

**AVA RISK GROUP LIMITED  
ABN 67 064 089 318  
AND CONTROLLED ENTITIES**

**HALF-YEAR INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021  
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

**This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2021.**

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**Appendix 4D**  
**Half Year Report for the six months to 31 December 2021**

Name of entity: Ava Risk Group Limited

ABN or equivalent company reference: 67 064 089 318

**1. Reporting period**

Report for the half year ended: 31 December 2021

Previous corresponding periods: Financial year ended 30 June 2021  
Half-year ended 31 December 2020

**2. Results for announcement to the market**

<b>Consolidated:</b>				
Revenues from ordinary activities ( <i>item 2.1</i> )	down	43%	to	20,151
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	up	198%	to	32,853
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	up	198%	to	32,853
<b>From Continuing operations:</b>				
Revenues from ordinary activities ( <i>item 2.1</i> )	down	48%	to	9,093
Net profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	down	-112%	to	(941)
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	down	-112%	to	(941)

<b>Dividends (<i>item 2.4</i>)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend	Nil ¢	Nil ¢
Final dividend	Nil ¢	Nil ¢
Previous corresponding period:		
Special dividend (23 October 2020)	1 ¢	Nil ¢
Special dividend (11 March 2021)	2 ¢	
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	Not applicable	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):		
Not applicable.		

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3. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	24.1 cents	9.4 cents

4. Details of entities over which control has been gained or lost during the period: (item 4)

Control gained over entities

Name of entities (item 4.1)	Not applicable	
Date(s) of gain of control (item 4.2)	Not applicable	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	\$ Nil	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$ Nil	

Loss of control of entities

Name of entities (item 4.1)	AVA Global DMCC AVA Germany GmbH AVA USA Inc	
Date(s) of loss of control (item 4.2)	7 October 2021	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 4.3).		\$1,880
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)		\$3,457

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5. Dividends (item 5)

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2022	N/A	\$ Nil

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign-sourced dividend
<b>Total dividend:</b>			
Current year	Nil ¢	Nil ¢	Nil ¢
Previous year:		Nil ¢	Nil ¢
Special dividend (23 October 2020)	1 ¢		
Special dividend (11 March 2021)	2 ¢		

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	Nil	2,392
Preference securities (each class separately)	Nil	Nil
Other equity instruments (each class separately)	Nil	Nil
<b>Total</b>	Nil	2,392

6. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

N/A
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The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A
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**7. Details of associates and joint venture entities (item 7)**

Name of associate or joint venture entity %Securities held

N/A	N/A

**Aggregate share of profits (losses) of associates and joint venture entities**

**Group's share of associates' and joint venture entities':**

Profit (loss) from ordinary activities before tax

Income tax on ordinary activities

**Net profit (loss) from ordinary activities after tax**

Adjustments

**Share of net profit (loss) of associates and joint venture entities**

	2021 \$	2020 \$
	N/A	N/A
	N/A	N/A
	N/A	N/A

**8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).**

**9. Independent review of the financial report (item 9)**

*(Select appropriate option)*

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

**10. Matters relating to a qualified independent review statement**

A description of the dispute or qualification in respect of the independent review of the half-year financial report is provided below *(item 9)*

N/A

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**Ava Risk Group Limited  
(A.C.N. 064 089 318)  
and controlled entities**

**CONDENSED FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

**This half-year condensed financial report is to be read in conjunction with the financial report for the year ended 30 June 2021.**

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**Table of Contents**

Directors' Report..... 1  
Auditor's Independence Declaration ..... 3  
Interim Consolidated Statement of Comprehensive Income ..... 4  
Interim Consolidated Statement of Financial Position ..... 6  
Interim Consolidated Statement of Changes in Equity..... 7  
Interim Consolidated Statement of Cash Flows..... 8  
Notes to the Interim condensed consolidated half-year report ..... 9  
Directors' Declaration..... 21  
Independent auditor's review report ..... 22



## DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of Ava Risk Group Limited and its controlled entities (the "Company" or "Ava Risk Group") for the half-year ended 31 December 2021 and independent review report thereon.

