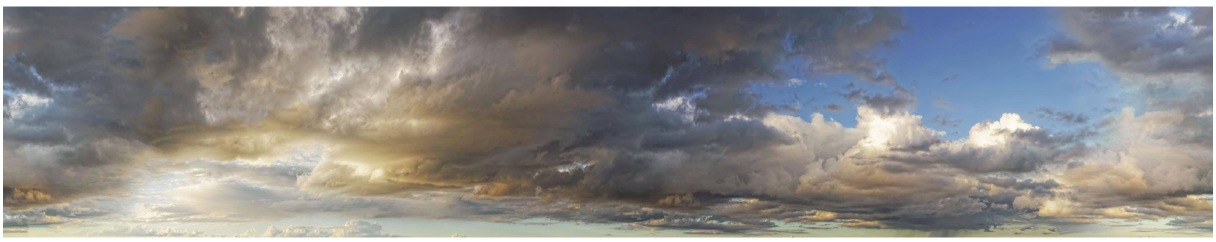
Secure transport from refineries or a secure storage location to central banks, investment banks, investment banks or jewellery manufacturers.

GOVERNMENT & CENTRAL BANKS

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

CONSULTING

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



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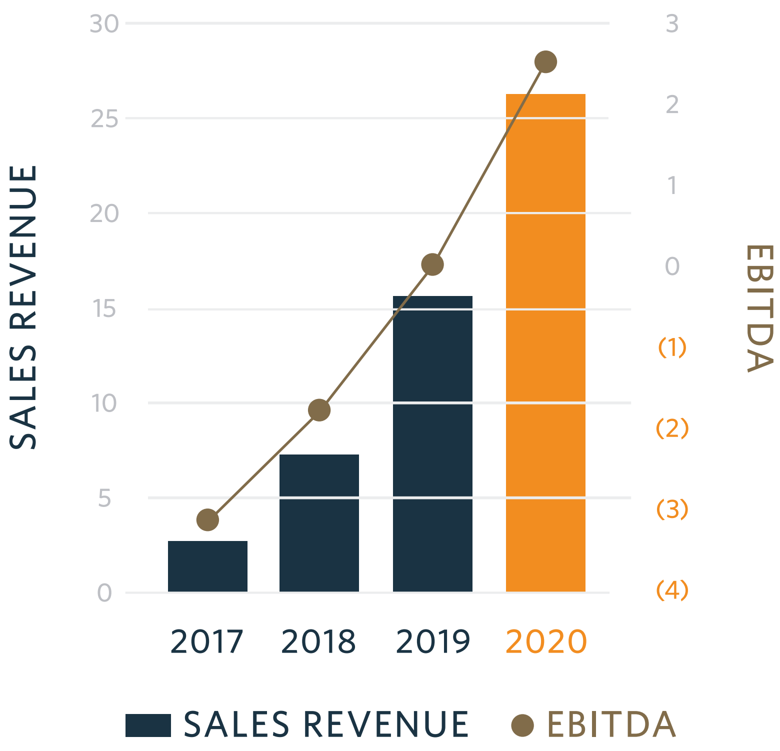
Services Division
Continued

Strong Performance During Challenging Times

Despite the reduction in airfreight capacity around the world due to COVID-19, Ava Global's Q4 FY2020 revenues totalled $9.7 million - up $3.5 million on the previous quarter, while full year FY2020 revenues were up by $9.2 million over the prior corresponding period. FY2020 gross margins also improved by 6% to 27% compared with FY2019. EBITDA improved by $2.5 million to $2.4 million.

Revenue and EBITDA 2017 to 2020



Market Consolidation Creates New Opportunities

With major buyers of secure logistics services estimated to spend more than $1 billion per annum, the recent consolidation of service providers is expected to create opportunities for Ava Global to secure new customers and further increase its share of addressable client spend. In May, Ava Global announced that its Services Division had been awarded a 12-month contract with a Central Bank for the secure transportation of banknotes which will generate estimated annual revenue of $2.1 million. Additional service agreements were also executed with three Commercial Banks and another Central Bank. These new agreements helped increase Ava Global's total addressable client spend to more than $145 million. Growth in FY2021 is expected to come from a combination of the annualised impact of recent customer wins and the anticipated growth of Ava Global's pipeline and new opportunities.

"ON FEBRUARY 26, **BRINKS** ANNOUNCED THE PLANNED ACQUISITION OF **G4S** CASH OPERATIONS IN **17 MARKETS,** WITH CLOSINGS PLANNED IN MULTIPLE PHASES THROUGHOUT 2020. BASED ON FAVOURABLE CURRENCY TRANSLATION AND OTHER POSITIVE ADJUSTMENTS, THE COMPANY EXPECTS TO PAY APPROXIMATELY **$835 MILLION** FOR THE ENTIRE TRANSACTION, INCLUDING APPROXIMATELY **$420 MILLION** TO COMPLETE THE REMAINING TRANSACTIONS IN **13 MARKETS."**

Services Division
Continued

Experienced Directors Join Ava Global Board

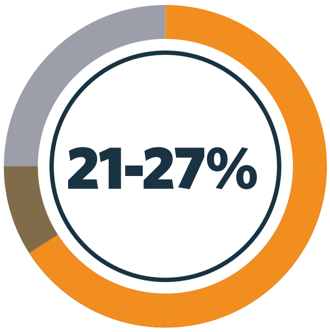
Following the appointment of Mike McGeever as Non-Executive Chairman of Ava Global in July 2019, Ava Group announced that Grant Angwin would join its Services Division Board as Non-Executive Director and Senior Precious Metals Advisor. Both Mike and Grant have contributed extensive industry expertise and client knowledge to Ava Global over the past year and helped propel the Division's performance. Mike's record of having grown UAE based Transguard Group into one of the largest Security and Cash Management businesses in the region ensured that opportunities from his extensive network would enhance Ava Global's growing pipeline of opportunities. Prior to joining the Ava Global Board, Grant was President of Asahi Refining NA, the world's largest gold and silver refiner and worked for Johnson Matthey holding various senior management positions before leading its sale to Asahi Refining. Grant is also the former Chairman of the London Bullion Market Association (LBMA) and sits on the ICE Benchmark PMOC for the LBMA Gold and Silver prices.

> *"Given Ava Global's existing footprint and capability in the precious metals sector, Grant's Angwin's appointment and extensive global network and experience will add significant support to our strategic ambitions in this key market sector."*

Mike McGeever
Chairman – Ava Global

$1B+

ADDRESSABLE MARKET



IMPROVING GROSS MARGIN WITH FURTHER ECONOMIES OF SCALE OPPORTUNITIES

PARTNERS IN

100+

COUNTRIES

RECURRING SERVICES MODEL

NEW FY2020 CLIENTS INCLUDED CENTRAL BANKS, MINING COMPANIES, PRECIOUS METAL REFINERS AND COMMERCIAL BANKS

Financial Statements

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01: Directors' Report

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 2020 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 2019 to the date of this report is provided below with details of the company secretary 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 24 years professional experience and 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.

Name, qualifications, and independence status	Experience, special responsibilities and other directorships
David Cronin (continued)	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.
Scott Basham Group Chief Executive Officer Executive Director Appointed 12 March 2019 Resigned 09 Jul 2020	Scott Basham is an experienced security industry specialist. As a proven sales and business development executive, in addition to overseeing Ava Risk Group global strategy and operations, Mr Basham, also leads the global technology sales and marketing teams. Scott is an internationally experienced corporate executive who has a wealth of knowledge and experience of the security industry, gained from 20 years of involvement on major project teams for global technology organisations, working with manufacturing facilities worldwide. Scott`s expertise encompasses leadership and general management of multiple ANZ business units, strategic sales and business development, international marketing and communications throughout Asia and the Pacific, as well as commercial, operational and program management.
Robert Broomfield Chief Operating Officer (COO) – Technology (12 February 2018 – 09 July 2020) Group Chief Executive Officer (Appointed 10 July 2020) Executive Director Appointed 27 February 2008	Robert is an experienced business executive with more than 25 years of management experience including the past 20 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

Leigh Davis CPA, B. Bus, MBA, GAICD

Appointed 20 February 2015

Leigh is a CPA 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.

Kim Clark

Appointed 20 January 2017

Kim is an experienced business professional with 23 years' experience in the banking and finance industries and 6 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.

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	15	15	6	6	3	3
M Stevens	15	15	6	6	3	3
M McGeever	15	15	6	6	3	3
S Basham	15	15	-	-	-	-
R Broomfield	15	14	-	-	-	-

Committee membership

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

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

Gender Diversity Policy

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

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

There has been a 5% increase in the number of positions held by women across the business year on year, with the level of representation of women across the business now at 24%. 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, both direct and indirect, are as detailed below:

	Number of ordinary shares	Number of performance rights	Number of options over ordinary shares
D Cronin	32,463,070	200,000	-
M Stevens	1,018,396	200,000	-
M McGeever	5,805,000	200,000	-
R Broomfield	3,107,359	212,842	-

Principal Activities

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

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

Operating and Financial Review

Operating Results for the Year

The consolidated profit after income tax attributable to the members of Ava Risk Group is $4.942 million (2019: loss of $4.720 million).

Operating and Financial Review

Highlights

- Revenue from ordinary activities of $46.131 million for the twelve months to 30 June 2020 a 46% increase on FY2019 ($31.602 million).
- Gross margin of 48% (FY2019: 43%) as a result of higher contribution to Group sales from lower margin Services Division sales more than offset by improved margins in the Technology Division driven by full margin IMoD licence fee income.
- Operating expenses excluding depreciation and amortisation of $15.213 million (FY2019 $16.601 million) due to:
  - A reduction in advertising & marketing costs compared to the prior year
  - Foreign exchange impact of a weaker USD on revenues and certain foreign based expenditure
  - A reduction in travel and entertainment costs as a result of COVID19 related travel restrictions
  - A reduction in facilities and office costs through business operations restructuring which resulted in office closures, and the impact of AASB16 new accounting standard changes on the classification of office lease expenditure
- Net profit from ordinary activities of $4.942 million, a 205% improvement on FY2019 loss of $4.729 million.
- Positive earnings before interest, taxes, depreciation and amortisation (EBITDA) of $7.429 million - a 360% improvement on FY2019 EBITDA loss of $2.861 million.
- Net assets of $25.415 million (FY2019 $20.244 million) due to working capital changes and operating profits.

Financial Results

Financially, FY2020 was a transformative year for the business, with continued rapid revenue growth, and a focus on cost containment and efficient use of resources, the business has now broken ground to produce EBITDA profits and significant net profit, following years of losses. We are well placed for further growth and profit improvement in FY2021, despite the economic challenges that the coronavirus pandemic presents.

Total sales revenue for the 2020 financial year grew a pleasing 46% to a record $46.131 million, continuing the company's strong year on year revenue growth despite the uncertain global economic climate. EBITDA from operations improved from a loss of $2.861 million to a profit $7.429 million. The business kept a close focus on managing its operating costs which were down 9% compared to the prior year. Net profit after tax (NPAT) experienced a significant turnaround to a profit of $4.942 million in FY2020, from a loss of $4.729 million in FY2019, due to the revenue and gross margin growth and operating costs reductions. Our total cash balance also increased from $3.082 million at the start of the year to $7.703 million by year end.

Operating Review

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

- Growth of existing client revenues in our international logistics business unit
- Signing of several new clients to our international logistics business unit
- The commencement of deliveries for the IMoD Project, contributing $4.781 million in revenue during the financial year
- A number of orders relating to the protection of perimeters at high security government and commercial sites across the United States, Middle East, and Europe
- Growing sales of our range of BQT access control and locking products, underpinned by a recent $3.4 million order from the Australian Department of Defence

In FY2020, our engineering and product development teams remained focussed on performance upgrades for our range of highly reliable intrusion detection and access control products. Customer deployments and competitive tests have proven our superior competitive position, while our security solutions continued to gain international interest.

Our unique Aura IQ conveyor belt condition monitoring solution is gaining commercial interest. During the year we conducted a number of Proof of Value (POV) trials for mining houses and bulk material handling facilities around the globe. Many more are now underway and with this solution opening a new $300+ million addressable market for the Company we anticipate continued success and sales interest in this new and exciting solution in FY2021.

Our Services Division continues to build a market leading position in the international valuables logistics sector and is already a trusted partner of a number of major companies in the precious metals and wholesale banknote markets. The division performed particularly well during the final quarter of the financial year, able to buck the broader economic trends, to significant grow its revenues compare to the same time last year. With industry consolidation occurring, the business is well placed to benefit from customers that need to or want to diversify their international logistics supply chain risk.

