2023 ANNUAL REPORT

AVA GROUP

DETECT • ACCESS • ILLUMINATE

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

Malcolm Maginnis, Group Chief Executive Officer and Executive Director (appointed on 9 January 2023)

Rob Broomfield, Group Chief Executive Officer and Executive Director (resigned on 9 January 2023)

COMPANY SECRETARIES

Neville Joyce, Kim Clark

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

10 Hartnett Close, Mulgrave, Victoria 3170, Australia

Telephone: +61 3 9590 3100

Facsimile: +61 3 9560 8000

INVESTOR RELATIONS

Email: investor@theavagroup.com

SHARE REGISTRY

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

Telephone (within Australia): 1300 737 760

Telephone (outside Australia): +61 2 9290 9600

Facsimile: +61 2 9279 0664

STOCK EXCHANGE

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

ASX Code: AVA

BANKERS

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

AUDITORS

BDO Audit Pty Ltd, Tower 4/ 727 Collins St. Docklands VIC 3008

WEBSITE

www.theavagroup.com

Information correct as at 28 August 2023.

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CHAIRMAN'S REPORT

BUILDING A GLOBAL LEADER IN RISK MANAGEMENT TECHNOLOGIES

DEAR FELLOW SHAREHOLDERS AND ASSOCIATES

During FY2023 Ava Risk Group Limited (Ava Group / the Company) continued to build its position as a global leader in risk management technology, protecting critical infrastructure and high value assets. The Company remains committed to its strategy of growing revenue from its market leading technologies by increasing market share and developing adjacent applications. I am pleased to report to shareholders the significant progress that has been accomplished during FY2023.

In January 2023 Mal Maginnis commenced as Group Chief Executive Officer following the retirement of Rob Broomfield. Mal's appointment reflects the Board's commitment to ensuring that the Company has access to the skills and expertise to support its growth ambitions. Mal is a seasoned leader of global technology-enabled businesses with more than 35 years of experience in the defence, security, safety, and technology businesses. He has reoriented the business to align the Company's technology with customer solutions. In the accompanying CEO report, Mal sets out what has been achieved during FY2023, his first six months and his outlook for FY2024 and beyond.

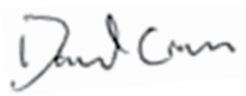
In August 2022, Ava Group acquired GJD Manufacturing Limited ("GJD") to create the Company's Illuminate segment. GJD is a leading UK based technology supplier, specialising in illumination and detection applications. The acquisition provides the Company with a complementary product and technology footprint as well as an established go-to-market capability in the UK and western Europe.

The growing momentum within the business is best reflected by the increase in sales order intake and revenue. The Company received sales orders of $30.9 million during FY2023, which is an increase of 71% on the previous year, a 36% increase when the acquisition of GJD is excluded. This has resulted in revenue of $28.6 million for FY2023, an increase of 54% on the previous year. The growth in both sales order intake and revenue is underpinned by growth in the Detect segment and the addition of the Illuminate segment following the GJD acquisition.

We continue to invest in our technology and have built on the Aura platform, leveraging the machine learning capability that the Company has developed in recent years. In March 2023 we launched Aura Ai-X at ISC West, the world's largest security industry trade show. Aura Ai-X is our latest generation, data driven intrusion detection system, which includes an embedded deep learning engine that enhances system performance. Market interest in the platform has been immediate with an initial order received for protection of a critical European border. Earlier in the year the Company received its first order for its conveyor belt application, highlighting the opportunity to use our technology to support adjacent applications.

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

Finally, I would like to thank you, our shareholders and associates, for your continued support and engagement with the Ava Group as we build a world class risk management business. On behalf of my fellow Directors, I also thank the management team for their hard work, dedication, and achievements throughout FY2023. In particular, I take this opportunity to thank Rob Broomfield for his dedication to our business across multiple roles prior to his retirement in January 2023.



David L Cronin
Chairman

KEY ANNOUNCEMENTS

31 JULY 2022 | ACQUISITION OF GJD

Ava Group announces the acquisition of GJD - an award-winning, UK-based security equipment designer and manufacturer, specialising in security space detection and intruder detection systems.

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

3 OCTOBER 2022 | APPOINTMENT OF NEW CEO

Ava Group announces that Mal Maginnis will join the Company as Chief Executive Officer. A seasoned leader of global technology-enabled businesses with more than 35 years of experience in the defence, security, safety and technology industries, Mal most recently served as President of Rapiscan Systems from July 2017 until September 2022.

"Having first met Mal more than 15 years ago, I am very confident that he is the right leader to drive the growth phase of our business. Exceptionally well-regarded within the industry, Mal's extensive technology, security and defence experience as well as his business development skills will be most valuable in strengthening our partnerships, developing new strategic alliances and expanding our international sales presence. We believe his strong leadership experience will greatly enhance and accelerate Ava's growth strategy."

David Cronin,
Ava Group Chairman

2 APRIL 2023 | US$1.5M CONTRACT FOR NEW AURA Ai-X

Ava Group announces that its Aura Ai-X fibre optic sensing technology had been selected to protect a critical European border. This contract marked the first sale of Aura Ai-X – latest generation, data driven intrusion detection system.

Aura Ai-X has an embedded deep learning engine that enhances system performance by referencing algorithm upgrades backed by a global data library. With unrivalled performance and exceptional event classification accuracy, Aura Ai-X delivers high Probability of Detection (POD) combined with lowest Nuisance Alarms Rate (NAR).

"Securing this contract is a vote of confidence in what we believe to be the most advanced perimeter intrusion detection technology on the market. We are confident that Aura Ai-X will fast become the solution of choice for the smart protection of critical infrastructure worldwide."

Mal Maginnis,
Ava Group CEO

FY2023 | FOCUS ON NORTH AMERICAN ENERGY SECTOR

During the year, Ava Group secured multiple contracts for the supply and installation of its fibre optic intrusion detection at energy facilities in North America. This included the protection of further critical assets on a single site, where our advanced sensing solution is being deployed to replace a competitor's technology. Further systems are also expected to be awarded as part of the customer's ongoing upgrade program. These contract wins highlight the growing recognition of Ava Group's leading detection systems across the sector and provide further validation of the Company's stated strategy of targeting critical energy assets and focusing on the North American market.

CHIEF EXECUTIVE OFFICER'S REPORT

REVIEW OF OPERATIONS

I am pleased to have the opportunity to report to shareholders the significant progress that Ava Group has made towards becoming a world leader in the provision of risk management technologies.

Ava Group has some of the most advanced detection sensing and access control technologies in the market. Upon joining the Ava Group in January 2023, my immediate focus was to better align the technology with customer solutions. To this end, the Company has been realigned into three operating segments:

Detect	Manufactures and markets 'smart' fibre optic sensing systems for security and condition monitoring for a range of applications including perimeters, pipelines, conveyors, power cables and data networks.
Access	Specialist in the development, manufacture and supply of high security biometric readers, security access control and electronic locking products.
Illuminate	Specialist in the development and manufacture of illuminators, ANPR cameras and perimeter detectors.

The organisation of the business segments with customer solutions has resulted in a renewed focus on our customer facing sales and support capability. We have continued to invest heavily and 'upskill' these teams, reflecting their criticality to growing the business in the future. The initial results from these changes are encouraging, with both sales order intake and revenue growing in the second half of the year.

In reviewing FY2023 it is pleasing to highlight some significant milestones:

- Sales order intake grew to $30.9 million, up 71% on the previous year.
  - Growth in Detect segment orders of 55% to $20.7 million.
  - The addition of Illuminate orders of $6.3 million following the acquisition of GJD in August 2022.
  - Access segment orders of $3.9 million.
- In line with increased sales order intake, revenue grew by more than 50% to $28.6 million. Resultant EBITDA of $1.3 million is up 61% on the prior year.
- Continued growth in the Detect segment in key geographies and industry verticals. Sales order intake in North America represented 34% of orders received, up 20% on the prior year, with additional orders received from the energy sector. Orders from Europe grew significantly, notably including the first deployment of our Aura Ai-X system to the protection of a critical European border. The Detect segment was also able to fulfill its first order for our conveyor belt solution, demonstrating the ability of our core technology to be adapted to adjacent applications.
- The integration of GJD following its acquisition in August 2022 to create the Illuminate segment. Based in the UK, GJD provides Ava Group with complementary illuminate and detection technologies while strengthening our presence in the UK and western Europe. While the Illuminate segment has experienced challenging economic conditions in the UK during FY2023 which has impacted domestic sales, we have already provided combined customer solutions across the Detect and Illuminate segments. We are confident that this is an opportunity that we can further exploit to expand the market reach for the Illuminate segment.

- For the Access segment, FY2023 was a year of progressing compliance obligations in key distribution channels. The segment recorded declining sales order intake and revenue during FY2023, however significant progress was made towards obtaining relevant product certifications which will enable an acceleration of sales via this channel in FY2024. We retain a global framework agreement for the supply of Access products to dormakaba International Holding GmbH, a global leader in security access control systems. It is anticipated that final certifications will be obtained during Q1 FY2024.
- Development of Aura Ai-X continued during FY2023 and we launched this product in March 2023. Aura Ai-X is built on the Company's Aura platform and is the latest generation, data driven intrusion detection system. It has an embedded deep learning engine that enhances system performance to improve the probability of detection while minimizing nuisance alarms. This product was immediately successful in the market and was pivotal to winning a significant contract to protect a critical European border. It also establishes a long term support arrangement and revenue stream with customers which gives them access to algorithms based on our global data library.

FINANCIAL REVIEW

A$m	FY2023	FY2022	Change
Revenue – continuing operations	28.6	19.0	9.6
EBITDA* - continuing operations	1.3	0.8	0.5
Profit / (loss) after tax – continuing operations	(1.1)	(0.7)	(0.4)
Profit / (loss) after tax – discontinued operations**		33.8	N/A
Profit / (loss) after tax	(1.1)	33.1	(34.2)

* EBITDA excluding unrealised foreign exchange variances

** Discontinued operations relate to the Services division divested during FY2022

The consolidated loss after income tax attributable to the shareholders of Ava Group for the year ended 30 June 2023 was $1.1 million. This is a decrease of $34.2 million compared to the previous financial year which included a profit from discontinued operations of $33.8 million.

Revenue from continuing operations in FY2023 of $28.6 million was $9.6 million higher than the previous year (FY2022: $19.0 million), reflecting revenue growth of more than 50%. The increase in revenue reflects revenue from the Illuminate segment of $6.3m following the acquisition of GJD in August 2022, and increased Detect revenue of $3.8 million due to increased sales order intake.

Despite the addition of the lower margin Illuminate segment, consolidated gross margin was broadly maintained with the prior year (FY2023: 64%, FY2022: 65%). Gross margin within the Detect and Access segments grew from the prior year reflecting careful supply chain management including the forward buying of inventory to lock in prices and secure supply. Margin in the Illuminate segment at 48% is consistent with expectations within the distribution business but has the effect of slightly diluting consolidated gross margin.

Operating costs increased by $5.4 million on the prior year. The addition of the Illuminate segment during FY 2023 represented $2.9 million of the additional costs. The remaining movement is primarily driven by employee related costs associated with the significant reorganisation of the business during the second half of FY2023. Some of these costs (approximately $0.7 million) are one-off in nature and not expected to recur in the future, while some cost has been added to the business as we have 'upskilled' the sales and business development teams. I am confident that the investment we have made in reorganising the business will deliver significant benefit in FY2024 and beyond.

Resultant Group EBITDA of $1.3 million represents growth of 63% on FY2022 ($0.8 million). Excluding 'one-off' costs of $0.7 million associated with the reorganisation of the business during H2, underlying EBITDA is $2.0 million, up 150% on FY2022. Net loss from continuing operations of $1.1 million is $0.4 million higher than the previous year (FY2022: loss of $0.7 million) due to higher depreciation and interest charges associated with the acquisition of GJD.

The Company had a cash balance of $5.5 million at 30 June 2023 (FY2022: $15.2 million). The movement is driven by the cash paid (and overdraft acquired) for the GJD acquisition ($5.5 million) and continued technology investment in the Aura platform ($1.9m). Cash flow from operations was (-$2.2 million) for the year mainly driven by increased inventory during the first half of the year to secure supply chains and lock in costs. Pleasingly, cash flow from operations during the second half of the year was positive, notwithstanding some one-off costs attributable to organisational changes.