### Directors' Names

The names of the directors in office at any time during or since the end of the half-year are:

<b>Name</b>	<b>Period of Directorship</b>
D Cronin (Chairman)	Appointed 10 April 2018
M Stevens (Non-Executive Director)	Appointed 11 March 2015
M McGeever (Non-Executive Director)	Appointed 8 August 2018
R Broomfield (Executive Director)	Appointed 27 February 2008

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

### Review of operations

Ava Risk Group has continued to build on its position as a global leader in technology and services which protect critical and high value infrastructure to some of the most security conscious clients in the world. Following the successful divestment of the Services Division in October 2021, the focus of the Company is on high margin solutions provided by the Technology Division. To this end significant progress has been achieved during the half year ending 31 December 2021:

- Sales orders received in the Technology Division during the period grew to \$10.2 million, an increase of 42% on the prior year to date. Pleasingly we have seen growth in sales orders received in the United States, reflecting the additional investment the Company has made in its business development capability in North America. Growth in sales orders is also well balanced across key industry segments, with particular growth in military installations and solar farm applications.
- The Company signed a Global Agreement for the supply of BQT products and services to dormakaba International. dormakaba is a global leader in the supply of security access control systems, locks and digital locking systems. The agreement enables BQT to sell its products in all jurisdictions in which dormakaba operates, including new markets in the United States and Europe.
- The Company continues to invest in its market leading technology. The engineering and development teams are focused on performance enhancement, product development and application adaptation. Aura IQ is an integral component of our product portfolio to enable new opportunities in adjacent condition monitoring and bulk handling segments. While we continue to await key customer internal approvals for deployment of the technology, we remain very confident in the commercial application of the technology.

The financial performance of the Company is strong. The Company reported a net profit for the half year ending 31 December 2021 of \$32.9 million (\$11.0 million for HY2021) which includes a gain on the disposal of the Services Division of \$31.9 million. Group revenue for the period was \$20.2 million which is a decrease of 43% compared to HY2021 (\$35.2 million). The reduction in revenue is attributable to the divestment of the Services Division from October 2021 (-\$7.3 million compared to HY2021) and reduced contribution in licence revenue from the Indian Ministry of Defence ("IMOD") contract which was recognised in HY2021 (-\$7.7 million). Revenue from the Technology Division for the half year was \$9.1 million which is a reduction of 46% compared to the prior year.

## DIRECTORS' REPORT

Net loss from Continuing Operations is \$0.9 million (HY2021 was a profit of \$7.8 million) reflecting lower revenue and IMOD licensing margin in the Technology Division. Pleasingly the Company generated positive cash flow from operations of \$3.5 million. Coupled with the proceeds from the divestment of the Services Division, the Group increased its cash balance by \$38.4 million during the period. At 31 December 2021, the Company had a cash balance of \$55.4 million and no debt.

On 16 August 2021, the Company announced its intent to distribute excess cash of \$39.2 million to shareholders. The Company proposed that the funds were returned to shareholders as a capital return subject to shareholder approval and the receipt of a favourable class ruling from the Australian Tax Office ("ATO"). The ATO has subsequently indicated that it would be willing to treat \$7.567 million of the proposed \$39.2 million as capital in nature. Based on this advice the Board has decided to make two distributions as follows:

- Special Dividend of \$0.13 per share (distribution of approximately \$31.585 million) to be paid on 10 March 2022
- Capital Return of \$0.03114 per share (distribution of approximately \$7.567 million) subject to shareholder approval at an Extraordinary General Meeting on 22 April 2022

The operational and financial performance highlights have been achieved against a backdrop of continued uncertainty created by Covid-19. Some sales opportunities and customer approvals were delayed, particularly through the first quarter of the financial year as major cities in Australia and New Zealand experienced significant mobility restrictions. Though these restrictions have eased, the global supply chain remains constrained and is a key focus of management to ensure the continuity of supply of key components to enable order fulfilment.

### Events after the Balance sheet date

There has been no matter or circumstance (other than as contained in this report) which has arisen since 31 December 2021 that has significantly affected or may significantly affect:

- a) the operations subsequent to 31 December 2021, of the consolidated entity, or
- b) the results of those operations, or
- c) the state of affairs, subsequent to 31 December 2021, of the consolidated entity.

### 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).

### 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 review for the half-year is provided with this report.

This report is made in accordance with a resolution of directors.