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

Outlook

At Ava Group, we are confident and optimistic about the future. We believe our strategy, combined with our people, performance and portfolio of world leading products and solutions will keep the Company strong for many years to come. Ava Group is well on track for continued substantial growth in FY2021 and will be focussed upon:

- Continuing to grow our share of spending from our existing logistics customers and continuing to win business in this market from new clients
- Continuing to build and convert a material sales pipeline for our technology products, through ever improving focus and practices for new business development activity
- Successful completion of several major 'proof of value' validation trials already underway for our Aura IQ conveyor health monitoring solution
- Continued product and service innovation, with a focus on after-market support of our installed products and solutions, as well as migrating or upgrading our existing installed base of customers to the latest released versions of our market leading technologies
- Managing our operational cost base, growing economies of scale from our operating capability, and optimising our asset utilisation

Whilst the Group has seen an impact on our business to date as a result of the COVID-19 outbreak which was declared a pandemic by the World Health Organization in March 2020, the outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain. As at the date of this report however they are not having a material impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

On 09 July 2020 Scott Basham provided the Company notice of his intention to step down as CEO and Executive Director of the Company. Robert Broomfield has been appointed to the role of Group Chief Executive Officer effective from Scott's resignation.

The Company will also continue to consider acquisition targets that support and drive future growth.

Other than the matters noted above there has been no matter or circumstance, which has arisen subsequent to 30 June 2020 that has significantly affected or may significantly affect the operations of the consolidated entity, or the results of those operations, or the state of affairs of the consolidated entity.

Robert Broomfield
Chief Executive Officer
31 August 2020

Significant changes in the state of affairs

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

After balance date events

On 09 July 2020 Scott Basham provided the Company notice of his intention to step down as CEO and Executive Director of the Company. Robert Broomfield has been appointed to the role of Group Chief Executive Officer effective from Scott's resignation.

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

Likely developments

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

Environmental regulation and performance

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

Dividends paid, recommended or declared

No dividends were paid, declared or recommended since the start of the financial year. (2019: Nil).

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. Under the terms of an agreement between the Company and Scott Basham, the Company may issue up to 500,000 share options to Mr. Basham at an exercise price of 15 cents and an expiry date of 31 December 2021, subject to performance conditions being met prior to his final date of employment with the Company of 09 September 2020.

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

Shares under option

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

Date options granted	Number of unissued ordinary shares under option	Exercise price of share options	Expiry date of the options
10-Nov-17	200,000	$0.21	10-Nov-20
29-Nov-17	2,000,000	$0.12	31-Dec-20
14-Mar-18	1,500,000	$0.13	31-Dec-21
14-Mar-18	1,500,000	$0.15	31-Dec-21
14-Mar-18	3,000,000	$0.20	31-Dec-21

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

Shares issued on exercise of options

No ordinary shares of Ava Risk Group were 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 Non-Executive Directors David Cronin, Mark Stevens, and Michael McGeever were each granted 200,000 performance rights at a total fair value of $10,000 per person. The performance rights vest on 01 September 2020 subject to the Company's market traded share price being at least 22 cents on the vesting date.

Scott Basham (Executive Director and CEO - resigned 09 July 2020) was granted 334,957 performance rights at a total fair value of $38,520 as part of remuneration. The performance rights were granted in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to continuity of employment and achievement of agreed performance KPIs.

Robert Broomfield (Executive Director and COO - appointed Group CEO 10 July 2020) was granted 344,379 performance rights at a total fair value of $39,603 as part of remuneration. The performance rights were granted in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to continuity of employment and achievement of agreed performance KPIs

Leigh Davis (CFO) was issued 280,245 performance rights granted at a total fair value of $30,827 as part of remuneration. The performance rights were granted in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to continuity of employment and achievement of agreed performance KPIs.

Matthew Nye-Hingston (Head of BQT Technology & Director BQT Operations) was issued 204,054 performance rights granted at a total fair value of $23,446 as part of remuneration. The performance rights were granted in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to continuity of employment and achievement of agreed performance KPIs.

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

Date performance rights granted	Number of unissued ordinary shares under rights	Exercise price of peformance rights	Expiry date of the performance rights
01-Jul-2018	112,972	$0.00	01-Jul-2021
01-Jul-2018	84,176	$0.00	01-Jul-2021
23-Sep-2019	365,714	$0.00	31-Aug-2021
23-Sep-2019	365,916	$0.00	31-Aug-2022
28-Oct-2019	468,939	$0.00	31-Aug-2021
28-Oct-2019	468,942	$0.00	31-Aug-2022
31-Oct-2019	58,309	$0.00	31-Aug-2021
31-Oct-2019	58,309	$0.00	31-Aug-2022
31-Oct-2019	600,000	$0.00	01-Sept-2020

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

After balance date, on 15 July 2020, Robert Broomfield and Leigh Davis were issued 112,972 and 84,176 ordinary shares in the company as a result of the exercise of performance rights that vested for both employees on 01 July 2020. The performance rights were granted as part of remuneration for FY2019.

Proceedings on behalf of the Consolidated Entity

No person has applied for 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).

02: Remuneration Report (Audited)

The directors present the Consolidated Entity's 2020 remuneration report which details the remuneration information for Ava Risk Group Executive Directors, Non-Executive Directors and other key management personnel.

1. Details of key management personnel (KMP)

(i) Non-Executive Directors

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

(ii) Executive Directors

Scott Basham	Group Chief Executive Officer (CEO), appointed 12 March 2019 and Executive Director - appointed 12 March 2019 and resigned 09 July 2020
Robert Broomfield	Chief Operating Officer – Technology (COO) and Executive Director – appointed 27 February 2008 (appointed to role of Group Chief Executive Officer (CEO) effective from 10 July 2020).

(Iii) Other Key Management Personnel

Leigh Davis	Group Chief Financial Officer (CFO) and Company Secretary
Christopher Fergus	Chief Executive Officer (CEO) – Services Division
James Alston	Chief Operating Officer & Chief Financial Officer – Services Division
Mathew Nye-Hingston	Head of BQT Technology & Director BQT Operations

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

A KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

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 2020 neither the Board nor the committee engaged any external consultants.

Non-Executive Director remuneration arrangements

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

Each NED, excluding the Chairman receives a base fee of $65,000 per annum exclusive of post-retirement benefits for being a director of the Company. The Non-Executive Chairman receives a base fee of $65,000 per annum exclusive of post-retirement benefits for his role as director and Chairman of the Board of Directors. To support the business during economic uncertainty due to the coronavirus pandemic, each NED temporarily reduced their base fee by 20% during the period 01 April 2020 to 30 June 2020.

As part of their remuneration NEDs 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 2020 and 30 June 2019 is detailed in Tables 1 and 2 respectively of this report.

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

Executive remuneration arrangements

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

Fixed Remuneration

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

To support the business during economic uncertainty due to the coronavirus pandemic, each Australian based executive temporarily reduced their fixed remuneration by 20% during the period 01 April 2020 to 30 June 2020.

2. Remuneration policies (continued)

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 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 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, performance rights or share options. Vesting conditions are decided upon on a case by case basis.

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 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:

Scott Basham Group Chief Executive Officer & Executive Director Appointed 12 March 2019 Resigned 09 July 2020	**Contract of Employment** Scott Basham is employed by Ava Risk Group as a permanent, full-time employee. Mr Basham commenced his position with Ava Risk Group in March 2019. His base salary in FY2020 was AU$275,000 inclusive of superannuation. He has a notice period of 2 months. In accordance with the provisions of his employment contract Mr Basham served notice on the Company effective 09 July 2020 of his intention to resign. His notice period will end on 09 September 2020. **Performance Conditions** The contract provides for a bonus of up to 40% of base salary inclusive of superannuation, which is payable in cash and performance rights and is conditional upon meeting pre-defined KPI's by the executive which are selected and assessed by the Board. Mr Basham has accrued a bonus of AU$2,750 in cash in the 2020 financial year. In addition to the above, following his resignation, the Company has entered an Agreement with Mr Basham to allow for a further 2 month's salary to be paid at the end of his notice period and the issue of 250,000 options vesting on 31 December 2020 with an exercise price of 15 cents and an expiry date of 31 December 2021 and 250,000 options vesting on 30 June 2021 with an exercise price of 15 cents and an expiry date of 31 December 2021 subject to certain performance conditions to be met during the notice period.
Christopher Fergus Chief Executive Officer – Services Division Appointed 01 February 2016	**Contract of Employment** Christopher Fergus is employed by Ava Global DMCC as a permanent, full-time employee. Mr. Fergus commenced employment with Ava Global DMCC in February 2016 His base salary is AED840,000 (AU$341,214) per annum inclusive of superannuation and allowances. He has a notice period of 8 weeks. **Performance Conditions** For FY2020, the contract provides for a bonus of up to AED456,000 (AU$185,199) inclusive of superannuation, which is payable in cash and is conditional upon meeting quarterly EBITDA targets by the executive as set and assessed by the Board. Mr Fergus has accrued a cash bonus for financial year 2020 of AED 456,000 (AU$185,199). In addition Ava Global DMCC has a performance plan which allows for senior employees of the Company to share in a pooled allocation of up to 32.7% of the exit value of Ava Global DMCC in excess of AU$5 million or the debt and equity funding provided to Ava Global to run the business, whichever is greater. In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates, after allowing for all costs and expenses, including the amount of this shared annual bonus pool. The incentives are payable in cash conditional upon achievement of divisional net profits by the executives. Up to 17.2% of the exit value and net profits of Ava Global business unit has been allocated to Mr Fergus. The performance plan expires if the executive resigns from their employment or is terminated by the Company within the first 3 years. Otherwise the performance plan terminates on 1 February 2021. Mr Fergus has accrued a bonus of AED 1,088,458 (AU$434,595) in cash in the 2020 financial year in relation to the performance plan. In addition to the above Mr Fergus has been awarded a discretionary bonus payment of AED 354,707 (AU$141,626) for FY2020.

3. Executive contractual arrangements (continued)

Robert Broomfield Group Chief Executive Officer & Executive Director Appointed 10 July 2020 Chief Operating Officer – Technology for the period 1 July 2019 – 09 July 2020.	**Contract of Employment** Robert Broomfield is employed by Ava Risk Group as a permanent, full-time employee. Mr Broomfield commenced his position with Ava Risk Group in July 2006. His current base salary is AU$282,735 inclusive of superannuation. He has a notice period of 3 months. There were no changes to the conditions of Mr Broomfield's contract, including renumeration, following his appointment as Group Chief Executive Officer on 10 July 2020. **Performance Conditions** The contract provides for a bonus of up to 40% of base salary inclusive of superannuation, which is payable in cash and performance rights and is conditional upon meeting pre-defined KPI's by the executive. Effective of 1 March 2019, an additional bonus of AU$20,000 was awarded in respect of receipt of the first IMoD PO received. The bonus is payable only when the IMoD cash receipts exceed AU$200,000. The bonus amount was earnt during FY2020 and paid to Mr Broomfield in July 2020. Also, effective 1 March 2019, an additional bonus of AU$50,000 is payable at the end of FY2020 (or at the Board's discretion) when the IMoD cash receipts exceed AU$1 million. This bonus amount is accrued and remains unpaid at reporting date. Mr Broomfield has accrued a further cash bonus of AU$16,399 in relation to the achievement of KPIs as part of STI remuneration. In addition, performance rights with a fair value of AU$39,603 were granted in the 2020 financial year in relation to KPIs relevant to LTIs that vest over two years on the condition that there are 2 years of continuous service from grant date.
Leigh Davis Chief Financial Officer & Company Secretary	**Contract of Employment** Leigh Davis is employed by Ava Risk Group as a permanent, full-time employee. Mr Davis commenced his position with Ava Risk Group in February 2015 and is employed on a current base salary of AU$230,081, inclusive of superannuation. He has a notice period of 2 months. **Performance Conditions** The contract provides for a bonus up to 40% of base salary, inclusive of superannuation, which is payable in cash and performance rights upon meeting pre-defined KPI's by the executive. In FY2020, Mr Davis has accrued a cash bonus of AU$14,910 relating to the achievement of KPIs as part of STI remuneration. In addition, performance rights with a fair value of AU$30,827 were granted in the financial year 2020 in relation to KPIs relevant to LTIs that vest over two years on the condition that there are 2 years of continuous service from grant date.