FY2023 HIGHLIGHTS

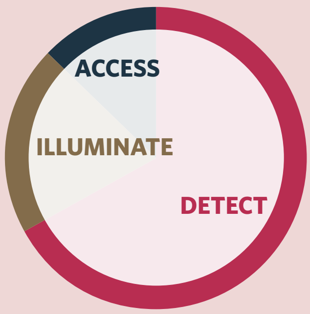
REVENUE*
$28.6M
(UP >50%)

EBITDA**
$1.3M
(UP 61%)

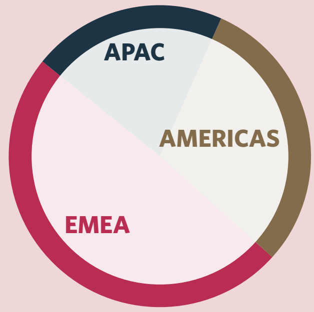
SALES ORDERS
$30.9M
(UP 71%)

CASH BALANCE
$5.5M

SALES ORDERS BY SEGMENT



SALES ODERS BY REGION



DETECT

- Secured first deployment of new Aura Ai-X to monitor critical border in Europe.
- Continued to expand footprint in North America with sales order intake representing 34% of orders received.
- Fulfilled first order for conveyor belt solution demonstrating technology adaption for adjacent applications.

ACCESS

- Recorded highest annual sales volume of YG80 Orca lock including largest single customer order.
- Released next generation Cobalt Single (YD30S) and Cobalt Double (YD30D).
- Advanced key product certifications – leading to opportunities for nationwide stocking of Cobalt locks through major security distributors.

ILLUMINATE

- Successfully integrated GJD to create new ILLUMINATE segment.
- Leveraged channel management and go-to-market capabilities in UK and Western Europe.
- Developed integrated customer solutions with fibre optic sensing technology.

* Revenue from continuing operations.

** EBITDA excluding unrealised foreign exchange variances.

OUTLOOK

We are confident about delivering significant growth for Ava Group. Each of our operating segments has market leading technology within our fibre sensing, access controls and illumination products. Catalysts for growth exist in each of the segments and we have developed the organisational capability to execute our plans.

The Detect segment is well placed to accelerate growth. The Aura Ai-X product launched in March 2023 delivers unrivalled performance by using an embedded deep learning engine to improve detection rates and reduce nuisance alarms. We believe this solution will quickly become the solution of choice for the protection of critical infrastructure worldwide. The product has been well received by the market and has already underpinned contract awards in Europe and Asia. We have a strong global pipeline of opportunities that can be supported by this product. We also continue to expand the application of our products to pursue opportunities in adjacent markets such as telecommunications.

While performance in the Access segment during FY2023 appeared slower than anticipated, we made significant progress towards opening key distribution channels. It is expected that relevant certifications will be finalised in Q1 FY2024. This is a significant milestone which will enable us to better exploit the global networks of our distribution partners. We remain very confident in the quality of our partners and believe that this will drive significant growth across the segment.

The addition of the Illuminate segment remains an important accelerator of growth for the Company. The product offering is complementary to our large scale solutions in the Detect segment, and its geographic location in the UK provides scale to the Company's presence in the UK and western Europe. While domestic economic conditions in the UK during FY2023 were challenging, we are confident that we can rapidly grow export channels in the Illuminate segment, leveraging the Company's existing strong position in North America and Asia Pacific.

I look forward to updating you on progress throughout FY2024.

Mal Maginnis,
Chief Executive Officer

DIRECTORS' REPORT

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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 2023 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 2022 to the date of this report is provided below with details of the company secretaries as at the year end.

Name, qualifications, and independence status	Experience, special responsibilities and other ASX directorships
David Cronin Chairman of the Board (Appointed 31 August 2018) Non-Executive Director (Appointed 10 April 2018)	David has over 25 years professional experience and more than 15 years of international experience at the director/chairman board level. David is presently the Managing Director of the investment & consulting group Pierce Group Asia where he is responsible for its technology focused 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 focused division. Working for several large financial and non- financial institutions, David has been involved in various advisory, executive level and board positions with several early to mid-stage technology companies. David has extensive knowledge of Ava Risk Group and the security markets that it services. He has more than 10 years of board level experience within Ava Risk Group, having previously served as a Director and Chairman of Ava Risk Group prior to its IPO.
Mike McGeever Non-Executive Director (Appointed 8 August 2018)	Mr McGeever has over 35 years' experience in the military, facilities and securities sectors. Prior to his retirement in 2015, Mr McGeever was the Managing Director and founder of Transguard Group LLC, a UAE based security and facilities management company and one of the largest security companies in the world, employing 55,000 staff. Prior to that he held senior positions in a range of security and facilities focused 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.
Malcolm Maginnis Group Chief Executive Officer (Appointed 9 January 2023)	Mal has more than 35 years of experience in the defence, security, safety and technology industries. Most recently, Mal served as President of Rapiscan Systems from July 2017 until September 2022 – a US-headquartered global manufacturer of security equipment and systems. Prior to joining Rapiscan, Mal was head of Iveagh Technology a technology development company based in Singapore and part owner of SX Technologies, a Sydney-based detection company. He was also President of Smiths Detection from 2011 to 2014. Mal is based in Singapore.

Robert Broomfield (Appointed 8 August 2018, resigned 9 January 2023) Group Chief Executive Officer (Appointed 10 July 2020) Executive Director (Appointed 27 February 2008)	Robert is an experienced business executive with more than 30 years of management experience including more than 25 years in senior positions within companies operating in the security industry. Prior to joining Ava Risk Group, he was with Vision Systems Limited, where he served as the General Manager of Asia Pacific for their Fire and Security systems. In addition to his international sales and marketing success, Robert has extensive experience in operations management, including product engineering, procurement, manufacturing and operations. Robert has previously had 10 years' experience with IBM in Australia and the United States. Robert retired on 9 January 2023 and ceased to be a KMP on that date.

Joint Company Secretaries

Neville Joyce

Appointed 3 November 2021

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

Kim Clark

Appointed 20 January 2017

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

Directors' Meetings

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

	Board of Directors' Meetings		Meetings of Audit & Risk Committee (ARC)		Meetings of Remuneration & Nomination Committee (REM)	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
D Cronin	12	12	5	5	1	1
M Stevens	12	12	5	5	1	1
M McGeever	12	12	5	5	1	1
M Maginnis	6	6	-	-	-	-
R Broomfield	6	6	-	-	-	-

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

DIRECTORS' REPORT <CONTINUED>

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 ensure that the representation of women across the business is 25%.

During the year ended 30 June 2023, women represented 27% of the business. 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 performance rights of Ava Risk Group are as detailed below:

	Number of ordinary shares
D Cronin	33,519,937
M Stevens	1,218,396
M Mc Geever	6,005,000
M Maginnis	10,000

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 development, manufacture and supply of high quality, high security card and biometric readers, electromechanical locks and related electronic security products; and
- manufacture and supply of professional external security and intruder detection equipment including ANPR cameras, lighting controllers and infrared and white-light LED Illuminators.

OPERATING AND FINANCIAL REVIEW

Highlights

FY2023 has highlighted some significant milestones:

- Sales order intake grew to $30.9 million, up 71% on the previous year.
  - Growth in Detect segment orders of 55% to $20.7 million.
  - The addition of Illuminate orders of $6.3 million following the acquisition of GJD in August 2022.
  - Access segment order of $3.9 million, down 17% compared to the prior year.

Review of Financial Results

A$m	FY2023	FY2022	Change
Revenue – continuing operations	28.6	19.0	9.6
EBITDA* - continuing operations	1.3	0.8	0.5
Profit / (loss) after tax – continuing operations	(1.1)	(0.7)	(0.4)
Profit / (loss) after tax – discontinued operations**	-	33.8	N/A
Profit / (loss) after tax	(1.1)	33.1	(34.2)

* EBITDA excluding unrealised foreign exchange variances

** Discontinued operations relate to the Services division divested during FY2022

In line with increased sales order intake, revenue grew by more than 50% to $28.6 million. Resultant EBITDA of $1.3 million is up 61% on the prior year.

The consolidated loss after income tax attributable to the shareholders of Ava Risk Group for the year ended 30 June 2023 was $1.1 million. This is a decrease of $34.2 million compared to the previous financial year which included a profit from discontinued operations of $33.8 million.

Revenue from continuing operations in FY2023 of $28.6 million was $9.6 million higher than the previous year (FY2022: $19.0 million), reflecting revenue growth of more than 50%. The increase in revenue reflects revenue from the Illuminate segment of $6.3m following the acquisition of GJD in August 2022, and increased Detect revenue of $3.8 million due to increased sales order intake.

Resultant Group EBITDA of $1.3 million represents growth of 63% on FY2022 ($0.8 million). Net loss from continuing operations of $1.1 million is $0.4 million higher than the previous year (FY2022: loss of $0.7 million) due to higher depreciation and interest charges associated with the acquisition of GJD.

The Company had a cash balance of $5.5 million at 30 June 2023 (FY2022: $15.2 million). The movement is driven by the cash paid for the GJD acquisition ($5.5 million) and continued technology investment in the Aura platform ($1.9m). Cash flow from operations was (-$2.2 million) for the year mainly driven by increased inventory during the first half of the year to secure supply chains and lock in costs.

Operating Review

Sales order intake for Detect in North America represented 34% of orders received, up 20% on the prior year, with additional orders received from the energy sector. Orders from Europe grew significantly, notably including the first deployment of our Aura Ai-X system to the protection of a critical European border. The Detect segment was also able to fulfil its first order for our conveyor belt solution, demonstrating the ability of our core technology to be adapted to adjacent applications.

Development of Aura Ai-X continued during FY2023 and we launched this product in March 2023. Aura Ai-X is built on the Company's Aura platform and is the latest generation, data-driven intrusion detection system. It has an embedded deep learning engine that enhances system performance to improve the probability of detection while minimizing nuisance alarms. This product was immediately successful in the market and was pivotal to winning a significant contract to protect a critical European border. It also establishes a long-term support arrangement and revenue stream with customers which gives them access to algorithms based on our global data library.

The integration of GJD following its acquisition in August 2022 provides Ava Risk Group with complimentary illuminate and detection technologies while strengthening our presence in the UK and Western Europe. While the Illuminate segment has experienced challenging economic conditions in the UK during FY2023, impacting domestic sales, we have already provided combined customer solutions across the Detect and Illuminate segments. We are confident that this is an opportunity that we can further exploit to expand the market reach for the Illuminate segment.

The Access segment, was a year of progressing compliance obligations in key distribution channels. The segment recorded declining sales order intake and revenue during FY2023, however significant progress was made towards obtaining relevant product certifications which will enable an acceleration of sales via this channel in FY2024. We retain a global framework agreement for the supply of Access products to dormakaba International Holding GmbH, a global leader in security access control systems.

DIRECTORS' REPORT <CONTINUED>

Significant changes in the state of affairs

During the financial year the following events took place.

Acquisition of GJD

On 2 August 2022, the Group entered into a Sale and Purchase Agreement to acquire 100% of the shareholding of MTD Holdings Limited, the parent company of GJD Manufacturing Limited ("GJD").

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

The acquisition price of approximately $7,537,000 was funded in cash and in AVA shares. The cash consideration has been paid and share consideration is based on the last share price on trading day before 1 August 2022. Refer to note 2 in the Financial Statements.

Likely developments

Likely development of the operations of the Group are encompassed in the Chief Executive Officer's report.

Environmental regulation and performance

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

Dividends recommended or declared

During the financial year ended 30 June 2022; the following dividends were declared. There were no dividends proposed during the financial year ended 30 June 2023.

	2023 $000	2022 $000
Special dividend at the rate of 13 cents per share, paid on 10 March 2022	-	31,586

Share options granted to directors and executives

There were no options over unissued ordinary shares granted by Ava Risk Group during or since the financial year end to directors and executives in office.

Shares under option

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

Performance Rights Shares (PSRs)

During the year ended 30 June 2023, the following performance rights were issued to Executive KMP:

	Grant date	Number of PSRs issued
Malcolm Maginnis*	9 Jan 2023	1,500,000
Neville Joyce	6 Sep 2022	308,300
Jim Viscardi	6 Sep 2022	323,805
Total		**2,132,105**

*The performance rights were granted (subject to shareholder approval) to Mal Maginnis as part of remuneration in three equal tranches, vesting on 9 January 2024, 2025 and 2026, respectively, with vesting conditions based on Share price hurdles.

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

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

Date the Performance rights were granted	Number of unissued ordinary shares under rights	Expiry date of the performance rights
29/10/2020	35,342	31/08/2023
30/10/2020	58,277	31/08/2023
1/09/2021	261,891	31/08/2023
1/09/2021	261,895	31/08/2024
28/10/2021	28,801	31/08/2023
28/10/2021	28,801	31/08/2024
31/01/2022	14,114	31/08/2023
31/01/2022	14,114	31/08/2024
6/09/2022	304,819	31/08/2024
6/09/2022	304,823	31/08/2025
9/01/2023	500,000	9/01/2024
9/01/2023	500,000	9/01/2025
9/01/2023	500,000	9/01/2026
Total	**2,812,876**	

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

Proceedings on behalf of the Consolidated Entity

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

Indemnification and Insurance of Directors and Officers

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

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

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors BDO 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 BDO during or since the financial year.