David Cronin  
Chairman  
25 February 2022



**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 review of the half-year financial report of Ava Risk Group Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Richard Bembridge  
Partner  
25 February 2022

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# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER

		Consolidated	
	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000 Restated <sup>1</sup>
<b>Continuing operations</b>			
Revenue from contracts with customers	4	9,076	16,742
Other income	4	17	536
<b>Revenue and other income</b>		<b>9,093</b>	<b>17,278</b>
Cost of raw materials and consumables used		(3,058)	(2,760)
Employee benefit expenses		(3,397)	(3,544)
Research and development		(925)	(594)
Advertising and marketing		(145)	(60)
Travel and entertainment		(129)	(39)
Facilities and office		(191)	(182)
Compliance, legal, and administration		(578)	(585)
Reversal of impairment of receivables		8	133
Depreciation and amortisation expenses		(844)	(798)
Finance costs		(22)	(24)
Foreign exchange losses		(116)	(848)
Other expenses		(448)	(385)
<b>Total Expenses</b>		<b>(9,845)</b>	<b>(9,686)</b>
<b>(Loss) Profit for the half-year before income tax</b>		<b>(752)</b>	<b>7,592</b>
Income tax expense		(189)	(21)
<b>(Loss) Profit for the half-year from continuing operations</b>		<b>(941)</b>	<b>7,571</b>
<b>Discontinued operation</b>			
Profit from discontinued operation, net of tax	11(a)	33,794	3,457
<b>Profit for the half-year</b>		<b>32,853</b>	<b>11,028</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations, net of tax		(130)	(947)
Exchange differences reclassified to profit or loss on disposal of discontinued operation		575	-
<b>Other comprehensive income for the half-year, net of tax</b>		<b>445</b>	<b>(947)</b>

<sup>1</sup> Restated to disclose International Valuables Logistics (IVL) as a discontinued operation.

The accompanying notes form part of these condensed consolidated financial statements

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER (CONTINUED)

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
		<b>\$'000</b>	<b>\$'000</b>
			Restated <sup>1</sup>
<b>Profit for the half-year attributable to:</b>			
Equity holders of the parent company		<b>32,853</b>	11,028
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent company		<b>33,298</b>	10,081
<b>Earnings per share attributable to ordinary shareholders of AVA Risk Group Limited from continuing operations</b>			
	9	<b>Cents</b>	Cents
Basic (loss) earnings per share		<b>(0.38)</b>	3.16
Diluted (loss) earnings per share		<b>(0.38)</b>	3.05
<b>Earnings per share attributable to ordinary shareholders of AVA Risk Group Limited</b>			
	9	<b>Cents</b>	Cents
Basic earnings per share		<b>13.43</b>	4.61
Diluted earnings per share		<b>13.24</b>	4.45

<sup>1</sup> Restated to disclose International Valuables Logistics (IVL) as a discontinued operation.

The accompanying notes form part of these condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	55,412	17,293
Receivables		3,756	9,270
Contract assets		-	1,573
Inventories		3,366	3,126
Other current assets		528	339
<b>Total Current Assets</b>		<b>63,062</b>	<b>31,601</b>
<b>Non-Current Assets</b>			
Plant and equipment		392	420
Intangible assets		5,986	10,845
Right of use assets		351	385
Deferred tax asset		28	-
Other non-current assets		-	2
<b>Total Non-Current Assets</b>		<b>6,757</b>	<b>11,652</b>
<b>TOTAL ASSETS</b>		<b>69,819</b>	<b>43,253</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		2,353	8,671
Contract liabilities		392	218
Lease liabilities		217	210
Provisions		1,553	1,515
<b>Total Current Liabilities</b>		<b>4,515</b>	<b>10,614</b>
<b>Non-Current Liabilities</b>			
Provisions		38	69
Lease liabilities		172	220
Contract liabilities		204	310
<b>Total Non-Current Liabilities</b>		<b>414</b>	<b>599</b>
<b>TOTAL LIABILITIES</b>		<b>4,929</b>	<b>11,213</b>
<b>NET ASSETS</b>		<b>64,890</b>	<b>32,040</b>
<b>EQUITY</b>			
Contributed equity	8	58,362	59,062
Retained profits/(Accumulated losses)		8,743	(24,110)
Reserves		(2,215)	(2,912)
<b>TOTAL EQUITY</b>		<b>64,890</b>	<b>32,040</b>