3. Executive contractual arrangements (continued)

James Alston Chief Financial Officer & Chief Operating Officer – Services Division Appointed 01 February 2016	**Contract of Employment** James Alston is employed by Ava Global DMCC as a permanent, full-time employee. Mr. Alston commenced employment with Ava Global DMCC in February 2016. His base salary is AED600,000 (AU$241,294) per annum inclusive of superannuation and allowances. He has a notice period of 3 months. **Performance Conditions** For FY2020, the contract provides for a bonus of up to AED240,000 (AU$95,833) inclusive of superannuation, which is payable in cash and is conditional upon meeting quarterly EBITDA targets by the executive as set and assessed by the Board. Mr Alston has accrued a cash bonus for financial year 2020 of AED 240,000 (AUD $95,833). In addition Ava Global DMCC has a performance plan which allows for senior employees of the Company to share in a pooled allocation of up to 32.7% of the exit value of Ava Global DMCC in excess of AU$5 million or the debt and equity funding provided to Ava Global to run the business, whichever is greater. In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates, after allowing for all costs and expenses, including the amount of this shared annual bonus pool. The incentives are payable in cash conditional upon achievement of divisional net profits by the executives. 3.5% of the exit value and net profits of Ava Global business unit has been allocated to Mr Alston. The performance plan expires if the executive resigns from their employment or is terminated by the Company within the first 3 years. Otherwise the performance plan terminates on 1 February 2021. Mr Alston has accrued a bonus of AED 221,489 (AU$88,435) in cash in the 2020 financial year in relation to the performance plan. In addition to the above Mr Alston has been awarded a discretionary bonus payment of AED 72,179 (AU$28,819) for FY2020.
Matthew Nye-Hingston Head of BQT Technology & Director BQT Operations	**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 NZ$175,000, 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 in cash and performance rights upon meeting pre-defined KPI's by the executive. In FY2020, Mr Nye-Hingston has accrued a cash bonus of NZ$11,200 relating to the achievement of KPIs as part of STI remuneration. In addition, performance rights with a fair value of AU$22,446 were granted in the financial year 2020 in relation to KPIs relevant to LTIs that vest over two years on the condition that there are 2 years of continuous service from grant date.

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2020

	Short-term			Post Employment		Long Term			
	Salary and Fees $	Cash Bonus $	Other Benefits# $	Super-annuation $	Termination benefits $	Long Service Leave $	Share-based Payment (performance rights) $	Total $	Performance Related %
Non-Executive Directors									
D. Cronin(i)	61,750	-	-	-	-	-	10,000	71,750	14%
M. Stevens	61,750	-	-	5,866	-	-	10,000	77,616	13%
M. McGeever(ii)	58,800	-	-	-	-	-	10,000	68,800	15%
Sub-total Non-Executive Directors	182,300	-	-	5,866	-	-	30,000	218,166	
Executives									
S. Basham(v)	241,298	2,750	-	20,578	-	987	14,952	280,565	5%
R. Broomfield	245,295	81,374	-	20,658	-	6,111	26,984	380,422	28%
L. Davis	199,614	14,910	-	20,931	-	5,717	20,618	261,790	14%
C. Fergus(vii)	341,214	761,420	31,696	37,316	-	-	-	1,171,646	65%
J. Alston	241,294	213,087	79,326	23,571		-	-	557,278	38%
M. Nye-Hingston	161,532	10,481	2,121	-	-	-	8,713	182,847	10%
Sub-total executive KMP	1,430,247	1,084,022	113,143	123,054	-	12,815	71,267	2,834,548	
Totals	**1,612,547**	**1,084,022**	**113,143**	**128,920**	**-**	**12,815**	**101,267**	**3,052,714**	

(i) Appointed as Chairman on 31 August 2018.

(ii) Appointed as Non-Executive Director on 8 August 2018.

(iii) Resigned as a Non-Executive Director on 31 August 2018.

(iv) Resigned as Non-Executive Director on 8 August 2018.

(v) Appointed as Group Chief Executive Officer on 12 March 2019. Resigned on 09 July 2020.

(vi) Mr Broomfield had a 15% salary reduction during FY2019. The reduction in long service leave showing as a negative is reflective of that change.

(vii) Appointed as Group CEO and Executive Director on 12 February 2018. Subsequently resigned as Group CEO and Executive Director on 12 March 2019 and commenced role as CEO - Services Division. There were no Directors fees paid to Mr Fergus during FY2019. Remuneration is reflective of his role as Group CEO and subsequently CEO - Services Division.

(viii) Resigned on 3 March 2019.

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

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2019

	Short-term			Post Employment		Long Term			
	Salary and Fees $	Cash Bonus $	Other Benefits# $	Super-annuation $	Termination benefits $	Long Service Leave $	Share-based Payment (performance rights) $	Total $	Performance Related %
Non-Executive Directors									
D. Cronin(i)	36,000	-	-	-	-	-	-	36,000	0%
M. Stevens	26,400	-	-	2,508	-	-	-	28,908	0%
M. McGeever(ii)	26,400	-	-	-	-	-	-	26,400	0%
T. Winters(iii)	4,400	-	-	418	-	-	-	4,818	0%
F. Davis(iv)	2,809	-	-	267	-	-	-	3,076	0%
Sub-total Non-Executive Directors	96,009	-	-	3,193	-	-	-	99,202	
Executives									
S. Basham(v)	75,669	18,000	-	6,515	-	-	-	100,184	18%
R. Broomfield(vi)	288,582	32,816	-	20,208	-	(5,049)	11,548	348,105	13%
L. Davis	210,120	20,707	-	20,911	-	4,631	8,605	264,974	11%
C. Fergus(vii)	309,924	-	316,054	-	-	27,962	-	653,940	0%
M. Horton(viii)	171,043	-	151,942	-	-	19,235	-	342,220	0%
Sub-total executive KMP	1,055,338	71,523	467,996	47,634	-	46,779	20,153	1,709,423	
Totals	**1,151,347**	**71,523**	**467,996**	**50,827**	**-**	**46,779**	**20,153**	**1,808,625**	

(i) Appointed as Chairman on 31 August 2018.

(ii) Appointed as Non-Executive Director on 8 August 2018.

(iii) Resigned as a Non-Executive Director on 31 August 2018.

(iv) Resigned as Non-Executive Director on 8 August 2018.

(v) Appointed as Group Chief Executive Officer on 12 March 2019. Resigned on 09 July 2020.

(vi) Mr Broomfield had a 15% salary reduction during FY2019. The reduction in long service leave showing as a negative is reflective of that change.

(vii) Appointed as Group CEO and Executive Director on 12 February 2018. Subsequently resigned as Group CEO and Executive Director on 12 March 2019 and commenced role as CEO - Services Division. There were no Directors fees paid to Mr Fergus during FY2019. Remuneration is reflective of his role as Group CEO and subsequently CEO - Services Division.

(viii) Resigned on 3 March 2019.

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

4. Relationship between remuneration and Company performance

(a) Remuneration not dependent on satisfaction of performance condition

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

(b) Remuneration dependent on satisfaction of performance condition

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonuses (STIs). 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:

KMP	Performance conditions	Assessment
CEO	Sales performance management	Partially met
CEO/CFO/COO/ Head of BQT Technology & Director BQT Operations	Year-on-year Revenue growth	Not met
CEO/CFO/COO/ Head of BQT Technology & Director BQT Operations	Year-on-year EBITDA growth	Not met
CEO/COO/ Head of BQT Technology & Director BQT Operations	Entering into significant new distribution and partner agreements	Met
CFO/COO/CEO/ Head of BQT Technology & Director BQT Operations	Systems improvements, Improvements in operational ratios, management of risk and general compliance with policies	Partially met
Service Division CEO/ Services Division COO&CFO	Year-on-year EBITDA growth, based on quarterly divisional EBTIDA targets	Met
Service Division CEO/ Services Division COO&CFO	Ava Global DMCC Performance Plan - Achievement of divisional net profits after tax	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. Relationship between remuneration and Company performance (continued)

The following table summarises the results of the cash based bonuses awarded in FY20:

2020	Maximum cash bonus $	Amount awarded $	Achieved %	Forfeited %
S. Basham	55,000	2,750	5%	95%
R Broomfield (i)	126,547	86,396	68%	32%
L Davis	46,016	14,910	32%	68%
M Nye-Hingston	32,754	10,481	32%	68%
C Fergus	761,420	761,420	100%	0%
J Alston	213,087	213,087	100%	0%

The following table summarises the results of the performance rights awarded and allocated in FY20:

	Number of performance rights awarded	Number of performance rights allocated based on FY20 KPIs (ii)	Performance rights allocated %	Forfeited %
S Basham	334,957	16,748	5%	95%
R Broomfield	344,379	99,870	29%	71%
Leigh Davis	280,245	90,800	32%	68%
M Nye-Hingston	204,054	68,210	33%	67%

(i) Cash bonus includes $70,000 in incentives for achievement of cash receipts targets for the IMoD project.

(ii) Reflects performance rights allocated at the end of FY20 based on achievement of FY20 performance conditions. These performance rights will vest 50% by 31 August 2021 and 50% by 31 August 2022 dependent on the KMP remaining in office.

Assessment of these executives' achievement of their performance conditions was conducted during August 2020. The cash bonuses associated with the achievement of these awards relating to FY2020 will be paid during the financial year FY2021.

4. Relationship between remuneration and Company performance (continued)

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

The following table summarises Company performance and key performance indicators:

	2020	2019	2018	2017	2016
Revenues and other income excluding interest income ($'000)	46,640	31,673	20,275	13,360	15,126
% increase/(decrease) in revenue	47%	56%	52%	(10)%	(23)%
Profit/(Loss) before tax ($'000)	4,947	(4,729)	(4,241)	(7,820)	(5,805)
% increase/(decrease) in profit before tax	205%	(12)%	46%	(35)%	(369)%
Change in share price (%)	3%	30%	(18)%	(71)%	(42)%
Share price	0.155	0.15	0.12	0.14	0.48
Dividend paid to shareholders ($'000)	-	-	-	-	-
Return of capital ($'000)	-	-	-	-	-
Total remuneration of KMP	3,052,714	1,808,625	1,485,805	1,723,166	1,013,500
Total performance based remuneration	1,185,289	91,676	10,000	117,400	65,273

5. Key management personnel's share-based compensation

Share options issued

There were no share options granted during the year.

Performance rights issued

During the financial year, 1,763,635 performance rights were issued to KMP.

Scott Basham was issued 334,957 performance rights on 31 October 2019 at a total fair value of $38,520 (fair value per right $0.115) as part of remuneration based on achieving KPIs. The performance rights were issued in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to achievement of STI/LTI performance KPIs and continuity of employment. Share based expense for the period relating to the performance rights amounts to $14,952.

Robert Broomfield was issued 344,379 performance rights on 31 October 2019 at a total fair value of $39,603 (fair value per right $0.115) as part as part of remuneration based on achieving KPIs. The performance rights were issued in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to achievement of STI/LTI performance KPIs and continuity of employment. Share based expense for the period relating to the performance rights amounted to $15,373. In addition, there were share based expense for the period relating to the performance rights issued to Mr. Broomfield in prior financial years which amounted to $11,611.

Leigh Davis was issued 280,245 performance rights on 23 September 2019 at a total fair value of $30,827 (fair value per right $0.115) as part of remuneration based on achieving KPIs. The performance rights were issued in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to achievement of STI/LTI performance KPIs and continuity of employment. Share based expense for the period relating to the performance rights amounted to $11,966. In addition, there were share based expense for the period relating to the performance rights issued to Mr. Davis in prior financial years which amounted to $8,652.

Matthew Nye-Hingston was issued 204,054 performance rights on 23 September 2019 at a total fair value of $22,446 (fair value per right $0.115) as part of remuneration based on achieving KPIs. The performance rights were issued in two equal tranches, vesting on 31 August 2021 and 31 August 2022 with vesting conditions relating to achievement of STI/LTI performance KPIs and continuity of employment. Share based expense for the period relating to the performance rights amounted to $8,713.

David Cronin, Mark Stevens, and Michael McGeever were each granted 200,000 performance rights at a total fair value of $10,000 per person. The performance rights were issued on 31 October 2019 and vest on 01 September 2020 subject to the Company's market traded share price being at least 22 cents.

