



AVADA

PROSPECTUS

For an offer of
32,542,609 shares in
AVADA Group Limited
ACN 648 988 783
at \$1.00 per share

ASX: AVD
Lead Manager and Underwriter

ShawandPartners
an **EFG** company

Legal Advisers
McCullough Robertson Lawyers



SUPPLEMENTARY PROSPECTUS

AVADA GROUP LIMITED ACN 648 988 783

Important information

This Supplementary Prospectus is dated 23 November 2021 (**Supplementary Prospectus**) and is intended to supplement and amend the information contained in the Prospectus dated 9 November 2021 (**Prospectus**) issued by AVADA Group Limited ACN 648 988 783 (**Company** or **AVADA**) to raise \$32,542,609 through the issue of 32,542,609 fully paid ordinary shares in the Company.

This Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) on 23 November 2021. Neither ASIC nor the ASX take responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus must be read together with the Prospectus. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus. This document is important and should be read in its entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents.

The Company has issued both a printed and electronic version of this Supplementary Prospectus and the Prospectus. Electronic versions of both may be accessed at www.avadagroup.com.au.

Contents

The information below is to supplement and amend the information presently contained in the Prospectus. Namely, the Prospectus is amended as follows:

- 1 A new paragraph is inserted after the paragraph titled "Who are AVADA's key clients?" in Section 1.3 at page 10 of the Prospectus as follows:

"Summaries of some of the AVADA Group Businesses' material customer contracts are set out in Section 8.14. As is standard for the industry in which the Group operates, a number of these contracts are subject to renewal, extension or a further tender process after set periods. For example, D&D Traffic Management's appointment to the RMS panel as detailed in Section 8.14(c) is due to expire in January 2022 and D&D Traffic Management are awaiting confirmation of any extension to this appointment as at the date of this Prospectus. In the event one of these material contracts is not renewed or extended, due to the significant demand for traffic management services management are confident that additional work will be secured to replace any lost revenue."
- 2 Footnote 2 of the table in the paragraph titled "What is the proposed use of funds?" in Section 1.3 at page 17 of the Prospectus and footnote 1 of the table in Section 9.4 at page 138 of the Prospectus be amended to state as follows:

2. Total costs of the Offer are \$5.7 million, broken down as follows:

Offer cost	\$'m
Fees payable to the Lead Manager and Underwriter (refer to Section 8.10 for further information)	\$1.4
Fees payable to Kern Group for advisory services (refer to Section 8.9 for further information)	\$1.0
Fees payable to McCullough Robertson (refer to Section 10.8 for further information)	\$0.6

This is a supplementary prospectus intended to be read with the prospectus dated 9 November 2021 issued by AVADA Group Limited ACN 648 988 783

Fees payable to the Investigating Accountant (refer to Section 10.8 for further information)	\$0.5
Fees payable to the Independent Auditor (refer to Section 10.8 for further information)	\$0.7
Modelling and accounting support	\$0.7
Listing fees	\$0.2
Tax due diligence and valuation advice	\$0.1
Accounting and technical advice	\$0.1
Insurance	\$0.1
Other	\$0.3

\$1.9 million of the above costs have been funded by drawing down the Seed Loans, detailed in Section 8.8.”

- 3 The paragraph titled “Are there any related party transactions?” in Section 1.3 at page 21 of the Prospectus be amended to state as follows:

“The Company has entered into the following related party transactions:

- (a) the Seed Loans entered into with entities related to certain Directors and Sellers, as set out in further detail in Section 8.8. The total amount committed to the Company pursuant to the Seed Loans was \$2,300,000 and as at the date of this Prospectus \$1,900,000 has been drawn down; and
- (b) engagement letter with Kern Group, an entity related to Former Directors Greg Kern and Russell Daly (who hold Shares in the Company through a related entity, please refer to the table below for further details), as set out in further detail in Section 8.9. Under this engagement letter, Kern Group has provided corporate advisory services in respect of the Acquisitions and the Offer to the Company for a fixed fee of \$950,000 (excluding GST) payable on Completion. In addition, Kern Group may charge further fees for use of office space and out of pocket expenses. Fees paid to date are \$23,072.93 and relate to disbursements and office rent. Following Completion, Kern Group’s engagement with the Company will cease, other than in respect of the continued use of office space which the Company anticipates fees of \$18,000 for FY22;

In addition, the AVADA Group Businesses have entered into the following related party transactions:

- (a) a number of leases entered into by AVADA Group Businesses prior to the Acquisitions are with related parties of AVADA, totalling \$218,746.44 per annum in rent, as set out in further detail in Section 8.15;
- (b) a supply agreement for traffic equipment hire between FNQ Traffic Hire Pty Ltd ACN 625 310 358 (**FNQ**) and Arid to Oasis Traffic Solutions dated 13 July 2020, as set out in further detail in Section 8.16. Total fees paid to FNQ as at the date of this Prospectus is \$ 97,493.72 and the Company anticipates further fees of approximately \$150,000 in FY22; and
- (c) a service agreement terms and conditions between LEAD Training Pty Ltd ACN 629 094 604 (**LEAD**) and Arid to Oasis Traffic Solutions dated 16 May 2021, as set out in further detail in Section 8.16. Total fees paid to LEAD as at the date of this Prospectus is \$7,900 and the Company anticipates further fees of approximately \$15,000 in FY22.

This is a supplementary prospectus intended to be read with the prospectus dated 9 November 2021 issued by AVADA Group Limited ACN 648 988 783

As at the date of this Prospectus, the following related parties hold Shares in the Company:

Shareholder	Related party	Total shares prior to Completion of the Offer	% of issued share capital prior to Completion of the Offer	Total shares held following Completion of the Offer	% of issued share capital following Completion of the Offer
Crowley Superannuation Pty Ltd as trustee for the Crowley Superannuation Fund	Dan Crowley, Director	4,518,365	22.7%	4,759,524	6.5%
Verifact Pty Ltd as trustee for the Verifact Unit Trust	Dan Crowley, Director	-	-	9,439,503 ¹	12.9%
Rodeca Pty Limited	Rob Cazzolli, Director	759,085	3.8%	1,679,887 ²	2.3%
Hockridge Superannuation Pty Ltd as trustee for Hockridge Family Superannuation Fund	Lance Hockridge, Director	2,819,460	14.2%	3,833,373 ³	5.2%
Hockridge Estate Pty Ltd as trustee for Hockridge Family Trust	Lance Hockridge, Director	2,801,387	14.1%	3,787,474 ⁴	5.2%
Kern Group (Licensing) Pty Ltd as trustee for Singapore Investment Trust	Greg Kern, Former Director	3,867,720	19.5%	3,867,720	5.3%
Russell James Daly ATF RCLG Investment Trust	Russell Daly, Former Director	216,881	1.1%	216,881	0.3%

¹ Includes Shares to be issued pursuant to the Verifact Acquisition Agreement. Refer to Section 8.3 of the Prospectus for further information.

² Includes Shares to be issued pursuant to the D&D Acquisition Agreement. Refer to Section 8.6 of the Prospectus for further information.

³ Includes Committed Shares subscribed for under the Offer. Refer to Section 9.7 of the Prospectus for further information.

⁴ Includes Committed Shares subscribed for under the Offer. Refer to Section 9.7 of the Prospectus for further information.

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Shareholder	Related party	Total shares prior to Completion of the Offer	% of issued share capital prior to Completion of the Offer	Total shares held following Completion of the Offer	% of issued share capital following Completion of the Offer
Bowe Developments Pty Ltd ATF Bowe No. 2 Family Trust	James Bowe, Former Director	234,955	1.2%	1,213,570 ⁵	1.7%
JamanBow Pty Ltd	James Bowe, Former Director	451,837	2.3%	523,611 ⁶	0.7%

Advisers and other service providers are entitled to fees for services as set out in this Prospectus.”

- 4 A new paragraph is inserted at Section 3.14(c) at page 53 of the Prospectus:

“While the Company has not entered into any agreements with any particular party, it has identified a number of potential targets to assist with this geographical expansion. There is not expected to be any impact on the dividend guidance from any acquisitions, with the Company intending to pay dividends in line with the stated policy at Section 5.52. The ability to declare and pay dividends will, however, be considered by the Board when considering any potential acquisition opportunities.”

- 5 A new paragraph is inserted in Section 6.2 at page 108 of the Prospectus after the paragraph titled “Dependence upon key personnel and employees”:

“Limited listed company experience

While the Directors have significant and extensive industry experience and expertise operating and advising large proprietary and public companies, only the Chairman has experience managing an ASX-listed entity. To mitigate this risk AVADA has adopted a number of policies, including the Continuous Disclosure Policy described in Section 4.10, to assist the Board with complying with AVADA’s obligations as a listed entity and within six months of Completion the Board will undertake training on management of listed entities. To ensure a flow of information from each of the AVADA Group Businesses, at least one AVADA Director will be appointed to the board of each AVADA Group Business.”

- 6 Section 8.9 at page 130 of the Prospectus be amended to state as follows:

“The Company has engaged Kern Group Pty Ltd ACN 135 813 964 (**Kern Group**) as the corporate adviser for the Offer under an engagement letter dated 14 June 2021 (**Kern Group Engagement Letter**) to assist the Company by:

(a) identifying and advising the Company on its acquisitions of the AVADA Group Businesses;

⁵ Includes (i) Shares to be issued pursuant to the Arid to Oasis Acquisition Agreement. Refer to Section 8.4 of the Prospectus for further information; and (ii) Committed Shares subscribed for under the Offer. Refer to Section 9.7 of the Prospectus for further information.

⁶ Includes Committed Shares subscribed for under the Offer. Refer to Section 9.7 of the Prospectus for further information.

(b) raising up to \$50 million in capital (by identifying and engaging the Lead Manager and Underwriter);

(c) negotiating appropriate debt facilities; and

(d) engaging advisers necessary for the Offer.

In addition to the services outlined above, prior to the date of the Kern Group Engagement Letter Kern Group identified each of the AVADA Group Businesses, coordinated and negotiated the terms of the Acquisitions and assembled the management and advisory team with a view to AVADA listing on ASX. Under the Kern Group Engagement Letter, the Company will pay Kern Group a fee of \$950,000 (exclusive of GST) on Completion.

The Company is required to reimburse any reasonable out-of-pocket expenses that Kern Group incurs in connection with the Kern Group Engagement Letter under the engagement letter, subject to the Company's prior written approval of any expenditure over \$3,000. Kern Group may also charge the Company up to \$1,500 per month for use of its offices by the Company's employees. Fees paid to date are \$23,072.93 and relate to disbursements and office rent.

Following Completion, Kern Group's engagement with the Company will cease, other than in respect of the continued use of office space for which the Company anticipates fees of \$18,000 for FY22.

Kern Group will rely on information provided to it by the Company and will maintain the confidentiality of any information as required by the Company.

Each party is entitled to terminate the Kern Group Engagement Letter with or without cause at any time by issuing a notice of termination.

The Company has indemnified Kern Group in respect of all claims and losses arising in connection with the engagement under the Kern Group Engagement Letter capped at \$9,500,000.

The Company has given standard representations and warranties relating to information provided and regulatory compliance."

7 The first sentence of Section 8.14 at page 133 of the Prospectus be amended to state as follows:

"The AVADA Group Businesses have entered into customer contracts which are material to the Group, as set out below. As is standard for the industry in which the Group operates, a number of these contracts are subject to renewal, extension or a further tender process after set periods. In the event one of these material contracts is not renewed or extended, due to the significant demand for traffic management services, management are confident that additional work will be secured to replace any lost revenue."

8 A new sentence be added to the end of the first paragraph of Section 8.14(b) at page 133 of the Prospectus as follows:

"Pursuant to a letter dated 18 November 2021, RoadTek varied the Verifact RoadTek Agreement to extend the current term to 30 November 2022."

9 A new sentence be added to the end of the second paragraph of Section 8.14(b) at page 133 of the Prospectus as follows:

"Pursuant to a letter dated 18 November 2021, RoadTek varied the Arid to Oasis RoadTek Agreement to extend the current term to 30 November 2022."

10 The third paragraph of Section 8.14(b) at page 133 of the Prospectus is deleted in its entirety.

11 The first sentence of Section 8.15 at page 134 of the Prospectus be amended to state as follows:

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"Prior to the Acquisitions, each of the AVADA Group Businesses entered into the following leases in respect of their head depots:"

- 12 Section 8.15(e) at page 134 of the Prospectus be amended to state as follows:

"The Traffic Marshal – The Traffic Marshal has leased 12/78 Reserve Rd Artarmon New South Wales 2064 on a month to month basis from The Traffic Marshal Seller since 14 June 2016 (**Traffic Marshal Lease**). The monthly rent payable on the Traffic Marshal Lease is \$6,000 (exclusive of GST)."

- 13 A new sentence is inserted at the end of Section 8.16(a)(i) at page 135 of the Prospectus:

"Each of the Seed Loan agreements are on the same or similar terms and were negotiated with each lender on arms-length terms;"

- 14 Section 8.16(a)(ii) at page 135 of the Prospectus be amended to state as follows:

"the Kern Group Engagement Letter with Kern Group, an entity related to Former Directors Greg Kern and Russell Daly (who each hold shares in the Company through related entities), as set out in further detail in Section 8.9. Kern Group identified each of the AVADA Group Businesses and coordinated and negotiated the terms of the Acquisitions and assembled the management and advisory team with a view to AVADA listing on ASX. Neither Greg Kern nor Russell Daly have any prior involvement or engagement with any of the AVADA Group Businesses, and the terms of the Kern Group Engagement Letter were negotiated on arms-length terms between Kern Group and AVADA's CFO and Chairman in June 2021 having regard to the related party nature of the agreement. During this negotiation, Kern Group coordinated preliminary negotiations and transaction planning in respect of each of the Acquisitions. The Kern Group Engagement Letter was executed on 14 June 2021 and later tabled at a meeting of the Board dated 6 October 2021 with all the engagement letters of other advisors to the transactions. The Corporations Act requirements were considered by the Board (Greg Kern and Russell Daly abstaining) at this meeting and it was determined that the Kern Group Engagement Letter had been entered into on arms-length commercial terms; and"

- 15 A new section 8.16(a)(iii) at page 135 of the Prospectus at page 135 of the Prospectus is inserted as follows:

"the Verifact Acquisition Agreement, the Arid to Oasis Acquisition Agreement and the D&D Acquisition Agreement have been entered into with entities related to Dan Crowley, Rob Cazzolli (current Directors) and James Bowe (a Former Director). These Acquisition Agreements were extensively negotiated with AVADA over a period of months on the basis of independent valuations. Each of Dan, Rob and James were appointed to the Board after their businesses were identified as targets and were not involved in the negotiation of any of the Acquisition Agreements. Each of the Acquisition Agreements were tabled at a meeting of the Board on 6 October 2021. The Corporations Act requirements were considered by the Board (with the relevant interested Director abstaining) at this meeting and it was determined that each of the Acquisition Agreements had been entered into on arms-length commercial terms."

- 16 A new sentence is inserted at Section 8.16(b)(i) at page 135 of the Prospectus as follows:

"AVADA has confirmed that the rent payable under the Verifact Lease and the Traffic Marshal Lease is at market rates."

- 17 Section 8.16(iii) at page 135 of the Prospectus be amended to state as follows:

"a service agreement between Arid to Oasis Traffic Solutions and LEAD Training Pty Ltd ACN 629 094 604 (**LEAD**) dated 5 March 2021, an entity related to James Anthony Bowe, a guarantor under the Arid to Oasis Acquisition Agreement and general manager of Arid to Oasis Traffic Solutions (**LEAD Agreement**). Under the LEAD Agreement, LEAD will provide training services to Arid to Oasis Traffic Solutions in accordance with an agreed schedule of rates which are subject to annual review and consistent with rates charged by LEAD to third parties. Services include accredited training modules such Traffic Management Implementation, Traffic Control – Stop Slow Bat. These courses are nationally accredited and

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advertised to the general public as well as Arid to Oasis Traffic Solutions staff under the LEAD Agreement. The expected expenditure under the LEAD Agreement for FY22 is approximately \$15,000.”

18 A new Section 8.16(c) is inserted at page 135 of the Prospectus as follows:

“As at the date of this Prospectus, the following related parties hold Shares in the Company:

Shareholder	Related party	Total shares prior to Completion of the Offer	% of issued share capital prior to Completion of the Offer	Total shares held following Completion of the Offer	% of issued share capital following Completion of the Offer
Crowley Superannuation Pty Ltd as trustee for the Crowley Superannuation Fund	Dan Crowley, Director	4,518,365	22.7%	4,759,524	6.5%
Verifact Pty Ltd as trustee for the Verifact Unit Trust	Dan Crowley, Director	-	-	9,439,503 ⁷	12.9%
Rodeca Pty Limited	Rob Cazzolli, Director	759,085	3.8%	1,679,887 ⁸	2.3%
Hockridge Superannuation Pty Ltd as trustee for Hockridge Family Superannuation Fund	Lance Hockridge, Director	2,819,460	14.2%	3,833,373 ⁹	5.2%
Hockridge Estate Pty Ltd as trustee for Hockridge Family Trust	Lance Hockridge, Director	2,801,387	14.1%	3,787,474 ¹⁰	5.2%
Kern Group (Licensing) Pty Ltd as trustee for Singapore Investment Trust	Greg Kern, Former Director	3,867,720	19.5%	3,867,720	5.3%
Russell James	Russell	216,881	1.1%	216,881	0.3%

⁷ Includes Shares to be issued pursuant to the Verifact Acquisition Agreement. Refer to Section 8.3 of the Prospectus for further information.

⁸ Includes Shares to be issued pursuant to the D&D Acquisition Agreement. Refer to Section 8.6 of the Prospectus for further information.

⁹ Includes Committed Shares subscribed for under the Offer. Refer to Section 9.7 of the Prospectus for further information.

¹⁰ Includes Committed Shares subscribed for under the Offer. Refer to Section 9.7 of the Prospectus for further information.

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Shareholder	Related party	Total shares prior to Completion of the Offer	% of issued share capital prior to Completion of the Offer	Total shares held following Completion of the Offer	% of issued share capital following Completion of the Offer
Daly ATF RCLG Investment Trust	Daly, Former Director				
Bowe Developments Pty Ltd ATF Bowe No. 2 Family Trust	James Bowe, Former Director	234,955	1.2%	1,213,570 ¹¹	1.7%
JamanBow Pty Ltd	James Bowe, Former Director	451,837	2.3%	523,611 ¹²	0.7%

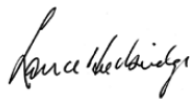
The Shares held by Existing Shareholders prior to Completion of the Offer were issued on incorporation and reflect the individual contribution in supporting the Company through conceiving of the transaction, incorporation of the Company and preparing the Company for the proposed transaction along with the anticipated contribution of each principal in respect of the Acquisitions and the Offer. These Shares have been reflected in the accounts of AVADA as a share based payment (refer to Section 5.6 for more information). In particular, Shares issued to Kern Group (Licensing) Pty Ltd as trustee for Singapore Investment Trust were issued as consideration for Greg Kern conceiving, coordinating and initiating the Acquisitions and Offer.

¹¹ Includes (i) Shares to be issued pursuant to the Arid to Oasis Acquisition Agreement. Refer to Section 8.4 of the Prospectus for further information; and (ii) Committed Shares subscribed for under the Offer. Refer to Section 9.7 of the Prospectus for further information.

¹² Includes Committed Shares subscribed for under the Offer. Refer to Section 9.7 of the Prospectus for further information.

Authorisation

This Supplementary Prospectus is issued by the Company. In accordance with section 720 of the *Corporations Act 2001* (Cth), each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.



Lance Hockridge

Chairman

AVADA Group Limited

This is a supplementary prospectus intended to be read with the prospectus dated 9 November 2021 issued by AVADA Group Limited ACN 648 988 783

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IMPORTANT NOTICES

General

This Prospectus is dated 9 November 2021. A copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Shares will be allotted or transferred on the basis of this Prospectus after the expiry date. This Prospectus expires on 9 December 2022.

No person is authorised to give any information or make representations about the Offer, which is not contained in this Prospectus. Information or representations not contained in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the Offer.

This Prospectus provides information for investors to decide if they wish to invest in AVADA. Read this document in its entirety. Examine the assumptions underlying the financial forecasts and the risk factors that could affect the financial performance of AVADA. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer does not take into account the investment objectives, financial situation or needs of particular investors.

International offer restrictions

This Prospectus does not constitute an offer in any place outside Australia where, or to any person to whom, it would not be lawful to make such offer. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offer of the New Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such restrictions could constitute a violation of applicable securities laws. See section 9.20 for more details on the selling restrictions that apply to the Offer outside Australia.

New Zealand

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Cth) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9

of the *Financial Markets Conduct Act 2013* and Part 9 of the *Financial Markets Conduct Regulations 2014*.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001* (Cth) and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates,

the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Defined terms

Some terms used in this Prospectus are defined in the Glossary. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Brisbane, Australia. Unless otherwise stated or implied, references to dates or years are financial year references.

Electronic prospectus

This Prospectus is available electronically at www.avadagroup.com.au. The Application Form attached to the electronic version of this Prospectus must be used within Australia. Electronic versions of this Prospectus should be downloaded and read in their entirety. Obtain a paper copy of the Prospectus (free of charge) by telephoning 1800 262 299 (within Australia) and +61 1800 262 299 (outside Australia). Applications for Shares may only be made on the Application Form attached to this Prospectus or in its paper copy form downloaded in its entirety from www.avadagroup.com.au. AVADA reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Exposure period

Under the Corporations Act, AVADA must not process Application Forms during the seven-day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC for up to a further seven days. This exposure period enables the Prospectus to be examined by market participants. Application Forms received during the exposure period will not be processed until after the expiry of that period. No preference will be given to Application Forms received during the exposure period.

No cooling off rights

Cooling off rights do not apply to an investment in New Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Statements of Past Performance

This Prospectus includes information regarding the past performance of AVADA and the AVADA Group Businesses. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial Information

Section 5 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information. The Pro Forma Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except as otherwise stated. The Forecast Financial Information included in the Prospectus is unaudited and is based on a number of assumptions, including those set out in Sections 5.33 to 5.37. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

The Pro Forma Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 5. All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated.

The Special Purpose Financial Statements (**Aggregated Accounts**) which relate to FY19, FY20 and FY21 have been audited. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest A\$0.1 million unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward looking statements, marketing and industry data

This Prospectus includes Forecast Financial Information based on an assessment of present economic and operating conditions, and on a number of specific and general assumptions set out in sections 5.33 to 5.37 regarding future events and actions that, as at the date of the Prospectus, AVADA expects to take place. This Prospectus contains forward-looking statements which are identified by words such as 'believes', 'considers',

'could', 'estimates', 'expects', 'intends', 'may', and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of AVADA.

Any forward-looking statements are subject to various risk factors that could cause AVADA's actual results to differ materially from the results expressed or anticipated in these statements. Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 6, the general assumptions as set out in Section 5.33, the specific assumptions as set out in Section 5.34 to 5.37 and other information in this Prospectus. AVADA cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. AVADA does not have any intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the overview of the industry in which AVADA operates in Section 2 and the overview of the business of AVADA in Section 3, uses market data, industry estimates and projections. AVADA has based some of this information on market research prepared by third parties. The information contained in the projections and reports of third parties includes assumptions, estimates and generalisations that AVADA believe to be reliable, but AVADA cannot guarantee the completeness of such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors as set out in Section 6. This information should not be used as a basis for investments and should not be considered as an opinion as to the value of any security or advisability of investing in the New Shares.

Investigating Accountant's Report on Financial Information and Financial services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The financial services guide is provided in Section 7.

Privacy

If you complete an Application Form you will be giving AVADA personal information. The Company and the Share Registry collect, hold and use that personal information to assess your application and to communicate and provide services to you as a Shareholder. The Company may disclose information to its agents, service providers (such as the Share Registry) and government bodies. The Company's privacy policy sets out how you may access, correct and update the personal information that the Company holds about you (by contacting the Share Registry), how you can complain about privacy related matters and how the Company responds to complaints.

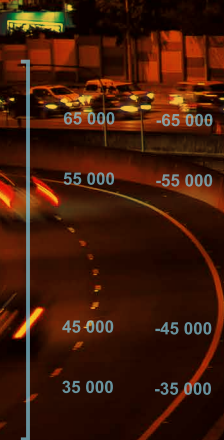
Currency

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Photographs and diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY.



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LETTER FROM THE CHAIRMAN



9 November 2021

Dear Investor,

On behalf of the Board, it gives me great pleasure to offer you this opportunity to invest in AVADA Group Limited (**AVADA** or the **Company**).

Through this Prospectus, the Company is inviting investors to subscribe for 32,542,609¹ New Shares, at an Offer Price of \$1 per Share. At the Offer Price, the Company will have a market capitalisation of \$73,268,358 on completion of the Offer. The Offer is partially underwritten by Shaw and Partners Limited up to \$30,000,000.

The purpose of the Offer is to fund the acquisition of:

- (a) Verifact Traffic Pty Ltd ACN 156 231 793, and its subsidiaries Customised Traffic Management No.2 Pty Ltd ACN 650 168 335, Linemark Traffic Control Pty Ltd ACN 652 512 948 and Traffic Management People No. 2 Pty Ltd ACN 652 656 016 (**Verifact Traffic**);
- (b) D&D Services (Australia) Pty Limited ACN 082 271 458, and its subsidiary D&D Traffic Management Pty Ltd ACN 105 286 146 (**D&D Traffic Management**);
- (c) Platinum Traffic Services Pty Ltd ACN 153 614 245 (**Platinum Traffic Services**);
- (d) The Traffic Marshal Pty Ltd ACN 118 354 395 (**The Traffic Marshal**); and
- (e) A20 Pty Limited ACN 600 056 013 and its subsidiary Arid to Oasis Traffic Solutions Pty Ltd ACN 133 998 740 (**Arid to Oasis Traffic Solutions**),

(together the **AVADA Group Businesses**). Summaries of the acquisitions are set out in Sections 8.3 to 8.7.

On listing, AVADA will be the only listed provider of traffic management control services in Australia. The Group will offer scale, broad market and service capability and geographic reach.

The AVADA Group Businesses, when combined, will have an established and extensive network, strategically located throughout Queensland and New South Wales. The AVADA Group Businesses will have the ability to share resources, service innovations and market sector expertise across the group and to improve efficiency through economies of scale and enhanced procurement. AVADA will offer integrated traffic management services including planning and permit, traffic control, equipment hire, event management and incident response. Traffic management services are essential to all civil infrastructure and maintenance service providers. Consistent workflow is provided by investment in new projects and recurring maintenance requirements. Clients include state and local governments, federally funded contractors and major contractors in the utilities, infrastructure, construction, telecommunications and other industrial sectors.