The accompanying notes form part of these condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital \$'000	Share based payment Reserve \$'000	Foreign Exchange Translation Reserve \$'000	Other Equity Reserves \$'000	Retained profits/ (Accumulated Losses) \$'000	Total Equity \$'000
<b>At 1 July 2021</b>	<b>59,062</b>	<b>1,397</b>	<b>(1,262)</b>	<b>(3,047)</b>	<b>(24,110)</b>	<b>32,040</b>
Profit for the year	-	-	-	-	32,853	32,853
Other comprehensive income	-	-	445	-	-	445
<b>Total comprehensive income loss for the year</b>	<b>-</b>	<b>-</b>	<b>445</b>	<b>-</b>	<b>32,853</b>	<b>33,298</b>
<b>Transactions with owners in their capacity as owners</b>						
Share-buy back and cancelled	(1,329)	-	-	-	-	(1,329)
Shares issued	638	-	-	-	-	638
Share issue costs	(9)	-	-	-	-	(9)
Share based payments	-	252	-	-	-	252
<b>Total transactions with owners in their capacity as owners</b>	<b>(700)</b>	<b>252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(448)</b>
<b>Balance at 31 December 2021</b>	<b>58,362</b>	<b>1,649</b>	<b>(817)</b>	<b>(3,047)</b>	<b>8,743</b>	<b>64,890</b>
<b>At 1 July 2020</b>	<b>58,349</b>	<b>1,176</b>	<b>(428)</b>	<b>(3,047)</b>	<b>(30,635)</b>	<b>25,415</b>
Profit for the year	-	-	-	-	11,028	11,028
Other comprehensive loss	-	-	(947)	-	-	(947)
<b>Total comprehensive income (loss) for the year</b>	<b>-</b>	<b>-</b>	<b>(947)</b>	<b>-</b>	<b>11,028</b>	<b>10,081</b>
<b>Transactions with owners in their capacity as owners</b>						
Dividends/distributions	-	-	-	-	(2,392)	(2,392)
Shares issued	694	-	-	-	-	694
Share issue costs	(14)	-	-	-	-	(14)
Share based payments	-	291	-	-	-	291
<b>Total transactions with owners in their capacity as owners</b>	<b>680</b>	<b>291</b>	<b>-</b>	<b>-</b>	<b>(2,392)</b>	<b>(1,421)</b>
<b>Balance at 31 December 2020</b>	<b>59,029</b>	<b>1,467</b>	<b>(1,375)</b>	<b>(3,047)</b>	<b>(21,999)</b>	<b>34,075</b>

The accompanying notes form part of these condensed consolidated financial statements.

## INTERIM STATEMENT OF CONSOLIDATED CASH FLOWS

	Note	Consolidated	
		31 Dec 2021	31 Dec 2020
		\$'000	\$'000
<b>Cash flow from operating activities</b>			
Receipts from customers		22,675	29,983
Receipts from government grants		-	626
Payments to suppliers and employees		(19,085)	(22,391)
Tax paid		(117)	(13)
Finance costs		(15)	(24)
<b>Net cash flows from operating activities</b>		<b>3,458</b>	<b>8,181</b>
<b>Cash flow from investing activities</b>			
Payment for intangible assets		(497)	(459)
Payment for plant and equipment		(180)	(61)
Proceeds from discontinued operations, net of cash and transaction costs		36,469	-
<b>Net cash flows from (used in) investing activities</b>		<b>35,792</b>	<b>(520)</b>
<b>Cash flow from financing activities</b>			
Proceeds from share issue		638	694
Share issue expense		(9)	(14)
Shares bought back		(1,329)	-
Dividends paid		(7)	(2,338)
Payment of lease liabilities		(187)	(147)
<b>Net cash flows used in financing activities</b>		<b>(894)</b>	<b>(1,805)</b>
Net increase in cash and cash equivalents		38,356	5,856
Net foreign exchange differences on cash		(237)	(161)
Cash and cash equivalents at beginning of year		17,293	7,703
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>55,412</b>	<b>13,398</b>

The Statement of Cash Flows includes discontinued operations, refer to note 11 for details. The accompanying notes form part of these condensed consolidated financial statements.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## 1. Corporate information

The consolidated financial statements of Ava Risk Group Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 25 February 2022. Ava Risk Group Limited (the parent) is a limited company incorporated and domiciled in Australia and whose shares are publicly traded. The registered office is located at 10 Hartnett Close, Mulgrave, Victoria 3170, Australia.

The Group is principally engaged in:

- the provision of security technology products for perimeter intrusion detection solutions;
- the provision of security access control products; and
- the provision of international valuable logistics services (IVL).

The IVL division was sold in October 2021. Information about this discontinued Segment is provided in note 11.