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

Rounding of amounts

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

REMUNERATION REPORT (AUDITED)

The Directors present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2023. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

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

1. Details of key management personnel (KMP)

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

(i) Non-Executive Directors

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

(ii) Executive Directors

Malcolm Maginnis	Group Chief Executive Officer (CEO) and Executive Director – appointed on 9 January 2023.
Robert Broomfield	Group Chief Executive Officer (CEO) – appointed on 10 July 2020 and Executive Director – appointed 27 February 2008. Resigned and ceased to be a KMP on 9 January 2023.

(iii) Other KMPs

Neville Joyce	Group Chief Financial Officer (CFO) and Company Secretary – appointed on 3 November 2021.
James Viscardi	Executive Vice President, Global Security – appointed on 1 July 2022.

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 2023 neither the Board nor the Remuneration and Nomination Committee engaged any external consultants.

2.1 Non- Executive Director remuneration arrangements

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

Each NED, including the Chairman receives a base fee between $63,000 and $65,000 per annum exclusive of superannuation for being a director of the Company.

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

The remuneration of NEDs for the year ended 30 June 2023 and 30 June 2022 is detailed on page 22 of this report.

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

2.2 Executive remuneration arrangements

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

FIXED REMUNERATION

The level of fixed remuneration is set so as to provide a base level of remuneration, and is reviewed annually by the Remuneration Committee to ensure that it is both appropriate to the position and is competitive in the market. Salary packages are subject to local regulatory labour laws.

SHORT-TERM INCENTIVE (STI)

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

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

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

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

Executive	FY 2023 - Financial performance conditions	Weighting	Non-financial performance conditions	Weighting
Group CEO	Nil	0%	Share Price Performance	100%
Group CFO	Group revenue and EBITDA Targets	80%	Systems and policies improvements	20%
EVP (Global)	Group revenue and EBITDA Targets	80%	Increased market share and new market initiatives	20%

Performance targets are set for an annual period. If performance targets (financial and non-financial) are met for the annual period and the Executive KMP remains employed on 31 August 2023, the Executive KMP will receive the cash component (typically 50% of total STI). Subject to continued employment typically 50% of the performance rights (or 25% of the total STI) will vest on 31 August 2024 and 31 August 2025 respectively.

LONG-TERM INCENTIVE (LTI)

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

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

Performance rights are issued for a specified period and are convertible into ordinary shares. The Performance rights typically have zero exercise price. The 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. 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 performance rights. Voting rights will attach to the ordinary shares when the performance rights have been exercised. Unvested 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:

Malcolm Maginnis Group Chief Executive Officer (Appointed 9 January 2023)	**Contract of Employment** Malcolm Maginnis is employed by BQT Solutions (SEA) Pte. Limited (based in Singapore) as a permanent, full-time employee. His current base salary is SGD $330,000 (approx AUD $367,300). He has a notice period of 3 months. **Performance Conditions** The contract provides for the provision of performance rights as disclosed in Sections 4 and 5.
Robert Broomfield Group Chief Executive Officer & Executive Director Appointed 10 July 2020, Retired 9 January 2023.	**Contract of Employment** Robert Broomfield was employed by Ava Risk Group as a permanent, full-time employee. Mr Broomfield commenced his position with Ava Risk Group in July 2006. His base salary was AUD $330,000.
Neville Joyce Group Chief Financial Officer & Company Secretary Appointed 3 November 2021	**Contract of Employment** Neville Joyce is employed by Ava Risk Group as a permanent, full-time employee. Mr Joyce commenced his position with Ava Risk Group in November 2021 and is employed on a current base salary of AUD $300,000. **Performance Conditions** The contract provided for a bonus up to 24% of base salary, inclusive of superannuation, which is payable in half in cash and half in performance rights upon meeting pre-defined KPI's (as disclosed in Sections 4 and 5) by the executive.
James Viscardi Executive Vice President Global Security	**Contract of Employment** James Viscardi is employed by Future Fibre Technologies (US) Inc. as a permanent, full-time employee. Mr Viscardi commenced employment in August 2021 as Vice President - Americas. He was appointed on 1 July 2022 as Executive Vice President Global Security. His base salary is USD$230,000 (approx. AUD $363,000). **Performance Conditions** The contract provided for a bonus up to 22% of base salary, which is payable in half in cash and half in performance rights upon meeting pre-defined KPI's (as disclosed in Sections 4 and 5) by the executive.

Remuneration of Key Management Personnel

The table below shows the realised remuneration the Group's KMPs have received during FY2023

	Note	Salary and Fees	Short-term Cash Bonus	Other benefits[(4)]
		$	$	$
Non-Executive Directors				
David Cronin		65,000	-	-
Mark Stevens		65,000	-	-
Mike McGeever		63,000	-	-
Sub-total Non-Executive Directors		**193,000**	**-**	**-**
Executive Directors and other KMPs				
Malcolm Maginnis	1	176,858	-	-
Robert Broomfield	2	149,743	-	-
Neville Joyce		300,000	14,157	-
James Viscardi	3	356,123	75,891	49,694
Sub-total executive KMP		**982,724**	**90,048**	**49,694**
Totals		**1,175,724**	**90,048**	**49,694**

[1] Appointed as Group Chief Executive Officer on 9 January 2023. [2] Retired on 9 January 2023. [3] Appointed as Executive Vice President Global Security on 1 July 2022. Short-term cash bonuses include Sales Commissions. [4] Other benefits include Health Insurance. [5] Post Employment benefits include Pension and Superannuation benefits.

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

The table below shows the realised remuneration the Group's KMPs have received during FY2022

	Note	Salary and Fees	Short-term Cash Bonus [(2)]	Post-employment benefits [(3)]
		$	$	$
Non-Executive Directors				
David Cronin		65,000	-	6,500
Mark Stevens		65,000	-	6,500
Mike McGeever		63,000	-	-
Sub-total Non-Executive Directors		**193,000**	**-**	**13,000**
Executive Directors and other KMPs				
Robert Broomfield	1	289,551	17,820	23,568
Neville Joyce	2	200,000	40,800	22,500
Sub-total executive KMP		**489,551**	**58,620**	**46,068**
Totals		**682,551**	**58,620**	**59,068**

[1] Retired on 9 January 2023. [2] As part of the Employment contract, Neville Joyce received $30,000 at the end of the Probation period. [3] Post-employment benefits include Pension and superannuation benefits.

Post employment benefit [5]	Long Service Leave	Share-based Payment expense	Total	Performance Related
$	$	$	$	$
6,825	-		71,825	-
6,825	-		71,825	-
-	-		63,000	-
13,650	**-**	**-**	**206,650**	**-**
4,412	-	54,476	235,745	23%
10,748	2,519	19,273	182,283	11%
32,458	4,997	17,418	369,030	9%
11,667	-	5,849	499,225	16%
59,285	**7,516**	**97,016**	**1,286,283**	**-**
72,935	**7,516**	**97,016**	**1,492,933**	**-**

Long Service Leave	Share-based Payment expense	Total	Performance Related
$	$	$	$
-	45,676	117,176	39%
-	45,676	117,176	39%
-	45,676	108,676	42%
-	**137,028**	**343,028**	**-**
19,165	27,795	377,899	12%
-	5,220	268,520	17%
19,165	**33,015**	**646,419**	**-**
19,165	**170,043**	**989,447**	**-**

4. Relationship between remuneration and Company performance

4.1 Remuneration not dependent on satisfaction of performance condition

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

4.2 Remuneration dependent on satisfaction of performance condition

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

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

	Performance Metrics	FY 23 outcome
Financial		
Group CFO	Revenue Target	Partially met
	EBITDA Target	Not met
EVP (Global)	Revenue Target	Partially met
	EBITDA Target	Not met
Non-Financial		
Group CEO	Share Price Performance	Unassessed
Group CFO	Systems and policies improvements	Fully met
EVP (Global)	Increased market share and new market initiatives	Partially met

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

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

4.3 Impact of Company's performance on shareholder wealth

The following table summarises Company performance and key performance indicators

Financial performance	2023	2022	2021	2020	2019	2018
Earnings						
Revenue ($'000)	28,637	18,961	65,714	46,640	31,673	20,275
% increase/(decrease) in revenue	51%	-71%	41%	47%	56%	52%
Profit/(loss) for the year ($'000)	(1,054)	33,132	13,749	4,947	(4,729)	(4,241)
% increase/(decrease) in profit before tax	-103%	141%	178%	205%	-12%	46%
Shareholder value						
Share price	$0.20	$0.18	$0.38	$0.16	$0.15	$0.12
Change in share price (%)	11%	-53%	145%	3%	30%	-18%
Dividends to shareholders ($'000)	-	31,586	7,224	-	-	-
Return of capital ($'000)	-	7,566	-	-	-	-
KMP remuneration						
Total remuneration of KMP	$1,492,933	$14,882,343[1]	$3,598,456	$3,052,714	$1,808,625	$1,485,805
Total performance-based remuneration	$187,064	$13,587,206[1]	$1,629,373	$1,185,289	$91,676	$10,000

[1] Includes KMPs which are not included in FY 2023 report.

5. Performance based rewards

5.1 Cash bonus

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

2023	Maximum cash bonus $	Amount awarded $	% Achieved
Neville Joyce	70,875	14,157	20%
James Viscardi	77,773	15,555	20%

The cash bonuses associated with the achievement of these awards relating to the financial year ending 30 June 2023 will be paid during the financial year ending 30 June 2024.

5.2 Performance rights awarded

The following table summarises the results of the performance rights awarded and allocated to Executive Directors during FY2023.

	Number of performance rights awarded	Grant date	Fair value at Grant date $	Vesting dates	Vesting conditions	Number of performance rights allocated based on FY 23 KPIs achieved
Malcolm Maginnis [1]	500,000	9 Jan 2023	0.125	9 Jan 2024	Share price hurdle	Not Vested
	500,000	9 Jan 2023	0.128	9 Jan 2025	Share price hurdle	Not Vested
	500,000	9 Jan 2023	0.127	9 Jan 2026	Share price hurdle	Not Vested
Neville Joyce	123,320	6 Sep 2022	0.230	31 Aug 2024	FY 2023 Performance	30,830
	123,320	6 Sep 2022	0.230	31 Aug 2025	KPI and continuity of employment	30,830
	30,830	6 Sep 2022	0.107	31 Aug 2024	Share price hurdle	-
	30,830	6 Sep 2022	0.108	31 Aug 2025	Share price hurdle	-
James Viscardi	161,902	6 Sep 2022	0.230	31 Aug 2024	FY 2023 Performance	32,381
	161,903	6 Sep 2022	0.230	31 Aug 2025	KPI and continuity of employment	32,381
Total	**2,132,105**					**126,422**

[1] The Performance Rights are subject to an approval during the FY2023 Annual General Meeting.

6. Key management personnel's equity holdings

6.1 Number of Shares held by key management personnel:

As at end of June 2023, there were no Share Options held by any of the Key Management Personnel. (2022: nil).

	Note	Balance at beginning of Period	On exercise of rights	Net change, other	Balance at End of Period
2023		**1 July 2022**			**30 June 2023**
Non-Executive Directors					
David Cronin		33,519,937	-	-	33,519,937
Mark Stevens		1,218,396	-	-	1,218,396
Mike McGeever		6,005,000	-	-	6,005,000
Sub-total		**40,743,333**	**-**	**-**	**40,743,333**
Executives					
Malcolm Maginnis		-	-	10,000	10,000
Robert Broomfield	1	3,270,266	85,277	-	3,355,543
Neville Joyce		-	-	-	-
James Viscardi		-	-	-	-
Sub-total		**3,270,266**	**85,277**	**10,000**	**3,365,543**
Total		**44,013,599**	**85,277**	**10,000**	**44,108,876**

[1] Resigned on 9 January 2023. Held the same balances disclosed at the date of resignation and at 30 June 2023.

	Note	Balance at beginning of Period	On exercise of rights	Net change, other	Balance at End of Period
2022		**1 July 2021**			**30 June 2022**
Non-Executive Directors					
David Cronin		32,663,070	-	856,867	33,519,937
Mark Stevens		1,218,396	-	-	1,218,396
Mike McGeever		6,005,000	-	-	6,005,000
Sub-total		**39,886,466**	**-**	**856,867**	**40,743,333**
Executive					
Robert Broomfield	1	3,107,359	162,907	-	3,270,266
Sub-total		**3,107,359**	**162,907**	**-**	**3,270,266**
Total		**42,993,825**	**162,907**	**856,867**	**44,013,599**

[1] Resigned on 9 January 2023.