The funds raised by this Offer will allow AVADA to settle the acquisitions of the AVADA Group Businesses and meet the costs of the Offer. The Sellers of the AVADA Group Businesses will remain strong supporters of the Company, with key representatives from each AVADA Group Business being retained by the Company as Key Management Personnel. The Sellers, together with the Board and management, will hold 41% of the Shares at Completion of the Offer and will subscribe for 2,542,609 Shares as part of the Offer. The Sellers and the Board have entered into voluntary escrow agreements in relation to their Shares held at Completion² of the Offer to the release of the Financial Year 2023 results.

¹ Including 30,000,000 Shares subscribed for by new investors and 2,542,609 subscribed for by Existing Shareholders (the Committed Shares) as detailed in Section 9.7.1.

² Not including the Committed Shares.

“ AVADA Group will offer integrated traffic management services including planning and permit, traffic control, equipment hire, event management and emergency services. Traffic management services are essential to all civil infrastructure and maintenance service providers. ”

AVADA's Board and Key Management Personnel are highly qualified and experienced, combining industry and technical expertise with the Chairman having ASX50 experience. This team will work with the AVADA Group Businesses to continue to drive organic growth and pursue acquisition opportunities in a disciplined way.

The Board believes the Offer represents an attractive opportunity for investors to become shareholders in AVADA given:

- (a) the strong national infrastructure tailwinds, including spending on the back of COVID-19, and investment in the lead up to 2032 Brisbane Olympics;
- (b) ongoing civil infrastructure and maintenance requirements providing a recurring revenue stream;
- (c) the traffic management sector being essential to the civil infrastructure and maintenance services industry, providing a consistent flow of work;
- (d) significant growth opportunities through geographic expansion and an expanded civil infrastructure and maintenance services offering;
- (e) AVADA's low risk integration plan; and
- (f) the complementary strengths of the individual businesses.

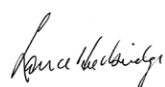
This Prospectus contains detailed information about the Company's operations, financial performance, management team and future plans. It also outlines AVADA's business model and key dependencies. In particular, the risks of investing in AVADA must be considered in full and are set out in Section 6. Some of those risks include:

- (i) decrease in capital investment and construction activity in the Australian infrastructure sector;
- (ii) cyclical nature of business;
- (iii) industrial relations;
- (iv) dependence upon key personnel;
- (v) limited operating history; and
- (vi) operating risks.

I encourage you to read and understand the Prospectus, and seek independent professional advice as necessary, before making an investment decision.

On behalf of the Board, I look forward to welcoming you as a shareholder of AVADA.

Yours faithfully



Lance Hockridge
Chairman

AVADA Group Limited



1.

INVESTMENT OVERVIEW

1. Investment Overview

1.1 Summary Offer details

Terms of Offer	Details
Current Shares on issue	19,880,807
Offer Price per Share	\$1.00
Total Number of Shares to be held by Existing Shareholders on Completion of the Offer ¹	19,880,807
Total number of New Shares offered under this Prospectus ²	32,542,609
Amount to be raised under the Offer from new Shareholders	\$30,000,000
Committed Shares ²	\$2,542,609
Total number of Shares being issued to the Verifact Seller under the Verifact Acquisition Agreement	14,159,254
Total number of Shares being issued to the Arid to Oasis Seller under the Arid to Oasis Acquisition Agreement	1,882,586
Total number of Shares being issued to the Platinum Sellers under the Platinum Acquisition Agreement	753,871
Total number of Shares being issued to the D&D Sellers under the D&D Acquisition Agreement	2,209,925
Total number of Shares being issued to The Traffic Marshal Seller under The Traffic Marshal Acquisition Agreement	1,589,306
Total number of Shares being issued to management and Directors (other than those issued under the Acquisition Agreements)	250,000
Total number of Shares on issue following the Offer and completion of the Acquisitions ³	73,268,358
Implied Market Capitalisation at the Offer Price	\$73,268,358
Implied Enterprise Value ⁴	\$90,076,357
Enterprise Value/pro-forma FY2022 EBITDA (post AASB 16) ⁵	5.8x
Enterprise Value/pro-forma FY2022 EBITA ⁶	7.7x
Price/pro-forma NPATA per Share ⁷	9.5x
Annualised pro-forma FY2022 dividend yield ⁸	5.3%

1 Some existing shareholders will receive shares under the Acquisition Agreements.

2 2,542,609 of the New Shares are Committed Shares, being subscribed for by certain Existing Shareholders. More information on the Committed Shares is set out in Section 9.7.1.

3 The date for completion of the Acquisitions is the day upon receipt of funds from the Offer.

4 Calculated as the sum of the indicative market capitalisation at the Offer Price and Pro Forma net debt including contingent consideration.

5 This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the Enterprise Value based on the Offer Price divided by Pro Forma FY22 forecast EBITDA of \$15.5 million. EBITDA is earnings before interest, tax, depreciation and amortisation.

6 This ratio is commonly referred to as an EV/EBITA ratio. The EV/EBITA ratio is calculated as the Enterprise Value based on the Offer Price divided by Pro Forma FY22 forecast EBITA of \$11.6 million. EBITA is earnings before interest, tax and amortisation.

7 This ratio is commonly referred to as a price earnings or P/E ratio. The P/E ratio is calculated based on the Offer Price divided by the Pro Forma FY22 forecast NPATA per Share (being total Shares on issue at Completion of the Offer at the Offer Price divided by Pro Forma FY22 forecast NPATA of \$7.8 million).

8 Calculated based on the midpoint of the expected dividend payout ratio (50.0%) applied to the Pro Forma NPATA for the year ended 30 June 2022.

1. Investment Overview

1.2 Important dates

Event	Date
Prospectus date	9 November 2021
Offer opens	23 November 2021
Offer closes	2 December 2021
Anticipated date of allotment	14 December 2021
Shareholding statements expected to be dispatched	15 December 2021
Anticipated commencement of ASX trading	16 December 2021

All dates and times are subject to change and are indicative only. All times are Australian Eastern Standard Time. The Company, with the consent of the Lead Manager and Underwriter, reserves the right to vary these dates and times without notice. It may close the Offer early, withdraw the Offer, or accept late applications.

1.3 Investment summary

Question	Answer	Section
INTRODUCTION		
Who is the issuer of this Prospectus?	AVADA Group Limited ACN 648 988 783.	Section 10.1
Who is AVADA?	<p>The Group will be a leading, independent, Australian traffic management operator made up of several individual businesses. The AVADA Group Businesses, when combined, will have an established and extensive network with the competitive advantage of being able to service its clients throughout Queensland and New South Wales.</p> <p>The Group's client list includes state and local governments, federally funded contractors and major contractors in the infrastructure, construction, utilities, telecommunications and other industrial sectors.</p>	Section 3

Question	Answer	Section
What are AVADA's current acquisitions?	<p>On 8 June 2021, the Company entered into a share sale agreement for the purchase of the entire issued share capital of Verifact Traffic (Verifact Acquisition Agreement). Verifact Traffic is one of Queensland's leading traffic management companies, providing services to public and private clients throughout South-East and Central Queensland. A summary of the Verifact Acquisition Agreement is set out in Section 8.3.</p> <p>On 2 July 2021, the Company entered into a share sale agreement for the purchase of the entire issued share capital of Arid to Oasis Traffic Solutions (Arid to Oasis Acquisition Agreement). Arid to Oasis Traffic Solutions, operating from multiple locations including Townsville, Cairns, Rockhampton, Bundaberg and Mackay, offers integrated traffic management services to clients across Northern and Central Queensland. A summary of the Arid to Oasis Acquisition Agreement is set out in Section 8.4.</p> <p>On 12 July 2021, the Company entered into a share sale agreement for the purchase of the entire issued share capital of The Traffic Marshal (Traffic Marshal Acquisition Agreement). The Traffic Marshal provides integrated traffic management services to a diversified customer base in Greater Sydney, focusing on clients in the construction, telecommunication, infrastructure and energy industries. A summary of the Traffic Marshal Acquisition Agreement is set out in Section 8.7.</p> <p>On 14 July 2021, the Company entered into a share sale agreement for the purchase of the entire issued share capital of Platinum Traffic Services (Platinum Acquisition Agreement). Platinum Traffic Services provides integrated traffic management services in Queensland and New South Wales, focusing on construction and infrastructure-related clients. A summary of the Platinum Acquisition Agreement is set out in Section 8.5.</p> <p>On 16 July 2021, the Company entered into a share sale agreement for the purchase of D&D Traffic Management (D&D Acquisition Agreement). D&D Traffic Management is one of Greater Sydney's leading traffic management companies, predominately focusing on major utilities, roads, rail and construction. A summary of the D&D Acquisition Agreement is set out in Section 8.6.</p> <p>The date for completion of the Acquisitions is the day upon receipt of funds from the Offer.</p>	Section 8

1. Investment Overview

Question	Answer	Section
BUSINESS MODEL		
What is AVADA's business strategy?	<p>AVADA's business strategy is to establish a national network of traffic management and ancillary service providers servicing the civil infrastructure and maintenance services sector. AVADA's corporate strategy is to grow its business and earnings by building on its strengths which include:</p> <ul style="list-style-type: none"> (a) quality businesses: individual brands and key management are retained, leveraging strong local reputations and client relationships to support further growth, and ensuring streamlined integration; (b) quality management and Board: combines industry and technical expertise with the Chairman having ASX50 experience; (c) an extensive service network: providing diversification and allowing AVADA to service large national clients; and (d) a low risk integration plan: a phased approach allowing each AVADA Group Business to focus on client service delivery. 	Section 3.14
How does AVADA generate revenue?	<p>AVADA offers integrated traffic management services including planning and permit, traffic control, equipment hire, event management and incident response.</p> <p>Traffic management is a legislative requirement and essential to all civil infrastructure and maintenance service providers, resulting in consistent workflow from both new project investment and recurring maintenance requirements. Revenue is diversified across geography and client type.</p>	Section 3.11
Who are AVADA's key clients?	<p>AVADA's client portfolio includes government clients at state and local council levels, federally funded contractors and major contractors in the utilities, infrastructure, construction and other industrial sectors. The AVADA Group Businesses have a broad client base, with no single contract accounting for more than 15.0% of FY21 Group Revenue. The client base is well diversified with the five largest clients contributing 29.4% of the FY21 Group Revenue.</p>	Section 3.5
What are AVADA's competitive advantages?	<p>AVADA will have several competitive advantages. The Group will have a strategically located network of depots capable of servicing clients throughout the region, supported by a large vehicle fleet, a capable and experienced workforce, and information technology capabilities (including real time monitoring, planning and scheduling software). The group will have the ability to share resources, service innovations and market sector expertise, leveraging the varied industry expertise of management. AVADA will seek to improve efficiency through centralised back-office functions and an increased procurement capability, whilst pursuing organic growth and acquisitions to expand geographically and into adjacent services in the civil infrastructure and maintenance services sector, leveraging AVADA's corporate structure and existing client base.</p>	Section 3

Question	Answer	Section
What are AVADA's growth opportunities?	<p>AVADA will embark on a range of initiatives as part of its growth strategy. AVADA has the network and opportunity to develop a national footprint and offer a breadth of civil infrastructure and maintenance services, delivering consistent and sustainable growth. Management has identified the following growth initiatives including:</p> <ul style="list-style-type: none"> (a) maintaining and expanding AVADA's share of a growing market through a flexible go-to-market strategy, leveraging market expertise and ISO compliant safety and reliability; (b) a phased and considered integration that can support growth through the identification and application of best-in-class processes and the consolidation of corporate functions to enable further integration; (c) expanding geographically in Australia and New Zealand both through organic growth and acquisitions; and (d) developing adjacent services in the civil infrastructure and maintenance services sector. 	Section 3.14
What are the significant dependencies to AVADA's business strategy and growth opportunities?	<p>The key business model dependencies for AVADA are as follows:</p> <ul style="list-style-type: none"> (a) maintaining client relationships; (b) direct cost control; (c) maintaining leading Health and Safety standards; and (d) successful integration of the AVADA Group Businesses. 	Section 5
Why is the Offer being made?	<p>The purpose of the Offer is to acquire Verifact Traffic and the other AVADA Group Businesses.</p> <p>With the Australian traffic management sector being highly fragmented, AVADA will be the only listed provider of traffic management control services in Australia. The Group will offer scale, broad market and service capability and geographic reach. AVADA is well positioned to benefit from infrastructure investment and recurring maintenance growth with traffic management being essential to the civil infrastructure and maintenance services sector.</p>	Section 3.2

1. Investment Overview

Question	Answer	Section
BENEFITS AND RISKS		
Overview of key investment highlights	<p>Key investment highlights include:</p> <ul style="list-style-type: none"> (a) \$146.6 million in Pro Forma forecast revenue and \$15.5 million Pro Forma forecast EBITDA for FY22; (b) strong infrastructure tailwinds and together with essential recurring work including: <ul style="list-style-type: none"> (i) increased infrastructure and stimulus spending; (ii) investment ahead of the 2032 Brisbane Olympics; (iii) population growth and urbanisation; (iv) asset renewal projects; and (v) maintenance; (c) services required by all civil infrastructure and maintenance service providers; (d) skilled and experienced management – management of each Business is retained, with the Chairman having ASX50 experience; (e) low risk integration plan – focus on ‘business as usual’, with AVADA’s corporate centre providing centralised support to the AVADA Group Businesses; (f) complementary mix of strengths – existing business networks and relationships retained, with opportunity to grow market share by leveraging specialist expertise to support tender submissions; (g) fragmented sector – AVADA will be the only listed provider of traffic management control services in Australia. The Group will offer scale, broad market and service capability and geographic reach; (h) growth into adjacent civil infrastructure and maintenance services – given significant opportunities arising from economies of scale, demand for service integration, the ability to leverage existing client relationships and transferable management experience and expertise; and (i) growth opportunities through geographic expansion – pursue organic growth and acquisition opportunities to expand interstate, regionally and into New Zealand. 	Section 3

Question	Answer	Section
Overview of key risks	<p>The key investment risks associated with AVADA are:</p> <hr/> <p>Decrease in capital investment and construction activity in the Australian infrastructure sector</p> <p>A number of AVADA Group Businesses' key clients operate in the infrastructure sector. Any changes in the level of activity within this sector may affect the demand for the Group's services.</p> <hr/> <p>Cyclical nature of business</p> <p>Infrastructure cycles in Australia may adversely affect the Company's financial performance.</p> <hr/> <p>Industrial relations</p> <p>AVADA may be adversely impacted by industrial relations issues, including recent decisions by the Fair Work Commission.</p> <hr/> <p>Dependence upon key personnel</p> <p>Success depends on its ability to attract and retain qualified personnel, including the general managers of each business, and other key members of AVADA's Key Management Personnel named in this Prospectus.</p> <hr/> <p>Limited operating history</p> <p>While the AVADA Group Businesses each have a long operating history, AVADA was incorporated in March 2021 and therefore has limited financial and operating history.</p> <hr/> <p>Acquisition due diligence</p> <p>Whilst pre-acquisition due diligence has been performed on each of the AVADA Group Businesses, as is a risk for any acquisition due diligence, the process may not have identified certain issues or the significance of such issues that are material to the decision to acquire the AVADA Group Businesses for the prices agreed.</p> <hr/> <p>Operating risks</p> <p>Overall operations may be adversely affected by various factors.</p> <hr/> <p>Contractual Risks</p> <p>The AVADA Group Businesses operate, and will continue to operate, through a series of contractual relationships with clients and suppliers. All contracts, including those entered into by the Company, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated. In certain instances, it may be costly for the Company to enforce its contractual rights.</p> <hr/>	Section 6

1. Investment Overview

Question	Answer	Section
Overview of key risks continued	Integration	Section 6
	It may take longer than expected for AVADA to integrate the AVADA Group Businesses. There is no guarantee the AVADA Group Businesses will operate as profitably subsequent to Completion.	
	Competition and loss of reputation	
	The industry in which the Company operates is intensely competitive. A number of companies may be pursuing the provision of services that the AVADA is targeting. The success of AVADA and the AVADA Group Businesses is partly reliant on their reputations and brands. Any event or occurrence that diminishes AVADA's reputation or brand could have a significant adverse financial effect on AVADA.	
	COVID- 19	
	Events related to COVID-19 have resulted in significant market volatility. There is continued uncertainty as to the ongoing and future response of governments and authorities globally, and a further Australian economic downturn is possible.	
	Workplace health and safety	
	AVADA's employees are at risk of workplace accidents and incidents given the nature of the industry in which the Group operates.	
	Inability to secure adequate insurance	
	Whilst AVADA seeks to maintain insurance coverage that is consistent with industry practice, there is a risk that any claim under AVADA's insurance policies may be subject to certain exceptions, or may not be honoured (in full or in part).	
	Reliance upon systems and technology	
	The Group's services and operations are heavily reliant upon technology and information systems. Some of the AVADA Businesses have invested significantly in the development of information systems designed to assist the respective businesses to monitor individual contracts, maximise profits, manage relationships and identify and rectify risk or loss-making situations.	
	Regulation	
	AVADA is subject to a broad range of industry laws, regulations and standards, resulting in significant compliance costs and potential exposure to legal liability or limitations on operations.	

Question	Answer	Section
Overview of key risks continued	Requirement to raise additional funds	Section 6
	<p>The Company may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or, even if available, the terms may be unsatisfactory.</p>	
	Growth	
	<p>AVADA may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel may be a significant obstacle to growth.</p>	
	Capital structure risk	
	<p>Following completion of the Offer, the Directors and Sellers will retain a significant holding in AVADA and will therefore have a significant influence over the Company, including in relation to resolutions requiring the approval of Shareholders. This collective interest may also have an impact on the liquidity (particularly having regard to escrow arrangements referred to below), as well as acting as a potential deterrent to corporate transactions.</p>	
	Escrow arrangements	
	<p>The Sellers and certain Shareholders will be subject to escrow arrangements for up to 24 months from Completion (not including the Committed Shares). At the end of the escrow period, these Shares will be released from escrow at the same time, which may impact the Company's share price if relevant persons seek to trade their Shares at that time.</p>	
	Further acquisitions and shareholder dilution	
	<p>AVADA's growth strategy includes pursuing further acquisitions. Shareholders' interests will be diluted if AVADA issues new Shares as consideration for acquisitions or if AVADA funds acquisitions by placing Shares with new investors.</p>	
	Debt covenants may be breached if performance declines	
	<p>Factors such as a decline in AVADA's operational and financial performance could lead to a breach of its banking covenants.</p>	
	Cautionary statement	
	<p>Statements contained in this Prospectus may be forward-looking statements. Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements. Under no circumstances should forward looking statements be regarded as a representation or warranty.</p>	
<p>AVADA is also subject to additional specific and general risk factors. The risks identified above and additional specific and general risks associated with AVADA are set out in further detail in Section 6.</p>		

1. Investment Overview

Question	Answer	Section																																																																	
PROPOSED USE OF FUNDS AND FINANCIAL INFORMATION																																																																			
What is AVADA's financial position?	<p>The Company's financial position is set out in detail in Section 5 of this Prospectus (Financial Information).</p> <p>A Pro Forma balance sheet is also included in Section 5.11 to show the effect of the Offer.</p> <p>The Financial Information has been reviewed by the Investigating Accountant whose Investigating Accountant's Report is provided in Section 7 of this Prospectus.</p>	Section 5																																																																	
How does AVADA intend to fund its operations?	<p>Historically, the AVADA Group Businesses have funded their operations through internally generated cash flows from operations and debt financing.</p> <p>AVADA's material operating expenses include the cost of direct labour and vehicles and associated on-costs.</p> <p>AVADA expects to fund its ongoing operations through cash flows generated from operations, supplemented by external financing including the New Banking Facilities (as summarised in Section 5.14). As a listed company, AVADA will have financing flexibility through access to equity capital markets.</p>	Section 5																																																																	
What is AVADA's historical and forecast Pro Forma financial performance?	<table><tr><th></th><th colspan="4">Pro Forma</th></tr><tr><th>\$'000s</th><th>FY19</th><th>FY20</th><th>FY21</th><th>FY22</th></tr><tr><td>Total Revenue</td><td>93,703</td><td>107,230</td><td>116,959</td><td>146,631</td></tr><tr><td>Gross Profit</td><td>20,777</td><td>22,378</td><td>24,747</td><td>32,817</td></tr><tr><td>EBITDA</td><td>8,269</td><td>9,558</td><td>11,540</td><td>15,511</td></tr><tr><td>Net Profit after tax</td><td>643</td><td>1,240</td><td>2,628</td><td>4,923</td></tr><tr><td>NPATA</td><td>3,432</td><td>4,029</td><td>5,417</td><td>7,712</td></tr></table> <table><tr><th></th><th colspan="4">Reported/Statutory</th></tr><tr><th>\$'000s</th><th>FY19</th><th>FY20</th><th>FY21</th><th>FY22</th></tr><tr><td>Total Revenue</td><td>95,231</td><td>108,081</td><td>117,703</td><td>83,480</td></tr><tr><td>Gross Profit</td><td>22,301</td><td>23,227</td><td>25,488</td><td>18,179</td></tr><tr><td>EBITDA</td><td>11,027</td><td>11,655</td><td>13,529</td><td>1,549</td></tr><tr><td>Net Profit after tax</td><td>5,102</td><td>5,266</td><td>6,717</td><td>(3,400)</td></tr></table> <p>The Company's historical financial performance is set out in detail in Section 5 of this Prospectus.</p> <p>From FY20 to FY21, the AVADA Group Businesses' Pro Forma revenue on a combined basis grew by 9.1% to \$117.0 million, whilst Pro Forma EBITDA grew by 20.7% to \$11.5 million. Forecast FY22 Pro Forma revenue is \$146.6 million. Forecast FY22 Pro Forma EBITDA is \$15.5 million.</p> <p>The Financial Information has been reviewed by the Investigating Accountant whose Report is provided in Section 7 of this Prospectus.</p>		Pro Forma				\$'000s	FY19	FY20	FY21	FY22	Total Revenue	93,703	107,230	116,959	146,631	Gross Profit	20,777	22,378	24,747	32,817	EBITDA	8,269	9,558	11,540	15,511	Net Profit after tax	643	1,240	2,628	4,923	NPATA	3,432	4,029	5,417	7,712		Reported/Statutory				\$'000s	FY19	FY20	FY21	FY22	Total Revenue	95,231	108,081	117,703	83,480	Gross Profit	22,301	23,227	25,488	18,179	EBITDA	11,027	11,655	13,529	1,549	Net Profit after tax	5,102	5,266	6,717	(3,400)	Section 5
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Question	Answer	Section										
What is the proposed use of funds?	The Offer will raise new capital for AVADA which will be used to fund the Acquisitions and Offer Costs.	Section 9.4										
	The Offer proceeds will be applied as follows:											
	<table><tr><th>Source of Funds</th><th>\$'m</th></tr><tr><td>Capital raised through the Offer¹</td><td>32.5</td></tr><tr><td>Term facility</td><td>5.0</td></tr><tr><td>Working capital facility</td><td>0.8</td></tr><tr><td>Total source of funds</td><td>38.3</td></tr></table>		Source of Funds	\$'m	Capital raised through the Offer ¹	32.5	Term facility	5.0	Working capital facility	0.8	Total source of funds	38.3
	Source of Funds		\$'m									
	Capital raised through the Offer ¹		32.5									
	Term facility		5.0									
	Working capital facility		0.8									
	Total source of funds		38.3									
	<table><tr><th>Uses of Funds</th><th>\$'m</th></tr><tr><td>Cash consideration paid for Acquisitions</td><td>32.7</td></tr><tr><td>Costs associated with the Offer²</td><td>3.7</td></tr><tr><td>Repayment of Seed Loan borrowings¹</td><td>1.9</td></tr><tr><td>Total uses of funds</td><td>38.3</td></tr></table>		Uses of Funds	\$'m	Cash consideration paid for Acquisitions	32.7	Costs associated with the Offer ²	3.7	Repayment of Seed Loan borrowings ¹	1.9	Total uses of funds	38.3
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Total uses of funds	38.3											
<p>1 Includes the Committed Shares as set out in Section 9.7.1.</p> <p>2 Total costs associated with the Offer are \$5.6 million. However, it is estimated that \$1.9 million of these costs would have been funded and paid by the Seed Loans up to the date of the Offer.</p>												
The use of funds represents the current intentions of the Company based on its current business plan and business conditions. The amounts and timing of the actual expenditure may vary and will depend upon numerous factors, including the timing of expenses and other revenues.												
What is AVADA's dividend policy?	<p>The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors such as the operating results, cash flows and financial condition of AVADA, and any other factors the Directors may consider relevant. It is the intention of AVADA to pay dividends.</p> <p>AVADA's dividend policy is to target a dividend payout ratio of 40-60% of NPATA. However, the payout ratio may vary between periods depending on the factors noted above. No assurances can be provided by the AVADA Directors regarding the payment of any dividend, the amount of any dividend or the level of franking on any such dividend.</p> <p>It is the Directors' intention to pay future interim dividends in respect of half years ending 31 December and full year dividends in respect to full years ending 30 June. It is anticipated that interim dividends will be paid in May with a final dividend paid in November, with the dividends franked to the maximum extent possible.</p> <p>The Directors may establish a dividend reinvestment plan under which Shareholders may elect that the dividends payable by the Company be reinvested in whole or in part by a subscription of Shares at a price to be determined by the Board from time to time.</p>	Section 5.52										

1. Investment Overview

Question	Answer	Section	
DIRECTORS, KEY MANAGEMENT, RELATED PARTY INTERESTS AND SUBSTANTIAL HOLDERS			
What is the effect of the Offer on the capital structure of the Company?	Current capital structure	Section 10.10	
Capital structure upon Completion of the Offer			

Question	Answer	Section																		
Who are the directors and key management of AVADA?	AVADA’s Board combines industry and technical expertise with the Chairman having ASX50 experience.	Section 4.1																		
	<table><tr><th>Director</th><th>Position</th><th>Independence</th></tr><tr><td>Lance Hockridge</td><td>Non-Executive Chairman</td><td>Not independent</td></tr><tr><td>Ann-Maree Robertson</td><td>Non-Executive Director & Deputy Chair</td><td>Independent</td></tr><tr><td>Jo Willoughby</td><td>Non-Executive Director</td><td>Independent</td></tr><tr><td>Dan Crowley</td><td>Managing Director</td><td>Not independent</td></tr><tr><td>Rob Cazzolli</td><td>Executive Director</td><td>Not independent</td></tr></table>		Director	Position	Independence	Lance Hockridge	Non-Executive Chairman	Not independent	Ann-Maree Robertson	Non-Executive Director & Deputy Chair	Independent	Jo Willoughby	Non-Executive Director	Independent	Dan Crowley	Managing Director	Not independent	Rob Cazzolli	Executive Director	Not independent
	Director		Position	Independence																
	Lance Hockridge		Non-Executive Chairman	Not independent																
	Ann-Maree Robertson		Non-Executive Director & Deputy Chair	Independent																
	Jo Willoughby		Non-Executive Director	Independent																
	Dan Crowley		Managing Director	Not independent																
	Rob Cazzolli		Executive Director	Not independent																
	The Company Secretary is Paul Fitton. Paul is a Chartered Accountant.																			
	Key executives include:																			
<ul style="list-style-type: none">• Dan Crowley – Chief Executive Officer• Paul Fitton – Chief Financial Officer																				
Key Management Personnel include:																				
<ul style="list-style-type: none">• Rob Cazzolli – AVADA Director and General Manager (D&D Traffic Management)• Graeme Warren – Financial Controller (D&D Traffic Management)• Tynan Diaz – Chief Operating Officer (D&D Traffic Management)• Vicki Allen – Chief Operating Officer (Verifact Traffic)• Brendan Cannon – General Manager (Verifact Traffic)• James Anthony Bowe – General Manager (Arid to Oasis Traffic Solutions)• Glen Sillick – General Manager (Platinum Traffic Services)• Martin French – General Manager (The Traffic Marshal)																				
Further details of the experience and qualifications of each of the Directors and key executives are set out in Section 4.																				