## 2. Basis of preparation and changes to the Group's accounting policies

### (a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*.

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Ava Risk Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

### (b) New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021. There are no new standards or interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

### (c) Going concern

The financial statements have been prepared on the 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.

For the period ended 31 December 2021, the Group recorded a net profit after tax of \$32,853. The Group has a net asset position of \$64,890 at reporting date inclusive of cash reserves of \$55,412 with no external debt or borrowings.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## (d) Covid-19

The operational and financial performance highlights have been achieved against a backdrop of continued uncertainty created by Covid-19. Some sales opportunities and customer approvals were delayed, particularly through the first quarter of the financial year as major cities in Australia and New Zealand experienced significant mobility restrictions. Though these restrictions have eased, the global supply chain remains constrained and is a key focus of management to ensure the continuity of supply of key components to enable order fulfilment. Management continues to assess and have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months and that the going concern basis of accounting remains appropriate.

## (e) Rounding 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).

## (f) 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.

### (g) Key assumptions and estimates

#### (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 and indefinite lived intangibles are tested for impairment on at least an annual basis. Impairment triggers include market capitalisation deficiency relative to net assets, 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, in which case it is tested as part of the cash generating unit (CGU) to which it belongs. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An assessment is made each reporting period to determine whether there is an indicator of impairment.

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 (reported as discontinued operation)

No impairments were recognised for the period (2021: nil).

#### (ii) Capitalisation of development costs

Judgement is required where expenditure meets the definition of development.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## (iii) Amortisation of intangible assets

Judgement is required to assess the useful economic life of intangible assets. Intangible assets, including capitalised development costs that have a finite life 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.

### 3. Related party transactions

The Consolidated Entity purchased consulting services from Pierce Group Asia Pte Ltd a related entity through Chairman and Non-Executive Director, David Cronin, for \$125,862 (HY2021: \$124,983). Accounts payable balance at 31 December 2021 totals \$19,970 (HY2021: \$46,500).

There have been no other related party transactions other than those between the Company and its subsidiaries during the half-year ended 31 December 2021.

### 4. Revenue and other income

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>(a) Revenue from contracts with customers</b>		
Revenue from sales of goods	8,553	8,514
Revenue from licence fees	-	7,726
Revenue from provision of services	523	502
<b>Total revenue from contracts with customers – continuing operations</b>	<b>9,076</b>	<b>16,742</b>
Revenue from provision of services - discontinued operations	11,075	18,417
<b>Total revenue from contracts with customers</b>	<b>20,151</b>	<b>35,159</b>
<b>(b) Other income</b>		
Government grants and incentives	-	525
Other income	17	11
<b>Total other income – continuing operations</b>	<b>17</b>	<b>536</b>
Other income - discontinued operations	-	77
<b>Total other income</b>	<b>17</b>	<b>613</b>
<b>Total Revenues and other income</b>	<b>20,168</b>	<b>35,772</b>

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>(c) Timing of revenue recognition</b>		
Goods transferred at a point in time	8,553	16,240
Services transferred over time	523	502
<b>Total revenue from contracts with customers-continuing operations</b>	<b>9,076</b>	<b>16,742</b>
Services transferred over time - Discontinued operations	11,075	18,417
<b>Total revenue from contracts with customers</b>	<b>20,151</b>	<b>35,159</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## 5. 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:

<b>Product type</b>	<b>Reportable segment</b>	<b>Operations</b>
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 (IVL), reported as Discontinued Operations	Global provider of secure international logistics of high-risk valuables, precious metals and currency.  The IVL division was sold in October 2021. Information about this discontinued Segment is provided in note 11.

Management have considered the geographical entity-wide disclosures required as per AASB 8 *Operating Segments*. Inter-segment revenues are eliminated upon consolidation and reflected in the 'Eliminations' column. Segment information for the reporting period is as follows:

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

### (a) Reportable segments

31 Dec 2021	Perimeter Security	Access Control Solutions	Eliminations	Total Continuing Operations	Discontinued Operations (IVL)	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>							
External customers	7,434	1,642	-	9,076	11,075	-	20,151
Intersegment revenue	160	95	(255)	-	75	(75)	-
Total Revenue	7,594	1,737	(255)	9,076	11,150	(75)	20,151
Other income	1	16	-	17	-	-	17
<b>Segment revenue and other income</b>	<b>7,595</b>	<b>1,753</b>	<b>(255)</b>	<b>9,093</b>	<b>11,150</b>	<b>(75)</b>	<b>20,168</b>
<b>EBITDA</b>	<b>(19)</b>	<b>133</b>	<b>-</b>	<b>114</b>	<b>1,947</b>	<b>-</b>	<b>2,061</b>
Depreciation and amortisation expenses	(480)	(364)	-	(844)	(29)	-	(873)
Finance costs	(21)	(1)	-	(22)	-	-	(22)
Income tax	(93)	(96)	-	(189)	(38)	-	(227)
<b>Segment operating profit</b>	<b>(613)</b>	<b>(328)</b>	<b>-</b>	<b>(941)</b>	<b>1,880</b>	<b>-</b>	<b>939</b>
<b>31 Dec 2020</b>							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>							
External customers	12,477	4,265	-	16,742	18,417	-	35,159
Intersegment revenue	151	107	(258)	-	150	(150)	-
Total Revenue	12,628	4,372	(258)	16,742	18,567	(150)	35,159
Other income	498	38	-	536	77	-	613
Interest Income <sup>1</sup>	13	206	(13)	206	-	(206)	-
<b>Segment revenue and other income</b>	<b>13,139</b>	<b>4,616</b>	<b>(271)</b>	<b>17,484</b>	<b>18,644</b>	<b>(356)</b>	<b>35,772</b>
<b>EBITDA</b>	<b>5,971</b>	<b>2,443</b>	<b>-</b>	<b>8,414</b>	<b>3,748</b>	<b>-</b>	<b>12,162</b>
Depreciation and amortisation expenses	(473)	(325)	-	(798)	(291)	-	(1,089)
Finance costs	(20)	(17)	13	(24)	(206)	206	(24)
Income tax	(21)	-	-	(21)	-	-	(21)
<b>Segment operating profit</b>	<b>5,470</b>	<b>2,307</b>	<b>-</b>	<b>7,777</b>	<b>3,251</b>	<b>-</b>	<b>11,028</b>

<sup>1</sup>Interest income of \$206 in HY 2021 related to intercompany interest charged to International valuable logistics, classified as discontinued operation.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

(b) Geographic information	31 Dec 2021			31 Dec 2020		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia	892	19	911	4,150	569	4,719
APAC (excluding Australia)	1,331	-	1,331	-	82	82
Europe	2,491	8,696	11,187	2,476	13,012	15,488
India	971	-	971	8,144	-	8,144
MENA	410	237	647	182	505	687
United States of America	92	961	1,053	636	1,924	2,560
Rest of world	2,889	1,162	4,051	1,154	2,325	3,479
<b>Total</b>	<b>9,076</b>	<b>11,075</b>	<b>20,151</b>	<b>16,742</b>	<b>18,417</b>	<b>35,159</b>

In the half-year ended 31 December 2021, one customer generated revenues representing 10% or more. (HY2021, three customers).

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>(c) Non-current operating assets</b>		
Australia	5,983	9,333
United Arab Emirates	-	1,435
Rest of world	746	882
<b>Total non-current assets by region</b>	<b>6,729</b>	<b>11,650</b>
<b>(d) Reconciliation of non-current assets</b>		
Non-current operating assets by region	6,729	11,650
Deferred tax asset	28	-
Other non-current assets	-	2
<b>Total non-current assets</b>	<b>6,757</b>	<b>11,652</b>

Non-current assets for this purpose consist of property, plant and equipment, right of use assets and intangible assets. Other non-current assets relate to Deferred tax assets recognised in New Zealand.

## 6. Dividends

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Cash dividends to the equity holders of the parent:</b>		
<b>Dividends on ordinary shares declared and paid:</b>		
Special dividend: 1 cent per share paid on 23 October 2020	-	2,392

In addition, on 29 January 2021, the Group announced a Special dividend of \$0.02 per share on ordinary shares. The dividend of \$4,832,588 was paid out on 11 March 2021 and was not recognised as a liability as at 31 December 2021.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## 7. Cash and cash equivalents

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Cash at bank and on hand	55,412	17,293

## 8. Contributed equity

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>(a) Ordinary shares</b>		
Ordinary share capital, issued and fully paid	58,362	58,349
	<b>Number of shares</b>	<b>\$'000</b>
<b>(b) Ordinary shares on issue</b>		
At 1 July 2021	241,629,402	59,062
At 31 December 2021	242,927,667	58,362
<b>(c) Movement in ordinary shares</b>		
At 1 July 2021	241,629,402	59,062
Share issue	4,048,265	638
Share issue costs	-	(9)
Shares bought back and cancelled	(2,750,000)	(1,329)
At 31 December 2021	242,927,667	58,362

### Share issue

During the half-year ended 31 December 2021, the Group issued 4,048,265 shares representing the equity-settled share-based payment transactions. The average exercise price was \$0.16 per share.