6.2 Number of performance rights held by key management personnel

2023	Note	Balance at beginning of Period 1 July 2022	Granted as remuneration[1]	Exercised	Forfeited / lapsed	Balance at end of year 30 June 2023	Fair value of rights granted during the year $
Non-Executive Directors							
David Cronin		200,000	-	-	(200,000)	-	-
Mark Stevens		200,000	-	-	(200,000)	-	-
Mike McGeever		200,000	-	-	(200,000)	-	-
Sub-total NEDs		**600,000**	**-**	**-**	(600,000)	**-**	**-**
Executive Directors							
Robert Broomfield	2	178,221	-	(85,277)	-	92,944	-
Neville Joyce		28,228	308,300	-	(246,640)	89,888	63,356
Jim Viscardi		-	323,805	-	(259,043)	64,762	74,475
Sub-total executive KMP		**206,449**	**632,105**	**(85,277)**	**(505,683)**	**247,594**	**137,831**
Totals		**806,449**	**632,105**	**(85,277)**	**(1,105,683)**	**247,594**	**137,831**

[1] The performance rights were granted in two tranches, vesting on 31 August 2024 and 31 August 2025 with vesting conditions relating to continuity of employment.

[2] Held the same balances disclosed at the date of resignation and at 30 June 2023.

2022	Note	Balance at beginning of Period 1 July 2021	Granted as remuneration [3]	Exercised	Forfeited / lapsed	Balance at end of year 30 June 2022	Fair value of rights granted during the year $
Non-Executive Directors							
David Cronin		-	200,000	-	-	200,000	57,220
Mark Stevens		-	200,000	-	-	200,000	57,220
Mike McGeever		-	200,000	-	-	200,000	57,220
Sub-total NEDs		**-**	**600,000**	**-**	**-**	**600,000**	**171,660**
Executive Directors							
Robert Broomfield		283,526	167,939	(162,907)	(110,337)	178,221	75,607
Neville Joyce		-	67,854	-	(39,626)	28,228	35,109
Sub-total executive KMP		**283,526**	**235,793**	**(162,907)**	**(149,963)**	**206,449**	**110,716**
Totals		**283,526**	**835,793**	**(162,907)**	**(149,963)**	**806,449**	**282,376**

[3] The performance rights were granted in two tranches, vesting on 31 August 2023 and 31 August 2024 with vesting conditions relating to continuity of employment.

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 Asia Pty Ltd and Pierce Group Asia Pte Ltd, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of $282,000 (2022: $219,000). Accounts Payable balance at 30 June 2023 totals $17,270 (FY2022: $44,812). These arrangements were in the normal course of business and included amounts related to the provision of consultancy and administration services, and general office expenses provided by the related entities for the benefit of the Consolidated Entity.

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

This concludes the Remuneration Report.

AUDITOR'S INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF AVA RISK GROUP LIMITED

As lead auditor of Ava Risk Group Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. 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 period.

Tim Fairclough
Director

BDO Audit Pty Ltd

Melbourne, 28 August 2023

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023	Note	Consolidated June 2023 $'000	June 2022 $'000
Continuing operations			
Revenue from contracts with customers	4a	**28,601**	18,621
Other income	4b	**36**	340
Total Revenue and other income		**28,637**	**18,961**
Cost of raw materials and consumables used		**(10,393)**	(6,629)
Employee benefit expenses		**(10,487)**	(6,357)
Research and development		**(1,767)**	(1,759)
Advertising and marketing		**(620)**	(386)
Travel and entertainment		**(923)**	(346)
Facilities and costs		**(695)**	(454)
Compliance, legal, and administration		**(1,157)**	(1,262)
Reversal (Provision for) impairment of receivables		**24**	(64)
Depreciation and amortisation expenses	12,13,15	**(2,068)**	(1,689)
Finance expense		**(195)**	(27)
Foreign exchange gain (net)		**156**	585
Other expenses		**(1,356)**	(931)
Total expenses		**(29,481)**	**(19,319)**
Loss before income tax		**(844)**	(358)
Income tax expense	5	**(210)**	(304)
(Loss) for the year from continuing operations		**(1,054)**	(662)
Discontinued operations			
Profit from discontinued operations, net of tax	27	**-**	33,794
(Loss) Profit for the year		**(1,054)**	**33,132**

For the year ended 30 June 2023 *(Continued)*	Note	Consolidated 2023 $'000	June 2022 $'000
Items that will not be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**1,021**	(296)
Exchange differences reclassified to profit or loss on disposal of discontinued operation		-	575
Total other comprehensive income for the year		**1,021**	279
Total comprehensive income for the year		**(33)**	**33,411**
(Loss) Profit for the year attributable to:			
Equity holders of the parent company		(1,054)	33,132
(Loss) Profit for the year to the equity holders of the Company relates to:			
(Loss) for the year from continuing operations		(1,054)	(662)
Profit from discontinued operations, net of tax		-	33,794
(Loss) Profit for the year		**(1,054)**	**33,132**
		Cents	Cents
Total comprehensive income for the year attributable to:			
Equity holders of the parent company		(33)	33,411
Earnings per share attributable to ordinary shareholders of AVA Risk Group from continuing operations			
		Cents	Cents
Basic earnings (loss) per share	20	(0.41)	(0.27)
Diluted earnings (loss) per share	20	(0.41)	(0.27)
Earnings per share attributable to ordinary shareholders of AVA Risk Group			
Basic (loss) profit per share	20	(0.41)	13.63
Diluted (loss) profit per share	20	(0.41)	13.46

The above Consolidated Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2023	Note	Consolidated 2023 $'000	2022 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6,8	**5,517**	15,226
Trade and other receivables	9	**8,388**	4,739
Inventories	10	**7,464**	3,256
Prepayments	11	**670**	400
Total Current Assets		**22,039**	**23,621**
Non-Current Assets			
Plant and equipment	12	**1,114**	491
Intangible assets	13	**13,584**	5,954
Right of use assets	15	**263**	249
Deferred tax asset	5	**75**	96
Total Non-Current Assets		**15,036**	**6,790**
TOTAL ASSETS		**37,075**	**30,411**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	**2,671**	2,254
Contract liabilities	17	**278**	225
Borrowings	23	**1,999**	-
Lease Liability	15	**171**	131
Provisions	18	**1,408**	1,381
Total Current Liabilities		**6,527**	**3,991**

As at 30 June 2023 *(Continued)*	Note	Consolidated 2023 $'000	2022 $'000
Non-Current Liabilities			
Provisions	18	**59**	47
Borrowings	23	**542**	-
Lease liabilities	15	**118**	153
Contract liabilities	17	**429**	272
Deferred tax liabilities	5	**146**	-
Total Non-Current Liabilities		**1,294**	**472**
TOTAL LIABILITIES		**7,821**	**4,463**
NET ASSETS		**29,254**	**25,948**
EQUITY			
Contributed Equity	7	**53,831**	50,793
Accumulated losses		**(23,618)**	(22,564)
Reserves		**(959)**	(2,281)
TOTAL EQUITY		**29,254**	**25,948**

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

Consolidated Statement of Changes in Equity

	Share Capital	Share based payment Reserve	Foreign Exchange Translation Reserve	Other Equity Reserves	Accumulated Losses	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2022	**50,793**	**1,749**	**(983)**	**(3,047)**	**(22,564)**	**25,948**
Losses for the year	-	-	-	-	(1,054)	(1,054)
Other comprehensive income	-	-	1,021	-	-	1,021
Total comprehensive income for the year	**-**	**-**	**1,021**	**-**	**(1,054)**	**(33)**
Transactions with owners in their capacity as owners						
Shares issued as part of business combination (Note 2)	3,041	-	-	-	-	3,041
Share issue costs	(3)	-	-	-	-	(3)
Share based payments	-	301	-	-	-	301
Total transactions with owners in their capacity as owners	**3,038**	**301**	**-**	**-**	**-**	**3,339**
Balance at 30 June 2023	**53,831**	**2,050**	**38**	**(3,047)**	**(23,618)**	**29,254**
At 1 July 2021	**59,062**	**1,397**	**(1,262)**	**(3,047)**	**(24,110)**	**32,040**
Profit for the year	-	-	-	-	33,132	33,132
Other comprehensive income	-	-	279	-	-	279
Total comprehensive income for the year	**-**	**-**	**279**	**-**	**33,132**	**33,411**
Transactions with owners in their capacity as owners						
Share buy-back	(1,329)	-	-	-	-	(1,329)
Capital return	(7,566)	-	-	-	-	(7,566)
Dividends/distributions	-	-	-	-	(31,586)	(31,586)
Shares issued	638	-	-	-	-	638
Share issue costs	(12)	-	-	-	-	(12)
Share based payments	-	352	-	-	-	352
Total transactions with owners in their capacity as owners	**(8,269)**	**352**	**-**	**-**	**(31,586)**	**(39,503)**
Balance at 30 June 2022	**50,793**	**1,749**	**(983)**	**(3,047)**	**(22,564)**	**25,948**

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

Consolidated Statement of Cash Flows

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		**27,170**	30,800
Payments to suppliers and employees (inclusive of GST)		**(28,628)**	(28,154)
Interest received		**29**	1
Tax paid		**(558)**	(135)
Finance costs		**(175)**	(5)
Lease interest paid		**(20)**	(22)
Net cash flows (used in) from operating activities	8	**(2,182)**	**2,485**
Cash flow from investing activities			
Payment for intangible assets		**(1,961)**	(1,126)
Payment for plant and equipment		**(459)**	(270)
Purchase of business, net of cash acquired	2	**(5,522)**	-
Disposal of subsidiaries, net of cash and transaction costs	27	**-**	36,469
Net cash flows (used in) from investing activities		**(7,942)**	**35,073**
Cash flow from financing activities			
Proceeds from share issue		**-**	638
Share issue costs		**(3)**	(12)
Repayment of borrowings		**(915)**	-
Share buy back		**-**	(1,329)
Capital return		**-**	(7,566)
Dividends paid	21	**(101)**	(31,232)
Payment of lease liabilities	15	**(325)**	(226)
Net cash flows (used in) financing activities		**(1,344)**	**(39,727)**
Net (decrease) in cash and cash equivalents		**(11,468)**	(2,169)
Net foreign exchange differences on cash		**129**	102
Cash and cash equivalents at beginning of period		**15,226**	17,293
Cash and cash equivalents at end of the period	8	**3,887**	**15,226**

The above consolidated statement of cash flows includes Discontinued Operations (Refer to Note 27) and should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Statement of significant accounting policies

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

1.1 Basis of preparation of the financial report

This is a general purpose financial report which has been prepared by a for profit entity in accordance with the requirements of applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

It 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.

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 2023 were authorised for issue in accordance with a resolution of the directors on 28 August 2023.

Compliance with IFRS

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

Historical Cost Convention

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

Significant Accounting Estimates

The preparation of financial report requires the use of certain estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 1.5.

1.2 Going Concern

The financial report has been prepared on a going concern basis which assumes the Group will continue its operations and 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.

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 Combinations and goodwill

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 determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments , is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

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.

1.4 Summary of significant accounting policies

a) Revenue

The Group has three segments with the following main revenue streams:

Detect	Manufactures and markets 'smart' fibre optic sensing systems for security and condition monitoring for a range of applications including perimeters, pipelines, conveyors, power cables and data networks.
Access	Specialist in the development, manufacture and supply of high security biometric readers, security access control and electronic locking products.
Illuminate	Specialist in the development and manufacture of illuminators, ANPR cameras and perimeter detectors.

Sale of Goods

Access and Illuminate Product

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

Detect Product

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

When there is more than one performance obligation in the contract, revenue is allocated to each performance obligation on the basis of relative standalone selling prices. Revenue from the sale of the equipment is recognised at a point in time, on dispatch or upon delivery.

Warranty provisions

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

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

Rendering of services

Perimeter Security Product

The Group's Detect 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.

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.

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.

Other revenues

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

(b) Foreign currency translations and balances Functional and presentation currency

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

Transactions and Balances

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

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

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

Foreign Subsidiaries

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

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

c) Income tax and other taxes

Income tax

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

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

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

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

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

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

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

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

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

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

Indirect taxes

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 consolidated statement of financial position.