6. Key management personnel's equity holdings

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

2020	Balance at beginning of Period 1 July 19	Granted as remuneration	Granted other	Net Change Other#	Balance at End of Period 30 June 20	Vested at 30 June 2020 Exercisable	Not Exercisable
Executives							
S Basham(i)	-	-	-	-	-	-	-
R Broomfield	1,750,000	-	-	(1,750,000)	-	-	-
L Davis	-	-	-	-	-	-	-
C Fergus(ii)	200,000	-	-	-	200,000	200,000	-
J. Alston	-	-	-	-	-	-	-
M. Nye-Hingston	-	-	-	-	-	-	-
Sub-total	**1,950,000**	**-**	**-**	**(1,750,000)**	**200,000**	**200,000**	**-**
Total	**1,950,000**	**-**	**-**	**(1,750,000)**	**200,000**	**200,000**	**-**

(i) Appointed as Group Chief Executive Officer and Executive Director on 12 March 2019

(ii) Resigned as Group CEO and Executive Officer on 12 March 2019. Appointed as CEO - Services Division on 12 March 2019

Includes lapsed and forfeitures.

2019	Balance at beginning of Period 1 July 18	Granted as remuneration	Granted other	Net Change Other#	Balance at End of Period 30 June 19	Vested at 30 June 2019 Exercisable	Not Exercisable
Executives							
S Basham(i)	-	-	-	-	-	-	-
R Broomfield	1,750,000	-	-	-	1,750,000	1,750,000	-
L Davis	-	-	-	-	-	-	-
C Fergus(ii)	200,000	-	-	-	200,000	200,000	-
M Horton(iii)	600,000	-	-	(600,000)	-	-	-
Sub-total	**2,550,000**	**-**	**-**	**(600,000)**	**1,950,000**	**1,950,000**	**-**
Total	**2,550,000**	**-**	**-**	**(600,000)**	**1,950,000**	**1,950,000**	**-**

(i) Appointed as Group Chief Executive Officer and Executive Director on 12 March 2019

(ii) Resigned as Group CEO and Executive Officer on 12 March 2019. Appointed as CEO - Services Division on 12 March 2019

(iii) Resigned on 3 March 2019

Includes lapsed and forfeitures

6. Key management personnel's equity holdings (continued)

(b) Number of shares held by key management personnel (direct and indirect)

Shares held in Ava Risk Group

2020	Balance at beginning of Period 1 July 19	Granted as remuneration	On exercise of options	Net Change Other#	Balance at End of Period 30 June 20
Non-Executive Directors					
D Cronin	32,463,070	-	-	-	32,463,070
M Stevens(ii)	518,396	-	-	500,000	1,018,396
M McGeever(ii)	4,105,000	-	-	1,700,000	5,805,000
Sub-total	**37,086,466**	**-**	**-**	**2,200,000**	**39,286,466**
Executives					
S Basham(ii) (iii) (v)	100,000	-	-	-	100,000
R Broomfield	2,994,387	-	-	-	2,994,387
L Davis	200,000	-	-	-	200,000
C Fergus(iv)	3,285,204	-	-	-	3,285,204
J. Alston	-	-	-	-	-
M. Nye-Hingston	-	-	-	-	-
Sub-total	**6,579,591**	**-**	**-**	**-**	**6,579,591**
Total	**43,666,057**	**-**	**-**	**2,200,000**	**45,866,057**

(i) Off market transfer.

(ii) On-market purchase.

(iii) Appointed as Group Chief Executive Officer and Executive Director on 12 March 2019.

(iv) Resigned as Group CEO and Executive Director on 12 March 2019.

(v) Resigned as Group CEO and Executive Director on 09 July 2020.

6. Key management personnel's equity holdings (continued)

During July 2020 the Company issued Robert Broomfield and Leigh Davis 112,972 ordinary shares and 84,176 ordinary shares respectively as a result of the 30 June 2020 tranche of performance rights vesting.

2019	Balance at beginning of Period 1 July 18	Granted as remuneration	On exercise of options	Net Change Other#	Balance at End of Period 30 June 19
Non-Executive Directors					
D Cronin(i)	42,129,036	-	-	(9,665,966)	32,463,070
M Stevens(ii)	400,000	-	-	118,396	518,396
M McGeever	4,105,000	-	-	-	4,105,000
Sub-total	**46,634,036**	**-**	**-**	**(9,547,570)**	**37,086,466**
Executives					
S Basham(ii) (iii) (v)	-	-	-	100,000	100,000
R Broomfield	2,994,387	-	-	-	2,994,387
L Davis(ii)	100,000	-	-	100,000	200,000
C Fergus(iv)	3,285,204	-	-	-	3,285,204
J. Alston	-	-	-	-	-
M. Nye-Hingston	-	-	-	-	-
Sub-total	**6,379,591**	**-**	**-**	**200,000**	**6,579,591**
Total	**53,013,627**	**-**	**-**	**(9,347,570)**	**43,666,057**

(i) Off market transfer.

(ii) On-market purchase.

(iii) Appointed as Group Chief Executive Officer and Executive Director on 12 March 2019.

(iv) Resigned as Group CEO and Executive Director on 12 March 2019.

(v) Resigned as Group CEO and Executive Director on 09 July 2020.

6. Key management personnel's equity holdings (continued)

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

2020	Balance at beginning of Period 1 July 19	Granted as remuneration (iii)	Forfeited / lapsed	Vested balance at end of year	Unvested and balance at end of year 30 June 20	Value of performance rights granted during the year at grant date 30 June 20
Non-Executive Directors						
D Cronin(ii)	-	200,000	-	-	200,000	10,000
M Stevens(ii)	-	200,000	-	-	200,000	10,000
M McGeever(ii)	-	200,000	-	-	200,000	10,000
Sub-total	**-**	**600,000**	**-**	**-**	**600,000**	**30,000**
Executives						
S Basham(i)	-	334,957	-	-	334,957	38,520
R Broomfield(i)	225,944	344,379	-	112,972	457,351	39,603
L Davis(i)	168,352	280,245	-	84,176	364,421	30,827
M Nye-HIngston(i)	-	204,054	-	-	204,054	22,446
Sub-total	**394,296**	**1,163,635**	**-**	**197,148**	**1,360,783**	**131,396**
Total	**394,296**	**1,763,635**	**-**	**197,148**	**1,960,783**	**161,396**

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

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

(iii) The performance rights granted as remuneration in FY2020 reflects the number awarded. Refer to section 4 (b) above for the allocation of performance rights assessed in August 2020.

During July 2020 the Company issued Robert Broomfield and Leigh Davis 112,972 ordinary shares and 84,176 ordinary shares respectively as a result of the 01 July 2020 tranche of rights vesting.

2019	Balance at beginning of Period 1 July 18	Granted as remuneration	Forfeited/lapsed	Unvested and balance at end of year 30 June 19	Value of performance rights granted during the year at grant date $
Executives					
R Broomfield	225,944	225,944	-	225,944	27,792
L Davis	168,352	168,352	-	168,352	20,708
Total	**394,296**	**394,296**	**-**	**394,296**	**48,500**

7. Other transactions with key management personnel

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

The Consolidated Entity purchased consulting services from Pierce Group Asia Pte Limited and Pierce CIM PTE LTD, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of $296,625 (2019: $425,538). Accounts Payable balance at 30 June 2020 totals $Nil (FY2019: $1,470). The terms of these arrangements were on an arm's length basis in the normal course of business and included amounts related to our employee, contractors and administration 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.

8. Voting and comments made at the Company's 2019 Annual General Meeting (AGM)

At the Company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 98.6% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

End of the remuneration report

Auditor's independence declaration

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

Non-audit services

Non-audit services are approved by resolution of the Audit and Risk Committee and approval is provided in writing to the Board of Directors. Non-audit services were provided by the auditors of entities in the Consolidated Group during the year, namely Ernst & Young during 2020 and during 2019, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2020	2019
	$	$
Amounts paid and payable for non-audit services:		
* Tax compliance and tax advice services	90,000	111,000
* Assurance related services	-	-
Total auditors' remuneration for non-audit services	**90,000**	**111,000**

Signed in accordance with a resolution of the directors.

Robert Broomfield
Chief Executive Officer
31 August 2020

Auditor's Independence Declaration

Building a better working world

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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 2020, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

RBembridge

Richard Bembridge
Partner
31 August 2020

04:

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020	Note	2020 $'000	Consolidated 2019 $'000
Revenue and other income			
Revenue from contracts with customers	4	**46,131**	31,602
Other income	4	**509**	84
		46,640	31,686
Less: Expenses			
Cost of raw materials and consumables used		**(24,055)**	(17,947)
Employee benefit expenses		**(10,488)**	(10,552)
Research and development		**(953)**	(1,184)
Advertising and marketing		**(141)**	(424)
Travel and entertainment		**(684)**	(1,119)
Facilities and office		**(597)**	(1,093)
Compliance, legal, and administration		**(1,175)**	(1,260)
Provision for impairment of receivables		**(138)**	(90)
Depreciation and amortisation expenses	11,12,14	**(2,425)**	(1,867)
Finance costs		**(70)**	(14)
Foreign exchange gains/(losses)		**(180)**	117
Other expenses		**(787)**	(982)
		(41,693)	(36,415)
Profit/(Loss) for the year before income tax		**4,947**	(4,729)
Income tax (expense)/benefit	5	**(5)**	-
Profit/(Loss) for the year		**4,942**	(4,729)
Profit/(Loss) for the year attributable to:			
Equity holders of the parent company		**4,942**	(4,720)
Non-controlling interest		**-**	(9)
		4,942	(4,729)
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations, net of tax		**1**	(294)

Consolidated Statement of Comprehensive Income (continued)

For the year ended 30 June 2020			Consolidated
		2020	2019
	Note	$'000	$'000
Items that will not be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations, net of tax, attributable to non-controlling interests		-	(93)
Total other comprehensive income/(loss) for the year		**1**	(387)
Total comprehensive income/(loss) for the year		**4,943**	(5,116)
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent company		**4,943**	(5,014)
Non-controlling interests		**-**	(102)
		4,943	(5,116)
Profit/(Loss) per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share		**2.11**	(2.22)
		Cents	Cents
Diluted earnings/(loss) per share		**2.03**	(2.22)
		Cents	Cents

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

05:

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position

As at 30 June 2020	Note	Consolidated 2020 $'000	2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**7,703**	3,082
Receivables	8	**5,970**	4,864
Contract assets	8	**2,451**	110
Inventories	9	**3,931**	4,492
Other current assets	10	**272**	389
Total Current Assets		**20,327**	12,937
Non-Current Assets			
Plant and equipment	11	**644**	846
Intangible assets	12	**12,043**	12,713
Right of use assets	14	**654**	-
Other non-current assets	10	**12**	21
Total Non-Current Assets		**13,353**	13,580
TOTAL ASSETS		**33,680**	26,517
LIABILITIES			
Current Liabilities			
Payables	15	**5,392**	4,038
Contract liabilities	15	**431**	452
Lease liabilities	14	**305**	-
Provisions	17	**1,375**	1,456
Total Current Liabilities		**7,503**	5,946
Non-Current Liabilities			
Provisions	17	**53**	59
Lease liabilities	14	**408**	-
Contract liabilities	15	**301**	268
Total Non-Current Liabilities		**762**	327
TOTAL LIABILITIES		**8,265**	6,273
NET ASSETS		**25,415**	20,244

Consolidated Statement of Financial Position (continued)

As at 30 June 2020	Note	Consolidated 2020 $'000	2019 $'000
EQUITY			
Contributed equity	18	**58,349**	58,226
Accumulated losses		**(30,635)**	(35,520)
Reserves		**(2,299)**	(2,462)
Equity attributable to owners of the parent		**25,415**	20,244
Non-controlling interest		**-**	-
TOTAL EQUITY		**25,415**	20,244

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

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06: Consolidated Statement of Changes in Equity