### Share buy back and cancel

As announced on 30 August 2021, and as a result of a Capital Management Review, the Group bought and cancelled 2,750,000 shares at an average price of \$0.48 per share.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## 9. Earnings per share

	Consolidated	
	31 Dec 2021 \$'000	30 Dec 2020 \$'000
<b>(a) (Loss) Profit used in calculating earnings per share</b>		
(Loss) Profit after tax from continuing operations	(941)	7,571
Profit after tax from discontinued operations	33,794	3,457
<b>Total</b>	<b>32,853</b>	<b>11,028</b>
	Number of shares	
<b>(b) Weighted average number of shares used in the calculation</b>		
Number for basic earnings per share	244,538,897	239,299,833
Effect of diluting share options/performance share rights	3,571,448	8,765,408
<b>Number of diluted earnings per share</b>	<b>248,110,345</b>	<b>248,065,241</b>
	31 Dec 2021	30 Dec 2020
	cents	cents
<b>(c) i. Earnings per share from continuing operations</b>		
Basic (loss) earnings per share	(0.38)	3.16
Diluted (loss) earnings per share	(0.38)	3.05
<b>ii. Earnings per share attributable to the shareholders of AVA Risk Group Limited</b>		
Basic earnings per share	13.43	4.61
Diluted earnings per share	13.24	4.45

## 10. Contingencies

There are no changes to the contingent liabilities disclosed in the 30 June 2021 financial statements.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## 11. Discontinued Operations

### Sale of International Valuables Logistics (IVL)

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

#### (a) Financial performance and cash flow information

	Consolidated	
	7 Oct 2021 \$'000	31 Dec 2020 \$'000
Revenue from contracts with customers	11,075	18,417
Other income	-	77
<b>Revenue and other income</b>	<b>11,075</b>	<b>18,494</b>
<b>Total Expenses</b>	<b>(9,157)</b>	<b>(15,037)</b>
<b>Profit for the half-year before income tax</b>	<b>1,918</b>	<b>3,457</b>
Income tax expense	(38)	-
<b>Profit for the half-year from discontinued operations</b>	<b>1,880</b>	<b>3,457</b>
Gain on sale of discontinued operations (see note (b))	31,914	-
<b>Profit after tax for the period from discontinued operations</b>	<b>33,794</b>	<b>3,457</b>
<b>The net cash flows generated by IVL, are as follows</b>	<b>7 Oct 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating	947	3,449
Financing	(32)	(32)
Investing	(6)	(7)
<b>Net cash inflow (outflow)</b>	<b>909</b>	<b>3,410</b>
<b>Earnings per share – discontinued operations</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13.82	1.44
Diluted earnings per share	13.62	1.39

#### (b) Details of the sale of the subsidiaries

	7 Oct 2021 \$'000
Consideration	62,187
Performance plan paid to management and employees of AVA Global	(20,308)
Consideration received, paid in cash	41,879
Carrying amount of net assets sold	(9,033)
Transaction costs incurred	(357)
Gain on sale before reclassification of foreign currency reserve	32,489
Reclassification of foreign currency translation reserve	(575)
<b>Gain on sale of discontinued operation</b>	<b>31,914</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## (c) Carrying amounts of assets and liabilities sold

	7 Oct 2021 \$'000
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	5,053
Receivables	4,909
Inventories	39
<b>Total Current Assets</b>	<b>10,001</b>
<b>Non-Current Assets</b>	
Plant and equipment	6
Intangible assets	4,687
Right of use assets	67
<b>Total Non-Current Assets</b>	<b>4,760</b>
<b>TOTAL ASSETS</b>	<b>14,761</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Payables	5,639
Tax liabilities	36
Other liabilities	53
<b>TOTAL LIABILITIES</b>	<b>5,728</b>
<b>NET ASSETS</b>	<b>9,033</b>

## (d) Subsidiaries disposed

The IVL Segment comprised of the following entities:

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## 12. Share-based payments

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>(a) Expense arising from equity-settled share-based payment transactions</b>		
Performance rights	252	203
Share options	-	88
<b>Total equity-settled share-based payment expense</b>	<b>252</b>	<b>291</b>