1. Investment Overview

Question	Answer	Section																								
What benefits and interests do the directors hold in AVADA?	<table><thead><tr><th>Director</th><th>Shares held on Completion¹</th><th>% post IPO</th><th>Options held on Completion</th></tr></thead><tbody><tr><td>Lance Hockridge – Chairman</td><td>7,620,847</td><td>10.4%</td><td>Nil</td></tr><tr><td>Ann-Maree Robertson</td><td>50,000</td><td>0.1%</td><td>Nil</td></tr><tr><td>Jo Willoughby</td><td>50,000</td><td>0.1%</td><td>Nil</td></tr><tr><td>Dan Crowley</td><td>14,199,027</td><td>19.4%</td><td>Nil</td></tr><tr><td>Rob Cazzolli</td><td>1,679,887</td><td>2.3%</td><td>Nil</td></tr></tbody></table>	Director	Shares held on Completion ¹	% post IPO	Options held on Completion	Lance Hockridge – Chairman	7,620,847	10.4%	Nil	Ann-Maree Robertson	50,000	0.1%	Nil	Jo Willoughby	50,000	0.1%	Nil	Dan Crowley	14,199,027	19.4%	Nil	Rob Cazzolli	1,679,887	2.3%	Nil	Section 10.9
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	Dan Crowley	14,199,027	19.4%	Nil																						
	Rob Cazzolli	1,679,887	2.3%	Nil																						
	<p>1 Including Shares held both directly and indirectly. Includes scrip consideration to be issued on completion of the Acquisition of the respective AVADA Group Businesses.</p> <p>The above table assumes the total subscription is achieved and does not take into account any New Shares the Directors may acquire under the Offer. Directors are entitled to remuneration and fees on commercial terms.</p> <p>Directors’ interests and remuneration are set out in more detail in Section 4.3 and 4.4.</p>																									
Who will be the significant shareholders of AVADA on completion?	On Completion of the Offer, the major Shareholders (including through their related parties and associates) of the Company are expected to be:	Section 10.10																								
	<table><thead><tr><th>Shareholder</th><th>Shares¹</th><th>Percentage interest</th></tr></thead><tbody><tr><td>Dan Crowley²</td><td>14,199,027</td><td>19.4%</td></tr><tr><td>Lance Hockridge²</td><td>7,620,847</td><td>10.4%</td></tr><tr><td>Jarrold Bowditch²</td><td>7,099,514</td><td>9.7%</td></tr><tr><td>Kern Group (Licensing) Pty Ltd as trustee for Singapore Investment Trust</td><td>3,867,720</td><td>5.3%</td></tr></tbody></table>		Shareholder	Shares ¹	Percentage interest	Dan Crowley ²	14,199,027	19.4%	Lance Hockridge ²	7,620,847	10.4%	Jarrold Bowditch ²	7,099,514	9.7%	Kern Group (Licensing) Pty Ltd as trustee for Singapore Investment Trust	3,867,720	5.3%									
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	<p>1 Including Shares held both directly and indirectly. Includes scrip consideration to be issued on completion of the acquisition of the respective AVADA Group Businesses. More information on holdings of Directors is set out at Section 10.9.</p> <p>2 Includes Committed Shares as described in Section 9.7.1.</p> <p>The Company will announce to the ASX details of its top 20 Shareholders following Completion of the Offer and prior to the New Shares commencing trading on the ASX.</p>																									

Question	Answer	Section
Are there any related party transactions?	<p>The Company has entered into the following related party transactions:</p> <ul style="list-style-type: none"> (a) the Seed Loans entered into with entities related to certain Directors and Sellers, as set out in further detail in Section 8.8; and (b) engagement letter with Kern Group, an entity related to Former Director Greg Kern (who holds Shares in the Company through a related entity), as set out in further detail in Section 8.9; <p>In addition, the AVADA Group Businesses have entered into the following related party transactions:</p> <ul style="list-style-type: none"> (a) a number of leases entered into by AVADA Group Businesses are with related parties of AVADA, as set out in further detail in Section 8.15; (b) a supply agreement for traffic equipment hire between FNQ Traffic Hire Pty Ltd ACN 625 310 358 (FNQ) and Arid to Oasis Traffic Solutions, as set out in further detail in Section 8.16; and (c) a service agreement terms and conditions between LEAD Training Pty Ltd ACN 629 094 604 (LEAD), as set out in further detail in Section 8.16. <p>Advisers and other service providers are entitled to fees for services as set out in this Prospectus.</p>	Section 8.16

HOW TO APPLY AND/OR SEEK ADDITIONAL INFORMATION

What is the Offer?	<p>The Offer is an initial public offer of 32.5 million Shares in AVADA (New Shares).</p> <p>AVADA will list on the ASX following the close of this Offer and you will be able to trade your shares on the ASX.</p>	Section 9.1
What is the Offer Price of the New Shares?	The New Shares are being issued at \$1 per Share.	Section 1.1
What is the Offer period?	10 days.	Section 1.2
What is the structure of the Offer and who is eligible to participate?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> (a) the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of New Shares from their Broker; (b) the Priority Offer, which is open to selected investors in Australia nominated by the Company who have received an invitation from the Company to apply for New Shares at the Offer Price; (c) the Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions to apply for New Shares; and (d) the subscription by certain Existing Shareholders for the Committed Shares. <p>No general public offer of New Shares will be made under the Offer. Members of the public wishing to subscribe for New Shares must do so through a Broker with a firm allocation.</p>	Section 9.2

1. Investment Overview

Question	Answer	Section
What rights and liabilities attach to the New Shares?	The New Shares will rank equally in all respects with the shares held by the Existing Shareholders. The rights and liabilities attaching to all Shares are set out in the Company's Constitution.	Sections 8.2 and 10.4
Is the Offer underwritten?	<p>The Offer is partially underwritten by Shaw and Partners Limited up to \$30,000,000.</p> <p>If AVADA does not raise the full amount of \$30,000,000 under this Offer, the Lead Manager and Underwriter will subscribe for, or procure subscriptions for, any shortfall. Details of the underwriting arrangements are provided in Section 8.10.</p>	Section 8.10
Are there any escrow arrangements?	Yes. Details of the voluntary restriction arrangements are provided in Section 8.11.	Section 8.11
Will I receive dividends on my Shares?	The Directors' intention is to distribute approximately 40-60% of reported net profit after tax and amortisation in the form of dividends. The Directors intend to declare interim dividends payable in May and final dividends payable in November.	Section 5.52
How do I participate in the Offer?	<p>If you have received an allocation of New Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions.</p> <p>If you have received a personalised invitation to apply for New Shares under the Priority Offer and you wish to apply for all or some of those New Shares, you should follow the instructions on your personalised invitation.</p> <p>The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for New Shares at the Offer Price. The Lead Manager has separately advised Institutional Investors of the application procedures for the Institutional Offer.</p>	Sections 9.9, 9.10, 9.13 and Application Form
What is the allocation policy?	<p>The allocation of New Shares within and between the Institutional Offer and the Broker Firm Offer will be determined by the Company in consultation with the Lead Manager.</p> <p>The Company, in consultation with the Lead Manager, has absolute discretion regarding the basis of allocation of New Shares amongst Applicants. No assurance can be given that any Applicant under the Offer will be allocated all, or any New Shares applied for. The Company will not be liable to any person not allocated New Shares or not allocated the full amount applied for.</p> <p>With respect to the Broker Firm Offer, it will be a matter for the Lead Manager as to how it allocates New Shares among its clients and other brokers.</p>	Sections 9.9(d), 9.10(d) and 9.13(b)
Will the New Shares be quoted on the ASX?	<p>AVADA will apply to the ASX for admission to the ASX official list and official quotation of Shares under the ASX code AVD.</p> <p>Completion of the Offer is conditional on the ASX approving the Company's listing application. If approval is not given within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 9.17

Question	Answer	Section
How do I calculate the Application Money payable if I wish to participate in the Offer?	The Application Money is calculated by multiplying the number of New Shares you wish to apply for by the Offer Price of \$1 per New Share.	Section 9.1 and Application Form
What is the minimum number of New Shares for which I can apply?	Applications under the Offer must be for a minimum of 2,000 New Shares (total cost of \$2,000) and then in multiples of 500 New Shares (\$500).	Section 9.1
Is there brokerage payable?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of New Shares under the Offer.	
Further questions	If you have questions about the Offer, please contact 1800 262 299 (within Australia) and +61 1800 262 299 (outside Australia).	

Important notice

This section is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make an informed investment decision. The New Shares offered under this Prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the New Shares.



INDUSTRY REPORT

2. Industry Report

Independent Market Report

Market for Traffic Management Services in Australia

1. Introduction

This report describes the market for traffic management services in Australia, and has been commissioned from Frost & Sullivan by the **AVADA Group** (Avada or the Company) to support its initial public offering (IPO) process.

Following completion of the acquisitions, Avada will be a leading, independent, Australian traffic management services provider that will be building capabilities in offering a wide range of adjacent services to the civil infrastructure and maintenance sectors. Its subsidiaries will represent an established and extensive network, with the competitive advantage of being able to service public and private sector clients across a diverse range of end-use sectors throughout Queensland (QLD) and New South Wales (NSW).

2. Market Definition and Methodology

Definitions

Key definitions used in this report include the following:

Traffic Management Services: Traffic management services include traffic plan designing and permit services, onsite traffic control, equipment hire, incident response, training, etc.

Figure 1: Traffic Management Services

Traffic plan designing and permit services	<ul style="list-style-type: none">• Site inspections/surveys, safety/risk audits, traffic management plans developed using industry software, etc.• Traffic and pedestrian modelling and analytics, traffic engineering and transport planning services
Onsite traffic control	<ul style="list-style-type: none">• Managing road diversions/detours, road/lane/tunnel closures, pedestrian management, etc.
Equipment hire	<ul style="list-style-type: none">• Traffic control equipment for hire, such as road cones, arrow boards, temporary lights, emergency signs, variable message signs (VMS), stop/go systems, portable boom gates, truck mounted attenuators (TMAs), pedestrian barriers, portable traffic lights, personal protective equipment (PPE), etc.
Incident response	<ul style="list-style-type: none">• Use of specialised incident response vehicles and crew as first responders in the event of roadside hazards, accidents and emergencies
Training	<ul style="list-style-type: none">• Registered Training Organisation (RTO) training

Source: Frost & Sullivan

2. Industry Report

Apart from the above, adjacent opportunities available to traffic management service providers include civil infrastructure and maintenance services:

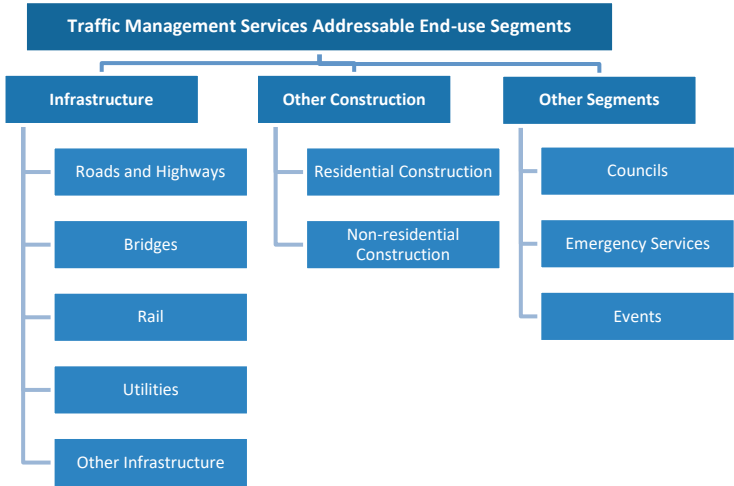
Figure 2: Adjacent Opportunities in Civil Infrastructure

Civil Infrastructure Project Works	•Landscaping, concrete and retaining walls, fencing, etc.
Civil Infrastructure Supplies	•Water trucks, safety barriers, traffic signal supply and installation, signage sales and installation, etc.
Civil Infrastructure Services	•Line marking services, noise and vibration monitoring, etc. •Maintenance services – of highway rest stops, small road repairs, pothole guardrails, mowing maintenance, tree maintenance, overhead light cleaning, etc.

Source: Frost & Sullivan

The main end-use segments that Avada serves are outlined below:

Figure 3: Traffic Management Services, Main End-Use Segments



Source: Frost & Sullivan

Utilities include water storage and supply, sewerage and drainage, electricity, and telecommunications. Other infrastructure includes oil, gas, coal and other minerals and metals, heavy industry, and harbours. Residential construction includes any building which is intended for long-term accommodation. Non-residential construction includes all other building construction which is intended for commercial purposes, industrial purposes, or for the provision of education, religious worship, health services, recreation, entertainment, emergency services, or other public services.

The major clients served across these end-use segments include major infrastructure providers, infrastructure construction and maintenance companies, federal, state, and local governments.

Methodology

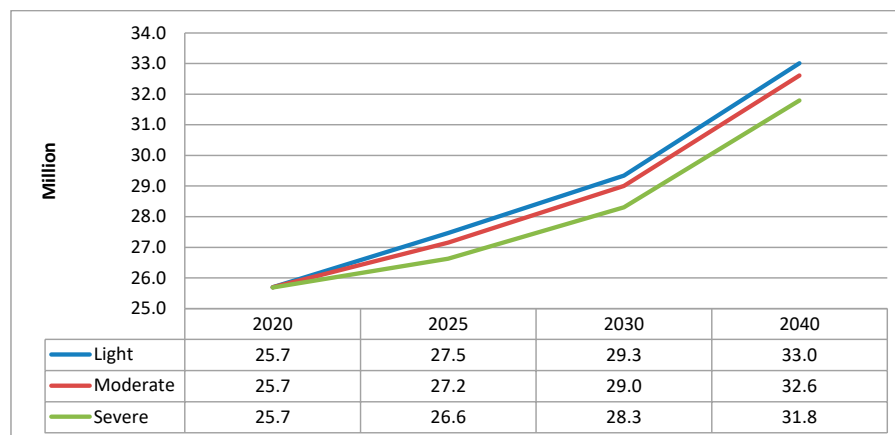
In writing this report, Frost & Sullivan has used existing published data sources from government statistics, journals, articles, analyst reports and company reports and presentations, which are considered reliable. Market forecasts, while factoring in the near-term impact of the coronavirus disease (COVID-19), are based on an anticipated continuation of long-term historic growth trends, with the economic, social and regulatory situation anticipated to remain stable over the forecast period. All currency refers to Australian dollars (\$) unless otherwise stated. Exchange rate used is US\$1 = \$1.36²

3. Market Drivers

The key trends supporting growth in the traffic management services and the broader civil infrastructure services market are described in more detail below.

Population growth: Even with the negative impact of COVID-19 on international migration levels, Australia's population is expected to grow at a compound annual growth rate (CAGR) of 1.07% to reach between 31.8 million (under a severe COVID impact scenario) and at 1.26% to reach 33.0 million (under a light COVID impact scenario) by 2040.² This ensures a growing addressable market for traffic management and civil infrastructure services to support asset construction, renewal and maintenance.

Figure 4: Population Projection, Australia, 2020 to 2040



Source: How will COVID-19 impact Australia's future population? A scenario approach, Queensland Centre for Population Research, Elin Charles-Edwards, Tom Wilson, Aude Bernard and Pia Wohland, Aug 2020

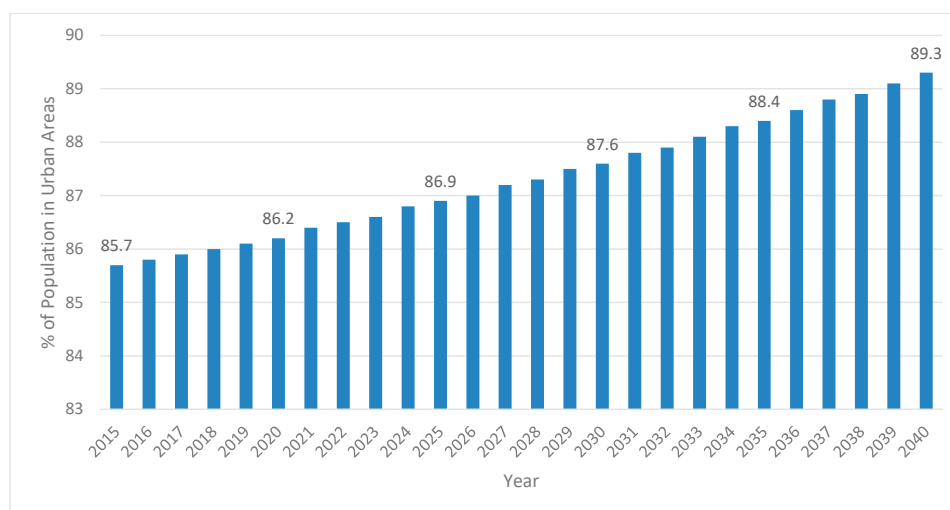
¹ <https://www.xe.com/>

² How will COVID-19 impact Australia's future population? A scenario approach, Queensland Centre for Population Research, Elin Charles-Edwards, Tom Wilson, Aude Bernard and Pia Wohland, Aug 2020

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Urbanisation: In 2015, 85.7% of Australia's population was living in urban areas. By 2020, this is expected to have risen to 86.2%, and by 2030 will increase further to 87.6%.³ This rising urbanisation presents significant implications for the natural and built environment in cities, and particularly for the infrastructure needs of the population. Community infrastructure and utilities such as the transport network, water, waste, and energy are crucial to ensuring the long-term liveability of communities.⁴

Figure 5: Proportion of Population in Urban Areas, Australia, 2015-2040



Source: United Nations, World Urbanization Prospects, 2018

In the next 15 years, 82% of the population growth is projected to occur in Australia's capital cities, putting pressure on the infrastructure systems, including road congestion, crowding on public transit networks, and growing demands on social infrastructure and utilities. By 2031, the cost to Australia of road congestion is expected to increase by \$18.9 billion to \$38.8 billion. In addition, the cost due to crowding of public transport will increase by five times, to \$837 million per year in 2031.⁵ This acts as a driver for infrastructure construction, as well as maintenance due to the greater usage of assets, thus increasing demand for traffic management and adjacent civil infrastructure services.

A further consideration is that of ensuring equality of access to infrastructure and utilities in rural and remote areas of Australia where the cost of deployment is higher per unit of consumption due to the lower population density in these regions.⁶

³ World Urbanization Prospects 2018, United Nations, 2018

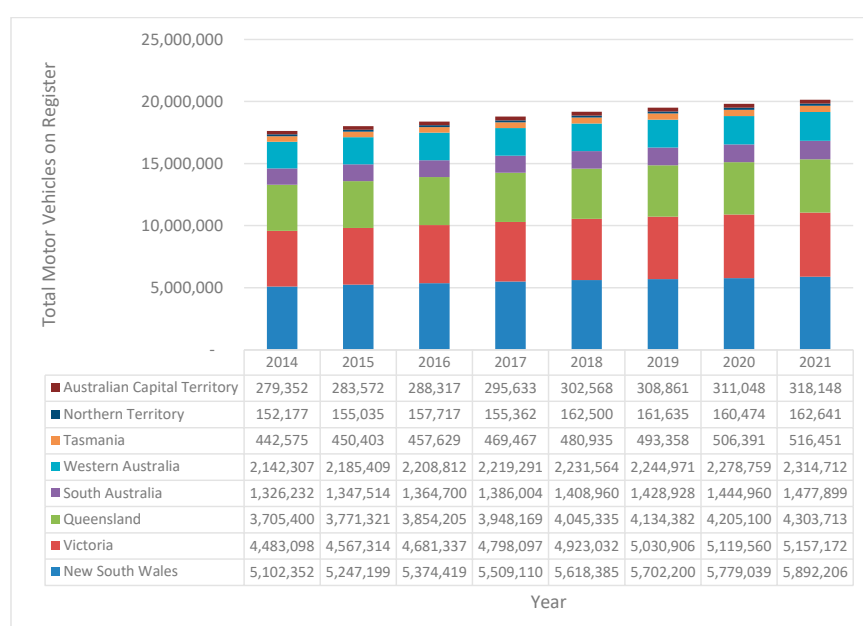
⁴ Building Up and Moving Out – Inquiry into the Australian Government's role in the development of cities, Parliament of the Commonwealth of Australia, Sep 2018

⁵ An Assessment of Australia's Future Infrastructure Needs, Infrastructure Australia, Sep 2020

⁶ Ibid

Growth in the number of registered vehicles: The total number of registered vehicles⁷ in Australia has been growing at a CAGR of 1.9% from 2014 to 2021.⁸ This growth in total registered vehicles on the road (and the frequency of their usage) is a key driver for the market, as it directly impacts traffic conditions and safety, thus necessitating the use of traffic management services.

Figure 6: Total Registered Motor Vehicles by State, Australia, 2014-2021



Source: Australian Bureau of Statistics, 93090DO001 Motor Vehicle Census, 2018, 2019, 2020, 2021

Increasing government infrastructure spend: Government initiatives to stimulate economies post COVID-19 include prioritised spending on a range of infrastructure-led construction projects. For example, the Australian Government's \$110.00 billion land transport infrastructure program over 10 years from 2020-21 will support construction projects across road, rail, ports, airports and related infrastructure.¹⁰ This is significantly higher than the aggregate of Commonwealth Government funding for all infrastructure over the prior decade \$66.00 billion over 2010-11 to 2019-20.¹¹ Further, in response to the COVID-19 pandemic, the Australian Government is providing a total of \$1.5 billion to fund local priority projects through the Local Roads and Community

⁷ Total motor vehicles include passenger vehicles, campervans, light commercial vehicles, light rigid trucks, heavy rigid trucks, articulated trucks, non-freight carrying trucks, buses, and motorcycles.

⁸ 93090DO001 Motor Vehicle Census, Australian Bureau of Statistics, 2018

⁹ 93090DO001 Motor Vehicle Census, Australian Bureau of Statistics, 2021

¹⁰ Australian Government 2020-21 Budget, The Department of Infrastructure, Transport, Regional Development and Communications, Oct 2020, <https://investment.infrastructure.gov.au/about/budget.aspx>, accessed 16 Aug 2021

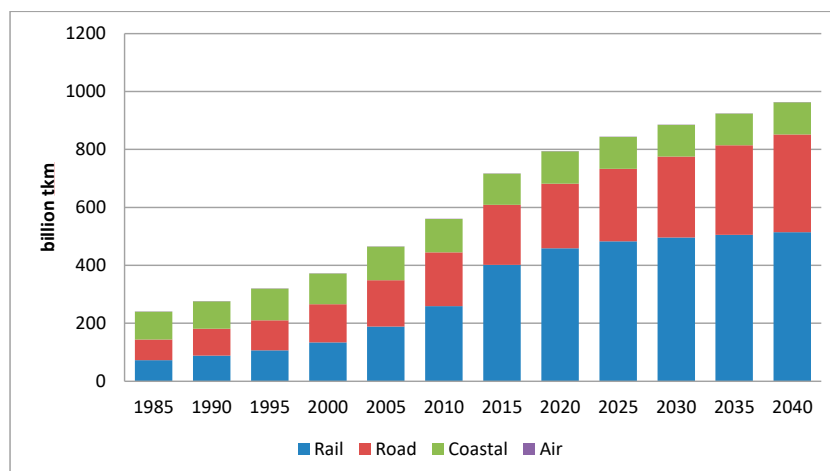
¹¹ Infrastructure Partnerships Australia, <https://infrastructure.org.au/chart-group/government-infrastructure-investment/>, accessed 16 Aug 2021

2. Industry Report

Infrastructure program. The Australian government also committed an additional \$1.5 billion over three years from 2020-21 for priority regional and urban transport development, including shovel-ready projects and targeted road safety works.¹² Apart from project-driven opportunities, strong investment in construction of infrastructure is a driver of infrastructure maintenance needs as infrastructure assets grow.

Globally, and in Australia, the gap between infrastructure needs and infrastructure spending is growing, with estimates suggesting that there is a \$6.4 trillion gap between needs and spending in Australia in 2020.¹³ This problem is magnified by the rapid urbanisation of Australia's population. Australia's freight task sees significant impacts from this, as cities, which are key centres of demand, supply, and processing, act as bottlenecks in the national supply chains.¹⁴ The Australian Government launched the Roads of Strategic Importance (ROSI) program to target this challenge and ensure that Australia's key freight roads efficiently connect agricultural and mining regions with transport hubs. The Australian government has committed more than \$4.6 billion from 2018-19 to upgrade key freight routes through this program and allocated another \$459.6 million in the 2020-21 budget.¹⁵

Figure 7: Domestic Freight Task, Australia, 1985 to 2040



Source: Trends: Transport and Australia's Development to 2040 and Beyond, Department of Infrastructure and Regional Development, December 2016

¹² Growing a Strong and Resilient Regional Australia – Infrastructure, Transport, Regional Development and Communications, Department for Infrastructure, Transport, Regional Development, and Communications, 6 Oct 2020

¹³ Global Infrastructure Outlook – Australia Country Profile, Global Infrastructure Hub

¹⁴ An Assessment of Australia's Future Infrastructure Needs, Infrastructure Australia, Sep 2020

¹⁵ Growing a Strong and Resilient Regional Australia – Infrastructure, Transport, Regional Development and Communications, Department for Infrastructure, Transport, Regional Development, and Communications, 6 Oct 2020

Increased compliance requirements: In Australia, the construction industry has the third highest incidence rate of serious injury claims (with 15.2 serious claims per 1,000 employees in 2018-19) across all industries, accounting for 12% of all serious claims made. Vehicle collision is the leading mechanism of incident for worker fatalities, accounting for 43% of injury fatalities.¹⁶ Increased oversight – focused on safety or quality of work – is expected to spur the use of traffic management services.