For the year ended 30 June 2020	Share Capital $'000	Share based payment Reserve $'000	Foreign Exchange Translation Reserve $'000	Other Equity Reserves $'000	Accumulated Losses $'000	Total attributable to owners of parent $'000	Non-controlling interest $'000	Total Equity $'000
At 1 July 2019	**58,226**	**1,014**	**(429)**	**(3,047)**	**(35,520)**	**20,244**	**-**	**20,244**
Effect of adoption of new accounting standards (Note 1)					**(57)**	**(57)**	**-**	**(57)**
At 1 July 2019 adjusted	58,226	1,014	(429)	(3,047)	(35,577)	**20,187**	-	**20,187**
Profit for the year	-	-	-	-	4,942	**4,942**	-	**4,942**
Other comprehensive income/(loss)	-	-	1	-	-	**1**	-	**1**
Total comprehensive income for the year	**-**	**-**	**1**	**-**	**4,942**	**4,943**	**-**	**4,943**
Transactions with owners in their capacity as owners								
Shares issued	125	-	-	-	-	**125**	-	**125**
Share issue costs	(2)	-	-	-	-	**(2)**	-	**(2)**
Share -based payments	-	162	-	-	-	**162**	-	**162**
Total transactions with owners in their capacity as owners	123	162	-	-	-	**285**	-	**285**
Balance at 30 June 2020	**58,349**	**1,176**	**(428)**	**(3,047)**	**(30,635)**	**25,415**	**-**	**25,415**
At 1 July 2018	**55,187**	**934**	**(135)**	**(2,083)**	**(30,800)**	**23,103**	**444**	**23,547**
Loss for the year	-	-	-	-	(4,720)	**(4,720)**	(9)	**(4,729)**
Other comprehensive income/(loss)	-	-	(294)	-	-	**(294)**	(93)	**(387)**
Total comprehensive income for the year	**-**	**-**	**(294)**	**-**	**(4,720)**	**(5,014)**	**(102)**	**(5,116)**
Transactions with owners in their capacity as owners								
Compulsory acquisition	-	-	-	(916)	-	**(916)**	(324)	**(1,240)**
Shares issued	3,290	-	-	-	-	**3,290**	-	**3,290**
Share issue costs	(176)	-	-	-	-	**(176)**	-	**(176)**
Share based payments	-	80	-	-	-	**80**	-	**80**
Share buy-back	(75)	-	-	(48)	-	**(123)**	(18)	**(141)**
Total transactions with owners in their capacity as owners	3,039	80	-	(964)	-	**2,155**	(342)	**1,813**
Balance at 30 June 2019	**58,226**	**1,014**	**(429)**	**(3,047)**	**(35,520)**	**20,244**	**-**	**20,244**

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

07: Consolidated Statement of Cash Flows

For the year ended 30 June 2020	Note	Consolidated 2020 $'000	2019 $'000
Cash flow from operating activities			
Receipts from customers		**42,319**	31,523
Receipts from government grants and other tax incentives		**548**	582
Payments to suppliers and employees		**(36,849)**	(35,419)
Tax paid		**(5)**	-
Lease interest paid		**(54)**	-
Finance costs paid		**(16)**	(14)
Interest received		**13**	13
Net cash flows from/(used in) operating activities		**5,956**	(3,315)
Cash flow from investing activities			
Payment for intangible assets		**(930)**	(1,067)
Payment for plant and equipment		**(147)**	(193)
Payment for investment in MaxSec		**-**	(1,240)
Net cash flows from/(used in) investing activities		**(1,077)**	(2,500)
Cash flow from financing activities			
Proceeds from share issue		**125**	3,290
Share issue expenses		**(2)**	(176)
Share buy-back in MaxSec		**-**	(66)
Share buy-back in Ava Risk Group		**-**	(75)
Payment of lease liabilities		**(301)**	-
Net cash flows from/(used in) financing activities		**(178)**	2,973
Net increase/(decrease) in cash and cash equivalents		**4,701**	(2,842)
Net foreign exchange differences on cash		**(80)**	14
Cash and cash equivalents at beginning of year		**3,082**	5,910
Cash and cash equivalents at end of year	7	**7,703**	3,082

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

08: 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 financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board.

The 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 2020 were authorised for issue in accordance with a resolution of the directors on 31 August 2020.

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, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

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. Statement of significant accounting policies (continued)

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 $4.942 million for the year (2019: loss $4.729 million) and its total assets exceed total liabilities by $25.415 million (2019: $20.244 million) with cash of $7.703 million (2019: $3.082 million).

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The Company has not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

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.

1. Statement of significant accounting policies (continued)

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 Changes to the Group's accounting policies

New and amended standards and interpretations

The Group applied AASB16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time during the year, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on the balance sheet.

The Group applies for the first time, AASB 16 Leases, electing the modified retrospective approach. As such, the cumulative effect of initial application is recognised in retained earnings at 1 July 2019 and the comparative financial statements are not re-stated.

1. Statement of significant accounting policies (continued)

The effect of adopting AASB 16 is, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 July 2019

Assets	$'000
Right-of-use assets	945
Total assets	945
Liabilities	
Lease liabilities	1,002
Total liabilities	1,002
Equity	
Accumulated losses	(57)
Total equity	(57)

Nature of the effect of adoption of AASB 16 Leases

The Group has lease contracts for various premises, vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as operating expenses in the statement of comprehensive income on a straight-line basis over the lease term.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

There were no leases previously classified as finance leases in the current or prior reporting period therefore there were no reclassifications.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

1. Statement of significant accounting policies (continued)

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months of the date of initial application
- Applied the exemption to not recognise right of use assets and lease liabilities for leases of low value (underlying asset value of $10,000 or less) and do not contain a purchase option
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Relied on its assessment of whether leases are onerous immediately before the date of initial application

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$'000
Operating lease commitments as at 30 June 2019	746
Less:	
Commitments relating to short-term leases	(8)
Commitments relating to leases of low-value assets	(68)
Incremental weighted average borrowing rate as at 1 July 2019	6.34%
Discounted operating lease commitments at 1 July 2019	546
Add:	
Payments in optional extension periods not recognised as at 30 June 2019	456
Lease liabilities as at 1 July 2019	1,002

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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 a lease, if the lease term

1. Statement of significant accounting policies (continued)

reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on 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 if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office space and storage locations (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 of office equipment that are considered of low value (i.e., below $10,000). 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.

Significant judgement in determining the lease term of contracts with renewal options

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 the option, under some of its leases to lease the assets for additional terms of three to four years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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 (e.g., a change in business strategy).

Impact on the statement of profit or loss, increase/(decrease) in profit before tax for the year ended 30 June 2020 arising from:

	$'000
Depreciation expense	(304)
Rental, car lease and IT equipment expenses	355
Finance costs	(54)
Decrease in profit before tax	(3)

There is no material impact to basic or diluted EPS.

Impact on the statement of cash flows (increase/(decrease)) for the year ended 30 June 2020:

	$'000
Net cash flows from operating activities	301
Net cash flows from financing activities	(301)

1. Statement of significant accounting policies (continued)

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 Product),
- Services:
  - secure international logistics and storage for high value assets, and risk consultancy services (Logistics or Ava Global).

i. Sales of Goods

Access Control Product

The Group's contracts with customers for the sale of equipment is one performance obligation. Revenue from sale of equipment is recognised at the point in time when control of the equipment is transferred to the customer, which is on despatch 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 despatch or upon delivery. Revenue from rendered services including installation services and extended warranties are recognised over time, as described below.

i.1. 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.

i.2. 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 Company 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.

1. Statement of significant accounting policies (continued)

i.3. Licencing fees

The Group have generated income from a new revenue stream, licensing fees, in the year ended 30 June 2020, within the Perimeter Security segment. 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.

ii. Rendering of services

Perimeter Security Product

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

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

Secure Logistics

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

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

The logistics services are required to recognise revenue over time as 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.

iii. 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.

iv. 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.

1. Statement of significant accounting policies (continued)

v. Dividends

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

vi. 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 financial statements of each entity within the Consolidated Entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Consolidated Entity's presentation currency.

Transactions and balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as income and expenses for the financial year.

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.

1. Statement of significant accounting policies (continued)

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

Effective from 20 November 2018 Ava Risk Group have implemented the tax consolidation legislation and have 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.

(ii) 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.

1. Statement of significant accounting policies (continued)

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 statement of 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.

1. Statement of significant accounting policies (continued)

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	2020 Years	2019 Years
Office furniture and equipment	2-10	2-10
Motor vehicles	5	5
Computer equipment	2-7	2-7
Production plant and equipment	2-10	2-10
Demonstration equipment	2-5	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.

j) 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:

- Office Space and IT Equipment 3 to 5 years
- Motor vehicles 3 to 5 years

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

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

1. Statement of significant accounting policies (continued)

ii) 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).

iii) 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.

k) 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.

1. Statement of significant accounting policies (continued)

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.

l) 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.

m) Financial instruments – initial recognition and subsequent measurement

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

Financial Assets

Initial recognition and measurement

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

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

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

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

1. Statement of significant accounting policies (continued)

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.

1. Statement of significant accounting policies (continued)

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.

n) 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.

1. Statement of significant accounting policies (continued)

o) 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.

1. Statement of significant accounting policies (continued)

(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.

p) 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 model.

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

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

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

(i) the grant date fair value of the award;

(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) the expired portion of the vesting period.

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

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

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

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

q) 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.

1. Statement of significant accounting policies (continued)

r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

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

s) 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 as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries 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.

t) Comparatives

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

u) 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).

v) Foreign Exchange rates

The presentation currency of the Group is Australian dollars.

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

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

2. Significant accounting judgements, estimates and assumptions

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

(a) Critical accounting estimates and assumptions

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

(i) Impairment of tangible and intangibles assets

The Group determines whether tangible and intangible assets are impaired at least on an annual basis by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Consolidated Entity. Goodwill is tested for impairment on at least an annual basis. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Refer to note 13 for further details.

(ii) Measuring trade receivables

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

(iii) Share-based payment transactions

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

(iv) Capitalisation of development costs

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

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

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

(v) Leased assets and liabilities

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

2. Significant accounting judgements, estimates and assumptions (continued)

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors of Ava Risk Group Limited.

The Group's segments were based on three separately identifiable products.

The Group operates in perimeter security, access control solutions, and international valuable logistics, which are its reportable segments. These divisions offer different products and services and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment:

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

3. Segment Information (continued)

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

2019	Perimeter Security $'000	Access Control Solutions $'000	International Valuable Logistics $'000	Eliminations $'000	Total $'000
Revenue and other income					
External customers	11,470	4,253	15,879	-	31,602
Interest Income	98	1	-	(86)	13
Other income	11	60	-	-	71
Intersegment revenue	867	-	-	(867)	-
Segment revenue and other income	**12,446**	**4,314**	**15,879**	**(953)**	**31,686**
Depreciation and amortisation expenses	(720)	(342)	(805)	-	(1,867)
Finance costs	(14)	(86)	-	86	(14)
Income tax	-	-	-	-	-
EBITDA	**(2,656)**	**(113)**	**(92)**	-	**(2,861)**
Segment operating loss	**(3,292)**	**(540)**	**(897)**	-	**(4,729)**

3. Segment Information (continued)

Geographic information

	2020 $'000	2019 $'000
Revenue		
Australia	1,871	2,817
APAC (excluding Australia)	4,187	2,467
India	6,594	-
MENA	1,990	1,978
Europe	21,456	14,017
United States of America	6,237	7,671
Rest of world	3,796	2,652
Total external revenue by region	**46,131**	**31,602**

Revenue from one customer in the International Valuable Logistics division amounted to $9.845 million (FY2019: $5.296 million) and revenue from one customer in the Perimeter Security division amounts to $4.962 million (FY2019: no customer greater than 10% of total revenue).

Non-current operating assets	2020 $'000	2019 $'000
Australia	10,193	5,894
United Arab Emirates	1,681	5,871
Rest of world	1,225	998
Total non-current assets by region	**13,099**	**12,763**

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

Reconciliation of non-current assets	2020 $'000	2019 $'000
Non-current operating assets	13,099	12,763
Customer contracts intangible assets	242	796
Other non-current assets	12	21
Total non-current assets	**13,353**	**13,580**

Customer contracts of $242k (FY2019: $796k) have been excluded from the geographical split as the asset is composed of customers from Australia and a variety of geographical regions.