Cash flows are presented in the consolidated 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.

d) Tax consolidation legislation

Ava Risk Group has implemented the tax consolidation legislation and has formed a tax consolidated group with the Australian entities, 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.

e) Impairment of non-financial assets

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

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

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

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

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

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

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

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

f) Cash and cash equivalents

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

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

g) Inventories

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

h) Plant and equipment

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

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

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

i) Leases

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

Group as a lessee

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

Right-of-use-assets

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

Right-of-use-assets	Years
Office space and IT equipment	3-5
Motor vehicles	3-5

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

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

LEASE LIABILITIES

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

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

The Group's lease liabilities are included in Lease liabilities in the Statement of financial position (see Note 15).

Short-term leases and leases of low-value assets

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

j) Intangibles

Trademarks and Licences

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

Research and Development

Expenditure on research activities is recognised as an expense when incurred;

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

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 other comprehensive income when the asset is derecognised.

k) Trade and other payables

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

l) Financial instruments

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

FINANCIAL ASSETS

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as 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, 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 1.4 (a) Revenue.

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

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

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

Subsequent Measurement

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

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

Financial Assets at Amortised Cost (Debt Instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- The Group's financial assets at amortised cost includes cash and cash equivalents, and trade receivables.

Derecognition

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

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

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

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

Impairment of financial assets

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

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

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.

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m) Borrowing costs

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

n) Provisions and employee benefits

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

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

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

Warranty Provisions

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

Employee Entitlements

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

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

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

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

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

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

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

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

v. Pensions and other post-employment benefits

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

vi. Termination benefits

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

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

o) Share-based payment transactions

Equity settled transactions

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

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

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

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

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

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

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

(iii) the expired portion of the vesting period.

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

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

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

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

p) Contributed equity

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

Notes to the Financial Statements <CONTINUED>

q) Earnings per share

Basic earnings per share is calculated by dividing:

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

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

r) Parent entity financial information

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

s) Comparatives

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

1.5. Significant accounting judgements, estimates and assumptions

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

a) Critical accounting estimates and assumptions

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

i) Impairment of tangible and intangible assets

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

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

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Refer to note 14 for further details.

ii) Allowance for expected credit losses

The Group considers customers' ability to pay including timing and the amount of payment. In considering ability to pay consideration is given to macro-economic, and industry specific conditions, as well as any information known about specific customer risks and judgement is exercised.

iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes or binomial valuation model, with the assumptions detailed in Note 19.

iv) Capitalisation of Development Costs

Judgement is required using the criteria outlined in note 1.4(j), where expenditure meets the definition of development.

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

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

v) Leased assets and liabilities

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

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

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

The Group included the renewal period as part of the lease term for some office leases with shorter non-cancellable period (i.e., three to five years). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain to be exercised.

Refer to Note 15 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).

vii) Inventory - estimating impairment of inventory

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account recent sales, the age of inventories, obsolete, slow moving inventories and other factors that affect inventory obsolescence.

viii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Notes to the Financial Statements <CONTINUED>

ix) Business Combinations

As discussed in note 1.3, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

1.6 New and amended standards

The Group is required to change some its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing 1 July 2022.

AASB 2020-3 Amendments to AASs – Annual Improvements 2018–2020 and Other Amendments

- *Amendments to AASB 116, Property, Plant and Equipment: Proceeds before Intended Use*
- *Amendments to AASB 137, Onerous Contracts – Cost of Fulfilling a Contract*

These amendments had no impact on the year-end consolidated financial statements of the Group as:

- The group, prior to the application of the amendments, did not have any onerous contracts; and
- There were no property, plant and equipment made available for use on or after the beginning of the earliest period presented.

The following forthcoming standards and amendments have not been early adopted. The Group, however does not expect to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

AASB 2020-1 *Amendments to AASs – Classification of Liabilities as Current or Non- current*

AASB 2021-2 *Amendments to AASs – Disclosure of Accounting Policies and Definition of Accounting Estimates*

- *Amendments to AASB 7, AASB 101, AASB 134 and AASB Practice Statement 2*
- *Amendments to AASB 108*

AASB 2021-5 *Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

AASB 2022-1 *Amendments to AASs – Initial Application of AASB 17 and AASB 9 – Comparative Information*

AASB 2022-6 *Amendments to AASs – Non-current Liabilities with Covenants*

AASB 2023-1 *Amendments to AASs – Amendments to AASB 107 and AASB 7 – Disclosures of Supplier Finance Arrangements*

AASB 2023-3 *Amendments to Australian Accounting Standards – Disclosure of Non- current Liabilities with Covenants: Tier 2*

2. Business Combination

Acquisition of GJD Manufacturing Limited (GJD)

On 2 August 2022, the Group acquired 100% of the voting shares of MTD Holdings Limited, a non-listed company which owns 100% shares of GJD, based in the United Kingdom and specialising in security equipment design and manufacturing of insecurity space detection and intruder detection systems. Its products include professional grade external detector equipment as well as infrared and white-light LED illuminators and Automatic Number Plate Recognition cameras.

As at 2 August 2022	$'000
ASSETS	
Cash and cash equivalents	19
Receivables	1,629
Inventories	2,065
Other current assets	462
Plant and equipment	598
Right of use assets	254
Total Assets	**5,027**
Liabilities	
Payables	(602)
Borrowings	(2,949)
Provisions	(28)
Deferred Tax Liabilities	(156)
Lease liabilities	(254)
Total Liabilities	**(3,989)**
Total identifiable net assets at fair value	**1,038**
Goodwill recognised on acquisition	6,499
Purchase consideration transferred	**7,537**

The goodwill of $6,499,000 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Illuminate segment.

From the date of acquisition, GJD Limited contributed $6,291,000 of revenue and $450,000 loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $7,035,000 and loss before tax from continuing operations for the Group would have been $57,000.

Purchase consideration	$'000
Shares issues, at fair value	3,041
Cash paid	4,496
Total consideration	**7,537**

The Company issued 11,807,894 ordinary shares as consideration for the 100% interest in MTD Holdings Limited. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was $0.258 per share. The fair value of the consideration given was therefore $3,041,000.

Borrowing facilities acquired

The Group acquired borrowings facilities. These facilities include fixed-term loan repayments and local and foreign-denominated working capital facilities. The fixed-term loans have a maturity between 2 to 5 years, and the working capital facilities are payable on demand.

Analysis of cashflows on acquisition	$'000
Cash paid	(4,496)
Net overdraft acquired with the subsidiary (included in cash flows from operating activities)	(1,026)
Net cash flow from acquisition	**(5,522)**

3. Segment information

(a) Description of segments

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

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

The Group operates in Detect, Access, and Illuminate, 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 Illuminate segment was acquired on 2 August 2022, refer to Note 2 Business Combination. The International Valuable Logistics (IVL) was sold in October 2021 and it is reported as a Discontinued Operations in the prior period.

The following summary describes the operations of each reportable segment:

Detect	Manufactures and markets 'smart' fibre optic sensing systems for security and condition monitoring for a range of applications including perimeters, pipelines, conveyors, power cables and data networks.
Access	Specialises in the development, manufacture and supply of high security biometric readers, security access control and electronic locking products.
Illuminate	Specialises in the development and manufacture of illuminators, ANPR cameras and perimeter detectors.

(b) Reportable Segments

30 June 2023	Detect $'000	Access $'000	Illuminate $'000	Eliminations $'000	Consolidated $'000
Revenue and other income					
External customers	18,457	3,853	6,291	-	28,601
Intersegment revenue	(28)	117	-	(89)	-
Other income	10	19	-	-	29
Interest Income	2	5	-	-	7
Segment revenue and other income	**18,441**	**3,994**	**6,291**	**(89)**	**28,637**
EBITDA	**1,603**	**(242)**	**3**	**47**	**1,411**
Depreciation and amortisation	(1,135)	(607)	(326)	-	(2,068)
Finance costs	(11)	(3)	(181)	-	(195)
Interest Income	2	5	-	-	7
Income tax	(30)	(204)	25	-	(209)
Segment operating profit (loss)	**429**	**(1,051)**	**(479)**	**47**	**(1,054)**

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

[1] Segment operating profit (loss) excludes the gain on sale of discontinued operation amounting to $31,914,000. Refer to note 27.

c) Geographic information

	30 June 2023	30 June 2022		
	Total Continuing	Continuing	Discontinued	Total
	$'000	$'000	$'000	$'000
Revenue				
Australia	3,083	3,615	19	3,634
APAC (excl Australia)	3,066	2,013	-	2,013
Europe	12,532	3,986	8,696	12,682
India	210	2,671	-	2,671
MENA	667	778	237	1,015
United States of America	5,932	3,277	961	4,238
Rest of world	3,111	2,281	1,162	3,443
Total external revenue by region	**28,601**	**18,621**	**11,075**	**29,696**

d) Non-current operating assets

	30 June 2023	30 June 2022
	$'000	$'000
Australia	6,590	6,106
United Kingdom	7,698	-
Rest of world	673	588
Total non-current assets by region	**14,961**	**6,694**

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

e) Reconciliation of non-current assets

	30 June 2023	30 June 2022
	$'000	$'000
Non-current operating assets by region	14,961	6,694
Deferred tax assets	75	96
Total non-current assets	**15,036**	**6,790**

4. Revenue and other income

a) Revenue from contracts with customers

	Consolidated	
	2023	2022
	$'000	$'000
Revenue from sales of goods	**26,132**	17,502
Revenue from provision of services	**2,469**	1,119
Total revenue from contracts with customers – continuing operations	**28,601**	**18,621**
Revenue from provision of services - discontinued operations (note 27)	**-**	11,075
Total revenue from contracts with customers	**28,601**	**29,696**

(b) Other income

	Consolidated	
	2023	2022
	$'000	$'000
Interest	29	-
Other income	7	340
Total other income - continuing operations	**36**	**340**
Total other income	36	**340**
Total Revenues and other income	**28,637**	**30,036**

(c) Disaggregation of revenue

Timing of revenue recognition		
Goods and Services transferred at a point in time	26,132	17,502
Services transferred over time	2,469	1,119
Total revenue form contracts with customers-continuing operations	**28,601**	**18,621**
Services transferred over time - Discontinued operations	-	11,075
Total revenue from contracts with customers	**28,601**	**29,696**

(d) Performance obligations

The Group hold contract liabilities in relation to services including extended warranty, support, commissioning and training which have been invoiced in advance with the services yet to be provided. Refer to note 17.

5. Income tax and deferred tax

	Consolidated	
	2023	2022
	$'000	$'000
(a) Components of tax expense/(benefit):		
Current tax	**47**	284
Deferred tax	**37**	(96)
Under provision in prior year	**126**	154
	210	**342**
(b) Prima facie tax payable		
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense/(benefit) as follows:		
Accounting (loss) profit before tax arising from Continuing Operations	**(844)**	(358)
Profit before tax from Discontinued Operation	**-**	33,832
	(844)	**33,474**
At the Group's statutory income tax rate of 25% (2022: 30%)	**(211)**	10,042
Difference in tax rates in foreign subsidiaries	**29**	(681)
Tax effect of amounts which are not deductible in calculating taxable income	**231**	106
Non-assessable income	**-**	(9,574)
Recognition of previously unbooked temporary differences	**-**	(96)
Unbooked tax losses	**147**	521
Adjustments in respect of current income tax of previous years	**126**	154
Utilisation of carried forward tax losses / unbooked tax losses	**(303)**	(157)
Other	**191**	27
Income tax expense	**210**	**342**
Income tax expense reported in the statement of profit or loss	**210**	304
Income tax attributable to a discontinued operation	**-**	38
Income tax expense	**210**	**342**

	2023	2022
	$'000	$'000
(c) Deferred tax		
Deferred tax relates to the following:		
Losses available for offsetting against future taxable income	**15**	-
Accelerated depreciation for tax purposes	**(161)**	-
Temporary differences	**75**	96
Net Deferred tax (liabilities)/assets	**(71)**	96

Management assessed deferred tax assets and liabilities for the reporting period 30 June 2023 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 $8,743,000 (2022: $10,280,000). In addition, the Group has tax losses totalling $9,398,000 (2022: $9,455,000) in respect of foreign subsidiaries. The Group is currently assessing the status of carried forward losses with respect of its foreign subsidiaries.

6. Cash and short-term deposits

	Consolidated	
	2023	2022
	$'000	$'000
Cash at banks and on hand	5,462	15,226
Short-term deposits	55	-
Total cash and short-term deposits	**5,517**	**15,226**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Cash at banks and on hand	5,462	15,226
Short-term deposits	55	-
	5,517	**15,226**
Bank overdrafts	(1,630)	-
Cash and cash equivalents	**3,887**	**15,226**

Bank overdrafts

Bank overdrafts relate to existing banking facilities that the acquired company, GJD uses for working capital. At 30 June 2023, the Group had available $1,037,000 of undrawn committed facilities (2022: nil).