For projects or workplaces that have high volumes of traffic or for work that is carried out on or near public roads, a traffic management plan is needed to plan and communicate how to manage traffic risks. A traffic management plan can include details of the desired flow of pedestrians and vehicles, the expected frequency of interaction with pedestrian and vehicular traffic, the layout of barriers, signage, walkways, and other arrangements to guide traffic flow around the work site or hazard area, and a plan outlining the management of short-term, mobile work, and complex traffic situations.

Under model Work, Health and Safety (**WHS**) regulations, work that takes place on or adjacent to a public road, railway, shipping lane, or other traffic corridor is considered to be high-risk construction work. High-risk construction work must have a Safe Work Method Statement (**SWMS**) in place before project commencement, which includes hazard identification, risk control measures, as well as risk management plans for implementation, monitoring and review of those measures.¹⁷ Safe Work Australia's guide to traffic management outlines various control measures to be taken to mitigate traffic risks as necessary including the provision of barriers or guards rails at entry/exit points, high-impact traffic control barriers, temporary physical barriers, setting up a detour route or contraflow route, installation of delineation devices (traffic cones, bollards, and other temporary barriers), the use of warning devices such as flashing arrows and electronic variable messaging signs, and the use of antiglare screens to reduce the light glare from work sites. Any person carrying out traffic control work is required to meet training and accreditation requirements which are different between jurisdictions.

Asset renewal projects: Apart from new construction, ageing infrastructure necessitates ongoing renewal, thus driving ongoing demand for traffic management and civil infrastructure services. In 2019-20, there were 157.5 billion passenger kilometres travelled by car on capital city roads alone, and there were 224.2 billion tonne kilometres of freight moved by road as well.¹⁸ A national state of the assets audit by the Australian Local Government Association (**ALGA**), found that of the total infrastructure value of roads (\$136 billion), \$13.6 billion was reported to be in poor condition, and \$9.9 billion was in poor function. For bridges, out of a total asset value of \$14 billion, it was found that \$813 million are in poor condition and \$754 million in poor function. The asset consumption ratio of all local government road infrastructure was found to be 68%, suggesting that on the whole this road infrastructure is approximately one-third through its expected life.¹⁹ The optimal road maintenance strategy requires regular annual maintenance, and resurfacing of the asphalt overlay every eight years. The cost to the road agency of the maintenance activities is

¹⁶ Key WHS Statistics Australia 2020, Safe Work Australia, 2020

¹⁷ Ibid

¹⁸ Key Australian Infrastructure Statistics 2020, Bureau of Infrastructure and Transport Research Economics (BITRE), Dec 2020

¹⁹ National State of the Assets 2018, Australian Local Government Association, Nov 2018

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between \$1,000-2,000 per lane km per year, and the cost of resurfacing is approximately half a million dollars per lane km.²⁰

Events: Major events drive demand for traffic management services, both through the ensuing infrastructure development resulting from events such as the upcoming Brisbane Olympics, as well as through the demand for traffic management as a result of road closures during events. Major events will often require temporary event overlay infrastructure, such as tenting, cabins, electricity, utilities, lighting, and signage. This infrastructure set-up represents a significant opportunity for traffic management services during set-up and take-down of the events. In addition, the footfall of major events brings domestic and international visitors, putting additional pressure on transport infrastructure in particular. The 2032 Brisbane Olympics will bring about a major investment of resources towards upgrading infrastructure in Queensland as well as new infrastructure development. The 2032 Olympic Master Plan includes three main hubs for the event across Brisbane, the Gold Coast, and the Sunshine Coast. While the total budget for this infrastructure development is not yet finalised, a \$1 billion rebuild of the Gabba in Brisbane has already been announced.²¹

COVID-19 resulted in the cancellation/suspension of important sporting and entertainment events across the country. During the early part of the outbreak, those events that did go ahead were conducted behind closed doors. Even when crowds were allowed back into stadiums, social distancing rules meant that only a small percentage of total capacity could be used. However, both sport and conference/exhibition sectors are expected to recover some lost ground in 2022, after the reduction in COVID-19 related health risks. Major events in the pipeline include annual events such as the Australian Open, Melbourne Cup, Formula 1 Grand Prix, Sydney to Hobart Yacht Race, the AFL and NRL Grand Finals, ANZAC Day, Mardi Gras, the Royal Easter Show, Vivid Sydney, and the Adelaide Fringe.²² Besides these landmark annual events, there is a continual flow of smaller events around the country, across sporting events such as marathons, triathlons, and bicycle races, arts and recreation events such as arts and music festivals, holiday events such as for Christmas, New Year, ANZAC Day, and schoolies week, charity events, and business events such as trade shows, conferences, and exhibitions. The live performance industry (including sports, arts, and recreation events) had an estimated output of \$15.6 billion in 2019.²³ Further, the business events sector is worth \$36 billion.²⁴

Emergency and disaster response: Natural disasters such as floods, bushfires, and drought conditions drive demand for traffic management and civil infrastructure services. In the wake of floods and bushfires, there is an inflow of funding for reconstruction efforts for damaged roads, rail, and electricity and telecommunications infrastructure. In response to the Black Summer bushfires of 2019-20, a \$2 billion National Bushfire Recovery Fund was set up alongside other

²⁰ Measuring and reporting the value of road maintenance and renewal works, Austroads, Nov 2018

²¹ Brisbane's 2032 Olympic Games venues will be a mix of new and old. Here's how it will look, ABC News, 22 Jul 2021, <https://www.abc.net.au/news/2021-07-22/qld-brisbane-olympic-infrastructure-2032-games/100311674>, accessed 13 Aug 2021

²² Major Events Calendar, Tourism Australia, <https://www.australia.com/en/events/australias-events-calendar.html>, accessed 13 Aug 2021

²³ The economic contribution of Australia's Live Entertainment Industry, EY, Dec 2020

²⁴ Restarting Australia's business events sector, Prime Minister of Australia, 11 Sep 2020, <https://www.prm.gov.au/media/restarting-australias-business-events-sector>, accessed 24 Aug 2021

Commonwealth and State programs, with \$448.5 million in funding for local recovery projects to help communities build back better.²⁵ The 2019, the North Queensland floods saw a \$3.3 billion commitment from the Australian government to assist with recovery and rebuilding.²⁶ Further, significant investments were made to strengthening telecommunications infrastructure through the \$37 million 'Strengthening Telecommunications Against Natural Disasters' package.²⁷

Moving forward, climate-driven natural hazards such as fires, floods, storms, are expected to become more frequent, intense, unpredictable and complex (with some instances of compounding effects from multiple disasters occurring simultaneously).²⁸ As a result, the total cost of natural disasters in Australia is projected to more than double in real terms to \$39 billion per year by 2050.²⁹

The increasing severity of droughts can also be expected to drive investment in water infrastructure to make communities more resilient to drought conditions. In particular, \$2 billion of grant funding was provided for the National Water Infrastructure Development Fund.³⁰

Finally, security emergencies and movement restrictions such as we have seen during the COVID-19 lockdowns are also a driver of demand to traffic management services, for road closures, local government area (LGA) closures, and border closures.

Leverage of digital technologies and improved processes: Developing technologies in the traffic management space such as smart traffic management systems, flow analysis software, GPS tracking, and work planning and management software, enable providers to deliver greater value through improved processes. Smart real-time traffic management systems manage traffic in real-time by leveraging a network of sensors, smart cameras, dynamic messaging signs, and GPS trackers. Transport for NSW announced a major investment in the Sydney Coordinated Adaptive Traffic System to bring it into the smart-cities technology sector.³¹ Further, flow planning and analysis software such as Sidra Intersections³² enable high level analysis of intersection and network capacity. Finally, work management software for rostering and scheduling can be leveraged to improve processes and drive efficiencies for service providers in managing their field force, fleet, and other resources. All of the above digital tools are also expected to enable improved outcomes for the adjacent opportunities identified in the broader civil infrastructure services and maintenance segments.

²⁵ National Bushfire Recovery Fund, National Bushfire Recovery Agency, May 2020, <https://www.bushfirerecovery.gov.au/local-recovery-projects>, accessed 11 Aug 2021

²⁶ North Queensland flood, National Drought and North Queensland Flood Response and Recovery Agency, <https://www.droughtandflood.gov.au/about-north-queensland-flood>, accessed 24 Aug 2021

²⁷ Growing a Strong and Resilient Regional Australia – Foreword, Department for Infrastructure, Transport, Regional Development, and Communications, 6 Oct 2020

²⁸ Royal Commission into National Natural Disaster Arrangements, Oct 2020

²⁹ Building Resilience to Natural Disasters in our States and Territories, Australian Business Roundtable for Disaster Resilience & Safer Communities (the Roundtable), 2017

³⁰ Growing a Strong and Resilient Regional Australia – Foreword, Department for Infrastructure, Transport, Regional Development, and Communications, 6 Oct 2020

³¹ Smart-cities traffic management technology set for major upgrade, Transport for NSW, 30 Jun 2021, <https://www.transport.nsw.gov.au/news-and-events/media-releases/smart-cities-traffic-management-technology-set-for-major-upgrade>, 13 Aug 2021

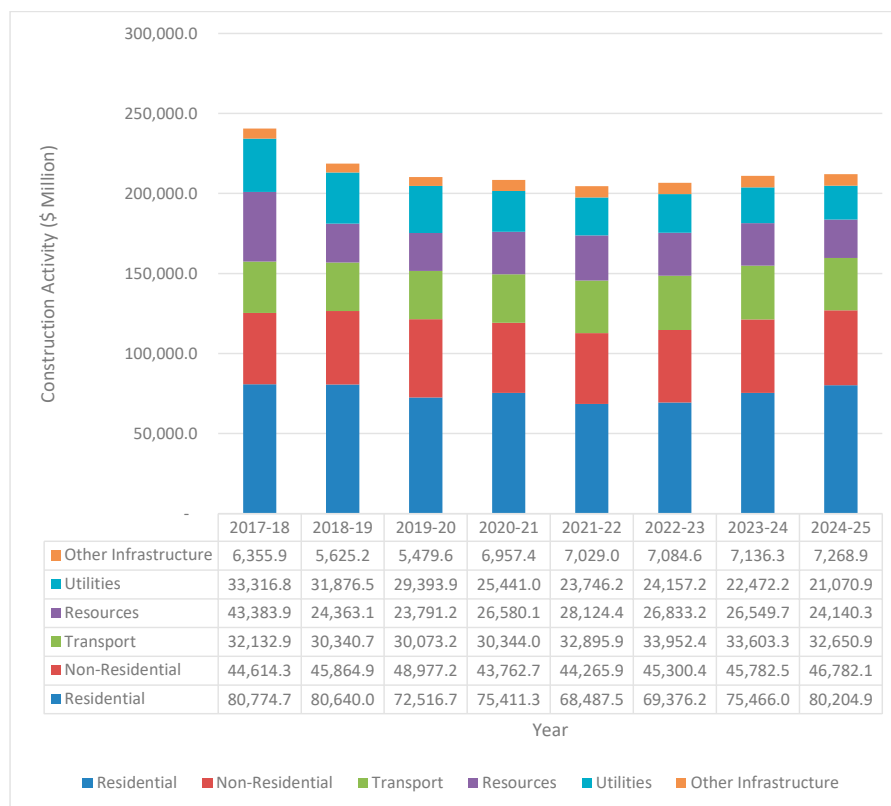
³² Software to aid in design and evaluation of individual intersections and networks of intersections.

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4. Trends in Relevant Construction and Maintenance Sectors

Despite the negative impact of the pandemic on overall construction activity, a clear recovery is forecast over the medium term; underpinned by a range of infrastructure projects in the pipeline.

Figure 8: Construction Activity Forecasts to 2024-25, Australia

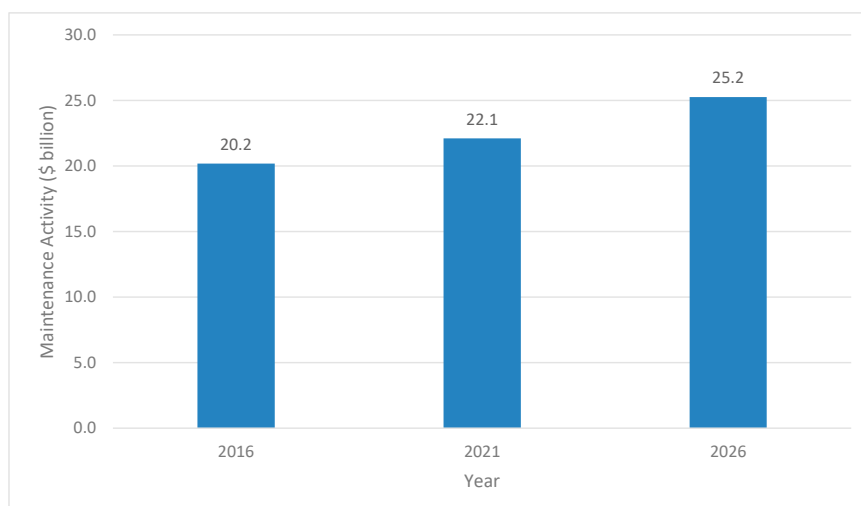


Construction activity in millions of dollars, chain volume measures (2018-19 base year)

Source: Master Builders Australia, Building and Construction Industry Forecasts, May 2021

This is not only expected to drive project-related opportunities, but also expand the asset base to be maintained.

Infrastructure maintenance activity is in itself projected to rise faster than historical growth rates – as outlined in the figure below:

Figure 9: Infrastructure Maintenance Activity Forecasts, Australia, 2016, 2021 and 2026

Source: IBISWorld, *Infrastructure Maintenance Services in Australia*, Nov 2020

Includes road, bridge and tunnel maintenance; railway, tramway and harbour maintenance; water network maintenance; electricity network maintenance; telecommunications network maintenance; resources and heavy industry maintenance; other services

Roads and Highways

Road construction work in Australia began to fall in 2018-19 after a period of strong growth as major projects began to wind down.³³ The impact of COVID-19 on the construction sector further slowed growth, but a strong rebound is expected with a robust pipeline of new work upcoming through to 2023.³⁴ Major upcoming projects include the WestConnex project in NSW (\$16.8 billion), the West Gate Tunnel Project in Victoria (\$6.7 billion), and the North East Link in Victoria (\$15.8 billion), the North South Corridor in South Australia (\$14.5 billion), and the Bruce Highway Upgrade in Queensland, with a pipeline of nearly 60 major upcoming road construction opportunities across Australia.³⁵³⁶

³³ Infrastructure outlook: 2020 and beyond, Infrastructure Magazine, 18 February 2020, <https://infrastructuremagazine.com.au/2020/02/18/infrastructure-outlook-2020-and-beyond/>, accessed 6th Aug 2021

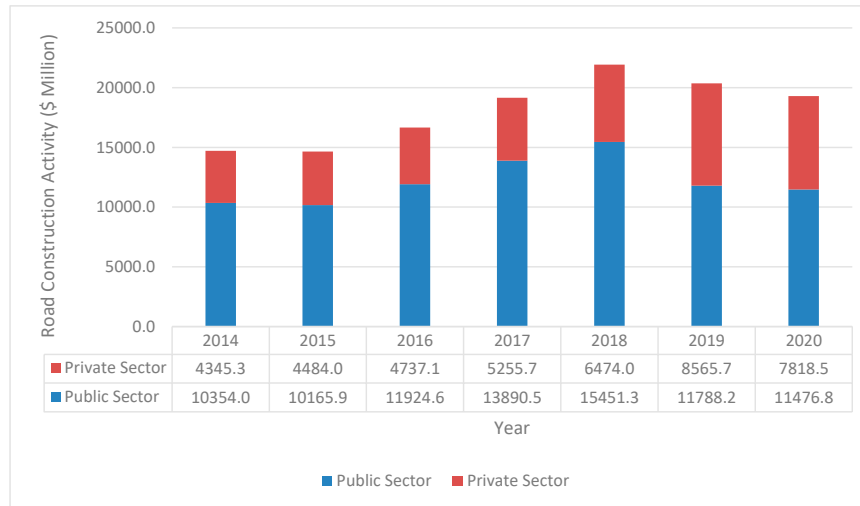
³⁴ Building and Construction Industry Forecasts, Master Builders Australia, May 2021

³⁵ Ibid

³⁶ Australia New Zealand Infrastructure Pipeline, Infrastructure Partnerships Australia, <https://infrastructurepipeline.org/charts/location-sector>, accessed 5 Aug 2021

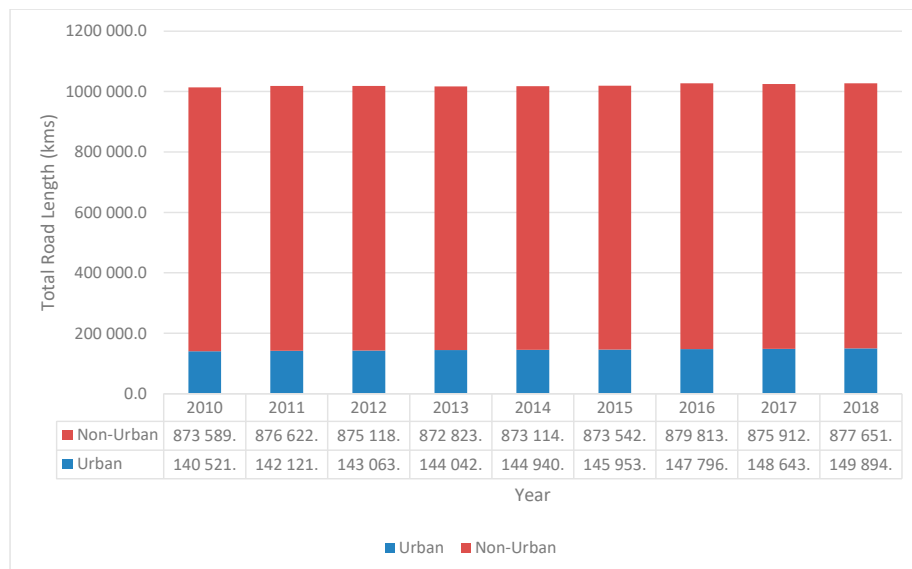
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Figure 10: Road Construction Activity, Australia, 2014-2020



Source: Australian Bureau of Statistics, 8755.0 Construction Work Done

Figure 11: Total Road Length, Australia, 2010-2018

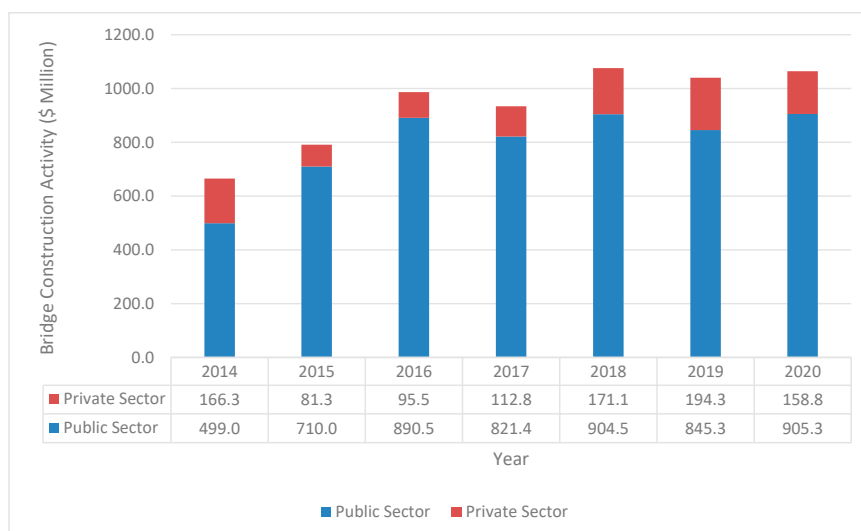


Source: Bureau of Infrastructure and Transport Research Economics, Key Australian Infrastructure Statistics 2020, December 2020

Bridges

Bridge construction is expected to follow a similar trend as roads, with a strong pipeline of upcoming major projects, as well as other bridge construction incidental to road and rail projects. Significant upcoming projects include the Armadale Road Bridge in Western Australia, the Commonwealth Avenue Bridge Upgrade in Australian Capital Territory (ACT), and bridges constructed under the M12 Motorway project in NSW³⁷. Bridge inspection and maintenance is a crucial area of expenditure, as progressive deterioration and damage can occur and changes in traffic loads can have serious structural implications.³⁸ Australian bridges built decades ago are subject to an additional load of about 5.6% annually and the annual maintenance expense for 33,500 bridges in Australia is around \$100 million and the replacement cost of faulty bridges could run to billions of dollars.³⁹

Figure 12: Bridge Construction Activity, Australia, 2014-2020



Source: Australian Bureau of Statistics, 8755.0 Construction Work Done

Rail

Rail is a major sector that is driving infrastructure growth in Australia, with several multi-billion dollar projects under construction or expected to commence by 2022. The peak of the pipeline is close to \$20 billion in 2022-23.⁴⁰ The pipeline of major opportunities in rail construction includes 60 projects across Australia such as the Sydney Metro project (\$30.8 billion not including Metro

³⁷ Infrastructure Priority List – Project and Initiative Summaries, Infrastructure Australia, February 2021

³⁸ Structural and real-time bridge health monitoring, Austroads, 31 Jul 2019, <https://austroads.com.au/projects/project?id=ABT6203>, accessed 24 Aug 2021

³⁹ Ibid

⁴⁰ What's driving Australia's infrastructure recovery, ANZ, 10 Feb 2021, <https://institutional.anz.com/insight-and-research/Feb-21/what-s-driving-australia-s-infrastructure-recovery>, accessed 6 Aug 2021

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West), the Suburban Rail Loop in Victoria (preliminary costing range \$38 - 63 billion), the Inland Freight Corridor across NSW, Victoria, and Queensland (\$14.8 billion), and the Metronet in Western Australia (\$7.9 billion).⁴¹

Figure 13: Rail Construction Activity, Australia, 2014-2020



Source: Australian Bureau of Statistics, 8755.0 Construction Work Done

Utilities

Australia has 22 electricity and gas network (transmission & distribution) businesses⁴² (with a mix of public and private ownership), 45 electricity retail utilities,⁴³ and 196 water and wastewater service operators.⁴⁴ The telecom infrastructure in Australia is largely privately owned, with the exception of the still under-construction National Broadband Network (NBN). There are upwards of 150 retail service providers in telecommunications.⁴⁵

Growth in the utilities sector is driven by a strong pipeline particularly in electricity which is expected to average more than \$12 billion per annum from 2021 to 2024.⁴⁶ There are 59 major upcoming projects in the electricity sector alone, driven particularly by renewables with projects such as the Asian Renewable Energy Hub in Western Australia, the Australia-ASEAN Power Link in Northern Territory (\$22 billion), the Star of the South project in Victoria, the Dinawan Energy Hub in NSW (\$4.3 billion), and the Marinus Link in Tasmania (\$3.5 billion). Water and sewerage have a

⁴¹ Australia New Zealand Infrastructure Pipeline, Infrastructure Partnerships Australia, <https://infrastructurepipeline.org/charts/location-sector>, accessed 10th Aug 2021

⁴² Guide to Australia's Energy Networks, Energy Networks Australia

⁴³ Australian Energy regulator (AER) and Economic Regulation Authority WA

⁴⁴ Infrastructure Australia

⁴⁵ Australian Infrastructure Audit 2019, Infrastructure Australia

⁴⁶ What's driving Australia's infrastructure recovery, ANZ, 10 Feb 2021, <https://institutional.anz.com/insight-and-research/Feb-21/what-s-driving-australia-s-infrastructure-recovery>, accessed 10th Aug 2021

pipeline of 13 major projects upcoming, including the Hellsgate Dam and Urannah Dam (\$2.9 billion) in Queensland, the Upper South Creek Advanced Water Recycling Project in NSW (\$791 million), and the Myalup-Wellington Water Project in Western Australia (\$396 million).⁴⁷ Telecommunications construction activity is relatively weaker in utilities, as NBN rollout activity begins to wind down from peak levels.⁴⁸

The utilities sector is expected to see growth in maintenance activity, particularly for water and sewerage, as assets approach the end of their life-cycle. The ageing infrastructure, much of which was built before the 1970s, is under pressure from a growing population, as well as frequent extreme weather events.⁴⁹ For example, in Queensland, it is reported that by 2030 over 5,000 kms of water mains will be over 70 years old, with an estimated replacement cost of \$1.4 billion.⁵⁰

Figure 14: Utilities Construction Activity, Australia, 2014-2020



Source: Australian Bureau of Statistics, 8755.0 Construction Work Done

⁴⁷ Australia New Zealand Infrastructure Pipeline, Infrastructure Partnerships Australia, <https://infrastructurepipeline.org/charts/location-sector>, accessed 10 Aug 2021

⁴⁸ Infrastructure outlook: 2020 and beyond, Infrastructure Magazine, 18 Feb 2020, <https://infrastructuremagazine.com.au/2020/02/18/infrastructure-outlook-2020-and-beyond/>, accessed 10 Aug 2021

⁴⁹ At the edge of the cliff: Planning for Australia's aging infrastructure, Utility Magazine, 21 January 2020, <https://utilitymagazine.com.au/at-the-edge-of-the-cliff-planning-for-australias-aging-infrastructure/>, accessed 24 Aug 2021

⁵⁰ Infrastructure Cliff? Queensland's Ageing Water and Sewerage Assets, Queensland Water Regional Alliance Program, Aug 2019

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Other Infrastructure

Rising investment in minerals is a significant driver for growth in this area, with the pipeline for oil & gas expected to rise considerably over the forecast period.⁵¹⁵² However, investment in the resources sector can be volatile and is subject to impact from changing commodity prices. The Surat Gas Project in Queensland (\$10 billion) is a major upcoming project which is under construction and due for completion in 2025. Other projects in the pipeline include the Browse to Northwest Shelf floating liquefied natural gas (FLNG) development (\$30 billion) and the Scarborough FLNG development (\$16 billion) in Western Australia, the Greater Sunrise Gas Development in Northern Territory (\$13 billion), and the Alpha Coal Project in Queensland (\$10.8 billion).⁵³

Councils

Australia has 537 local government bodies (also referred to as councils), of which 55% are regional, rural, or remote. Councils employ close to 200,000 people and own, manage, and maintain roads, cycle ways, footpaths, parks, pools and other community assets conservatively valued at \$457 billion, with an annual operation spend of more than \$38 billion.⁵⁴ The latest national state of the assets audit by the ALGA found that the need for investment in infrastructure exceeded \$30 billion, with the expectation that it would grow further to meet productivity and safety requirements.⁵⁵

Apart from construction project-specific requirements, councils also have year-round demand for traffic management services (for example, traffic management during mowing of public green strips/parks/gardens, tree-logging, etc.), as well as broader civil infrastructure services. To maximise the useful life of assets within operational budget constraints, especially in the context of in-house capability deficits, local governments are prompted to increase their reliance on external expertise and services.