4. Revenues from continuing operations and other income

		Consolidated
	2020	2019
	$'000	$'000
Revenue from contracts with customers		
Revenue from sales of goods	**14,704**	14,576
Revenue from licence fees	**4,781**	-
Revenue from provision of services	**26,646**	17,026
Total revenue from contracts with customers	**46,131**	31,602
Other income		
Interest	**13**	13
Government grants and incentives	**465**	-
Gains on foreign exchange - realised	**-**	-
Other Income	**31**	71
Total other income	**509**	84
Total Revenues and other income	**46,640**	31,686

Disaggregation of revenue

		Consolidated
	2020	2019
	$'000	$'000
Timing of revenue recognition		
Goods transferred at a point in time	**19,485**	14,576
Services transferred over time*	**26,646**	17,026
Total disaggregation of revenue	**46,131**	31,602

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

4. Revenues from continuing operations and other income (continued)

Performance obligations

The Group has 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:

	2020 $'000	2019 $'000
Contract liabilities		
Expected to be recognised as revenue within 1 year	**430**	452
Expected to be recognised as revenue after 1 year	**301**	268
Total	**731**	720

5. Income tax

	2020 $'000	2019 $'000
(a) Components of tax expense/(benefit):		
Current tax	**-**	-
Deferred tax	**-**	-
Under provision in prior year	**5**	-
	5	-
(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:		
Profit / (loss) before tax from continuing operations	**4,947**	(4,729)
Income tax expense / (benefit) calculated at the tax rate of 27.5% (2019: 27.5%)	**1,360**	(1,300)
Non-deductible expenses	**52**	25
Difference in tax rates in foreign subsidiaries	**(558)**	(44)
Tax incentives	-	(4)
Utilisation of withholding tax credits*	**(165)**	-
Utilisation of carried forward tax losses / unbooked tax losses	**(779)**	1,323
Other	**95**	-
Income tax expense/(benefit)	**5**	-
(c) Deferred income tax related to items charged or credited directly to equity		
Decrease/(Increase) in deferred tax assets	**-**	-

*The Group received tax credits of $0.165 million (2019: $nil) in relation to Indian withholding taxes paid on licence fee income invoiced in relation to its IMoD project. These tax credits are available to be used by the Company in the tax year in which they are received.

Management assessed deferred tax assets and liabilities for the reporting period 30 June 2020 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 $23.328 million (2019: $25.019 million). In addition, the Group has tax losses totalling $11.123 million (2019: $10.326 million) in respect of foreign subsidiaries. The Group is currently assessing the status of carried forward losses with respect of its foreign subsidiaries.

6. Earnings/(Loss) per share

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

		Consolidated
	2020	2019
(a) Profit/(Loss) used in calculating earnings per share	**$'000**	**$'000**
For basic and diluted loss per share:		
Net profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	**4,942**	(4,720)
(b) Weighted average number of shares	**2020 Number**	**2019 Number**
Weighted average number of ordinary shares used as the de-nominator in calculating basic earnings per share	**234,252,180**	212,469,281
Adjustments for calculation of diluted earnings per share	**8,728,715**	-
Dilutive share options / performance rights	**242,980,895**	212,469,281
(c) Loss per share	**2020 Cents**	**2019 Cents**
Basic profit/(loss) per share	**2.11**	(2.22)
Diluted Profit/(loss) per share	**2.03**	(2.22)

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

Diluted loss per share amounts are calculated by dividing the net profit/(loss) 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.

197,148 ordinary shares were issued in July 2020 as the result of dilutive performance rights being exercised by KMP.

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

7. Cash and cash equivalents

		Consolidated
	2020	**2019**
	$'000	**$'000**
Cash at bank and on hand	**7,703**	3,082
	7,703	3,082
(a) Reconciliation of net profit/(loss) after tax to net cash flow used in operations		
Profit/(Loss) for the year after tax	**4,942**	(4,729)
Adjustment for non-cash income and expense items:		
Depreciation and amortisation	**2,425**	1,867
Share-based payments (equity settled)	**162**	80
Unrealised foreign exchange	**(484)**	(363)
Bad debts written off and provision for impairment of receivable	**138**	90
Accrued income from licence fees	**(1,971)**	-
Other	**(104)**	39
Changes in assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	**(1,106)**	(183)
Other assets	**126**	84
Inventories	**561**	75
Increase/(decrease) in liabilities:		
Trade and other payables	**1,354**	(188)
Provisions	**(87)**	(87)
Net cash from / (used in) operating activities	**5,956**	(3,315)
(b) Non-cash financing and investing activities		
Share-based payments	**162**	80

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
	2020	2019
	$'000	$'000
Trade receivables - current	**5,918**	4,651
Contract assets (a)	**2,451**	110
Provision for expected credit loss (b,c)	**(244)**	(107)
	8,125	4,654
Security deposits and bonds	**59**	64
Other receivables (d)	**237**	256
Carrying amount of trade and other receivables	**8,421**	4,974
Movements in the expected credit loss provision were as follows:		
At 1 July	**107**	35
Charge for the year	**138**	90
Amounts written off	**(1)**	(18)
At 30 June	**244**	107

(a) 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.

(b) Provision for impairment

The Company has impaired a further $138k of receivables in financial year ended 30 June 2020 (2019: $90k).

In line with AASB 9 Financial Instruments, an expected credit loss assessment was performed with no additional impairment recognised at 30 June 2020.

8. Receivables (continued)

(c) Past due but not impaired

As at 30 June 2020, trade receivables past due but not considered impaired are: $0.625 million (2019: $1.831 million).

Trade receivables ageing analysis at 30 June 2020 is as follows:

	Gross 2020 $'000	Impairment 2020 $'000	Gross 2019 $'000	Impairment 2019 $'000
Not past due	**6,865**	**-**	2,716	-
Past due 1 – 30 days	**886**	**-**	1,423	-
Past due 31 – 60 days	**35**	**-**	295	-
Past due 61 – 90 days	**231**	**-**	89	-
Past due more than 91 days	**352**	**(244)**	238	(107)
	8,369	**(244)**	**4,761**	**(107)**

(d) Other receivables

These amounts relate primarily to government grants $102k (2019: $nil), other indirect tax refunds due from various international tax jurisdictions $65k (2019: $127k) and other sundry debtors.

9. Inventories

	2020 $'000	Consolidated 2019 $'000
Raw materials and stores (at cost)	**1,268**	1,250
Work in progress (at cost)	**1,105**	912
Finished goods held for sale (at lower of cost and net realisable value)	**1,200**	2,171
Spares (at cost)	**358**	159
	3,931	4,492

During FY2020, $17k (2019: $322k) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of raw materials and consumables used.

10. Other assets

		Consolidated
	2020	2019
	$'000	$'000
Current		
Prepayments	**272**	389
Non-current		
Non-current prepayments	**12**	21
Total Other assets	**284**	410

Prepayments are not interest bearing.

11. Non-current assets - plant and equipment

	Computer equipment $'000	Motor vehicles $'000	Plant and equipment $'000	Office furniture and equipment $'000	Demon-stration equipment $'000	Total $'000
Year Ended 30 June 2020						
Carrying amount at beginning of year	101	14	161	136	434	846
Additions	38	-	10	11	98	157
Disposals	-	-	-	(10)	-	(10)
Depreciation charge for the year	(52)	(3)	(62)	(76)	(157)	(350)
Exchange adjustment	-	1	-	-	-	1
Carrying amount at end of year	**87**	**12**	**109**	**61**	**375**	**644**
At 30 June 2020						
Cost	829	44	1,092	543	2,050	4,558
Accumulated depreciation and impairment	(742)	(32)	(983)	(482)	(1,675)	(3,914)
Net carrying amount	**87**	**12**	**109**	**61**	**375**	**644**
Year Ended 30 June 2019						
Carrying amount at beginning of year	130	17	90	165	530	932
Additions	15	-	120	7	51	193
Disposals	(1)	-	-	-	(2)	(3)
Depreciation charge for the year	(46)	(4)	(51)	(28)	(153)	(282)
Exchange adjustment	3	1	2	(8)	8	6
Carrying amount at end of year	**101**	**14**	**161**	**136**	**434**	**846**
At 30 June 2019						
Cost	791	44	1,082	542	1,952	4,411
Accumulated depreciation and impairment	(690)	(30)	(921)	(406)	(1,518)	(3,565)
Net carrying amount	**101**	**14**	**161**	**136**	**434**	**846**

12. Non-current assets – intangible assets and goodwill

(a) Reconciliation of carrying amounts

	Goodwill	Trademarks	Development costs	Patents	Acquired customer lists / contracts	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2020						
Carrying amount at beginning of year	5,318	1,133	4,253	521	1,488	12,713
Additions	-	-	925	5	-	930
Disposals	-	-	(5)	-	-	(5)
Amortisation	-	(134)	(782)	(138)	(717)	(1,771)
Exchange adjustments	110	17	15	-	34	176
Carrying amount at end of year	**5,428**	**1,016**	**4,406**	**388**	**805**	**12,043**
At 30 June 2020						
Cost (gross carrying amount)	5,428	1,354	6,761	2,419	2,583	18,545
Accumulated amortisation	-	(338)	(2,355)	(1,884)	(1,778)	(6,355)
Accumulated impairment charges	-	-	-	(147)	-	(147)
Net carrying amount	**5,428**	**1,016**	**4,406**	**388**	**805**	**12,043**
Year ended 30 June 2019						
Carrying amount at beginning of year	4,976	1,207	3,824	627	2,061	12,695
Additions	-	-	1,076	29	-	1,105
Disposals	-	-	(37)	-	-	(37)
Amortisation	-	(129)	(645)	(135)	(676)	(1,585)
Exchange adjustments	342	55	35	-	103	535
Carrying amount at end of year	**5,318**	**1,133**	**4,253**	**521**	**1,488**	**12,713**
At 30 June 2019						
Cost (gross carrying amount)	5,318	1,336	5,826	2,414	2,549	17,443
Accumulated amortisation	-	(203)	(1,573)	(1,746)	(1,061)	(4,583)
Accumulated impairment charges	-	-	-	(147)	-	(147)
Net carrying amount	**5,318**	**1,133**	**4,253**	**521**	**1,488**	**12,713**

12. Non-current assets – intangible assets and goodwill (continued)

(b) Development costs

During the year ended 30 June 2020, the Group incurred additional gross development costs of $0.925 million (2019: $1.076 million). During the year, it was decided to discontinue some development projects and the previously capitalised costs of $5,000 were expensed (2019: $37,000).

(c) Revaluation of assets acquired in USD

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

13. Carrying value of non-financial assets

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

Goodwill Allocation	International Secure Logistics	Access Control Solutions (including locks and readers)	Total
At 1 July 2019	4,578	740	5,318
Impact of foreign currency	110	-	110
At 30 June 2020	**4,688**	**740**	**5,428**

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

Key assumptions and estimates

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

The Group has three identifiable CGUs:

- Perimeter security
- Access control solutions
- International valuable logistics

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

Key Assumptions	International Secure Logistics
Future cash flows	VIU calculations, inclusive of working capital movements and forecast capital expenditure based on financial projections approved by the Board for the first year, with detailed management forecasts used in years 2 – 5, then reverting to a terminal value of 2%.
Discount rate:	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 – 17.74% • Access controls – 16.12% • International Valuable Logistics – 13.94% Post-tax discount rates: • Perimeter security – 13.94% • Access controls – 13.94% • International Valuable Logistics – 13.94%
Revenue growth	Forecast growth in year 1 is based on Board approved projections, and detailed assessed conversion of known revenue opportunities for the business. Years 2 – 5 assume modest growth is achieved within existing business markets and geographies, along with expansion of the business into new markets and geographies.
Gross margins	Forecasting consistent gross margins over the life of the model relative to historic gross margins achieved.

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

14. Leases

Group as a lessee

The Group has lease contracts for office space, IT equipment and vehicles used in its operations. Leases of office space and IT equipment generally have lease terms between 3 and 5 years, while motor vehicles generally have lease terms between 3 and 4 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of office space and IT equipment with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Amounts recognised in the statement of financial position and profit or loss

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

	Right-of-use assets			
	Office Space & IT Equipment	Motor Vehicles	Total	Lease liabilities
	$'000	$'000	$'000	$'000
As at 1 July 2019	925	20	945	1,002
Additions	19	28	47	47
Disposals	(34)	-	(34)	(35)
Depreciation expense	(287)	(17)	(304)	-
Interest expense	-	-	-	54
Payments	-	-	-	(355)
As at 30 June 2020	**623**	**31**	**654**	**713**

Set out below is the classification of lease liabilities:

	2020
	$'000
Current	**305**
Non-Current	**408**
As at 30 June	**713**

14. Leases (continued)

The following are the amounts recognised in profit or loss:

	2020 $'000
Depreciation expense of right-of-use assets	**304**
Interest expense on lease liabilities	**54**
Expense relating to short term and low value assets (included in facilities and office costs)	**153**
Total amount recognised in profit and loss	**511**

The Group had total cash outflows for leases of $355,000 in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of $47,000 in 2020.

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
2020			
Extension options not expected to be exercised	221	26	247

15. Trade and other payables

Trade payables, accruals and other payables	2020 $'000	2019 $'000
Current		
Trade payables	**2,323**	3,602
Accruals and other payables	**3,069**	436
	5,392	4,038

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

Contract liabilities	2020 $'000	2019 $'000
Balance at 1 July	**720**	691
Deferred during year	**859**	247
Recognised as revenue during the year	**(847)**	(218)
Balance at 30 June	**732**	720
Expected to be recognised as revenue within 1 year	**431**	452
Expected to be recognised as revenue after 1 year	**301**	268
	732	720

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

Revenue recognised of $847k (2019: $218k) in the year represents performance obligations which have been met during the financial year in relation to contract liabilities held at 30 June 2019.