Cash balance held in Trust

The cash balance at 30 June 2023 includes an amount of $264,000 (2022: $354,000) which is held by the Share Registry in trust for outstanding dividend payments (refer to note 21).

7. Contributed equity

	Consolidated	
	2023	2022
	$'000	$'000
(a) Ordinary shares		
Ordinary share capital, issued and fully paid	53,831	50,793
	53,831	**50,793**

	Number of shares	$'000
(b) Movement in ordinary shares on issue		
At 1 July 2022	242,963,185	50,793
Share issue:		
On exercise of Performance Share Rights (note 19)	643,555	-
On acquisition of MTD Holdings Limited (note 2)	11,807,894	3,041
Share issue costs	-	(3)
At 30 June 2023	**255,414,634**	**53,831**
At 1 July 2021	241,629,402	59,062
Share buy-back	(2,950,000)	(1,329)
Share issue:		
On exercise of Share options	3,250,000	638
On exercise of Performance Share Rights (note 19)	1,033,783	
Capital return to shareholders	-	(7,566)
Share issue costs	-	(12)
At 30 June 2022	**242,963,185**	**50,793**

Options over ordinary shares

During the year ended 30 June 2022, 3,250,000 options were exercised at an average price of $0.20. There were no outstanding Share options at 30 June 2022, nor 30 June 2023.

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.

8. Reconcliation of cash and cash equivalents

	Note	Consolidated 2023 $'000	2022 $'000
Cash at bank and on hand (net of overdrafts)	6	**3,887**	**15,226**
(a) Reconciliation to Net Cash Flow from Operations			
(Loss) Profit for the year after tax		**(1,054)**	**33,132**
Adjustment for non-cash income and expense items:			
Depreciation and amortisation		1,759	1,507
Lease amortisation		309	211
Share-Based payments (equity settled)		301	352
Unrealised foreign exchange		158	(132)
Bad debts written off and provision for impairment of receivable		(24)	82
Impairment on inventory		84	111
Loss on disposal of fixed asset		17	-
Gain on Discontinued operations recognised in the income statement		-	(32,846)
Income tax accrued		209	135
Other		(142)	175
Changes in assets and liabilities			
(Increase)/decrease in assets:			
Trade and other receivables		(1,456)	1,021
Other assets		(349)	94
Inventories		(2,143)	(130)
Increase/(decrease) in liabilities:			
Trade and other payables		249	(1,222)
Provisions		(100)	(5)
Net cash (used in) from operating activities		**(2,182)**	**2,485**
(b) Non-cash financing and investing activities			
Share-based payments		**301**	**352**

The Group's exposure to interest rate risk is discussed in Note 23. 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.

9. Trade and other receivables

	Consolidated	
	2023	2022
	$'000	$'000
Trade receivables - current (gross)	8,292	4,762
Provision for expected credit loss (a)	(159)	(185)
Trade receivables (net)	**8,133**	**4,577**
Security deposits and bonds	24	68
Other receivables (c)	231	94
Carrying amount of trade and other receivables	**8,388**	**4,739**

Movements in the expected credit loss provision were as follows:		
At 1 July	185	187
Discontinued operations	-	(44)
Charge (reversal) for the year	(24)	64
Amounts written off	(2)	(22)
At 30 June	**159**	**185**

(a) Provision for impairment

In line with AASB 9 *Financial Instruments*, an expected credit loss assessment was performed as at 30 June 2023.

(b) Past due but not considered impaired

As at 30 June 2023, trade receivables past due but not considered impaired are: $3,771,000 (2022: $491,000). Contract assets are unbilled receivables for services that have been delivered and are not past due.

	Gross	Impairment	Gross	Impairment
	2023	2023	2022	2022
	$'000	$'000	$'000	$'000
Not past due	4,362	-	4,086	-
Past due 1 – 30 days	2,052	-	392	-
Past due 31-60 days	204	-	73	-
Past due 61-90 days	1,249	-	11	-
Past due more than 91 days	425	(159)	200	(185)
	8,292	(159)	4,762	(185)

(c) Other receivables

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

10. Inventories

	Consolidated	
	2023	2022
	$'000	$'000
Raw materials and stores (at cost)	4,415	1,597
Work in progress (at cost)	1,494	737
Finished goods held for sale (at lower of cost and net realisable value)	1,508	877
Spares (at cost)	47	45
Total Inventories	**7,464**	**3,256**

During financial year ended 30 June 2023 $69,000 (2022: $86,000) was recognised as an impairment for inventories carried at net realisable value. This is recognised in cost of raw materials and consumables used.

11. Prepayments

	Consolidated	
	2023	2022
	$'000	$'000
Current		
Prepayments	670	400
Total Prepayments	**670**	**400**

Prepayments are not interest bearing.

12. Plant and equipment

Consolidated	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 2023						
Carrying amount at beginning of year	**260**	**-**	**104**	**42**	**85**	**491**
Additions	**219**	**48**	**146**	**25**	**4**	**442**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation charge for the year	**(259)**	**(6)**	**(179)**	**(28)**	**(48)**	**(520)**
Additions through business combinations (note 2)	**304**	**-**	**256**	**38**	**-**	**598**
Exchange adjustment	**69**	**-**	**29**	**4**	**1**	**103**
Carrying amount at end of year	**593**	**42**	**356**	**81**	**42**	**1,114**
At 30 June 2023						
Cost	1,610	90	1,612	637	2,060	6,009
Accumulated depreciation and impairment	(1,017)	(48)	(1,256)	(556)	(2,018)	(4,895)
Net carrying amount	**593**	**42**	**356**	**81**	**42**	**1,114**
Year Ended 30 June 2022						
Carrying amount at beginning of year	98	-	120	46	156	420
Additions	235	-	30	11	-	276
Disposals	(6)	-	-	-	-	(6)
Depreciation expense for the year[1]	(68)	-	(48)	(20)	(63)	(199)
Discontinued operations	(5)	-	-	(1)	-	(6)
Exchange adjustment	6	-	2	6	(8)	6
Carrying amount at end of year	**260**	**-**	**104**	**42**	**85**	**491**
At 30 June 2022						
Cost	1,087	42	1,210	571	2,056	4,966
Accumulated depreciation and impairment	(827)	(42)	(1,106)	(529)	(1,971)	(4,475)
Net carrying amount	**260**	**-**	**104**	**42**	**85**	**491**

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

13. Intangible Assets

(a) Reconciliation of carrying amounts

Consolidated	Goodwill $'000	Trademarks $'000	Development costs $'000	Patents $'000	Acquired customer lists / contracts $'000	Total $'000
Year ended 30 June 2023						
Carrying amount at beginning of year	**702**	**332**	**4,557**	**266**	**97**	5,954
Additions	-	-	1,949	12	-	1,961
Disposals	-	(17)	-	-	-	(17)
Amortisation[1]	-	(53)	(1,031)	(58)	(97)	(1,239)
Additions through business combinations (note 2)	6,499	-	-	-	-	6,499
Exchange adjustment	416	-	9	1	-	426
Carrying amount at end of year	**7,617**	**262**	**5,484**	**221**	**-**	**13,584**
At 30 June 2023						
Cost (gross carrying amount)	7,617	861	10,634	2,506	2,585	24,203
Accumulated amortisation	-	(599)	(5,150)	(2,138)	(2,585)	(10,472)
Accumulated impairment charges	-	-	-	(147)	-	(147)
Net carrying amount	**7,617**	**262**	**5,484**	**221**	**-**	**13,584**
Year ended 30 June 2022						
Carrying amount at beginning of year	5,018	821	4,359	317	330	10,845
Additions	-	-	1,107	19	-	1,126
Amortisation[1]	-	(70)	(934)	(73)	(231)	(1,308)
Discontinued operations	(4,278)	(409)	-	-	-	(4,687)
Exchange adjustment	(38)	(10)	25	3	(2)	(22)
Carrying amount at end of year	**702**	**332**	**4,557**	**266**	**97**	**5,954**
At 30 June 2022						
Cost (gross carrying amount)	702	878	8,685	2,494	2,585	15,344
Accumulated amortisation	-	(546)	(4,128)	(2,081)	(2,488)	(9,243)
Accumulated impairment charges	-	-	-	(147)	-	(147)
Net carrying amount	**702**	**332**	**4,557**	**266**	**97**	**5,954**

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

14. Carrying value of Goodwill

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

Goodwill Allocation	Illuminate	Access	Total
At 1 July 2022	-	702	702
Additions through business combinations (Note 2)	6,499	-	6,499
Impact of foreign currency	416	-	416
At 30 June 2023	**6,915**	**702**	**7,617**

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, Detect, Access and Illuminate.

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

Key Assumptions	Description
Future cash flows	Value-in-use ("VIU") calculations, inclusive of working capital movements and forecast capital expenditure based on financial projections approved by the Board for the three years, with detailed management forecasts used in years 4 – 5, then reverting to a terminal value of 2%.
Discount rate:	A discount rate was applied to cash flow projection assessed to reflect the time value of money and the perceived risk profile of the stage of the business. Pre-tax discount rates: 22.6% (2022 - 17.93%) Post-tax discount rates: 16.98% (2022 - 16.07%)
Revenue growth	Forecast growth in year 1 is based on Board approved budget, and detailed assessed conversion of known revenue opportunities for the business. Years 4 – 5 assume growth is achieved within existing business markets and geographies, along with expansion of the business into new markets and geographies.
Gross margins	Forecasting consistent gross margins over the life of the model relative to historic gross

Sensitivity analysis

The Directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill or intangibles carrying amount may decrease. The sensitivities are as follows:

The recoverable amounts for the Access and Illuminate CGU's would be impaired if the key assumptions were to change as follows:

- For Access, an impairment is indicated above a discount rate of 15.5%.
- For Illumination, an impairment is indicated above a discount rate of 15.0%.

If there are any negative changes in future reporting periods in the key assumptions on which the recoverable amount of goodwill is based, this would result in an impairment charge for the Access and Illumination cash-generating units.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the Detect cash-generating unit is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

15. 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. 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.

Consolidated amounts recognised in the statement of financial position and profit or loss	Right-of-use assets			
	Office Space & Equipment	Motor Vehicles	Total	Lease liabilities
	$'000	$'000	$'000	$'000
As at 1 July 2022	**249**	**-**	**249**	**(284)**
Additions	-	41	41	(41)
Additions through business combinations (note 2)	254	-	254	(254)
Depreciation expense	(307)	(1)	(309)	-
Exchange adjustments	28	-	28	(15)
Interest expense	-	-	-	(20)
Payments	-	-	-	325
As at 30 June 2023	**223**	**40**	**263**	**(289)**
As at 1 July 2021	374	11	385	(430)
Additions	120	-	120	(120)
Depreciation expense[1]	(207)	(4)	(211)	-
Discontinued operations	(60)	(7)	(67)	52
Exchange adjustments	22	-	22	(12)
Interest expense	-	-	-	(27)
Payments	-	-	-	253
As at 30 June 2022	**249**	**-**	**249**	**(284)**

The classification of lease liabilities is set out below:

Consolidated	2023	2022
	$'000	$'000
Current	**171**	131
Non-Current	**118**	153
As at 30 June	**289**	**284**

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

The following are the amounts recognised in profit or loss:

Consolidated	2023 $'000	2022 $'000
Depreciation expense of right-of-use assets	308	211
Interest expense on lease liabilities	20	27
Expense relating to short term leases	62	91
Total amount recognised in profit and loss	**390**	**329**

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 1.5 (v)).

There are no 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 (2022 - nil).

16. Trade and other payables

	Consolidated	
	2023	2022
Trade payables, accruals and other payables	**$'000**	**$'000**
Current		
Trade payables	**1,499**	786
Accruals and other payables	**1,172**	1,468
Total Trade and Other Payables	**2,671**	**2,254**

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

17. Contract liabilities

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.

	Consolidated	
	2023	2022
Contract liabilities	$'000	$'000
Balance at 1 July		
Trade payables	497	528
Deferred during year	530	187
Recognised as revenue in the year	(320)	(218)
Balance at 30 June	**707**	**497**
Due within 1 year	278	225
Due after more than 1 year	429	272
Balance at 30 June	**707**	**497**

Revenue recognised of $320,000 (2022: $218,000) in the year represents performance obligations which have been met during the financial year in relation to contract liabilities held at year-end.