Major Infrastructure Projects in the Pipeline in New South Wales and Queensland

The table below highlights some of the major projects in the states where Avada is currently active in i.e. NSW and Queensland:

Table 1: Major Infrastructure Projects Pipeline in NSW and Queensland

Project	State	Status	Remarks
Sydney Metro	NSW	Under construction (Metro Northwest completed, Metro City & Southwest expected completion 2024, Metro Western Sydney Airport expected completion 2026,	Project estimated cost \$ 48,700 million

⁵¹ Ibid

⁵² Major projects pipeline: cracks appear, ANZ Bluenotes, 15 February 2021, <https://bluenotes.anz.com/posts/2021/02/anz-research-major-projects-infrastructure-covid19>, accessed 10 Aug 2021

⁵³ Building and Construction Industry Forecasts, Master Builders Australia, May 2021

⁵⁴ 2021-22 Pre-budget Submission, Australian Local Government Association

⁵⁵ National State of the Assets 2018, Australian Local Government Association, Nov 2018

Project	State	Status	Remarks
		Metro West expected completion 2030)	
WestConnex project	NSW	Under construction (Expected completion – Late 2023)	Project estimated cost \$ 16,800 million
Inland Rail Freight Corridor	NSW, QLD, VIC	Parkes to Narromine Project completed, Narrabri to North Star under construction, remaining 12 sections in the reference design stage	Project estimated cost \$ 14,800 million
Bruce Highway Upgrade	QLD	Under delivery (Expected completion – 2028)	Project estimated cost \$ 13,000 million
Surat Gas Project	QLD	Under delivery (Expected completion – 2025)	Project estimated cost \$ 10,000 million
Cross River Rail	QLD	Under delivery (Expected completion – 2024)	Project estimated cost \$ 6,888 million
Western Sydney Airport	NSW	Under delivery	Project estimated cost \$ 4,500 million
Great Western Highway Upgrade	NSW	Announced (Expected delivery – 2023 to 2030)	Project estimated cost \$ 5,300 million
Snowy Mountains Hydro Scheme 2.0	NSW	Under delivery (Expected completion – 2024)	Project estimated cost \$ 5,100 million
Dinawan Energy Hub	NSW	Prospective (Expected construction commencement – 2024)	Project estimated cost \$ 4,300 million
Western Sydney Infrastructure Plan	NSW	Under procurement	Project estimated cost \$ 4,100 million
Pacific Motorway M1 Upgrade	QLD	Under delivery	Project estimated cost \$ 3,400 million
HumeLink	NSW	Detailed planning (Expected delivery – 2024 to 2026)	Project estimated cost \$ 3,300 million
Urannah Dam	QLD	Detailed planning (Expected construction commencement – 2022)	Project estimated cost \$ 2,900 million
Western Harbour Tunnel	NSW	Under procurement (Expected delivery – 2022 to 2026)	Project estimated cost \$ 2,200 million
Hells Gate Dam	QLD	Detailed Planning	2,100 GL dam in the Upper Burdekin Catchment, serving as water storage for 50,000 Ha irrigation scheme, a hydro power generator, and a solar farm
Gold Coast Light Rail	QLD	Stage 3 – Under procurement (Expected completion – 2023) Stage 4 – Detailed planning (Expected construction commencement – 2023)	Stage 3 estimated cost \$ 1,000 million

Sources: Infrastructure Partnerships Australia, Australia New Zealand Infrastructure Pipeline, <https://infrastructurepipeline.org/charts/location-sector>, accessed 16 Aug 2021; Master Builders Australia,

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Building and Construction Industry Forecasts, May 2021; Townsville Enterprise Limited (TEL), Hells Gates Project Overview; Inland Rail - Australian Rail Track Corporation (ARTC), Building Inland Rail Project Stages, <https://inlandrail.artc.com.au/building-inland-rail/project-stages/>, accessed 16 Aug 2021; Queensland Government - Department of Transport and Main Roads, Bruce Highway Upgrade Program, 12 Aug 2021, <https://www.tmr.qld.gov.au/projects/programs/bruce-highway-upgrade-program>, accessed 16 Aug 2021

5. Competitive Landscape

Whilst the industry is extremely fragmented, with a large number of extremely small service providers with limited resources and scale, there are some larger service providers active in each state and a few with interstate presence. The size of current and upcoming large infrastructure project opportunities and the benefits of economies of scale in terms of resources deployed to serve those opportunities are likely to support consolidation in the sector through mergers and acquisitions. Moving forward, this will provide larger competitors with greater competitive advantage in the market.

Key Competitors

Apart from Avada, key competitors in the traffic management services market include the following:

Table 2: Key Competitors in Traffic Management Services Market, Australia

Company Name	State(s)
Altus	QLD, NSW, VIC, SA, TAS
Evolution Group	QLD, NSW, New Zealand
Workforce International Group	QLD, NSW, VIC
WARP Traffic Management	QLD, NSW, WA
Lack Group	QLD, NSW
AAction Traffic	QLD
Acquired Awareness	QLD
Schramm Group Traffic	QLD
Traffic Logistics Group	NSW
Retro Traffic	NSW
East Coast Traffic Management (Fortade Group)	NSW
ATC Traffic	VIC, TAS
Traffic Diversions Group	VIC

Source: Company reports

Competitive Tools

Key factors providing competitive advantage in the traffic management services market include the following:

Figure 15: Competitive Tools, Australia, 2021

Expertise and Prior Record

- Strong prior record with major projects, as well as a strong safety track record
- Experience and expertise in senior management and field force
- Presence on government vendor panels

Value

- Demonstrating value for money in a price-competitive market

Ability

- Ability to deliver on projects depending on the location, scale, and project requirements
- Ability to deliver on adjacent services in civil infrastructure

Scale

- Size of the field force and vehicle fleet
- Scale enables a provider to deliver value to clients through expanded geographic coverage, wider network of depots, larger fleet of vehicles, higher efficiencies in back office systems, and effective leverage of digital technology
- Expanded geographic scale (through organic growth or acquisitions) enables a service provider to compete for large nation-wide contracts

Diverse Client Base and Contracts

- Servicing a diverse range of customers across public and private sectors, as well as a mix of project-based and ongoing service contracts
- Addressing a stable and increasing pipeline of new projects and maintenance works

Source: Frost & Sullivan

6. Conclusions

The Australian traffic management services market is driven by population growth and rising urbanisation (driving demand for traffic management services), growth in the number of registered vehicles, increasing government infrastructure spend, increased compliance requirements, asset renewal projects, major events, emergency and natural disaster response requirements, as well as the leverage of digital technologies and improved processes. All of these drivers also underpin the expansion of the broader civil infrastructure services and maintenance market.

The traffic management services market will be supported by growth in construction activity over the forecast period, supporting project-based opportunities and expanding the asset base to be maintained on an ongoing basis. In the short-term, the total volume of construction activity in Australia has slowed due to the net impacts of the pandemic on demand. However, recovery in construction activity is expected from 2022-23, rising to \$212.1 billion by 2024-25⁵⁶ with the recovery of the labour market and population growth, supported by the roll out of public sector

⁵⁶ Master Builders Australia, Building and Construction Industry Forecasts, May 2021

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projects as part of the stimulus, and the robust investment in major public works projects. In addition, the infrastructure maintenance market is projected to reach \$25.2 billion in 2026.⁵⁷

7. Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Avada and no interest in the outcome of the pre-IPO or IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the pre-IPO or IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

⁵⁷ IBISWorld, Infrastructure Maintenance Services in Australia, Nov 2020



3.

COMPANY OVERVIEW

3. Company Overview

3.1 Introduction

AVADA is expected to be a leading, independent, Australian traffic management operator made up of the AVADA Group Businesses (the **Group**). The Group, when combined, will have an established and extensive network with the competitive advantage of being able to service its clients throughout Queensland and New South Wales (**Region**). A description of each of the individual AVADA Group Businesses is set out in Section 3.6.

The Group's client list includes state and local governments, federally funded contractors and major contractors in the infrastructure, construction, utilities, telecommunications and other industrial sectors. AVADA's existing network is capable of meeting client demands throughout the Region.

With the Australian traffic management sector being highly fragmented, AVADA will be the only listed provider of traffic management control services in Australia. The Group will offer scale, broad market and service capability and geographic reach. AVADA is well positioned to benefit from infrastructure investment and recurring maintenance growth with traffic management being essential to civil service providers.

AVADA's corporate strategy is to grow its business and earnings by building on its strengths including:

- (a) quality individual businesses: individual brands and key management are retained, leveraging strong local reputations and client relationships to support further growth, and ensuring streamlined integration;
- (b) highly skilled management and Board: combines industry and technical expertise with the Chairman having ASX50 experience;
- (c) an extensive service network: providing diversification and allowing AVADA to service large national clients and contracts; and
- (d) a low risk integration plan: phased approach allowing businesses to focus on clients.

The Group will have several competitive advantages. The Group will have a strategically located and extensive network of depots capable of servicing clients throughout the Region, supported by a large vehicle fleet, a capable and experienced workforce and information technology capabilities (including real time monitoring, planning and scheduling software). The Group will have the ability to share resources, service innovations and market sector expertise, leveraging the varied industry expertise of management. AVADA will seek to improve efficiency through centralised back-office functions and an increased procurement capability, in addition to pursuing organic and acquisition growth geographically and through adjacent services in the civil infrastructure and maintenance sectors, which will leverage AVADA's corporate structure and existing client base.

From FY20 to FY21, the AVADA Group Businesses' Pro Forma revenue (on an aggregated basis) grew by 9.1% to \$117.0 million, whilst Pro Forma EBITDA grew by 20.7% to \$11.5 million. Forecast FY22 Pro Forma revenue is \$146.6 million and forecast Statutory revenue is \$83.5 million. Forecast FY22 Pro Forma EBITDA is \$15.5 million and forecast Statutory EBITDA is \$1.5 million.

3.2 Corporate History

AVADA was established in March 2021 to acquire Verifact Traffic and the other AVADA Group Businesses. Established in 2008, the business of Verifact Traffic is one of Australia's leading traffic management companies, providing services to public and private clients, including the Brisbane City Council, Australia's largest local government. Verifact Traffic has serviced Brisbane City Council since 2019. Verifact Traffic is a major traffic management operator in Queensland, servicing the Greater Brisbane area, South-East and Central Queensland.

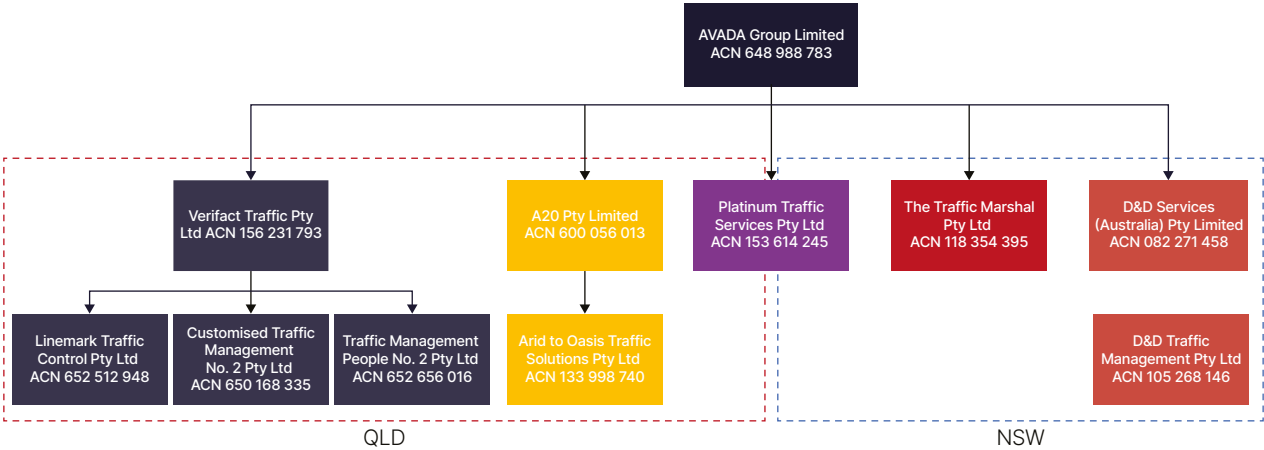
Several other businesses have accepted AVADA's offer to be acquired as part of the Group, resulting in a comprehensive and established network. AVADA will cover Queensland with the cornerstone business of Verifact Traffic, supported by Arid to Oasis Traffic Solutions and Platinum Traffic Services. D&D Traffic Management will join AVADA as the New South Wales cornerstone business, supported by The Traffic Marshal and Platinum Traffic Services.

3.3 Corporate Structure of AVADA

Upon completion of the Acquisitions, AVADA will be the parent company of five wholly owned subsidiaries:

- (a) Verifact Traffic Pty Ltd ACN 156 231 793, and its subsidiaries Customised Traffic Management No.2 Pty Ltd ACN 650 168 335, Linemark Traffic Control Pty Ltd ACN 652 512 948 and Traffic Management People No. 2 Pty Ltd ACN 652 656 016 (**Verifact Traffic**);
- (b) D&D Services (Australia) Pty Limited ACN 082 271 458, and its subsidiary D&D Traffic Management Pty Ltd ACN 105 286 146 (**D&D Traffic Management**);
- (c) Platinum Traffic Services Pty Ltd ACN 153 614 245 (**Platinum Traffic Services**);
- (d) The Traffic Marshal Pty Ltd ACN 118 354 395 (**The Traffic Marshal**); and
- (e) A20 Pty Limited ACN 600 056 013 and its subsidiary Arid to Oasis Traffic Solutions Pty Ltd ACN 133 998 740 (**Arid to Oasis Traffic Solutions**).

Figure 3.3: AVADA corporate structure



3.4 Organisational Structure

The operating structure of AVADA will be separated into the following key markets:

AVADA	
Queensland	New South Wales
<ul style="list-style-type: none"> Cornerstone Business: Verifact Traffic. Supporting Businesses: Arid to Oasis Traffic Solutions, Platinum Traffic Services. State-wide, strategically located. Major council clients. Long-standing customer relationships. Large private clients – infrastructure and construction contractors. 	<ul style="list-style-type: none"> Cornerstone Business: D&D Traffic Management. Supporting Businesses: The Traffic Marshal, Platinum Traffic Services. Greater Sydney focused, strategically located. Major state government clients. Large private clients – infrastructure, construction and telecommunications contractors.

3. Company Overview

3.5 Traffic management services

The AVADA Group Businesses have a large and established footprint in Queensland and New South Wales, delivering services to major public and private sector clients.

AVADA offers integrated traffic management services including planning and permits, traffic control, equipment hire, event management and incident response.

Traffic management is a legislative requirement and essential to all civil infrastructure and maintenance, resulting in consistent workflow from both new project investment and recurring maintenance requirements.

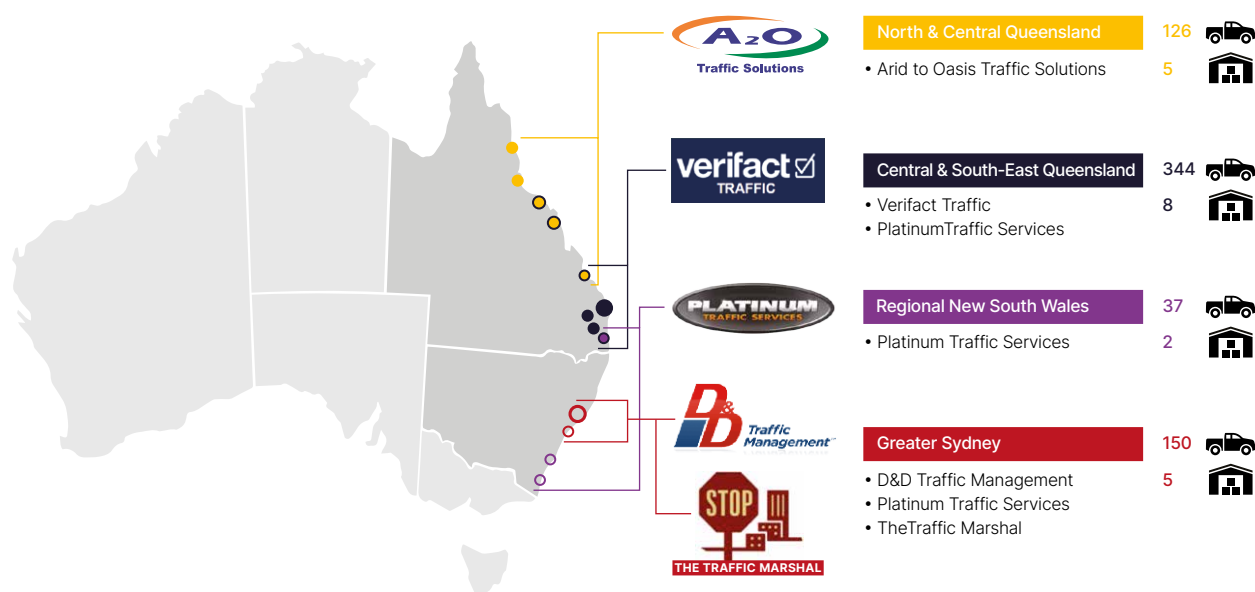
The services will be delivered through:

- an extensive network of 20 depots with 1,413 Traffic Controllers (as of 30 June 2021); and
- 657 vehicles (as of 30 June 2021) available to service the growing demand for traffic management services. An additional 114 vehicles are being acquired through asset acquisitions which are expected to complete prior to Completion, with replacement and growth capex as detailed in Section 5.45.

Service delivery will be supported by AVADA's information technology capabilities (including real time monitoring, planning and scheduling software), and ISO-compliant safety and reliability assured by effective management processes and performance monitoring.

This service platform will be delivered under the existing brands of each AVADA Group Business or as a group with the ability to service large national contracts.

Figure 3.5: Service network






3.6 AVADA Group Businesses

Queensland

Business	Overview
Verifact Traffic 	<p>The business of Verifact Traffic was established in Brisbane in 2008 and provides integrated traffic management services to local and state government and private customers throughout South-East and Central Queensland (with operations extending west to Roma). Verifact Traffic is a major traffic management provider in Queensland. Verifact Traffic's key clients include RoadTek, Energy Queensland, city councils such as Brisbane City Council, Gold Coast City Council and Toowoomba Regional Council, and major civil contractors such as the BMD Group.</p>
Arid to Oasis Traffic Solutions 	<p>Arid to Oasis Traffic Solutions was established in Townsville in 2008. With multiple locations including Townsville, Cairns, Rockhampton, Bundaberg and Mackay, Arid to Oasis Traffic Solutions offers integrated traffic management services to clients across Northern and Central Queensland (with operations extending west to Mt Isa). Arid to Oasis Traffic Solutions is a supplier for clients including Townsville City Council, RoadTek and Ergon Energy, and works with major civil contractors such as BMD Constructions.</p>
Platinum Traffic Services 	<p>Platinum Traffic Services was founded in Sydney in 2011 and provides integrated traffic management services in Queensland and New South Wales. Platinum Traffic Services currently operates predominantly in regions outside the Brisbane metropolitan area in South East Queensland, with a depot on the Gold Coast. Platinum Traffic Services' key Queensland clients include the Gold Coast City Council and major civil contractors.</p>

New South Wales

Business	Overview
D&D Traffic Management 	<p>The business of D&D Traffic Management was established in 2003 in Wollongong and is one of Greater Sydney's leading traffic management providers. D&D Traffic Management predominately focuses on major utilities, road construction and maintenance, rail construction and maintenance, communication (NBN) and construction industries throughout New South Wales. D&D Traffic Management is an approved contractor for Roads and Maritime Services NSW and Transport NSW and works with major civil contractors including John Holland, Ventia, Fulton Hogan, CPB Contractors, Lend Lease, Downer and Laing O'Rourke.</p>
The Traffic Marshal 	<p>The Traffic Marshal was established in 2006 in Northern Sydney. The Traffic Marshal provides integrated traffic management services to a diversified client base. The Traffic Marshal focuses on civil clients in the construction, infrastructure and energy industries. The Traffic Marshal's key clients include Downer, Visionstream, Garde and Boom Logistics.</p>
Platinum Traffic Services 	<p>In New South Wales, Platinum Traffic Services operates across the Greater Sydney and Central Coast regions. Platinum Traffic Services' contracts are typically construction and infrastructure-related, but also include services provided to niche markets such as event management and tree-logging. Platinum Traffic Services has a diversified client base, and is a panel provider for Roads and Maritime Services NSW in Sydney Metro and Sydney Southern, Sydney Trains, and Essential Energy. Additionally, Platinum Traffic Services provides services to key private sector clients such as Downer.</p>

3. Company Overview

3.7 Relationship with the Traffic Management Association

Dan Crowley, CEO and Managing Director, is a past president of the Traffic Management Association of Queensland (**TMAQ**)¹ and the founding president of the Traffic Management Association of Australia (**TMAA**). Tynan Diaz, Chief Operating Officer of D&D Traffic Management, is the current chair of TMAA's New South Wales division.

The majority of the AVADA Group Businesses are members of the TMAA, as well as their relevant state divisions.

3.8 Safety and employees

Safety is of vital importance to AVADA. All AVADA Group Businesses hold relevant safety certificates and registrations under the relevant government agency (Department of Transport and Main Roads in Queensland and Road and Maritime Services in New South Wales).

Furthermore, the AVADA Group Businesses are certified under the Joint Accreditation System of Australia and New Zealand and the International Organization for Standardization (**ISO**) standards for quality management and safety systems. AVADA recognises the importance of identifying and managing operational risk in the delivery of services to its customers. AVADA is committed to achieving and maintaining the highest standards of workplace occupational health and safety in all its operations. Each AVADA Group Business has a robust safety management system, developed to meet stringent Australian and International safety standards. The safety management system of each AVADA Group Business has been certified AS/NZS 4801:2001 or ISO 45001:2018 compliant, and are independently audited. The AVADA Group Businesses are also certified compliant under ISO 9001:2015.

All Traffic Controllers employed by the AVADA Group Businesses are (or are training towards becoming) State accredited Traffic Controllers. A focus on achieving lower staff turnover, robust safety and supervision processes, and digital live site reporting, ensures a high level of safety standards.

As at 30 June 2021, the AVADA Group Businesses employed in aggregate 1,413 Traffic Controllers. AVADA is committed to attracting and retaining qualified and effective personnel. Traffic Controllers have been employed for an average of 2.3 years across the group, with over 55% of Traffic Controllers being employed for over 12 months. Traffic controllers are employed on a permanent-part-time or casual basis, limiting unutilised hours.

Through roles in industry associations, investment in technology, and business leadership, the AVADA Group Businesses have taken a proactive role in improving safety standards in the traffic management sector.

3.9 Capabilities and capacity

The Group's ability to service clients and grow revenue is highly dependent on having an extensive vehicle and labour network. The Group's depot network will consist of 13 depots in Queensland and 7 depots in New South Wales. As of 30 June 2021, the AVADA Group Businesses' fleet consisted of 657 vehicles, of which 470 vehicles service Queensland, and 187 vehicles service New South Wales.

The Group's extensive depot network and large service fleet will make it one of the largest traffic management services providers in Australia, with an extensive geographic reach. Dynamic vehicle and Traffic Controller allocation across service depots to meet expected demand is a source of growth and competitive advantage post-Completion.

The Group has a highly variable cost base, predominately comprised of direct wages and on costs (72.5% of total costs), and direct motor vehicle costs (5.1% of total costs) for the year ended 30 June 2021.

¹ Which later became a division of the Traffic Management Association of Australia.

Table 3.9: Traffic management capabilities (as of 30 June 2021)
Queensland

Business	Head Office	Regions	Depots	Vehicles	Traffic controllers
Verifact Traffic	Springwood, Logan	Greater Brisbane, South-East and Central Queensland	7	310	687
Arid to Oasis Traffic Solutions	Shaw, Townsville	North and Central Queensland	5	126	234
Platinum Traffic Services	Ormeau, Gold Coast	South-East Queensland	1	34	60

New South Wales

Business	Head Office	Regions	Depots	Vehicles	Traffic controllers
D&D Traffic Management	Wollongong	Greater Sydney	2	101	215
The Traffic Marshal	Artarmon, Northern Sydney	Greater Sydney	1	22	34
Platinum Traffic Services	Smeaton Grange, Western Sydney	Greater Sydney, Regional New South Wales	4	64	183

3.10 Client relationships

AVADA's success will stem from its ability to maintain and build deep and enduring relationships with key clients built on service reliability. AVADA is committed to ensuring the highest level of service across its client base. The AVADA Group Businesses provide a complementary mix of individual business strengths, including diverse existing business networks and relationships, and varied sector expertise to support tender wins across the group.

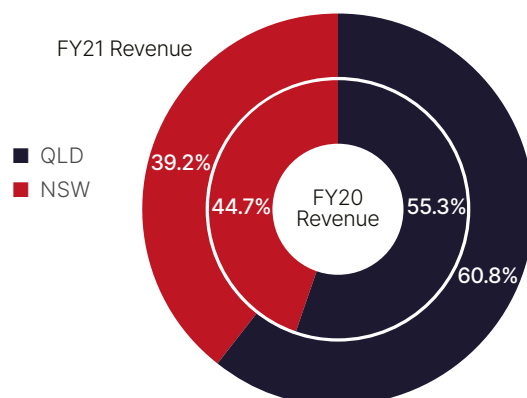
The Group's client portfolio includes government clients at state and local council levels, federally funded contractors and major contractors in the utilities, infrastructure, construction and other industrial sectors. The AVADA Group Businesses have a broad client base, with no single contract accounting for more than 15.0% of FY21 Group Revenue. The client base is well diversified with the five largest clients contributing 29.4% of the FY21 Group Revenue.

3. Company Overview

3.11 Source of revenue

The AVADA Group Businesses' revenue is predominantly sourced from traffic control and vehicle hire, with ancillary revenue sources including equipment hire and planning. Revenue is diversified across geography and customer type.

Figure 3.11: FY21 Revenue by geography (\$million)



In FY20, approximately \$59.3 million (55.3%) was Queensland revenue, and \$48.0 million (44.7%) was New South Wales revenue. In FY21, approximately \$71.2 million (60.8%) was Queensland revenue, and \$45.8 million (39.2%) was New South Wales revenue.

3.12 Integration

Integration of the AVADA Group Businesses into AVADA will be a key priority immediately post-Completion. AVADA has formulated a low risk plan for the integration of the AVADA Group Businesses. A phased approach to integration will be adopted whereby the AVADA Group Businesses continue to focus on a 'business as usual' approach to allow each AVADA Group Business to continue to organically grow.