16. Borrowings

The bank overdraft facility totalling $1 million is unused at reporting date. It is secured by 1st ranking fixed and floating charges over the assets of Ava Risk Group.

Refer to note 20 for further details on minimum future lease payments.

(a) Assets pledged as security

All assets of the Group have been pledged as security for borrowings.

17. Provisions

(a) Movements in provisions

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

	2020 $'000	2019 $'000
Current		
Employee entitlements – annual leave	**704**	771
Employee entitlements – long service leave	**411**	474
Provision for warranty claims	**260**	211
	1,375	1,456
Non-current		
Employee entitlements – long service leave	**53**	59
	53	59

	$'000
Consolidated	
At 1 July 2019	211
Arising during the year	49
Unused amounts reversed	-
At 30 June 2020	**260**
Current	260
Non-current	-
	260

(b) Nature and timing of provisions

(i) Warranty provision

Refer to Note 1.5(o) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of product warranty provision. This amount includes 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 1.5(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	
	2020	2019
	$'000	$'000
(a) Ordinary shares		
Ordinary share capital, issued and fully paid	**58,349**	58,226
	58,349	58,226

	Number of shares	$'000
(b) Movement in ordinary shares on issue		
At 1 July 2019	**234,115,568**	58,226
Share issue(iii)	**1,250,000**	125
Share issue costs(iii)	-	(2)
At 30 June 2020	235,365,568	58,349
(b) Movement in ordinary shares on issue		
At 1 July 2019	211,094,439	55,187
Share buyback and cancellation(i)	(478,872)	(75)
Share issue(ii)	23,500,001	3,290
Share issue costs(ii)	-	(176)
At 30 June 2019	234,115,568	58,226

(i) On 15 November 2018, Ava cancelled 478,872 shares bought back at a total of $75,331 in conjunction with the On Market Buy Back as announced to shareholders on 17 July 2018. The On Market Buy Back concluded on 16 July 2019. No further shares were bought back.

(ii) On 5 June 2019, Ava Risk Group completed a capital raise, issuing 23,500,001 shares at $0.14 per share, at a value of $3.290 million.

(iii) On 21 May 2020, Ava Risk Group issued 1,250,000 shares at $0.10 per share, at a value of $125,000, in fulfilment of a contractual agreement in relation to the MaxSec acquisition.

(c) Terms and conditions of contributed equity

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

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

(d) Share options

Employee share scheme

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

18. Contributed equity (continued)

No options have been issued between balance date and the date of this report. The Company has entered into an agreement with Mr Basham that it may issue 250,000 options vesting on 31 Dec 2020 with an exercise price of 15 cents and an expiry date of 31 December 2021 and 250,000 options vesting on 30 June 2021 with an exercise price of 15 cents and an expiry date of 31 December 2021 subject to certain performance conditions to be met during his employment notice period, which ends on 09 September 2020.

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

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

18. Contributed equity (continued)

Options over ordinary shares: The following options to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2019:

			Number of options				
Date granted	Expiry date	Exercise price ($)	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited, lapsed and other movements during the year	Vested and exercisable at end of the year
2019							
15/03/2015	15/03/2020	$0.23	1,500,000	-	-	-	1,500,000
28/04/2017	28/04/2020	$0.23	600,000	-	-	(600,000)	-
10/11/2017	10/11/2020	$0.21	200,000	-	-	-	200,000
29/11/2017	31/12/2020	$0.12	2,000,000	-	-	-	2,000,000
29/11/2017	19/05/2020	$0.10	1,375,000	-	-	-	1,375,000
10/05/2018	19/05/2020	$0.10	250,000	-	-	-	250,000
14/03/2018	31/12/2021	$0.13	1,500,000	-	-	-	1,500,000
14/03/2018	31/12/2021	$0.15	1,500,000	-	-	-	1,500,000
14/03/2018	31/12/2021	$0.20	3,000,000	-	-	-	3,000,000
Total			11,925,000	-	-	(600,000)	11,325,000
Weighted average exercise price			$0.16	-	-	$0.23	$0.16

(e) Performance rights

During the financial year 2020 1,763,634 performance rights (2019: 394,296) were issued to Key Management Personnel as part of their remuneration package.

Date granted	Expiry date	Exercise price ($)	Balance at start of the year	Granted during the year	Forfeited and other movements during the year	Vested and excercisable balance at end of the year	Unvested balance at end of the year
2020							
1/07/2018	01/07/2020	$0.00	112,972	-	-	112,972	-
1/07/2018	01/07/2021	$0.00	112,972	-	-	-	112,972
1/07/2018	01/07/2020	$0.00	84,176	-	-	84,176	-
1/07/2018	01/07/2021	$0.00	84,176	-	-	-	84,176
23/09/2019	31/08/2021	$0.00	-	528,558	-	-	528,558
23/09/2019	31/08/2022	$0.00	-	528,561	-	-	528,561
28/10/2019	31/08/2021	$0.00	-	468,939	-	-	468,939

18. Contributed equity (continued)

Date granted	Expiry date	Exercise price ($)	Balance at start of the year	Granted during the year	Forfeited, lapsed and other movements during the year	Vested and excercisable balance at end of the year	Unvested balance at end of the year
28/10/2019	31/08/2022	$0.00	-	468,942	-	-	468,942
31/10/2019	31/08/2021	$0.00	-	339,667	-	-	339,667
31/10/2019	31/08/2022	$0.00	-	339,669	-	-	339,669
31/10/2019	01/09/2020	$0.00	-	600,000	-	-	600,000
Total			394,296	3,274,336	-	197,148	3,471,484

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

- Non-executive Directors were issued 600,000 performance rights, following approval of the shareholders at the Company's Annual General Meeting (AGM) on 31 October 2019. The performance rights have a share price target of $0.22 with a vesting date of 1 September 2020.
- Executive Directors, Scott Basham and Robert Broomfield, were issued performance rights of 334,957 and 344,379 respectively, following approval of the shareholders at the AGM on 31 October 2019. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.
- Other key management personnel were issued a total of 484,299 performance rights. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.
- Other key employees were issued a total of 1,510,701 performance rights. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2021, with the second vesting on 31 August 2022.

Date granted	Expiry date	Exercise price ($)	Balance at start of the year	Granted during the year	Forfeited, lapsed and other movements during the year	Unvested and exercisable balance at end of the year
2019						
1/07/2018	01/07/2020	$0.00	-	112,972	-	112,972
1/07/2018	01/07/2021	$0.00	-	112,972	-	112,972
1/07/2018	01/07/2020	$0.00	-	84,176	-	84,176
1/07/2018	01/07/2021	$0.00	-	84,176	-	84,176
Total			-	394,296	-	394,296

18. Contributed equity (continued)

During the year ended 30 June 2019 the Company granted performance rights as part of remuneration to two key management personnel, Leigh Davis (CFO) and Robert Broomfield (COO). The fair value was measured at a market price for this remuneration. Fair value of the performance rights for Leigh Davis was $20,708 and for Robert Broomfield was $27,792.

The performance rights are split into two equal tranches one of which vested on 01 July 2020 with the second tranche vesting on 01 July 2021. The vesting conditions are based on continuity of employment. During July 2020 the Company issued Robert Broomfield and Leigh Davis 112,972 ordinary shares and 84,176 ordinary shares respectively as a result of the 01 July 2020 tranche of rights vesting.

(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 2020 and 2019 were as follows:

	Consolidated	
	2020 $'000	2019 $'000
Total borrowings *	**6,105**	4,038
Less cash and cash equivalents	**7,703**	3,082
Net borrowings / (cash)	**(1,598)**	956
Total equity	**25,415**	20,244
Total capital	**23,817**	21,200
Gearing ratio	**0%**	5%

* Includes trade and other payables as well as leases. The Company had no borrowings at 30 June 2020.

No changes were made to the objectives, polices, or processes for managing capital during the year ended 30 June 2020.

19. Reserves

Nature and purpose of reserves

Share based payment reserve

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

Foreign exchange translation reserve

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

Other equity reserve

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

20. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank overdraft, 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.

20. Financial risk management objectives and policies (continued)

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 2020	**$'000**	**$'000**	**%**	
(i) Financial assets and liabilities				
Cash	7,703	7,703	0.01%	Variable
Lease liabilities	(713)	(713)	6.35%	Fixed
Total net financial assets	6,990	6,990	0.64%	
30 June 2019				
(i) Financial assets				
Cash	3,082	3,082	0.4%	Variable
Total financial assets	3,082	3,082	0.4%	

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt where possible. At 30 June 2020, the Group had no borrowings (2019: nil) and lease liabilities of $713,000. (2019: nil).

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

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

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

At 30 June 2020, and at 30 June 2019, 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:

20. Financial risk management objectives and policies (continued)

Judgments of reasonably possible movements*	Post Tax Profit Higher/(Lower) 2020 $'000	Post Tax Profit Higher/(Lower) 2019 $'000	Equity Higher/(Lower) 2020 $'000	Equity Higher/(Lower) 2019 $'000
Consolidated				
+ 1/2% (50 basis points)	28	11	28	11
- 1/2% (50 basis points)	(28)	(11)	(28)	(11)

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

b) Foreign currency risk

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

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

USD EXPOSURE	A$'000
30 June 2020	
Cash and cash equivalents	2,582
Trade and other receivables	4,321
Trade and other payables	(575)
Total exposure	**6,328**
30 June 2019	
Cash and cash equivalents	698
Trade and other receivables	2,328
Trade and other payables	(432)
Total exposure	**2,594**

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.

20. Financial risk management objectives and policies (continued)

USD EXPOSURE	% Change in rate	Effect on profit/(loss) after tax	Effect on equity
		A$'000	A$'000
30 June 2020	10%	459	459
	-10%	(459)	(459)
30 June 2019	10%	188	188
	-10%	(188)	(188)

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 impairment 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:

20. Financial risk management objectives and policies (continued)

	Consolidated 2020 $'000	2019 $'000
12 months or less	**5,697**	4,038
1-5 years	**408**	-
Over 5 years	**-**	-
Total contractual cash flows	**6,105**	**4,038**

Fair value

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

21. Related party disclosure

(a) Subsidiaries

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

Name	Country of Incorporation	Principal Activity	% Equity Interest 2020	% Equity Interest 2019
Parent Entity				
Ava Risk Group Ltd	Australia	Manufacture and sale of security systems	100	100
Subsidiaries of Ava Risk Group Ltd				
FFT MENA Pty Ltd	Australia	Holding company	100	100
Future Fibre Technologies (US) Inc.	USA	Sales Support and other services	100	100
MaxSec Group Pty Ltd	Australia	Holding company	100	100
Subsidiaries of FFT MENA Pty Ltd				
Future Fibre Technologies MENA FZ-LLC	U.A.E	Sales Support and other services	100	100
Future Fibre Technologies Europe AG	Switzerland	Sales Support and other services	100	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	100
BQT Solutions America Inc	USA	Access Control	100	100
Subsidiaries of Ava Global DMCC				
Ava Germany GmbH	Germany	Secure international logistics	100	100
Ava USA Inc	USA	Secure international logistics	100	100

21. Related party disclosure (continued)

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

(b) Ultimate parent

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

(c) Key management personnel

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

(d) Terms and conditions of transactions with related parties

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

22. Key management personnel

a) Compensation for Key Management Personnel

	Consolidated	
	2020	2019
	$	$
Short-term employee benefits	**2,809,712**	1,690,866
Post-employment and other long-term benefits	**141,735**	97,606
Termination benefits	-	-
Share-based payments	**101,267**	20,153
Total compensation	**3,052,714**	1,808,625

b) Loans to/from Key Management Personnel

There were no loans to directors or key management personnel during the year ending 30 June 2020 (2019: nil).

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

Directors

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

The Consolidated Entity purchased consulting services from Pierce Group Asia Pte Limited and Pierce CIM PTE LTD, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of $296,625 (2019: $425,538). Accounts Payable balance at 30 June 2020 totals $Nil (FY2019: $1,470). The terms of these arrangements were on an arm's length basis in the normal course of business and included amounts related to our employee, contractors and administration and general office expenses provided by the related entities for the benefit of the Consolidated Entity.

Key Management Personnel

There were no other transactions with other KMP during the year ended 30 June 2020 (2019: none).