### (b) Performance rights held

Date granted	Expiry date	Exercise Price (\$)	Balance at start of period	Granted during the period	Forfeited and other movements during the period	Unvested and unexercisable balance at the end of the period
1/07/2018	1/07/2021	-	197,148	-	(197,148)	-
23/09/2019	31/08/2021	-	161,414	-	(161,414)	-
23/09/2019	31/08/2022	-	161,415	-	-	161,415
28/10/2019	31/08/2021	-	389,768	-	(389,768)	-
28/10/2019	31/08/2022	-	389,769	-	-	389,769
31/10/2019	31/08/2021	-	49,935	-	(49,935)	-
31/10/2019	31/08/2022	-	49,935	-	-	49,935
29/10/2020	31/08/2022	-	35,342	-	-	35,342
29/10/2020	31/08/2023	-	35,342	-	-	35,342
30/10/2020	31/08/2022	-	147,551	-	-	147,551
30/10/2020	31/08/2023	-	147,554	-	-	147,554
1/09/2021	31/08/2023	-	-	500,666	-	500,666
1/09/2021	31/08/2024	-	-	500,670	-	500,670
28/10/2021	31/08/2023	-	-	83,969	-	83,969
28/10/2021	31/08/2024	-	-	83,970	-	83,970
28/10/2021	5/10/2022	-	-	600,000	-	600,000
			<b>1,765,173</b>	<b>1,769,275</b>	<b>(798,265)</b>	<b>2,736,183</b>

During the half-year ended 31 December 2021, the Company granted performance rights as part of remuneration to senior executives and key employees. The vesting conditions of the performance rights are based on key performance metrics and objectives being met. The fair value of the performance rights was based on a Black Scholes option pricing model.

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

Senior management and key employees were issued a total of 1,169,275 performance rights. The performance rights have a nil exercise price and are split into two equal tranches, one vesting on 31 August 2023, with the second vesting on 31 August 2024.

The weighted average fair value of the performance rights granted during the six months ended 31 December 2021 was \$0.49.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

## (c) Share options held

	31 Dec 2021 Number	30 Jun 2021 Number
Outstanding at the beginning of the year	3,250,000	8,200,000
Granted during the period	-	500,000
Exercised during the period	(3,250,000)	(5,449,938)
Forfeited during the period	-	(62)
<u>Outstanding and exercisable at the end of the period</u>	<u>-</u>	<u>3,250,000</u>
Weighted average exercise price	\$0.20	\$0.16

## 13. Fair value of financial instruments

The carrying amounts and estimated fair values of the Group's financial instruments recognised in the financial statements and notes to the condensed financial report are materially the same.

## 14. Subsequent events

On 16 August 2021, the Company announced its intent to distribute excess cash of \$39.2 million to shareholders. The Company proposed that the funds were returned to shareholders as a capital return subject to shareholder approval and the receipt of a favourable class ruling from the Australian Tax Office ("ATO").

The ATO has subsequently indicated that it would be willing to treat \$7.567 million of the proposed \$39.2 million as capital in nature. Based on this advice the Board has decided to make two distributions as follows:

- Special Dividend of \$0.13 per share (distribution of approximately \$31.585 million) to be paid on 10 March 2022
- Capital Return of \$0.03114 per share (distribution of approximately \$7.567 million) subject to shareholder approval at an Extraordinary General Meeting on 22 April 2022.

Other than the above, there has been no matter or circumstance, which has arisen since 31 December 2021 that has significantly affected or may significantly affect:

- a) the operations subsequent to 31 December 2021, of the consolidated entity, or
- b) the results of those operations, or
- c) the state of affairs, subsequent to 31 December 2021, of the consolidated entity.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The directors declare that the Condensed financial report and notes set out on pages 4 to 20 are in accordance with the *Corporations Act 2001* including:
- (i) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
  - (ii) Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2021 and of its performance for the half-year ended on that date.
- (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.

This declaration is made in accordance with a resolution of the directors.



David Cronin  
Chairman  
25 February 2022



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

### Conclusion

We have reviewed the accompanying half-year financial report of Ava Risk Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Directors' responsibilities for the half year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Ernst & Young

A handwritten signature in black ink that reads 'R Bembridge' in a cursive style.

Richard Bembridge  
Partner

Melbourne  
25 February 2022

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