AVADA will initially focus on establishing a corporate identity that will provide centralised support to the AVADA Group Businesses including the consolidation of functions such as planning, finance, human resources, information technology and procurement. Immediately post-Completion, it is expected that the AVADA Group Businesses will continue to focus on their respective financial targets and client requirements, whilst adhering to the increased financial reporting, control and risk management requirements of a listed company. Ensuring minimal disruption during the listing transition period is a key focus of management. The AVADA Group Businesses will continue to operate under existing brands, trading names and operational management. AVADA intends to adopt the 'AVADA' brand at the corporate level, allowing the AVADA Group Businesses to maintain their existing business networks and relationships whilst also providing a unified brand for relevant contract negotiation for procurement and large project opportunities.

The establishment of a corporate brand, whilst retaining individual brands, is expected to have minimal disruption in respect to day-to-day business operations, allowing operational management to ensure their businesses remain predominantly focused on client service. No synergies have been included in the FY22 forecast.

3.13 Key Management Personnel

AVADA has an experienced senior management team with a proven track record of success.

The executive team will be complemented by experienced Key Management Personnel that have founded and developed the AVADA Group Businesses. The Key Management Personnel will cover all elements of the AVADA Group Business, including operations, financial management, human resources and administrative services. For further information refer to Section 4.

AVADA intends to retain the current management in each of the AVADA Group Businesses as the businesses are integrated in the Group. Current management has the experience, deep local market knowledge, customer relationships, and industry know-how to assist the alignment of the AVADA Group Businesses. The majority of the existing management team, who will form the Key Management Personnel post-Completion, will retain a shareholding in AVADA.

3.14 Growth strategies

AVADA will embark on a range of initiatives that will underpin AVADA's growth strategy. AVADA has the network to develop a national footprint and offer a breadth of civil infrastructure and maintenance services, delivering consistent and sustainable growth. Management has identified the following growth initiatives for AVADA:

(a) Maintain and expand share of a growing market

The Group will be one of the largest traffic management businesses in Australia, which provides AVADA with the opportunity to enhance its market share by leveraging its competitive advantages, in addition to building greater critical mass and back-office support capabilities, through:

- (i) a flexible go-to-market strategy: by maintaining the operational structure of each AVADA Group Business, the Group will have the ability to vary its go-to-market strategy to maximise competitiveness;
- (ii) leveraging market expertise: the AVADA Group Businesses separately target and specialise in servicing clients in different sectors, creating the opportunity to grow market share by leveraging specialist expertise across the Group to support tender submissions and unlock additional panel arrangements; and
- (iii) ISO compliant safety and reliability processes: during integration, best practices will be identified and applied throughout AVADA, with management's breadth of experience being shared across the AVADA Group Businesses.

(b) Phased and considered integration

Integration will contribute to growth through:

- (i) the identification and implementation of best-in-class processes and functions; and
- (ii) the consolidation of corporate functions to enable further integration, including centralised procurement, planning and corporate functions.

This phased approach allows each AVADA Group Business to continue to organically grow.

(c) Geographic expansion

The AVADA Group Businesses currently operate throughout the Queensland and New South Wales markets. Further opportunities have been identified in all other Australian States and Territories, together with New Zealand. AVADA believes that geographical expansion can be supported by the strong growth expected in the sector.

AVADA will continue to pursue strategic and complementary growth opportunities, both through greenfield development and acquisitions. AVADA has a well-considered and disciplined investment strategy. AVADA will broadly target:

- (i) interstate and regional expansion, led by the cornerstone businesses in each key market, allowing for local leadership in identifying potential acquisitions and streamlined integration; and
- (ii) New Zealand expansion, given the similar market opportunities present.

(d) Build into adjacencies

AVADA will leverage its network and corporate capabilities to expand into adjacent services in the civil infrastructure and maintenance sectors due to:

- (i) significant opportunities arising from economies of scale and demand for service integration (e.g. water trucks, line marking, general maintenance services);
- (ii) the ability to leverage existing client relationships; and
- (iii) transferable management experience and expertise.

By expanding into adjacent civil infrastructure and maintenance services, AVADA can generate synergies, improve operational efficiency and expand its service offering.

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4.

BOARD, MANAGEMENT AND CORPORATE GOVERNANCE




verifact 

4. Board, Management and Corporate Governance

4.1 Board

Director	Experience
 <p>Lance Edwin Hockridge <i>Non-Executive Chairman</i></p>	<p>Lance Hockridge is a globally experienced manufacturing, logistics and transportation executive with a focus on leading the safety, operational and financial transformation of businesses. Lance was previously the Managing Director and chief executive officer of Aurizon Holdings Limited, following the demerger of Queensland Rail and QR National. Lance joined the then Queensland Rail as chief executive officer in 2007, leading the Company through a successful IPO in November 2010 (subsequently an ASX 50 company). Lance led Aurizon through a major safety, customer, cultural, operational and financial transformation.</p> <p>Lance has nearly 40 years' experience in the transportation and heavy industrial sectors in Australia and the United States of America with BHP, BlueScope Steel and Aurizon. At BHP, Lance led the Company's global shipping and transport operations. Thereafter Lance led what became BlueScope Steel's Flat Products business after the demerger of BlueScope from BHP. In 2005, Lance was appointed President of BlueScope Steel's North American operations where he led a major turnaround in safety, production and financial performance.</p> <p>Lance was a member of the Business Council of Australia from 2011 to 2016. He was a private sector member of the Australian Government's Department of Defence Gender Equality Advisory Board and is a founding member of Queensland's "Male Champions of Change" group. Lance was Deputy Chairman of the Queensland Government Domestic and Family Violence Implementation Council. Lance was the first Australian to be awarded the prestigious UN CEO Empowerment Award in March 2016. Lance is also the Chairman of The Salvation Army's Queensland Advisory Group.</p> <p>Lance is a Member of the Australian Institute of Company Directors, a Fellow of the Institute of Managers and Leaders Australia and New Zealand and is a Chartered Fellow of the Chartered Institute of Logistics and Transport.</p>
 <p>Ann-Maree Robertson <i>Independent Non-Executive Director and Deputy Chair</i></p>	<p>Ann-Maree will be appointed as a Non-Executive Director on Completion. Through her auditing and commercial accounting experience, Ann-Maree has developed an extensive understanding of financial reporting, accounting, governance and internal control systems across a wide variety of businesses.</p> <p>Ann-Maree has been Director of Audit & Assurance at Nexia Australia since 2007. Ann-Maree's clients include ASX listed public companies, large public unlisted and proprietary companies and not for profit entities across a range of industries including exploration, construction, service industries and financial services. In her role as Audit Director she has been involved in assisting her client's Audit Committees and Boards. She has been in practice since 1989 to present.</p> <p>Combining significant audit and commercial experience, Ann-Maree contributes a deep knowledge of audit, financial reporting, accounting, governance and internal controls for listed companies. Ann-Maree is a Member of the Australian Institute of Company Directors, a Fellow of Chartered Accountants Australia & New Zealand, an ASIC Registered Company Auditor and holds a Bachelor of Commerce from the University of Queensland.</p>

4. Board, Management and Corporate Governance

Director	Experience
 <p>Joanne Maree Willoughby <i>Independent Non-Executive Director</i></p>	<p>Jo Willoughby will be appointed as a Non-Executive Director on Completion. Jo has a proven ability to deliver profitable and sustainable growth through customer-led innovation and change in fast-paced, complex and regulated operating environments. Jo's diverse industry experience includes financial services, logistics, retail and professional services.</p> <p>Jo is Independent Chair for Collins SBA Holdings, and is a member of the Advisory Board Centre and is an independent director for a number of private companies.</p> <p>Combining strategic, governance and commercial experience, Jo brings deep knowledge of marketing and sales, customer and brand experience, digital transformation, financial performance and risk management. Jo has been an independent principal consultant since 2017, providing advisory services to clients within the infrastructure and utilities sectors. Previously, Jo was Chief Operating Officer and Head of Sales and Marketing at Infocus Wealth Management for five years, and worked for Australia Post for 11 years across various marketing and management roles.</p> <p>Jo is a certified Advisory Board Chair, a Graduate Member of the Australian Institute of Company Directors, a Certified Practising Marketer, and holds a Bachelor of Business from the University of Southern Queensland.</p>
 <p>Daniel James Crowley <i>Managing Director and Chief Executive Officer</i></p>	<p>Dan Crowley is the CEO and founder of the Verifact Traffic business.¹ Verifact Traffic's traffic management business has operated under Dan's leadership since 2008 and is one of Australia's market leaders in traffic management. Verifact Traffic is a founding business of the Group. Dan will direct and execute the strategic direction of the Group. Dan is a past president of the TMAQ and the founding president of the TMAA.</p> <p>Previously, Dan worked for 12 years in the Queensland Police Service, obtaining the rank of Detective Sergeant. Dan was appointed to the boards of both the Australian and Queensland Rugby Union and the Rugby Union Players Association. Dan represented Australia and Queensland in Rugby Union for over a decade winning two World Cup and Super Rugby Titles over that period. Dan is also a member of the Australian Institute of Company Directors.</p>
 <p>Roberto Cazzoli <i>Executive Director and General Manager (D&D Traffic Management)</i></p>	<p>Rob Cazzoli is the Managing Director of D&D Traffic Management. D&D Traffic Management, based in New South Wales, is a founding business of AVADA. Rob brings significant traffic management industry experience from within the New South Wales market. Rob joined D&D Traffic Management in 2000 and has been a joint director of the business since 2003. Rob led the restructuring and expansion of the D&D Traffic Management business to focus on traffic management. Rob's commercial acumen and structured approach to developing management and operational systems has been pivotal in developing D&D Traffic Management into a market leader in traffic management. Rob's vision and enthusiasm for innovation has been fundamental in defining D&D Traffic Management's distinct service offering. Rob continues to focus on ensuring the growth of D&D Traffic Management. Rob holds a Bachelor of Commerce from the University of Wollongong.</p>

¹ The business of Verifact Traffic was previously operated out of a different entity until an internal group restructure in 2018.

4.2 Management team and organisational structure

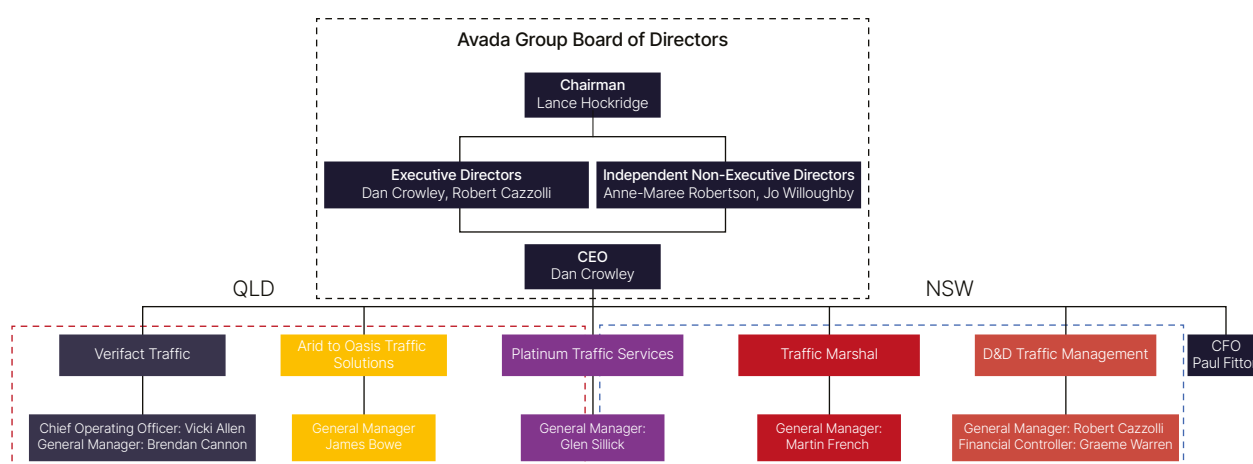
Paul Fitton

Chief Financial Officer and Company Secretary

Paul Fitton is responsible for the financial reporting, governance and corporate finance functions of the Company. Paul has over 20 years' professional services experience within audit and corporate finance at PwC (10 years) and Deloitte (10 years), in Brisbane, London and Melbourne. Paul was part of the audit and the transaction services teams, most recently as Director, Deals Transaction Services at PwC Brisbane. Paul's background gives him extensive experience guiding companies through the IPO process and through complex acquisitions and transactions.

Paul's skillset is ideal to support the Company through the consolidation, listing and growth phases. Paul holds a Bachelor of Commerce from the University of Queensland and is a member of the Chartered Accountants of Australia and New Zealand.

Organisational structure



4.3 Remuneration of Directors and Key Executives

(a) Non-Executive Directors' Remuneration

The Board determines the total amount paid to each Director as remuneration for their services. Under the Listing Rules the total amount paid to all Non-Executive Directors must not exceed in total in any financial year the amount fixed in a general meeting of AVADA. This amount is currently \$500,000. Annual Directors' fees agreed to be paid are \$120,000 to the Chairman, Lance Hockridge, and \$50,000 to each remaining Non-Executive Director. Jo Willoughby and Ann-Maree Robertson will also be issued 50,000 Shares each on Completion (to the value of \$50,000 at the Offer Price).

Further, a Chair of a Board Committee currently receives an additional \$10,000 per committee. All Directors' fees include superannuation at the statutory rate.

Non-Executive Directors may be paid extra remuneration, as determined by the Board, for performing services which are outside the scope of the ordinary duties of a Director of AVADA.

There are no retirement or other termination benefits for Directors other than benefits associated with the statutory superannuation contributions.

4. Board, Management and Corporate Governance

(b) Dan Crowley – Managing Director and Chief Executive Officer

Dan Crowley will receive an annual fixed remuneration of \$350,000 inclusive of superannuation. Mr Crowley may be eligible to participate in any short-term or long-term incentive plan that the Company may introduce. Mr Crowley may terminate his employment contract by giving six months' notice in writing to the Company. The Company may at any time and for any reason terminate Mr Crowley's employment by giving him six months' notice in writing. In the event of the termination of Mr Crowley's employment by the Company or himself, he will be entitled to payment of remuneration up until the end of the six months notice period or by making a payment in lieu of notice. In the event of serious, wilful or persistent misconduct or other specific circumstances warranting summary dismissal, the Company may terminate Mr Crowley's employment contract immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Crowley's employment contract, Mr Crowley will be subject to a restraint of trade for up to three years.

(c) Rob Cazzolli – Executive Director and General Manager (D&D Traffic Management)

Rob Cazzolli will receive an annual fixed remuneration of \$200,000 inclusive of superannuation. Mr Cazzolli may be eligible to participate in any short-term or long-term incentive plan that the Company may introduce. Mr Cazzolli may terminate his employment contract by giving three months' notice in writing to the D&D Traffic Management. The D&D Traffic Management may at any time and for any reason terminate Mr Cazzolli's employment by giving him three months' notice in writing or by making a payment in lieu of notice. In the event of the termination of Mr Cazzolli's employment by the D&D Traffic Management or himself, he will be entitled to payment of remuneration up until the end of the three month notice period. In the event of serious, wilful or persistent misconduct or other specific circumstances warranting summary dismissal, the D&D Traffic Management may terminate Mr Cazzolli's employment contract immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Cazzolli's employment contract, Mr Cazzolli will be subject to a restraint of trade for up to three years.

(d) Paul Fitton – Chief Financial Officer and Company Secretary

Paul Fitton will receive an annual fixed remuneration of \$250,000 inclusive of superannuation. Mr Fitton will also be issued 150,000 Shares on Completion (having a value of \$150,000 at the Offer Price). Mr Fitton may be eligible to participate in any long-term incentive plan that the Company may introduce. Mr Fitton may terminate his employment contract by giving three months' notice in writing to the Company. The Company may at any time and for any reason terminate Mr Fitton's employment by giving him three months' notice in writing or by making a payment in lieu of notice. In the event of the termination of Mr Fitton's employment by the Company or himself, he will be entitled to payment of remuneration up until the end of the three month notice period. In the event of serious, wilful or persistent misconduct or other specific circumstances warranting summary dismissal, the Company may terminate Mr Fitton's employment contract immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Fitton's employment contract, Mr Fitton will be subject to a restraint of trade for up to three years.

(e) Key Management Personnel

The key management of AVADA will include:

- (i) Vicki Allen (Verifact Traffic Chief Operating Officer);
- (ii) Brendan Cannon (Verifact Traffic General Manager);
- (iii) Graeme Warren (D&D Traffic Management Financial Controller);
- (iv) Tynan Diaz (D&D Traffic Management Chief Operating Officer);
- (v) James Anthony Bowe (Arid to Oasis Traffic Solutions General Manager);
- (vi) Glen Sillick (Platinum Traffic Services General Manager); and
- (vii) Martin French (The Traffic Marshal General Manager),

who will each receive annual fixed remuneration in the range of \$160,000 to \$250,000, inclusive of superannuation.

Further information on key management salaries are set out in Section 8.12. They may be eligible to participate in any short-term or long-term incentive plan that the Company may introduce. They may terminate their employment contract by giving three months' notice in writing to the Company. The Company may at any time and for any reason terminate their employment by giving them three months' notice in writing or by making a payment in lieu of notice. In the event of the termination of their employment by the Company or themselves, they will be entitled to payment of remuneration up until the end of the three-month notice period. In the event of serious, wilful or persistent misconduct or other specific circumstances warranting summary dismissal, the Company may terminate

their employment contract immediately by notice in writing and without payment in lieu of notice. Upon the termination of their employment contract, they will be subject to a restraint of trade for up to twelve months.

4.4 Shareholdings of Directors

The Constitution of AVADA does not require the Directors to hold Shares.

Directors and their related parties will hold the following Shares at or immediately following Completion:

Name	Shareholding upon Completion
Lance Hockridge (through related entities Hockridge Superannuation Pty Ltd as trustee for Hockridge Family Superannuation Fund and Hockridge Estate Pty Ltd as trustee for Hockridge Family Trust)	7,620,847 Shares which includes Committed Shares outlined in Section 9.7.1.
Ann-Maree Robertson	50,000 Shares.
Jo Willoughby	50,000 Shares.
Dan Crowley (through related entities Crowley Superannuation Pty Ltd as trustee for the Crowley Superannuation Fund and his holding in Verifact Pty Ltd as trustee for the Verifact Unit Trust)	14,199,027 Shares, which includes Shares issued in his related party's capacity as Seller under the Verifact Acquisition Agreement outlined in Section 8.3 and Committed Shares as outlined in Section 9.7.1.
Rob Cazzolli (through related entity Rodeca Pty Limited)	1,679,887 Shares, which includes Shares issued in his related party's capacity as Seller under the D&D Acquisition Agreement outlined in Section 8.6.

Final Directors' shareholdings will be notified to the ASX upon Completion.

4.5 Responsibility of the Board

The Board is responsible for the Company's proper corporate governance. To carry out this obligation, the Board must act:

- (a) honestly, conscientiously and fairly;
- (b) in accordance with the law;
- (c) in the interests of the Shareholders (with a view to building sustainable value for them); and
- (d) in the interests of employees and other stakeholders.

The Board's broad function is to:

- (e) chart strategy and set financial targets for AVADA;
- (f) monitor the implementation and execution of strategy and performance against financial targets;
- (g) appoint and oversee the performance of executive management; and
- (h) generally to take an effective leadership role in relation to AVADA.

Power and authority in certain areas is specifically reserved to the Board – consistent with its functions described above. These areas include:

- (i) providing leadership and setting the strategic objectives of AVADA;
- (j) the composition of the Board itself including the appointment and removal of the Chairman or deputy chairman (if applicable);
- (k) oversight of AVADA including its control and accountability system;
- (l) appointing and removing the CEO or equivalent;
- (m) if appropriate, ratifying the appointment and the removal of senior executives;

4. Board, Management and Corporate Governance

- (n) reviewing, ratifying and monitoring the risk management framework and setting the risk appetite within which the Board expects management to operate;
- (o) approving and formulating company strategy and policy and monitoring senior executive's implementation of strategy;
- (p) approving and monitoring operating budgets and major capital expenditure;
- (q) overseeing the integrity of AVADA's accounting and corporate reporting systems, including the external audit;
- (r) monitoring industry developments relevant to AVADA and its business;
- (s) developing suitable key indicators of financial performance for AVADA and its business;
- (t) overseeing AVADA's corporate strategy and performance objectives developed by management;
- (u) overseeing AVADA's compliance with its continuous disclosure obligations;
- (v) approving AVADA's remuneration framework;
- (w) monitoring the overall corporate governance of AVADA (including its strategic direction and goals for management, and the achievement of these goals);
- (x) oversight of Committees; and
- (y) ensuring that an appropriate framework exists for relevant information to be reported by senior executives to the Board, including but not limited to notifying the Board where:
 - (i) circumstances dictate that the Company needs to operate outside of the current risk appetite set by the Board;
 - (ii) there has been any material breach of AVADA's Code of Conduct;
 - (iii) there has been any material incidents reported under AVADA's Whistleblower Policy; and
 - (iv) there has been any material incidents of bribery or corruption reported under AVADA's Anti-Bribery and Anti-Corruption Policy.

4.6 Composition of Board

The Board is comprised of 5 directors, comprising Lance Hockridge, Ann-Maree Robertson, Jo Willoughby, Dan Crowley and Rob Cazzolli. Detailed biographies of the Board members on Completion are provided in Section 4.1.

The Board considers a Director to be independent where he or she is independent of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board reviews the independence of each Non-Executive Director in light of information disclosed to the Board.

The Board Charter sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on the ASX Recommendations.

The Board considers that each of Ann-Maree Robertson and Jo Willoughby are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and are able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

The Board consists of a majority of Non-Executive Directors.

4.7 Board charter and policy

The Board has adopted a charter which formally recognises its responsibilities, functions, power, authority and composition. This charter sets out other things which are important for effective corporate governance including:

- (a) a detailed definition of 'independence';
- (b) a framework for the identification of candidates for appointment to the Board and their selection (including undertaking appropriate background checks);
- (c) a framework for individual performance review and evaluation;

- (d) proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- (e) basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among Non-Executive Directors;
- (f) ethical standards and values (in a detailed code of ethics and values);
- (g) dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and
- (h) communications with Shareholders and the market.

The purpose of the charter is to 'institutionalise' good corporate governance and to build a culture of best practice both in AVADA's internal practices and its dealings with others.

4.8 Audit and risk management committee (ARM Committee)

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal controls, assist the Board with policy on the quality and reliability of financial information being prepared for use by the Board and reviewing AVADA's risk management. Its initial members will be:

- (a) Ann-Maree Robertson (committee chair);
- (b) Lance Hockridge; and
- (c) Jo Willoughby.

The committee is responsible for:

- (a) monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements;
- (b) assessing corporate risk (including economic, environmental and social sustainability risks) and compliance with internal controls;
- (c) overseeing safety policy and performance;
- (d) overseeing business continuity planning and risk mitigation arrangements;
- (e) assessing the objectivity and performance of the internal audit function and considering enhancements;
- (f) reviewing reports on any material misappropriation, frauds and thefts from AVADA;
- (g) reviewing reports on the adequacy of insurance coverage;
- (h) monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary about those requirements;
- (i) reviewing material transactions which are not a normal part of AVADA's business;
- (j) reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor and the rotation of the audit engagement partner;
- (k) liaising with the external auditors and monitoring the conduct, scope and adequacy of the annual external audit;
- (l) reviewing management processes supporting external reporting, including the appropriateness of the accounting judgments or choices made by management in preparing the financial reports and statements;
- (m) reviewing financial statements and other financial information distributed externally, including considering whether the financial statements reflect the understanding of the ARM Committee and otherwise provide a true and fair view of the financial position and performance of AVADA;
- (n) preparing and recommending for approval by the Board the corporate governance statement for inclusion in the annual report or any other public document;
- (o) reviewing external audit reports and monitoring, if major deficiencies or breakdowns in controls or procedures have been identified, remedial action taken by management;
- (p) reviewing any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor; and

4. Board, Management and Corporate Governance

(q) reviewing and monitoring compliance with the Code of Conduct.

Meetings will be held at least three times each year, and more often as required. A broad agenda is laid down for each regular meeting according to an annual cycle. The external auditors will be asked to attend each of its meetings or specific parts of the meetings at the discretion of the committee.

4.9 People, nomination and remuneration committee

The purpose of this committee is to assist the Board and report to it on remuneration and related policies and practices (including remuneration of senior management and Non-Executive Directors) and make recommendations to it about the appointment of new Directors (both executive and non-executive) and senior management.

Its initial members will be:

- (a) Jo Willoughby (committee chair);
- (b) Lance Hockridge; and
- (c) Ann-Maree Robertson.

The committee is responsible for:

- (a) developing suitable criteria (about experience, expertise, skills, qualifications, contacts or other qualities) for Board candidates;
- (b) identifying individuals who, because of their experience, expertise, skills, qualifications, contacts or other qualities, are suitable candidates for appointment to the Board or to any relevant management position;
- (c) reviewing processes for succession planning for the Board, CEO and other senior executives;
- (d) recommending individuals for consideration as Board candidates by the Board;
- (e) recommending to the Chairman procedures for the proper supervision of the Board and management;
- (f) ensuring appropriate induction and continuing professional development programs are implemented for Directors;
- (g) ensuring that the performance of each Director, and of all members of senior management, is reviewed and assessed each year in accordance with procedures adopted by the Board;
- (h) ensuring that any diversity profile identified by the Board is a factor that is taken into account in the selection and appointment of qualified employees, senior management and Board candidates;
- (i) reporting to the Board as necessary to facilitate compliance with the Diversity Policy;
- (j) reporting to the Board annually on the diversity profile of employees of the Company, including the relative proportion of men and women in the workforce at all levels of the Company (and their relative levels of remuneration) and the extent to which the Company is progressing towards achieving its measurable objectives set out in the Company's Diversity Policy;
- (k) assisting the Board and making recommendations to it about the appointment of new Directors (both executive and non-executive) and of the CEO and CFO and, to the extent delegated to it by the Board, other senior executives;
- (l) reviewing and evaluating market practices and trends for remuneration relevant to AVADA;
- (m) reviewing and making recommendations to the Board for AVADA's remuneration policies and framework, including the allocation of the directors' fee pool to Non-Executive Directors;
- (n) reviewing and making recommendations to the Board for AVADA's remuneration practices, including for equity-based remuneration plans and superannuation arrangements;
- (o) overseeing as appropriate, in conjunction with the Chairman, the performance of the CEO and CFO and other senior executives and Non-Executive Directors;
- (p) reviewing and making recommendations to the Board for the remuneration packages of the CEO and CFO and other senior executives and of Non-Executive Directors and ensuring that the packages appropriately reflect the different roles and responsibilities of Non-Executive Directors compared with senior executives;
- (q) preparing any report for the Board that may be required under applicable legal or regulatory requirements about remuneration matters;

- (r) reviewing AVADA's reporting and disclosure practices for the remuneration of Directors and senior executives;
- (s) reviewing, making recommendations to the Board on remuneration by gender (and other diversity benchmarks) and reporting to the Board as necessary to facilitate compliance with the Diversity Policy; and
- (t) at the direction of the Board, implementing the recommendations of the Remuneration Committee on remuneration by gender (and other diversity benchmarks), as part of the People, Nominations and Remuneration Committee's administration of the Diversity Policy.