18. Provisions

	Consolidated	
	2023	2022
	$'000	$'000
Current		
Employee entitlements – annual leave	829	741
Employee entitlements – long service leave	404	393
Provision for warranty claims	175	247
Total Current Provisions	**1,408**	**1,381**
Non-current		
Employee entitlements – long service leave	59	47
Total Non-Current Provisions	**59**	**47**

Notes to the Financial Statements <CONTINUED>

(a) Movements in Warranty provisions

	Consolidated 2023 $'000	Consolidated 2022 $'000
At 1 July	247	242
Arising during the year	140	49
Provision used during the year	(213)	(43)
Exchange adjustments	1	(1)
At 30 June	**175**	**247**
Current	175	247
Non-current	-	-
At 30 June	**175**	**247**

(b) Nature and timing of provisions

i. Warranty provision

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

ii. Employee Entitlements

Refer to Note 1.4 (n) 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.

19. Share-based payments

The Group continued to offer Employee participation in share-based incentive schemes as part of the remuneration packages for the employees (EP) and Key Management (KMPs) and the CEO of the Group.

No Share based payments have been issued between balance date and the date of this report.

(a) Expense arising from equity-settled share-based payment transactions

	Consolidated	
	2023	2022
	$'000	$'000
Performance Shares	**302**	352

(b) Performance rights held

During the year ended 30 June 2023, 3,915,841 performance rights were awarded (2022 - 1,837,129). The movements in Performance Share Rights are noted below:

Financial instruments	2023 Number	2023 WAEP	2022 Number	2022 WAEP
Outstanding 1 July	**1,946,789**	$nil	**1,765,173**	$nil
Granted during the year	3,915,841	$nil	1,837,129	$nil
Forfeited during the year	(2,406,200)	$nil	(857,248)	$nil
Exercised during the year	(643,554)	$nil	(798,265)	$nil
Outstanding 30 June	**2,812,876**	**$nil**	**1,946,789**	**$nil**

(i) PSRs Granted

During the year ended 30 June 2023, the Company granted performance rights as part of remuneration to senior executives and key employees. The fair value of the performance rights was based on a Black Scholes option pricing model.

Senior Executives and key employees were issued a total of 3,915,841 performance rights (2022 1,837,129). This includes 1,500,000 performance rights awarded to Mal Maginnis that are subject to shareholder approval. The performance rights have a nil exercise price and are split into two equal tranches with multiple vesting dates. The vesting conditions of the performance rights are based on key performance metrics and objectives being met.

(ii) PSRs Forfeited

Non-Executive Directors were issued a total of 600,000 performance rights on 28 October 2021. The fair value of each performance rights was $0.29. The performance rights had a nil exercise price vesting on 5 October 2022 based on the Company's Share Price performance. As at 5 October 2022, however, they failed to vest based on the market condition and the expense was not reversed.

In addition, the key performance metrics and objectives of the Employee and KMP were not met and as a result, 1,806,200 PSRs relating to FY 23 Grant were forfeited.

The table below provides a description of each of the plans

Plan	Employee Plan (EP)	KMP Plan	CEO Plan
Type	Long-Term incentive.	Long-Term incentive.	Long-Term incentive.
Overview	EP are based on personal objectives for the Financial Year and vest in two equal tranches.	KMP Plans are based on the Group performance and personal objectives.	The CEO Plan is based on Share price performance over three tranches.
Vesting conditions	Achievement of yearly objectives and service conditions.	Achievement of yearly objectives, Business performance and service conditions.	Based on share price hurdles.
Vesting period	In two tranches 2 and 3 years.	In two tranches 2 and 3 years.	In three tranches.
Exercise period	At the end of each tranche.	At the end of each tranche.	At the end of each tranche.
Valuation method	Binomial.	Binomial.	Monte Carlo.

Option and performance rights pricing models

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

Plan	Employee Plan (EP)	KMP Plan	CEO Plan
Grant date	6 September 2022	6 September 2022	9 January 2023
Fair value	$0.23	$0.23	$0.125-$0.127
Vesting dates	15 August 2024, 15 August 2025	15 August 2024, 15 August 2025	9 January 2024, 2025, 2026
Share price at Grant date	$0.235	$0.235	$0.235
AVA Share Price Hurdles	n/a	n/a	$0.282, $0.329, $0.376
Expected volatility	63%	63%	65%
Expected Dividend yield	n/a	n/a	1.50%
Risk free Rate	3.25%, 3.41%	3.25%, 3.41%	3.28%

20. Earnings per share

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

	Consolidated	
	2023	**2022**
(a) Profit used in calculating earnings per share	**$'000**	**$'000**
For basic and diluted loss per share:		
Net loss after tax from continuing operations	(1,054)	(662)
Profit after tax from discontinued operations	-	33,794
Total	**(1,054)**	**33,132**

(b) Weighted average number of shares	**2023**	**2022**
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**254,959,125**	243,062,589
Adjustments for calculation of diluted earnings per share		
Dilutive share options / performance rights	3,637,186	3,031,866
Weighted average number of ordinary shares adjusted for the effect of dilution used as the denominator in calculating diluted earnings per share	**258,596,311**	**246,094,455**

(c) i. Earnings per share from continuing operations	**2023**	**2022**
	Cents	**Cents**
Basic loss earnings per share	**(0.41)**	(0.27)
Diluted loss earnings per share	**(0.41)**	(0.27)
ii. Earnings per share attributable to the shareholders of AVA Risk Group Limited		
Basic (loss) profit per share	**(0.41)**	13.63
Diluted (loss) profit per share	**(0.41)**	13.46

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

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

For the purposes of calculating earnings per share, the effect of 3,637,186 dilutive share has been taken into account for the year ended 30 June 2023 (2022: 3,031,866). The Group's only potential ordinary shares are shares awards granted to employees and KMP as described in Note 19 Share-based payments.

21. Dividends

	Consolidated 2023 $'000	Consolidated 2022 $'000
Special dividend at the rate of 13 cents per share, paid on 10 March 2022	-	31,586
Total dividends declared	-	31,586
As at 1 July	**354**	-
Dividends settled in cash	**(101)**	(31,232)
Amount owed to shareholders	**253**	**354**

22. 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.

23. Financial Risk Management

(a) 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 2023 and 2022 were as follows:

	Consolidated	
	2023	2022
	$'000	$'000
Payables	**2,671**	2,254
Borrowings	**2,541**	-
Lease liabilities	**289**	284
Total borrowings	**5,501**	2,538
Less cash and cash equivalents [6]	**5,517**	15,226
Net borrowings / (cash)	**(16)**	(12,688)
Total equity	**29,254**	25,948
Total capital	**29,238**	13,260
Gearing ratio	0%	0%

(b) Risk exposure 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.

(i) Interest rate risk on interest-bearing loans and borrowings

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 and United Kingdom interest rate risk.

	Interest rate %	Maturity	2023 $'000	2022 $'000
Current interest-bearing loans and borrowing				
Lease Liabilities	3.5-6.9%	2023	**171**	132
Bank overdrafts	8.50%	2024	**1,630**	-
GBP 250,000 loan - White Oak	7.95%	2025	**166**	-
GBP 350,000 loan - HSBC	3.99%	2025	**133**	-
GBP 150,000 loan - Funding Circle	5.00%	2026	**70**	-
Total			**2,170**	**132**
Non-current interest-bearing loans and borrowings				
Lease Liabilities	3.5-6.9%	2023-2027	**118**	153
GBP 250,000 loan - White Oak	7.95%	2025	**126**	-
GBP 350,000 loan - HSBC	3.99%	2025	**267**	-
GBP 150,000 loan - Funding Circle	5.00%	2026	**149**	-
Total			**660**	**153**

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt where possible.

Sensitivity analysis

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

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

At 30 June 2023, and at 30 June 2022, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit / (losses) and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2023	2022	2023	2022
Judgments of reasonably possible movements*:	$'000	$'000	$'000	$'000
Consolidated				
+ 1% increase in interest rates	(20)	(2)	(20)	(2)
- 0.5% decrease in interest rate	10	1	10	1

* A 1% increase and a 0.5% decrease is used and represents management's assessment of the reasonably possible change in interest rates.

(ii) 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 United States Dollar and British Pound (as a result of the acquisition of GJD) exchange rates.

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

	USD	GBP	Total
	$'000	$'000	$'000
30 June 2023			
Cash and cash equivalents	3,817	235	4,052
Trade receivables	5,903	664	6,567
Trade payables	(223)	(818)	(1,041)
Borrowings	-	(1,123)	(1,123)
Total exposure	**9,497**	**(1,042)**	**8,455**
30 June 2022			
Cash and cash equivalents	6,790	-	6,790
Trade receivables	3,114	-	3,114
Trade payables	(306)	-	(306)
Borrowings	-	-	
Total exposure	**9,598**	**-**	**9,598**

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD and GBP exchange rate with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

The Group's exposure to foreign currency changes for all other currencies is not material.

		% Change in rate	Effect on profit/(loss) before tax	Effect on equity
USD and GBP			$'000	$'000
30 June 2023	**USD**	10%	665	665
		-10%	(665)	(665)
	GBP	10%	(73)	(73)
		-10%	73	73
30 June 2022	**USD**	10%	672	672
		-10%	(672)	(672)

(iii) Credit risk

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

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

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

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

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

(iv) Liquidity risk

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

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

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

The amounts disclosed in the table are the contractual undiscounted cash flows. The remaining contractual maturities of the Group's financial liabilities are:

		Consolidated
	2023	2022
Financial liabilities	$'000	$'000
12 months or less[1]	**4,863**	2,385
1-5 years	**660**	153
Over 5 years	**-**	-
Total contractual cash flows	**5,501**	2,538

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

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.

24. Related party disclosure

(a) Subsidiaries

Name	Country of Incorporation	Principal Activity	% Equity Interest 2023	2022
Parent Entity				
Ava Risk Group Limited	Australia	Manufacture and sale of security systems	100	100
Subsidiaries of Ava Risk Group Limited				
FFT MENA Pty Ltd	Australia	Holding company	100	100
Future Fibre Technologies (US) Inc.	USA	Sales Support and other	100	100
MaxSec Group Pty Ltd	Australia	Access Control	100	100
Subsidiaries of FFT MENA Pty Ltd				
Future Fibre Technologies MENA FZ-LLC (in Liquidation)	U.A.E	Sales Support and other services	100	100
Future Fibre Technologies Europe Ltd	United Kingdom	Sales Support and other services	100	100
FFT India Pvt Ltd	India	Sales Support and other services	100	100
Subsidiaries of MaxSec Group Pty Ltd				
BQT Intelligent Security Systems Pty Ltd	Australia	Access Control	60	60
4C Satellites Ltd	Australia	Access Control	60	60
BQT Solutions (Australia) Pty Ltd	Australia	Access Control	100	100
BQT Solutions (SEA) Pte Limited	Singapore	Access Control	100	100
BQT Solutions (UK) Ltd	United Kingdom	Access Control	100	100
Subsidiaries of BQT Solutions (SEA) Pte Limited				
BQT Solutions (NZ) Ltd	New Zealand	Access Control	100	100
MTD Holdings Limited	United Kingdom	Access Control	100	-
GJD Manufacturing Limited	United Kingdom	Access Control	100	-
Subsidiaries of BQT Solutions (UK) Ltd				
BQT Solutions America Inc	USA	Access Control	100	100

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

(b) Ultimate parent

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

(c) Terms and conditions of transactions with related parties

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

25. Key Management Personnel

(a) Compensation for Key Management Personnel

	Consolidated	
	2023	**2022**
	$	**$**
Short-term employee benefits	**1,315,466**	1,540,447
Bonus on Sale of business	**-**	12,977,845
Post-employment and other long-term benefits	**80,451**	105,663
Share-based payments	**97,016**	258,388
Total compensation	**1,492,933**	**14,882,343**

(b) Loans to/from Key Management Personnel

There were no loans to directors or key management personnel during the year ending 30 June 2023 (2022: 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 Asia Pty Ltd and Pierce Group Asia Pte Ltd, related entities through Chairman and Non-Executive Director, David Cronin, for an amount of $282,000 (2022: $219,000). Accounts Payable balance at 30 June 2023 totals $17,270 (FY2022: $44,812). These arrangements were in the normal course of business and included amounts related to the provision of consultancy and administration services, and general office expenses provided by the related entities for the benefit of the Consolidated Entity.

There were no other transactions with other KMP during the year ended 30 June 2023 (FY2022: none).

(a) Recognised share-based payment expense

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

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Expenses arising from equity-settled share-based payment transactions:		
As compensation for KMPs	**97,016**	258,388
As compensation to employees	**204,174**	93,123
Total share-based payments	**301,190**	**351,511**

(b) Types of share-based payments

FY 23 Grants

Senior Executive Grants

During the financial year ended 30 June 2023, the Company granted performance rights as part of remuneration to three senior executives, Mal Maginnis, Neville Joyce and Jim Viscardi.