23. Share-based payments

a) Recognised share-based payment expenses

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

	Consolidated	
	2020	2019
	$'000	$'000
Expense arising from equity-settled share-based payment transactions:		
Corporate services	-	60
Performance rights	**162**	20
	162	80

b) Types of share-based payments

In FY2020, the Company granted performance rights as part of remuneration to three Non-Executive directors David Cronin, Mark Stevens, and Michael McGeever as well as four senior executives, Scott Basham, Robert Broomfield, Leigh Davis, and Matthew Nye-Hingston. The fair value of each performance right was calculated using an option pricing model as discussed below.

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

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

In FY2019, the Company granted performance rights as part of remuneration to two senior executives, Leigh Davis (CFO) and Robert Broomfield (COO). The fair value of each performance right was calculated using an option pricing model as discussed below.

The performance rights are split into two equal tranches one of which will vest at 01 July 2020 with the second tranche vesting on 01 July 2021. The vesting conditions are based on achievement of pre-defined performance KPIs and continuity of employment.

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

c) Summaries of performance rights granted

The following table illustrates the number of performance rights held at year end and movements during the financial year 2020:

	2020	2019
	Number	Number
Outstanding at the beginning of the year	**394,296**	-
Granted during the year	**3,274,336**	394,296
Outstanding at the end of the year	**3,668,632**	394,296

During July 2020 the Company issued 197,148 ordinary shares as a result of the performance rights vesting (refer to Note 18 (e) for further details).

23. Share-based payments (continued)

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 performance rights.

The model inputs for performance rights granted during the year ended 30 June 2020, in respect of remuneration included:

Number of performance rights granted	528,558	528,561	468,939	468,942	339,667	339,669	600,000
Fair value of performance rights granted	$58,141	$58,145	$46,895	$46,895	$39,062	$39,062	$30,000
Exercise price:	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grant date:	23-Sep-19	23-Sep-19	28-Oct-19	28-Oct-19	31-Oct-19	31-Oct-19	31-Oct-19
Expiry date:	31-Aug-21	31-Aug-22	31-Aug-21	31-Aug-22	31-Aug-21	31-Aug-22	1-Sep-20
Share price at grant date:	$0.110	$0.110	$0.100	$0.100	$0.115	$0.115	$0.115
Expected price volatility of the Company's shares:	92.30%	92.30%	92.30%	92.30%	92.30%	92.30%	80.00%
Expected dividend yield:	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate:	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.86%

The model inputs for performance rights granted during the year ended 30 June 2019, in respect of remuneration included:

Number of performance rights granted	197,148	197,148
Fair value of performance rights granted	$24,250	$24,250
Exercise price:	$ -	$ -
Grant date:	1-Jul-18	1-Jul-18
Expiry date:	01-Jul-20	01-Jul-21
Share price at grant date:	$0.115	$0.115
Expected price volatility of the Company's shares:	92.3%	92.3%
Expected dividend yield:	0%	0%
Risk-free interest rate:	0.99%	0.99%

There were no share options issued in financial year 2020 (2019: nil).

24. Contingencies

The Ava Global performance plan allows for senior employees of Ava Global to share in a pooled allocation of up to 32.7% of the exit value of Ava Global in excess of AU$5 million or the debt and equity funding provided to Ava Global to run the business, whichever is greater. In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates, after allowing for all costs and expenses, including the amount of this shared annual bonus pool. The incentives are payable in cash conditional upon meeting pre-defined KPIs by the executives. The performance plan expires if the executive resigns of their employment is terminated by the Company within the first 3 years. Otherwise the performance plan terminates on 1 February 2021.

Other than the above the Group had no contingencies at 30 June 2020 (2019: None).

25. Events after the balance sheet date

Whilst the Group has seen an impact on our business to date as a result of the COVID-19 outbreak which was declared a pandemic by the World Health Organization in March 2020, the outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain. As at the date of this report however they are not having a material impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

There has been no other matters or circumstances, which have arisen since 30 June 2020 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020, of the Consolidated Entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2020, of the Consolidated Entity.

26. Parent Entity Information

(a) Summary financial information

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

Ava Risk Group Limited: Summarised statement of financial position	2020 $'000	2019 $'000
Assets		
Current assets	**14,740**	10,107
Non-current assets	**19,943**	19,287
Total assets	**34,683**	29,394
Liabilities		
Current liabilities	**4,260**	3,125
Non-current liabilities	**403**	45
Total liabilities	**4,663**	3,170
Net assets	**30,020**	26,224
Equity		
Contributed capital	**58,349**	58,226
Share-based payment reserve	**1,171**	1,009
Accumulated losses	**(29,500)**	(33,011)
Total equity	**30,020**	26,224

Ava Risk Group Limited: Summarised statement of comprehensive income	2020 $'000	2019 $'000
Profit/(loss) for the year	**3,511**	1,208
Other comprehensive income for the year	**-**	-
Total comprehensive income of the parent entity	**3,511**	1,208

(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 2020 or 30 June 2019. For information about guarantees given by the parent entity, please see above.

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

As at 30 June 2020, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2019: None).

27. Auditor's remuneration

The auditor of Ava Risk Group is for the year ended 30 June 2020 was Ernst & Young.

Auditor's renumeration	Consolidated 2020 $	2019 $
Amounts received or due and receivable by the company's auditor Ernst & Young (Australia) for:		
- Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	**267,000**	253,000
- Fees for assurance services that are required by legislation to be provided by the auditor	**-**	-
- Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	**-**	-
Fees for other services	**-**	-
- Tax compliance and tax advice services	**90,000**	111,000
Total fees to Ernst & Young (Australia)	**357,000**	364,000

	Consolidated 2020 $	2019 $
Amounts received or due and receivable by other member firms of Ernst & Young (Australia) for:		
- Audit and review of the financial statements	**22,500**	21,500
	22,500	21,500

09: 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 2020 and of their performance for the year ended on that date; and

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

(ii) also comply with International Financial Reporting Standards as stated in Note 1(a) 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 ending 30 June 2020.

On behalf of the Board

David Cronin
Chairman
Melbourne, 31 August 2020

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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 2020, 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 2020 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

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

Why significant	How our audit addressed the key audit matter
PPE totalling $0.6 million, ROU totalling $0.7 million, intangible assets totalling $6.6 million and goodwill totalling $5.4 million represent significant balances recorded on the consolidated statement of financial position, relative to total assets. The Group has three identifiable cash generating units ("CGUs"): ▸ Perimeter security ▸ Access control solutions – locks and readers ▸ International valuable logistics. The recoverability of PPE, ROU 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 model for each CGU that includes goodwill. Additionally, as indicators of impairment were identified by the Group in the CGU with no goodwill, an impairment assessment was performed for all three CGUs. Our assessment of the Group's impairment test performed was a key audit matter because the assessment process is complex and highly judgemental. In addition, the key underlying assumptions are affected by expected future market or economic conditions. 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 operating 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 three CGUs and evaluated the assumptions and methodologies used with the involvement of our valuation specialists. In respect of the Group's DCF impairment models for each CGU we: ▸ Agreed the underlying cash flow projections to Board approved forecasts; ▸ Tested the mathematical accuracy; ▸ Compared revenue growth and profit margins to historically achieved results; ▸ Considered the historical accuracy of the Group's cash flow forecasts; ▸ Assessed the Group's COVID-19 related assumptions for CGUs expected to be impacted by COVID-19; ▸ Assessed the Group's assumptions for terminal growth rates in comparison to economic and industry forecasts; ▸ Assessed the reasonableness of sustaining capital expenditure forecasts in line with historical levels and current business strategy; ▸ Assessed discount rates through comparing the cost of capital for the Group with comparable businesses; and ▸ Considered earnings multiples against comparable companies as a valuation cross check. We performed sensitivity analysis in respect of the revenue growth assumptions, which were considered to have the most significant impact on carrying values, to ascertain the extent of changes in those assumptions which would be required for the PPE and intangible assets (including goodwill) 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.

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2. Revenue recognition

Why significant	How our audit addressed the key audit matter
In line with AASB 15 *Revenue from contracts with customers* ("AASB 15"), the Group's contracts with customers for sale of equipment is one performance obligation. Some contracts have multiple elements, such as sale of equipment 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 recognition accounting policies of the Group's revenue streams can be found at Note 1.5 of the consolidated financial report. Judgement is involved in determining whether the criteria for revenue recognition has been met and that revenue is recognised in the correct period including consideration of transactions occurring close to balance sheet date. Revenue recognition was considered a key audit matter due to assessing the timing of revenue recognition of the Group's different revenue streams, including the new licence fees revenue stream.	The audit procedures we performed included the following: ▸ We assessed the terms of material new customer contracts to determine the appropriateness of the Group's revenue recognition accounting policies relating to the requirements of AASB 15. ▸ We tested the key controls in place to ensure product sales were appropriately recognised in accordance with the Group's revenue recognition policy. ▸ We tested the amount of product sales for a sample of revenue transactions during the year, by agreeing to sales contracts, delivery documentation and receipts from customers. ▸ We verified the amount of licence fee revenue for a sample of revenue transactions during the year, by agreeing to sale invoices, customer acknowledgement and receipts from customers. ▸ We tested the amount of logistics services revenue for a sample of revenue transactions for the period, by agreeing to sales invoices and delivery and shipping documentation. ▸ We assessed a sample of post year end credit notes and considered whether these related to product sales or service-based revenue recognised in the 2020 financial year. ▸ Our procedures included selecting a sample of sales transactions recorded both prior to and subsequent to balance sheet date to assess whether product sales and service-based revenue were recognised in the appropriate period. ▸ We also assessed the adequacy of the Group's revenue disclosures in the consolidated financial report.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 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.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 52 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Ava Risk Group Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

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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
31 August 2020

11: Shareholder Information

Distribution of equity securities (as at 19 August 2020)

Ordinary share capital

235,562,716 fully paid ordinary shares are held by 1,291 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	236	85,621	0.04%
1,001 - 5,000	273	829,534	0.35%
5,001 - 10,000	162	1,288,345	0.55%
10,001 - 100,000	458	17,750,831	7.54%
100,001 and over	162	215,608,385	91.53%
Total	**1,291**	**235,562,716**	**100.00%**

The number of shareholders holding less than a marketable parcel of 2,173 shares (based on the share price of $0.23 on 19 August 2020) is 319 and they hold 213,811 shares.

Substantial shareholders (as at 19 August 2020)

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

Name Of Shareholder	Number Of Shares	% Of Issued Capital
PANDON HOLDINGS PTE LIMITED	32,270,536	13.70%
VALWREN PTY LTD	14,133,800	6.00%
BARNABY INVESTMENTS PTY LTD	11,853,886	5.03%
ALKASAB UNITED COMPANY FOR GENERAL TRADING W.L.L	24,061,609	10.21%
	82,319,831	34.94%

Shareholder Information (continued)

Twenty largest shareholders (as at 19 August 2020)

Rank	Name of Shareholder	Number of shares	% of issued capital
1	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	32,237,727	13.69%
2	BNP PARIBAS NOMINEES PTY LTD	27,831,933	11.82%
3	VALWREN PTY LIMITED	15,333,800	6.51%
4	CITICORP NOMINEES PTY LIMITED	15,031,172	6.38%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,429,219	6.12%
6	BANNABY INVESTMENTS PTY LIMITED	13,890,821	5.90%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,023,132	5.10%
8	DIXON TRUST PTY LIMITED	7,339,998	3.12%
9	MR DAVID MALCOLM SOUTH	4,250,000	1.80%
10	CARRIER INTERNATIONAL PTY LIMITED	3,506,115	1.49%
11	MR STEPHEN ROSS CAREW	3,500,000	1.49%
12	CHAG PTY LTD	3,100,000	1.32%
13	CHERYL LEE TAPANES	3,000,000	1.27%
14	MR CHRISTOPHER FERGUS	3,000,000	1.27%
15	BFA SUPER PTY LTD <GDN SUPER FUND A/C>	2,978,384	1.26%
16	DMX CAPITAL PARTNERS LIMITED	2,556,357	1.08%
17	MR ROBERT BROOMFIELD	2,525,637	1.07%
18	MR NEIL RICHARD HINGSTON & MS PAULINE RUTH HINGSTON	1,327,310	0.56%
19	MR JOSEPH MORRIN	1,250,000	0.53%
20	MR MARK WILLIAM STEVENS	1,018,396	0.43%
		170,130,001	**72.23%**

Voting Rights

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

SECURITY RISK MANAGEMENT

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