Meetings will be held at least three times a year and more often as required.

A key focus of the committee will be to establish a well-structured executive short-term incentive and long-term incentive plan to take effect for the year commencing 1 July 2022.

4.10 Policies

Securities trading policy

A securities trading policy (**Securities Trading Policy**) has been adopted by the Board to provide guidance to Directors, identified employees including senior management, and other employees of AVADA, where they are contemplating dealing in AVADA's securities or the securities of entities with whom AVADA may have material dealings. The Securities Trading Policy is designed to ensure that any trading in AVADA's securities is in accordance with the law and minimises the possibility of misperceptions arising in relation to Directors' and employees' dealings in AVADA's securities.

The Securities Trading Policy is directed at dealing in AVADA's securities by the Directors and employees, dealings through entities or trusts controlled by a relevant person, or in which they have an interest, and encouraging family or friends to so deal.

Any non-compliance with the Securities Trading Policy will be regarded as an act of serious misconduct. The Securities Trading Policy is available on AVADA's website at www.avadagroup.com.au.

Continuous disclosure policy

The Board has adopted a continuous disclosure policy (**Continuous Disclosure Policy**), which sets out procedures to be adopted by the Board to ensure AVADA complies with its continuous disclosure obligations to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities and to correct any material mistake or information in the market.

The Board is responsible for determining whether information is such that it would have a material effect on the price or value of AVADA's securities. The Continuous Disclosure Policy provides a framework for the Board and officers of AVADA to internally identify and report information which may need to be disclosed and sets out practical implementation processes in order to ensure any identified information is adequately communicated to the ASX and Shareholders.

Any non-compliance with the Continuous Disclosure Policy will be regarded as an act of serious misconduct. The Continuous Disclosure Policy is available on AVADA's website at www.avadagroup.com.au.

Diversity policy

AVADA is committed to complying with the diversity recommendations published by the ASX and promoting diversity among employees, consultants and senior management, and has adopted a policy in relation to diversity (**Diversity Policy**).

AVADA defines that diversity includes, but is not limited to, diversity of gender, age, ethnicity and cultural background.

The Diversity Policy adopted by the Board outlines AVADA's commitment to fostering a corporate culture that embraces diversity and provides a process for the Board to determine measurable objectives and procedures to implement and report against to achieve its diversity goals.

AVADA's People, Nomination and Remuneration Committee is responsible for implementing the Diversity Policy, setting the Company's measurable objectives and benchmarks for achieving diversity and reporting to the Board on compliance with the Diversity Policy.

4. Board, Management and Corporate Governance

As part of its role, AVADA's People, Nomination and Remuneration Committee is responsible for formulating and implementing a Company remuneration policy. Under the Diversity Policy, a facet of this role will include reporting to the Board annually on the proportion of men and women in AVADA's workforce and their relative levels of remuneration.

The Board will assess and report annually to Shareholders on AVADA's progress towards achieving its diversity goals.

The Diversity Policy is available on AVADA's website at www.avadagroup.com.au.

Privacy policy

AVADA is bound by the *Australian Privacy Act 1988* (Cth) (**Privacy Act**) and the Australian Privacy Principles contained in that Act (**Privacy Principles**). The Privacy Principles are designed to protect the confidentiality of information and the privacy of individuals by regulating the way personal information is managed. The privacy policy is available on AVADA's website at www.avadagroup.com.au.

Whistleblower policy

AVADA has adopted a whistleblower policy (**Whistleblower Policy**). The purpose of the Whistleblower Policy is to ensure that the Company maintains the highest standards of conduct and ethical behaviour and to promote a supportive, honest and ethical culture.

This policy encourages employees to raise any concern and report instances of illegal, unacceptable or undesirable conduct.

The policy ensures that all disclosures made under the policy can be made anonymously and treated confidentially. The policy also specifies the role and responsibility of persons who are responsible for the administration of the policy.

Details of the Whistleblower Policy is available on AVADA's website at www.avadagroup.com.au.

Anti-bribery and anti-corruption policy

AVADA is committed to responsible corporate governance and to conducting its business lawfully, ethically and honestly, and will not tolerate any bribery or corrupt behaviour that is intended to obtain unlawful, improper, dishonest or corrupt benefit or advantage for AVADA or its employees.

The Board has adopted an anti-bribery and anti-corruption policy (**Anti-Bribery and Anti-Corruption Policy**) to demonstrate its standards and commitment to preventing bribery and corrupt practices.

This general company-wide policy does not override specific policies, procedures, laws or regulations in local jurisdictions, but instead serves to complement them.

The Anti-Bribery and Anti-Corruption Policy is available on AVADA's website at www.avadagroup.com.au.

4.11 Compliance with ASX Corporate governance principles and recommendations

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations' (**Guidelines**) was published by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. AVADA's Corporate Governance Charter has been drafted in light of the Guidelines.

The Board has assessed AVADA's current practice against the Guidelines and outlines its assessment below:

Principles and recommendations	Compliance	Comply
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1 Have and disclose a board charter which establishes the functions expressly reserved to the Board and those delegated to management and discloses those functions.	<p>The Board is responsible for the overall corporate governance of AVADA.</p> <p>The role of the Board and delegation to management have been formalised in the Corporate Governance Charter which outlines the main corporate governance practices in place for AVADA.</p> <p>The Board and each Director are committed to the charter. The conduct of the Board is also governed by AVADA's Constitution, and where there is inconsistency with that document, the Constitution prevails to the extent of the inconsistency. The charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed company.</p>	Complies.
1.2 Undertake appropriate checks before appointing a person a director or senior executive or putting someone forward as a director and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.	<p>AVADA has completed police checks, insolvency and banned Director searches in relation to the existing Directors. AVADA will conduct appropriate checks for future appointments.</p> <p>The Company will publish Director profiles on the Company's website outlining biographical details, other directorships held, commencement date of office and level of independence.</p>	Complies.
1.3 Have a written agreement with each director and senior executive setting out the terms of their appointment.	AVADA has entered into written agreements with each Director and senior executive.	Complies.
1.4 The company secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.	This is consistent with the charter and corporate structure of AVADA. AVADA's company secretary has a direct relationship with the Board in relation to these matters.	Complies.
1.5 Establish a Diversity Policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.	<p>The Diversity Policy sets out the requirements to establish measurable objectives and the reporting of those objectives.</p> <p>The Diversity Policy for AVADA has only recently been established. AVADA was incorporated in March 2021, and has not reported on measurable objectives in any annual report to date.</p> <p>The Diversity Policy is available on AVADA's website at www.avadagroup.com.au.</p>	Complies.

4. Board, Management and Corporate Governance

Principles and recommendations	Compliance	Comply
1.6 Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	The Corporate Governance Charter provides for regular performance reviews to be conducted. In accordance with the charter, AVADA intends to evaluate performance of the Board and disclose for each reporting period whether an evaluation has been undertaken.	Complies.
1.7 Have a process for periodically evaluating the performance of the company's senior executives at least once every reporting period, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	The Chairman, with assistance from the People, Nomination and Remuneration Committee, annually assesses the performance of Directors and senior executives, and the Chairman's performance is assessed by the other Directors. A summary of the process for the performance evaluation of key executives, Directors and the Board is available on AVADA's website at www.avadagroup.com.au .	Complies.
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE		
2.1 The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed.	The Board has established a People, Nomination and Remuneration Committee which is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to nomination and remuneration matters. The committee is comprised of two independent Directors and one Non-Executive Director. The committee will be chaired by Jo Willoughby, who is an independent Director. The People, Nomination and Remuneration Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and is available on AVADA's website at www.avadagroup.com.au . AVADA's annual report will provide details on the members of the committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings.	Complies.
2.2 Have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership.	AVADA has established charter rules for the People, Nomination and Remuneration Committee as a guide for the Board candidates and appointments, including an assessment of skills. The Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to AVADA and its business.	Does not presently comply, however the Board intends to formalise a skills matrix within six (6) months of listing.

Principles and recommendations	Compliance	Comply
2.3 Disclose the names of the Directors that the Board considers to be independent Directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a Director and disclose the length of service of each Director.	<p>Ann-Maree Robertson and Jo Willoughby (each appointed as part of the listing process) are independent Directors.</p> <p>The Board notes the following Directors are deemed not independent for the purposes of the Guidelines:</p> <p>Lance Hockridge (appointed 25 March 2021) – through his related entities, Lance is a Shareholder and will be a major Shareholder of the Company following Completion of the Offer.</p> <p>Dan Crowley (appointed 25 March 2021) – through his related entities, Dan is a Shareholder and will be a major Shareholder of the Company and will be employed in an executive capacity following Completion of the Offer.</p> <p>Rob Cazzolli (appointed 25 March 2021) – through his related entities, Robert is a Shareholder and will be a major Shareholder of the Company and will be employed in an executive capacity following Completion of the Offer.</p>	Complies.
2.4 A majority of the Board should be independent directors.	The Company will have a five-member Board, of whom two (Ann-Maree Robertson and Jo Willoughby) are independent Non-Executive Directors.	<p>Does not presently comply, however, the Board is majority non-executive and the Board has formed the view that it is appropriately structured to effectively fulfil its role, having regard to the Company's size and history.</p> <p>The Board is conscious of the need to move to compliance as the Company grows.</p>

4. Board, Management and Corporate Governance

Principles and recommendations	Compliance	Comply
2.5 The chair of the Board should be an independent Director and should not be the Chief Executive Officer.	<p>The Chairman, Lance Hockridge, is not an independent Director.</p> <p>The Company's Chief Executive Officer, Dan Crowley, is not the same individual as the Chairman.</p>	<p>Does not presently comply, however, having regard to Lance's background and experience, the Board considers it appropriate that he acts as One-off.</p> <p>The Board is conscious of the need to move to compliance as the Company grows.</p> <p>Ann-Maree Robertson has been appointed as Deputy Chair in accordance with the Corporate Governance Charter.</p>
2.6 There should be a program for inducting new directors and for periodically reviewing whether there is a need for existing Directors to undertake appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.	This is consistent with the Corporate Governance Charter and process for induction and continuous professional development.	Complies.
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY		
3.1 Articulate and disclose the Company's values.	<p>The Board recognises the need to observe the highest standards of corporate practice and business conduct.</p> <p>Accordingly, the Board has adopted a Code of Conduct which is designed to be followed by all employees, contractors and officers.</p> <p>AVADA's core values are set out in its Corporate Governance Charter which is available on AVADA's website at www.avadagroup.com.au.</p>	Complies.
3.2 Have a code of conduct for the Board, senior executives and employees, disclose that code or a summary of that code and ensure that the Board or committee of the Board is informed of any material breaches of that code.	<p>AVADA has adopted a Code of Conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance.</p> <p>The Code of Conduct is available on AVADA's website at www.avadagroup.com.au.</p>	Complies.

Principles and recommendations	Compliance	Comply
3.3 Have and disclose a Whistleblower Policy and ensure that the Board or a committee of the Board is informed of any material incidents reported under that policy.	<p>AVADA has adopted a Whistleblower Policy, which sets out a process to ensure the company has the highest standard of conduct of ethical behaviour, including reporting to the Board any material incidents reported under the policy.</p> <p>Under the policy, disclosures can be made at any time to the Chairman or Company Secretary.</p> <p>The Whistleblower Policy is available on AVADA's website at www.avadagroup.com.au.</p>	Complies.
3.4 Have and disclose an Anti-Bribery and Anti-Corruption Policy and ensure that the Board or a committee of the Board is informed of any material breaches of that policy.	<p>AVADA has adopted an Anti-Bribery and Anti-Corruption Policy to ensure the highest standard of honesty and integrity.</p> <p>The Anti-Bribery and Anti-Corruption Policy is available on AVADA's website at www.avadagroup.com.au.</p>	Complies.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 The Company should have an audit committee, which consists of only Non-Executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board and has at least three members.	<p>AVADA has established a combined ARM Committee, which is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to audit and risk management matters.</p> <p>The committee is comprised of two independent Directors and one Non-Executive Director. The committee will be chaired by Ann-Maree Robertson, who is an independent Director.</p> <p>The ARM Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and is available on AVADA's website at www.avadagroup.com.au.</p> <p>AVADA's annual report will provide details on the members of the committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings.</p>	Complies.
4.2 The Board should, before approving financial statements for a financial period, receive a declaration from the Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	<p>This is consistent with the approach to be adopted by the ARM Committee and Board and defined in the CEO and CFO responsibilities of the Corporate Governance Charter.</p>	Complies.

4. Board, Management and Corporate Governance

Principles and recommendations	Compliance	Comply
4.3 The Company should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	<p>No formal policy or framework is in place to describe the process for verification of market releases.</p> <p>The ARM Committee will review financial statements and other financial information distributed externally, in accordance with the ARM Committee Charter.</p> <p>The Board will establish a Disclosure Committee comprising of the Chairman, CEO and CFO to review any non-financial releases.</p>	Does not presently comply. Appropriate procedures will be discussed and agreed with the Board prior to the release of information to the market.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Have and disclose a written policy for complying with continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.	AVADA has a written Continuous Disclosure Policy which is designed to ensure that all material matters are appropriately disclosed in accordance with the requirements of the Listing Rules and Corporations Act.	Complies.
5.2 Ensure that its Board receives copies of all material market announcements promptly after they have been made.	AVADA has a written Continuous Disclosure Policy which is designed to ensure that the Board receives copies of all material market announcements promptly after they have been made.	Complies.
5.3 Where the Company gives a new and substantive investor or analyst presentation, it releases a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	The Continuous Disclosure Policy requires that only publicly released information may be discussed in such circumstances.	Complies.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1 Provide information about the Company and its governance to investors via its website.	The Corporate Governance Charter and other applicable policies are available on AVADA's website at www.avadagroup.com.au .	Complies.
6.2 Design and implement an investor relations program to facilitate effective two-way communication with investors.	AVADA aims to ensure that all Shareholders are well informed of all major developments affecting AVADA and that the full participation by Shareholders at the Company's AGM is facilitated. An Investor Relations program will be established which will include participation by the Board and Committee Chairmen with Investors and Investor Representatives as appropriate.	Does not presently comply, however, AVADA is in consultation with its advisers to implement an effective program.
6.3 Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	AVADA intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. AVADA intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.	AVADA has not disclosed a formal policy or process, but it has engaged the Share Registry to further these objectives.

Principles and recommendations	Compliance	Comply
6.4 Ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	The Company intends to facilitate effective participation in the AGM. The Company intends to adopt appropriate processes for shareholder meetings.	Complies.
6.5 Give security holders the option to receive communications from, and send communications to, the Company and its Share Registry electronically.	AVADA has instructed its Share Registry to facilitate this option for Shareholders.	Complies.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

7.1 The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the risk committee should be disclosed.	AVADA has established a combined ARM Committee, which is comprised of two independent Directors and one Non-Executive Director. The functions and operations of the committee are established under the charter. See Section 4.8 above.	Complies.
7.2 The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board and disclose, in relation to each reporting period, whether such a review has taken place.	AVADA's ARM Committee will review AVADA's risk management framework and policies and monitor their implementation as established under the charter. See Section 4.8 above.	Complies.
7.3 Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its governance risk management and internal control processes.	AVADA does not have a formal internal audit function, however it employs appropriate processes for evaluating and continually improving the effectiveness of its risk management and internal control processes as set out in the ARM Committee Charter. As the AVADA grows the Board will give due consideration to the formation of an internal audit function, with the function likely to be initially externally sourced.	Complies.
7.4 Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.	The Board does not believe that AVADA has any such material risks. All risks will be re-evaluated at least annually in according with the ARM Committee Charter.	Complies.

4. Board, Management and Corporate Governance

Principles and recommendations	Compliance	Comply
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
8.1 The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed.	<p>AVADA has established a combined People, Nomination and Remuneration Committee. The committee comprises of two independent Directors and one Non-Executive Director.</p> <p>The People, Nomination and Remuneration Committee is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to remuneration matters.</p> <p>The People, Nomination and Remuneration Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and is available on AVADA's website at www.avadagroup.com.au.</p> <p>AVADA's annual report will provide details on the members of the committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings.</p>	Complies.
8.2 The policies and practices regarding the remuneration of Non-Executive Directors, and the remuneration of Executive Directors and other senior executives, should be separately disclosed.	<p>AVADA intends to adopt remuneration policies which comply with the Guidelines including separately disclosing the remuneration of Non-Executive Directors, and the remuneration of Executive Directors and other senior executives.</p> <p>No Director or senior executive is involved directly in deciding their own remuneration.</p>	Complies.
8.3 If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.	<p>AVADA does not currently operate a long-term incentive plan, exempt plan or short-term incentive plan.</p> <p>In accordance with AVADA's Securities Trading Policy, participants are not permitted to enter into transactions which limit economic risk without written clearance from an Authorised Officer as established under AVADA's Securities Trading Policy (typically the Chairman or Company Secretary).</p>	Complies.



5.

FINANCIAL
INFORMATION

5. Financial Information

5.1 Introduction

The Financial Information of the Group contained in this Section 5 includes the Historical Financial Information of AVADA including the AVADA Group Businesses on an aggregated basis prior to Completion for the financial years ended 30 June 2019 (**FY19**), 30 June 2020 (**FY20**) and 30 June 2021 (**FY21**); the Statement of Financial Position of AVADA Group Limited as at 30 June 2021; and the Forecast Financial Information of the Group (including on a consolidated basis post-Completion) for the financial year ending 30 June 2022 (**FY22**).

The Reported Financial Information and the Pro Forma Financial Information are together referred to as the **Financial Information**.

Table 5.1: Overview of the financial information

	Reported/Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	<p>Reported Historical Financial Information comprises the:</p> <ul style="list-style-type: none"> historical aggregated statements of profit or loss of the AVADA Group Businesses for FY19, FY20 and FY21 (Reported Historical Income Statements); historical aggregated statements of cash flows of the AVADA Group Businesses for FY19, FY20 and FY21 (Reported Historical Cash Flows); and the Reported historical statement of financial position as at 30 June 2021 for AVADA Group Limited. 	<p>Pro Forma Historical Financial Information comprises the:</p> <ul style="list-style-type: none"> Pro Forma historical aggregated statements of profit or loss of the Group for FY19, FY20 and FY21 (Pro Forma Historical Income Statements); Pro Forma historical aggregated cash flows of the Group for FY19, FY20 and FY21 (Pro Forma Historical Cash Flows); and the Pro Forma historical aggregated statement of financial position of the Group as at 30 June 2021 (Pro Forma Historical Statement of Financial Position).
Forecast Financial Information	<p>Statutory Forecast Financial Information comprises the:</p> <ul style="list-style-type: none"> Statutory forecast consolidated statement of profit or loss of the Group for FY22 (Statutory Forecast Income Statement); and Statutory forecast consolidated cash flows of the Group for FY22 (Statutory Forecast Cash Flows). 	<p>Pro Forma Forecast Financial Information comprises the:</p> <ul style="list-style-type: none"> Pro Forma forecast consolidated statement of profit or loss of the Group for FY22 (Pro Forma Forecast Income Statement); and Pro Forma forecast consolidated cash flows of the Group for FY22 (Pro Forma Forecast Cash Flows).

The Financial Information presented in this Prospectus has been reviewed by Deloitte Corporate Finance Pty Limited (**Investigating Accountant**) in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Investigating Accountant's Report on the Financial Information. Investors should note the scope and limitations of the Investigating Accountant's Report on the Financial Information (see Section 7).

The information in this Section 5 should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus. In addition, AVADA's significant accounting policies are set out in the Appendix to this Prospectus.

Investors should note that past results are not a guarantee of future performance.

All amounts disclosed in the tables are presented in Australian dollars and unless otherwise noted, are in thousands rounded to the nearest thousand. Rounding of figures provided in the Financial Information may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculations.

Also summarised in this Section are:

- (a) the basis of preparation and presentation of the Financial Information, including the application of relevant new and revised accounting standards as if they had applied to the Historical Financial Information and the Forecast Financial Information (see Sections 5.2 and 5.3);
- (b) an explanation of certain financial measures that are neither recognised by the Australian Accounting Standards Board (AASB) or under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that are used by AVADA and included in this Prospectus to assist investors in understanding the financial performance of the business (see Section 5.4) (non-IFRS financial measures);
- (c) Pro Forma adjustments and reconciliations of the Reported Historical Financial Information to the Pro Forma Historical Financial Information and the Statutory Forecast Financial Information to the Pro Forma Forecast Financial Information (see Section 5.6);
- (d) a summary of AVADA's key operating and financial metrics (see Section 5.7);
- (e) details of AVADA's capitalisation and indebtedness (see Section 5.13) and New Banking Facilities (see Section 5.14);
- (f) the best estimate general assumptions and specific assumptions underlying the Forecast Financial Information (see Sections 5.33 to 5.37);
- (g) Management's discussion and analysis of the Historical Financial Information (see Sections 5.17 to 5.32) and Forecast Financial Information (see Sections 5.38 to 5.45);
- (h) An analysis of the sensitivity of the Forecast Financial Information to changes in certain key assumptions (see Section 5.46);
- (i) Financial risk management framework (see Section 5.47 to 5.50); and
- (j) AVADA's proposed dividend policy (see Section 5.52).

5.2 Basis of preparation and presentation of the Financial Information

Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the Group's underlying historical financial performance, cash flows and financial position, together with the forecast financial performance and cash flows to the end of June 2022.

The Reported Historical Financial Information and Statutory Forecast Financial Information have been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (AAS) issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB, with the exception of the requirements of the Australian Accounting Standards in respect of:

- AASB 10: Consolidated Financial Statements;
- AASB 8: Operating Segments; and
- AASB 113: Earnings Per Share.

AASB 10 has been compiled with to the fullest extent possible but cannot be fully compiled with in the historical period as there is no common controlling entity over that period.

The Significant Accounting Policies adopted in the preparation of the Financial Information are set out in the Appendix to this Prospectus and have been consistently applied throughout the financial periods presented in this Prospectus unless stated otherwise.

5. Financial Information

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information has been prepared solely for inclusion in this Prospectus and has been derived from the Reported Historical Financial Information and the Statutory Forecast Financial Information adjusted for certain transactions and Pro Forma adjustments as described further below.

AVADA considers its operations to be made up of two separate operating segments and a corporate function as defined by AASB 8 *Operating Segments*, being Queensland traffic management, New South Wales traffic management and Corporate. A discussion of these segments is set out in Section 5.16.

In addition to the Financial Information, Section 5 includes non-IFRS and other measures that AVADA uses to manage and report on its business that are not defined under or recognised by AAS or IFRS, set out in Section 5.4.

Due to their nature, the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information do not represent the actual or prospective financial position, financial performance or cash flows of AVADA. AVADA believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis with the Forecast Financial Information. This Prospectus includes Forecast Financial Information based on the specific and general assumptions of AVADA.

The Financial Information is presented in an abbreviated form insofar as it does not contain all of the presentation and disclosures, statements or comparative information as required by AAS applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The information in this Section 5 should also be read in conjunction with the management discussion and analysis in Section 5.17 to 5.45 and the general and specific assumptions and commentary underlying the Forecast Financial Information in Sections 5.33 to 5.37.

Preparation of the Historical Financial Information




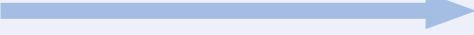
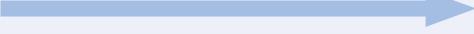
The Reported Historical Financial Information has been derived from the Special Purpose Financial Statements (**Aggregated Accounts**) covering FY19, FY20 and FY21 which was audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unqualified audit opinion on the Aggregated Accounts. These Aggregated Accounts reflect the income and expenses, cash flows, and the assets and liabilities of the Acquisitions on an aggregated basis for each of these periods. These Acquisitions had not yet been effected by AVADA as at 30 June 2021. Investors should note that the Aggregated Accounts do not strictly follow the principles of consolidation in accordance with Australian Accounting Standards, by virtue of these entities not being controlled by common shareholders prior to the completion of the Offer.




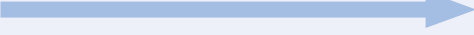
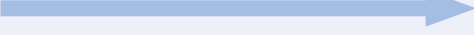
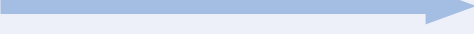
The Pro Forma Historical Income Statements and the Pro Forma Historical Cash Flows have been prepared for the purpose of inclusion in this Prospectus and have been derived from the Reported Historical Financial Information and adjusted for the effects of the Pro Forma Adjustments described in Sections 5.5, 5.6, 5.8, 5.9 and 5.10 of this Prospectus. In particular, Pro Forma Adjustments have been made to reflect the following as if each had occurred on 1 July 2018 (amongst others):

- (a) the impact of additional public company costs: an amount that represents AVADA's estimate of the incremental annual board, listing and other costs (such as head office corporate costs, Directors' fees, share registry costs, Directors' and Officers' insurance premiums, annual report costs) and professional fees that it will incur operating as a listed company;
- (b) the impact of remuneration changes reflecting the salary packages and incentives agreed with key executives and management remaining with AVADA on Completion of the Offer;
- (c) one-off transaction related costs;
- (d) the Group's capital structure; and
- (e) the tax impacts of the above adjustments.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of AVADA.

Table 5.2: Illustration of information included in the Reported and Pro Forma Historical Financial Information

Reported Historical Financial Information	Note	Date of inclusion	FY19	FY20	FY21
AVADA Group Ltd	1	N/A			
Verifact Traffic		1 Jul-18			
Arid to Oasis Traffic Solutions		1 Jul-18			
Platinum Traffic Services		1 Jul-18			
D&D Traffic Management		1 Jul-18			
The Traffic Marshal		1 Jul-18			
Linemark	2	N/A			
CTM	2	N/A			
TMP	2	N/A			

Pro Forma Historical Financial Information	Note	Date of inclusion	FY19	FY20	FY21
AVADA Group Ltd	1	1 Jul-18			
Verifact Traffic		1 Jul-18			
Arid to Oasis Traffic Solutions		1 Jul-18			
Platinum Traffic Services		1 Jul-18			
D&D Traffic Management		1 Jul-18			
The Traffic Marshal		1 Jul-18			
Linemark	2	N/A			
CTM	2	N/A			
TMP	2	N/A			

Notes:

- 1 AVADA Group Limited captures the head office and public company costs which have been included as a historical Pro Forma adjustment.
- 2 During FY22 (but before the Offer Date), Verifact Traffic made three asset acquisitions (Linemark, Customised Traffic Management and Traffic Management People, detailed in Section 8.3(b)). Earnings from these acquisitions have been included in the FY22 Statutory and Pro Forma forecasts from the date of acquisition. However, no Pro Forma adjustments have been made to incorporate the financial results of these businesses prior to the date of acquisition as management determined there was no reliable basis to do so, refer to Table 5.3.