	Number of performance rights awarded	Grant date	Fair value at Grant date $	Vesting Dates	Vesting conditions
FY 2023					
Malcolm Maginnis*	500,000	9 Jan 2023	0.125	9 Jan 2024	Share price hurdle
	500,000	9 Jan 2023	0.128	9 Jan 2025	
	500,000	9 Jan 2023	0.127	9 Jan 2026	
Neville Joyce	123,320	6 Sep 2022	0.230	31 Aug 2024	FY 2023 Performance KPI and continuity of employment
	123,320	6 Sep 2022	0.230	31 Aug 2025	
	30,830	6 Sep 2022	0.107	31 Aug 2024	Share price hurdle
	30,830	6 Sep 2022	0.108	31 Aug 2025	
James Viscardi	161,902	6 Sep 2022	0.230	31 Aug 2024	FY 2023 Performance KPI and continuity of employment
	161,903	6 Sep 2022	0.230	31 Aug 2025	

* Performance rights awarded to Malcolm Maginnis are subject to shareholder approval.

The fair value of each performance right was calculated using an option pricing model as discussed in note 19.

Non-Executive Directors Grants

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

The performance rights issued to the Non-Executive directors vest on 5 October 2022 subject to the Company's market traded share price being at least 49 cents or above across 30 consecutive days and subject to continuity of service with the Company. As at 5 October 2022, these rights did not meet the performance criteria and they were forfeited.

There were no Share options or Performance Rights Granted to Non-Executive Directors during the financial year ended 30 June 2023.

(c) Summaries of performance rights and share options granted

i. Share Options

	2023 Number	2022 Number
Outstanding at the beginning of the year	-	3,250,000
Granted during the year	-	-
Exercised during the year	-	(5,449,938)
Forfeited, lapsed and other movements during the year	-	-
Outstanding Share Options	**-**	**-**

ii. Performance Share Rights

	2023 Number	2022 Number
Outstanding at the beginning of the year	**806,449**	283,526
Granted during the year	**632,105**	835,793
Exercised during the year	**(85,277)**	(162,907)
Forfeited, lapsed and other movements during the year	**(1,105,683)**	(149,963)
Total share-based payments	**247,594**	**806,449**

26. Commitments, Contingent assets and liabilities

At 30 June 2023, the Group had commitments of $244,000 relating to the purchase of Fibre Optic cable with its main supplier (FY 2022 $352,000).

27. Discontinued Operations

Sale of Ava Global DMCC (Ava Global), the Comany's International Valuables Logistics (IVL) division.

In October 2021, the Group sold its IVL division.

(a) Financial performance and cash flow information

	Consolidated 2022 $'000
Revenue from contracts with customers	**11,075**
Other income	**-**
Revenue and other income	**11,075**
Total Expenses	**(9,157)**
Profit before income tax for the period	**1,918**
Income tax expense	**(38)**
Profit from discontinued operations	**1,880**
Gain on sale of discontinued operations (see note (b))	**31,914**
Profit after tax for the period from discontinued operations	**33,794**

The net cash flows generated by IVL, are as follows

	Consolidated 2022 $'000
Operating	947
Financing	(32)
Investing	(6)
Net cash inflow (outflow)	**909**

Earnings per share – discontinued operations

	Consolidated cents
Basic earnings per share	13.90
Diluted earnings per share	13.73

(b) Details of the sale of the subsidiaries

	2022 $'000
Consideration	62,187
Performance plan paid to management and employees of Ava Global	(20,308)
Consideration received, paid in cash	41,879
Carrying amount of net assets sold	(9,033)
Transaction costs incurred	(357)
Gain on sale before reclassification of foreign currency reserve	32,489
Reclassification of foreign currency translation reserve	(575)
Gain on sale of discontinued operation	**31,914**

Notes to the Financial Statements <CONTINUED>

(c) Carrying amounts of assets and liabilities sold

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

(d) Subsidiaries disposed

The IVL Segment comprised of the following entities:

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

28. 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	2023 $'000	2022 $'000
Assets		
Current Assets	**9,422**	13,421
Non-Current Assets	**17,569**	14,573
Total Assets	**26,991**	**27,994**
Liabilities		
Total Current Liabilities	**3,404**	**5,755**
Total Non-Current Liabilities	**59**	**444**
Total Liabilities	**3,463**	**6,199**
NET ASSETS	**23,528**	**21,795**
Equity		
Contributed Equity	**50,791**	50,794
Accumulated losses	**(29,308)**	(30,743)
Reserves	**2,045**	1,744
TOTAL EQUITY	**23,528**	**21,795**

Ava Risk Group Limited: Summarised statement of comprehensive income	2023 $'000	2022 $'000
(Loss) Profit for the year	600	33,384
Other comprehensive income for the year	-	-
Total comprehensive (loss) income of the parent entity	**600**	**33,384**

(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 2023 or 30 June 2022.

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

As at 30 June 2023, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2022: None).

29. Auditors Remuneration

	Consolidated	
	2023	**2022**
Auditor's renumeration	**$**	**$**
Amounts received or due and receivable by the company's auditor for:		
Audit Services - BDO Audit Pty Ltd		
Audit or review of the financial statements	217,500	-
Audit Services - Ernst & Young		
Audit or review of the financial statements	-	255,000
Audit or review of the financial statements of foreign entities	-	25,250
Other services	6,042	
Fees for other services - BDO Audit Pty Ltd		
Tax compliance	27,300	-
Fees for other services - Ernst & Young		
Tax compliance	-	71,600
	250,842	**351,850**

	Consolidated	
	2023	**2022**
Auditor's renumeration	**$**	**$**
Amounts received or due and receivable by foreign entities of BDO/Ernst & Young for:		
- Audit and review of the financial statements	-	25,250
	-	**25,250**

30. Subsequent events

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or consolidated entity's state of affairs in future financial years.

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, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements including:

   (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2023 and of their performance for the year ended on that date; and

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

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

2. This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

On behalf of the Board

David Cronin
Chairman

28 August 2023

INDEPENDENT AUDITOR'S REPORT

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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 (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, 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:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) 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 *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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and other intangible assets

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 13 and 14, at 30 June 2023 the Group has intangible assets related to trademarks, patents, development costs and goodwill. Goodwill and other intangible assets are assessed for impairment annually. This is a key audit matter because the impairment assessment process is complex and is required to be carried out at the level of the lowest identifiable cash generating units ('CGUs'). The assessment requires significant judgement and includes assumptions that are based on future operating results, discount rates and the broader market conditions in which the Group operates.	Our procedures included, but were not limited to: • Obtaining an understanding of the process that management undertook to perform the Group's impairment assessment; • Evaluating the level at which goodwill is monitored for impairment, including the identification of CGUs; In conjunction with our internal valuation specialists, we: • Evaluated the value-in-use models prepared by management and validated the reasonableness of the assumptions used to calculate the discount rate, growth rates, terminal values, working capital values and allocation of corporate costs compared to historical performance and industry benchmarks to ensure compliance with the relevant Accounting Standards; • Agreed the forecasted cashflows for FY24 to the latest Board approved budget; • Assessed historical forecasting accuracy; • Compared the market capitalisation of the Group to the net assets; • Confirmed the integrity and mathematical accuracy of the value-in-use discounted cashflows models; • Subjected the growth and discount rates assumptions to sensitivity analysis to understand the change that would be required for the goodwill and intangible assets to be impaired, and assessed the likelihood of such movement in those key assumptions arising; and • Assessed the appropriateness of the disclosures included in Notes 13 and 14 to the financial report.

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Revenue recognition

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 4, at 30 June 2023 the Group generates revenue from the sale of products and provision of services, including commissioning and technical services outside of warranty or under extended warranty. Revenue is a key metric for management to measure the performance of the Group. Each revenue stream has unique contracts with performance obligations and recognition criteria that requires assessment under the Accounting Standards. This is a key audit matter because the Group has customer contracts which include multiple promises and requires judgement to determine whether these are distinct or bundled performance obligations. Revenue recognition was significant to our audit due to its complexity and amount of audit attention required.	Our procedures included, but were not limited to: • Obtained an understanding of the process undertaken by management to account for the recognition of revenue for each revenue stream; • Consulted with our internal accounting technical team to assist in forming a view over the appropriateness of the revenue recognition accounting treatment adopted; • Validated the accuracy and occurrence of a sample of revenue transactions to underlying evidence; • Recalculated a sample of contract liabilities based on the terms set out in the customer contracts; • Performed cut-off procedures of transactions either side of the end of the reporting period; and • Assessed the compliance of revenue disclosures in the financial report to the relevant Accounting Standards.

Capitalisation of internally generated development costs

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 13, the Group capitalised $1.5m of development costs in relation to fibre intrusion product development projects. The Accounting Standards require development costs to be capitalised only under specific circumstances, including: • It is technically feasible to complete the intangible asset; • There is clear intention to complete; • There are adequate technical, financial and other resources to complete the asset; • Future economic benefits are probable; and • Expenditure can be measured reliably. This is a key audit matter as significant judgement is required to establish the point at which capitalisation should commence, the nature of costs to be capitalised, the point at which capitalisation should cease and amortisation should commence.	Our procedures included, but were not limited to: • Performed walkthrough procedures to understand the process of capitalisation and the nature of costs incurred; • For a sample of projects, we tested whether the capitalised costs relate to a technologically feasible product, assessed the future economic benefit to be generated by the product and the useful economic life assigned; • Tested a sample of labour costs capitalised to underlying payroll records and timesheet entries; • Tested a sample of non-labour costs capitalised to underlying evidence; • Recalculated the amortisation charge on a sample basis to verify whether it was in accordance with the useful economic life assigned by management and that amortisation commenced from the start of its useful life; and • Assessed the appropriateness of disclosures included in the financial report with reference to the relevant Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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 ability of the group to continue as a going concern, disclosing, as applicable, matters related 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 has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 29 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Ava Risk Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

Tim Fairclough

Tim Fairclough
Director

Melbourne, 28 August 2023

Shareholder Information

Distribution of equity securities (as at 02 August 2023)

ORDINARY SHARE CAPITAL

255,414,634 fully paid ordinary shares are held by 3,488 shareholders. All issued ordinary shares carry one voter per share and carry the rights to dividends.

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

Size of shareholding	Number of holders	Ordinary shares held	% of issued share capital
1-1,000	344	173,530	0.070
1,001-5,000	1,192	3,419,947	1.340
5,001-10,000	579	4,636,934	1.820
10,001-100,000	1,138	36,167,432	14.160
100,001-9,999,999,999	235	211,016,791	82.620
Totals	**3,488**	**255,414,634**	**100.000**

The number of shareholders holding less than a marketable parcel of 2,500 shares (based on a the share price of $0.20 on 02 August 2023) is 881 and they hold 1,097,086 shares.

Substantial shareholders (as at 02 August 2023)

	Fully paid ordinary shares	
Name of Shareholder	Number of shares	% of issued share capital
Pandon Holdings Pte Limited	32,463,070	12.71%
Valwren Pty Ltd	14,133,800	5.53%
	46,596,870	**18.24%**

Twenty largest shareholders (as at 02 August 2023)

	Name of Shareholder	Number of shares	% of issued capital
1	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	31,950,717	12.51%
2	BNP PARIBAS NOMS PTY LTD <DRP>	16,064,982	6.29%
3	MR STEPHEN ROSS CAREW <BMS A/C>	12,000,000	4.70%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,826,337	4.24%
5	BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	9,948,859	3.90%
6	VALWREN PTY LIMITED <WFIT A/C>	7,500,000	2.94%
7	VALWREN PTY LIMITED <SANDY FAMILY INVESTMENT A/C>	7,500,000	2.94%
8	DIXSON TRUST PTY LIMITED	7,339,998	2.87%
9	CITICORP NOMINEES PTY LIMITED	7,148,566	2.80%
10	MARK IAN TIBBENHAM	6,360,054	2.49%
11	CHAG PTY LTD	4,656,000	1.82%
12	MR DAVID MALCOLM SOUTH	4,250,000	1.66%
13	GOVINDARAJALOO NARASIMOOLOO	3,180,027	1.25%
14	BFA SUPER PTY LTD <GDN SUPER FUND A/C>	2,978,384	1.17%
15	MR ROBERT ANDREW BROOMFIELD	2,798,656	1.10%
16	CHERYL LEE TAPANES	2,600,000	1.02%
17	GOLDRUSH FUND PTY LTD <GOLDRUSH A/C>	2,550,000	1.00%
18	MR RUOBING ZHANG <ZHANG FAMILY A/C>	1,721,000	0.67%
19	DMX CAPITAL PARTNERS LIMITED	1,406,000	0.55%
20	MR ATHAR JAMEEL BHUTTO	1,401,502	0.55%
		144,181,082	**56.4%**

Voting Rights

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

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