5. Financial Information

5.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus based on an assessment of current economic and operating conditions, including the impact of the COVID-19 pandemic, and should be read in conjunction with the best estimate general and specific assumptions set out in Sections 5.33 and 5.34, the sensitivity analysis described in Section 5.46, the risk factors described in Section 6, the Significant Accounting Policies set out in the Appendix to this Prospectus, and the other information in this Prospectus.

The inclusion of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that these differences may have a material effect on AVADA's actual financial performance or financial position.

In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of AVADA, the Directors and management, and are not predictable. Accordingly, none of AVADA, the Directors, management, or any other person can give investors any assurance that the events and outcomes discussed in the Forecast Financial Information will arise. Events and outcomes may differ in amount and timing from the assumptions and may have a material impact on the actual results for FY22.

The Directors have prepared the Forecast Financial Information with due care and attention and consider all general and specific assumptions, when taken as a whole, to be reasonable at the time of preparation of this Prospectus. However, this information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.










It is not intended that the Forecast Financial Information or other forward-looking statements be updated or revised, nor is it intended that prospective Financial Information will be published in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.



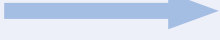

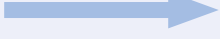
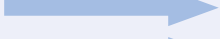
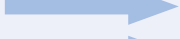
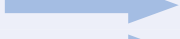

The Forecast Financial Information has been prepared and presented on both a Statutory and Pro Forma basis. In preparing the Pro Forma Forecast Financial Information, Pro Forma adjustments have been made to the Statutory Forecast Financial Information to reflect the following (amongst others):

- (a) the impact of the Offer, including costs directly attributable to the Offer offset against share capital;
- (b) the impact of additional public company costs: an amount that represents AVADA's estimate of the incremental annual board, listing and other costs (such as head office corporate costs, Directors' fees, share registry costs, Directors' and Officers' insurance premiums, annual report costs) and professional fees that it will incur operating as a listed company;
- (c) the impact of remuneration changes reflecting the salary packages and incentives agreed with key executives and management remaining with AVADA on Completion of the Offer;
- (d) One off transaction related costs;
- (e) Inclusion of the AVADA Group Business from 1 July 2021;
- (f) the Group's capital structure; and
- (g) the tax impacts of the above adjustments.

Section 5.6 sets out the Pro Forma adjustments made to the Statutory Forecast Income Statements and a reconciliation to the Statutory Forecast Income Statements to the Pro Forma Forecast Income Statements.

Table 5.3: Illustration of information included in the Statutory and Pro Forma Forecast Financial Information

Statutory Forecast Financial Information	Note	Date of inclusion	FY22
AVADA Group Ltd		1 Jul-21	
Verifact Traffic	1	15 Dec-21	
Arid to Oasis Traffic Solutions	1	15 Dec-21	
Platinum Traffic Services	1	15 Dec-21	
D&D Traffic Management	1	15 Dec-21	
The Traffic Marshal	1	15 Dec-21	
Linemark	1,2	15 Dec-21	
CTM	1,2	15 Dec-21	
TMP	1,2	15 Dec-21	

Pro Forma Forecast Financial Information	Note	Date of inclusion	FY22
AVADA Group Ltd		1 Jul-21	
Verifact Traffic		1 Jul-21	
Arid to Oasis Traffic Solutions		1 Jul-21	
Platinum Traffic Services		1 Jul-21	
D&D Traffic Management		1 Jul-21	
The Traffic Marshal		1 Jul-21	
Linemark	2	13 Sept-21	
CTM	2	20 Sept-21	
TMP	2	30 Sept-21	

Notes:

- 1 The FY22 Statutory Forecast only includes the earnings of the Acquisitions from the Offer Date as well as the forecast head office and public company costs from 1 July 2021.
- 2 During FY22 (but before the Offer Date), Verifact Traffic made three asset acquisitions (Linemark, Customised Traffic Management and Traffic Management People, detailed in Section 8.3(b)). Earnings from these acquisitions have been included in the FY22 Pro Forma forecast from the respective dates of these acquisitions. However, no Pro Forma adjustments were recognised historically as management determined there was no reliable basis to do so. Given these acquisitions form part of the Verifact Traffic business as at the date of the Offer, they are included in the FY22 Statutory Forecast from 15 December 2021 consistent with the other AVADA Group Businesses.

5. Financial Information

5.4 Explanation of certain Non-IFRS and Other Measures

AVADA uses certain measures to manage and report on the business that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 5 and under ASIC Regulatory Guide 230 Disclosing Non-IFRS Financial Information as 'non-IFRS financial measures'.

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS.

Although AVADA believes these non-IFRS financial measures provide useful information for measuring the financial performance and condition of the business, they should not be considered as supplements to the consolidated statement of profit or loss and consolidated statement of cash flow measures that have been presented in accordance with AAS and IFRS, nor as a replacement for them. These non-IFRS financial measures are not based on AAS, they do not have standard definitions and the way that AVADA calculates these measures may differ from similarly titled measures by other companies. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

In the disclosures in this Prospectus, AVADA uses the following non-IFRS financial measures:

- (a) **Gross profit:** is calculated as revenue less cost of sales (including service labour);
- (b) **EBITDA:** is earnings before interest, tax, depreciation and amortisation;
- (c) **EBIT:** is earnings before interest and tax;
- (d) **EBITA:** is earnings before interest, tax and amortisation;
- (e) **PBT:** is profit before the impact of tax;
- (f) **NPAT:** is net profit after the impact of tax;
- (g) **NPATA:** is net profit after the impact of tax, but before the impact of the amortisation of intangible assets;
- (h) **Working capital:** is the net balance of trade and other receivables, prepayments, other current assets, trade and other payables, accruals, and employee related provisions;
- (i) **Capital expenditure or Capex:** including primarily motor vehicles.

5.5 Historical and Forecast Income Statements

Pro Forma Income Statements and Statutory Forecast Income Statement

Table 5.5 summarises the Pro Forma Historical Income Statements for FY19, FY20 and FY21, Pro Forma Forecast Income Statements for FY22 and Statutory Forecast Income Statement for FY22.

Table 5.5: Summary of Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement and Statutory Forecast Income Statement

\$'000s	Notes	Pro Forma				Statutory
		FY19	FY20	FY21	FY22	FY22
Traffic Management Revenue	1	93,501	106,621	116,616	144,777	83,020
Other Revenue	2	203	609	343	1,854	460
Total Revenue		93,703	107,230	116,959	146,631	83,480
Cost of Sales	3	(72,927)	(84,851)	(92,212)	(113,815)	(65,301)
Gross Profit		20,777	22,378	24,747	32,817	18,179
Employee benefit expenses		(7,235)	(7,638)	(8,242)	(11,039)	(6,821)
General and admin expenses		(4,495)	(5,015)	(4,611)	(6,113)	(3,463)
Other expenses	4	(779)	(167)	(354)	(154)	(6,346)
Operating expenses		(12,508)	(12,820)	(13,207)	(17,306)	(16,631)
EBITDA		8,269	9,558	11,540	15,511	1,549
Depreciation	5	(3,168)	(3,534)	(3,550)	(3,871)	(2,137)
Amortisation of intangible assets	6	(3,984)	(3,984)	(3,984)	(3,984)	(2,324)
EBIT		1,116	2,040	4,005	7,655	(2,912)
Net finance income/(expense)	7	(197)	(269)	(251)	(623)	(467)
Profit before tax		918	1,771	3,754	7,033	(3,379)
Tax expense	8	(276)	(531)	(1,126)	(2,109)	(21)
Net Profit after tax		643	1,240	2,628	4,923	(3,400)
Add back: amortisation (net of tax)	6	2,789	2,789	2,789	2,789	N/A
NPATA		3,432	4,029	5,417	7,712	N/A

Notes:

- 1 Traffic management revenue represents services charged to customers including traffic control labour, use of motor vehicles, traffic management plans, and use of equipment and signage.
- 2 Other revenue primarily relates to cash flow boosts and JobKeeper provided by the Federal Government as part of the COVID-19 response. In FY20, \$0.2 million related to cash flow boost receipts and \$0.1 million related to JobKeeper. In FY21, \$0.1 million related to cash flow boost receipts and \$0.2 million related to JobKeeper. In FY22 D&D Traffic Management, Platinum Traffic Services, and The Traffic Marshal received \$1.8 million in COVID-19 JobSaver funding associated with lockdowns in New South Wales.
- 3 The majority of cost of sales relates to direct labour costs.
- 4 Other expenditure in FY22 Statutory includes the fair value (\$3.5 million) of a portion of the founders shares accounted for as share based payments for services received. A corresponding increase in the equity reserve has also been reflected (refer to Section 5.11 – Note 2). The fair value of founders shares relating to Vendors of the AVADA Group Businesses have been accounted for as an increase in consideration.
- 5 Depreciation includes depreciation of property, plant and equipment and right of use assets.
- 6 Amortisation relates to the amortisation of intangible assets recognised as a result of a preliminary purchase price allocation performed (including customer intangibles). Pro Forma amortisation for FY19, FY20 and FY21 has been assumed consistent with the FY22 amount as it is not possible to reliably identify what intangible assets would have existed as at each period end.
- 7 Net finance expense primarily reflects interest expense on lease liabilities and interest on the Group's New Banking Facilities.
- 8 Income tax expense represents the Australian corporate tax rate of 30%.

5. Financial Information

5.6 Pro Forma Adjustments to the Reported Historical Income Statements and Statutory Forecast Income Statements

The tables presented below set out the Pro Forma Adjustments that have been made to Revenue, EBITDA and NPAT in the historical and forecast periods.

Table 5.6.1: Pro Forma Adjustments to Reported Historical and Statutory Forecast Revenue

\$'000s	Notes	FY19	FY20	FY21	FY22
Reported/Statutory Total Revenue		95,231	108,081	117,703	83,480
Head office and public company costs	1	–	–	–	–
Key management remuneration changes	2	–	–	–	–
Related party arrangements	3	(1,527)	(851)	(744)	(827)
One off costs associated with the Offer	4	–	–	–	–
Capital structure	5	–	–	–	–
Purchase price allocation impact	7	–	–	–	–
Additional taxation	8	–	–	–	–
Revenue of targets – pre-acquisition	9	–	–	–	63,979
Pro Forma Total Revenue		93,703	107,230	116,959	146,631

Table 5.6.2: Pro Forma Adjustments to Reported Historical and Statutory Forecast EBITDA

\$'000s	Notes	FY19	FY20	FY21	FY22
Reported/Statutory EBITDA		11,027	11,655	13,529	1,549
Head office and public company costs	1	(1,855)	(1,875)	(2,045)	(674)
Key management remuneration changes	2	(224)	(100)	(70)	163
Related party arrangements	3	(680)	(121)	126	(55)
One off costs associated with the Offer	4	–	–	–	2,833
Capital structure	5	–	–	–	–
Founder shares accounted for as share based payments	6	–	–	–	3,450
Purchase price allocation impact	7	–	–	–	–
Additional taxation	8	–	–	–	–
EBITDA of targets – pre-acquisition	9	–	–	–	8,246
Pro Forma EBITDA		8,269	9,558	11,540	15,511

Table 5.6.3: Pro Forma Adjustments to Reported Historical and Statutory Forecast NPAT

\$'000s	Notes	FY19	FY20	FY21	FY22
Reported/Statutory NPAT		5,102	5,266	6,717	(3,400)
Head office and public company costs	1	(1,296)	(1,311)	(1,430)	(472)
Key management remuneration changes	2	(157)	(70)	(49)	114
Related party arrangements	3	(476)	(85)	88	(37)
One off costs associated with the Offer	4	–	–	–	1,983
Capital structure	5	304	340	228	74
Founder shares accounted for as share based payments	6	–	–	–	3,450
Purchase price allocation impact	7	(2,789)	(2,789)	(2,789)	(1,162)
Additional taxation	8	(45)	(112)	(137)	–
NPAT of targets – pre-acquisition	9	–	–	–	4,374
Pro Forma NPAT		643	1,240	2,628	4,923

The notes below explain the Pro Forma adjustments to NPAT Table 5.6.3. Tables 5.6.1 and 5.6.2 present the same adjustments, however from a revenue and EBITDA perspective.

Notes:

- 1 An adjustment has been made to include an estimate of the Group's head office costs, including those costs associated with being a public company.
- 2 This adjustment comprises two components. Firstly, an adjustment to exclude salary costs for previous owners or related parties that will no longer be employed by the Group on completion of the Offer and secondly, an adjustment to increase the salaries of key executives to commercially agreed salaries going forward.
- 3 Historically, administrative services have been provided to related party companies in exchange for management fees as well as related party dividends. These services will not be continued on completion of the Offer and have been adjusted.
- 4 An adjustment has been made to reflect the estimated (FY22) costs to be expensed in relation to the acquisition of the AVADA Group Businesses and the Offer.
- 5 This adjustment represents the difference between the Pro Forma net finance expenses as described in Table 5.5 above and the net finance costs per the Aggregated Accounts.
- 6 Represents the fair value of a portion of the founders shares accounted for as share based payments for services rendered. Refer to Note 4 of Table 5.5 for further information.
- 7 Represents amortisation of intangible assets recognised through the preliminary purchase price allocation performed. Refer to Section 5.12 for further details.
- 8 This adjustment represents the difference between the Pro Forma income tax expense as described in Table 5.5 above and the income tax expense per the Aggregated Accounts.
- 9 The Statutory Forecast Income Statement assumes the completion of the acquisition of the AVADA Group Businesses on 15 December 2021. This adjustment reflects the Pro Forma revenue, EBITDA and net profit after tax that the Group expects would have been generated had the AVADA Group Businesses been part of the Group from 1 July 2021 through to 14 December 2021.

5.7 Key Pro Forma Operating and Financial Metrics

Table 5.7 sets out a summary of the key historical and forecast Pro Forma financial and operating metrics.

Table 5.7: Key operating metrics

	Pro Forma			
	FY19	FY20	FY21	FY22
Financial metrics				
Revenue growth excluding Verifact acquisitions	n/a	14.4%	9.1%	13.0%
Revenue growth including Verifact acquisitions	n/a	14.4%	9.1%	25.4%
Gross profit margin	22.2%	20.9%	21.2%	22.4%
Operating expenses as % of revenue	13.3%	12.0%	11.3%	11.8%
EBITDA margin	8.8%	8.9%	9.9%	10.6%
EBIT margin	1.2%	1.9%	3.4%	5.2%
Operating metrics				
Number of vehicles (at year end)	592	635	657	847
Revenue per vehicle (\$'000s)	158	169	178	173

5. Financial Information

5.8 Reported Historical Income Statements

Table 5.8 sets out the Reported historical results for the financial years FY19, FY20 and FY21.

Table 5.8: Summary of Historical Reported Income Statements

\$'000s	Notes	Reported		
		FY19	FY20	FY21
Traffic Management Revenue	1	93,501	106,621	116,616
Other Revenue	2	1,730	1,460	1,087
Total Revenue		95,231	108,081	117,703
Cost of Sales	3	(72,930)	(84,854)	(92,214)
Gross Profit		22,301	23,227	25,488
Employee benefit expenses		(6,620)	(7,021)	(7,618)
General and admin expenses		(3,887)	(4,397)	(3,992)
Other expenses		(767)	(155)	(349)
Operating expenses		(11,274)	(11,573)	(11,959)
EBITDA		11,027	11,655	13,529
Depreciation	4	(3,168)	(3,534)	(3,550)
Amortisation of intangible assets	5	–	–	–
EBIT		7,859	8,121	9,979
Net finance income/(expense)	6	(634)	(757)	(579)
Profit before tax		7,225	7,364	9,400
Tax expense	7	(2,122)	(2,097)	(2,683)
Net Profit after tax		5,102	5,266	6,717

Notes:

- 1 Traffic management revenue represents services charged to customers including for traffic control labour, use of motor vehicles, traffic management plans, and use of equipment and signage.
- 2 Other revenue in FY19, FY20 and FY21 includes related party dividends and management fees of \$1.5 million, \$0.9 million and \$0.7 million respectively which have been eliminated in the Pro Forma Historical Income Statement (refer to Table 5.5, note 2). Dividends from related parties are included as net finance income/(expense) in the Aggregated Accounts. Included in other revenue for FY20 is \$0.3 million and for FY21 \$0.3 million which relates to the cash flow boost and JobKeeper receipts provided by the Federal Government as part of the COVID-19 response.
- 3 The majority of cost of sales relates to direct labour costs and motor vehicle costs.
- 4 Depreciation includes depreciation of property, plant and equipment and right of use assets.
- 5 Net finance expense reflects the historical interest expense on lease liabilities and legacy funding arrangements.
- 6 Income tax expense represents the historical income tax rate applicable to each of the Acquisitions which qualified for the base rate of 27.5% in FY19 and FY20 and 26% in FY21.

5.9 Historical and Forecast Cash Flows

Statutory and Pro Forma Forecast Cash Flows and Reported Historical Cash Flows

Table 5.9.1 provides a summary of the Pro Forma Historical Cash Flows and Reported and Pro Forma Forecast Cash Flows.

Table 5.9.1: Summary of Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows

\$'000s	Notes	Pro Forma				Statutory
		FY19	FY20	FY21	FY22	FY22
EBITDA		8,269	9,558	11,540	15,511	1,549
Non cash items		(29)	48	121	–	3,450
Changes in working capital	1	(2,346)	2,040	1,260	(5,658)	(2,326)
Operating Cash Flow		5,894	11,646	12,921	9,853	2,673
Capital expenditure	2	(3,040)	(2,413)	(1,159)	(3,136)	(1,364)
Lease payments	3	(2,115)	(2,647)	(2,753)	(1,966)	(662)
Proceeds from sale of Property, plant and equipment		143	144	252	–	–
Free Cash Flow		883	6,731	9,260	4,751	647
Interest paid	4				(422)	(438)
Taxes paid	5				(3,941)	(1,347)
Proceeds from borrowings	6				15,845	15,340
Repayment of borrowings	6				(9,590)	(7,087)
Payments for business acquisitions	7				(2,315)	(32,702)
Proceeds from issue of new shares	8				–	32,543
Payment of capitalised transaction costs	9				–	(2,571)
Payment for PPE acquired	10				–	(1,305)
Payment for net working capital	11				–	(3,493)
Net Cash Flow (before dividends)					4,328	(414)

Table 5.9.2: Summary of Reported Historical Cash Flows

\$'000s	Notes	Reported		
		FY19	FY20	FY21
EBITDA		11,027	11,655	13,529
Non cash items		(29)	48	121
Changes in working capital	1	(2,346)	2,040	1,164
Operating Cash Flow		8,653	13,743	14,814
Capital expenditure	2	(3,040)	(2,413)	(1,159)
Lease payments	3	(2,115)	(2,647)	(2,753)
Proceeds from sale of Property, plant and equipment		143	144	252
Free Cash Flow		3,641	8,828	11,152

5. Financial Information

These notes below explain the categories in the Table 5.9.1. These also apply to Table 5.9.2.

- 1 Includes movements in trade and other receivables, inventories, trade and other payables, accruals and provisions.
- 2 Capital expenditure includes both maintenance and growth capital expenditure, as described in Section 5.32 and 5.45.
- 3 Lease payments relates to the repayment of property and motor vehicle lease liabilities.
- 4 Pro Forma interest paid in FY22 is based on the forecast usage of the New Banking Facilities as described in Section 5.14.
- 5 The FY22 Pro Forma and Statutory Forecast Cash Flows include income tax paid based on the instalment rate for Australia that is expected during FY22.
- 6 Represents drawdown and repayment based on the usage of the New Banking Facilities as described in Section 5.14.
- 7 Represents the cash portion of the purchase price for the Acquisitions in the Statutory FY22 cash flow. In the Pro Forma FY22 cash flow, this represents the payment for the three Verifact Traffic asset acquisitions.
- 8 Represents proceeds from the Offer of \$32.5 million.
- 9 Overall transaction costs are estimated to be \$5.6 million, of which \$0.2 million was incurred in FY21, with the remainder recorded in FY22. In accordance with accounting standards, a portion of the transaction costs will be expensed and therefore included in Statutory EBITDA (\$3.0 million in FY22). \$2.6 million of the costs of the Offer have been capitalised against share capital.
- 10 Represents estimated capital expenditure for the period 1 July 2021 to the Offer date. It was agreed that this would be reimbursed to one of the Sellers.
- 11 Represents the estimated working capital adjustment calculated in accordance with the various Acquisition Agreements.

5.10 Pro Forma Adjustments to the Reported Historical and Statutory Forecast Cash Flows

Table 5.10 sets out a reconciliation of the historical and Pro Forma cash flows

Table 5.10: Pro Forma Adjustments to the Reported Historical and Statutory Forecast Free Cash Flows

\$'000s	Notes	FY19	FY20	FY21	FY22
Reported/Statutory Free Cash Flow		3,641	8,828	11,152	647
Head office and public company costs	1	(1,855)	(1,875)	(1,948)	(677)
Key management remuneration changes	2	(224)	(100)	(70)	163
Related party arrangements	3	(680)	(121)	126	(53)
One off costs associated with the Offer	4	–	–	–	2,833
Free cash flow of targets – pre-acquisition	5				1,837
Pro Forma Free Cash Flow		883	6,731	9,260	4,751

Notes:

- 1 An adjustment has been made to include an estimate of the Group's head office costs, including those costs associated with being a public company.
- 2 This adjustment comprises two components. Firstly, an adjustment to exclude salary costs for previous owners or related parties that will no longer be employed by the Group on completion of the Offer and secondly, an adjustment to increase the salaries of key executives to commercially agreed salaries going forward.
- 3 Historically, administrative services have been provided to related party companies in exchange for management fees. These services will not be continued on completion of the Offer and have been adjusted.
- 4 An adjustment has been made to reflect the actual (FY21) and estimated (FY22) costs to be expensed in relation to the acquisition of the AVADA Group Businesses and the Offer.
- 5 The Statutory Forecast Free Cash Flow assumes the completion of the acquisition of the AVADA Group Businesses on 15 December 2021. This adjustment reflects the Pro Forma free cash flows that the Group expects would have been generated had the AVADA Group Businesses been part of the Group from 1 July 2021.

5.11 Pro Forma Historical Statement of Financial Position

Table 5.11 sets out a summary of the Historical Statement of Financial Position as at 30 June 2021, adjusted for certain Pro Forma adjustments to take into account the effect of the Offer and other items as set out below as if those transactions had occurred or been in place as at 30 June 2021. The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of AVADA's view of its financial position upon Completion or at a future date.

Table 5.11: Summary of Pro Forma Historical Statement of Financial Position as at 30 June 2021

\$'000s	AVADA Group Ltd	IPO Proceeds /debt draw- down	Acquisi- tions	Seed capital advanced	Offer costs	Seed repaid/ Manage- ment shares	Pro Forma
Notes	1	2	1	1	1	1/3	
Current Assets							
Cash and cash equivalents	192	38,275	(32,702)	1,520	(5,404)	(1,880)	–
Inventory	–	–	4	–	–	–	4
Trade and other receivables	–	–	14,553	–	–	–	14,553
Other current assets	15	114	886	–	–	–	1,016
Total current assets	208	38,389	(17,259)	1,520	(5,404)	(1,880)	15,573
Non-Current Assets							
Property, plant and equipment	–	–	9,096	–	–	–	9,096
Right-of-use assets	–	–	3,164	–	–	–	3,164
Intangible assets	–	–	67,763	–	–	–	67,763
Deferred tax assets	–	–	509	–	1,557	–	2,066
Other non current assets	–	–	–	–	–	–	–
Total non-current assets	–	–	80,532	–	1,557	–	82,089
Total assets	208	38,389	63,273	1,520	(3,848)	(1,880)	97,662
Current Liabilities							
Trade and other payables	(101)	–	(2,922)	–	–	–	(3,023)
Financial liabilities – current	(360)	(2,513)	(1,300)	(1,520)	–	1,880	(3,813)
Accruals and other liabilities	(11)	–	(5,900)	–	–	–	(5,911)
Income tax payable	–	–	–	–	–	–	–
Employee related provisions	–	–	(2,630)	–	–	–	(2,630)
Total Current Liabilities	(472)	(2,513)	(12,752)	(1,520)	–	1,880	(15,376)
Non-Current Liabilities							
Financial liabilities	–	(3,333)	(11,008)	–	–	–	(14,341)
Deferred tax liability	–	–	(5,972)	–	–	–	(5,972)
Leases	–	–	(2,771)	–	–	–	(2,771)
Total Non-Current Liabilities	–	(3,333)	(19,751)	–	–	–	(23,084)
Total liabilities	(472)	(5,846)	(32,503)	(1,520)	–	1,880	(38,461)
Net assets	(264)	32,543	30,770	–	(3,848)	–	59,201
Equity							
Share Capital	1	32,543	20,596	–	(1,789)	250	51,600
Reserves	150	–	13,625	–	–	(150)	13,625
Retained earnings/(losses)	(415)	–	(3,450)	–	(2,059)	(100)	(6,024)
Total Equity	(264)	32,543	30,770	–	(3,848)	–	59,201

5. Financial Information

Notes:

- 1 Cash raised as a result of the Offer includes \$32.5 million from the issue of 32.5 million Shares and \$5.8 million from the drawdown of the New Banking Facilities net of establishment fees of \$0.1 million (refer Section 5.14). These funds are used to pay the cash component of the Acquisitions (see note 2 below), repay the Seed Loans (\$1.9 million) (noting that it is estimated that the seed loan will have increased from \$0.4 million at 30 June 2021 to \$1.9 million at the Offer date) and settle any unpaid transaction costs (\$3.8 million). A deferred tax asset of \$1.6 million has been recognised in relation to transaction costs of which \$0.8 million has been allocated to share capital and \$0.8 million allocated to income tax expense.
- 2 On completion of the acquisition of the AVADA businesses, the cash raised through the Offer is used to pay the cash component of the purchase consideration (\$32.7 million). Share capital is increased by \$20.6 million, through the issue of 20.6 million Shares, to pay for the share component of the consideration. The payment of the purchase consideration results in the recognition of the fair value of the assets and liabilities of the AVADA businesses on the Group's balance sheet. This includes the recognition of finite life intangible assets of \$17.9 million resulting in a deferred tax liability of \$5.4 million, the recognition of indefinite life intangible assets of \$1.9 million resulting in a deferred tax liability of \$0.6 million and the recognition of goodwill of \$47.9 million. Refer to further description in Section 5.12 below. The goodwill of \$47.9 million includes \$10.2 million relating to the fair value of founder shares relating to vendors of the AVADA Group Businesses.
Certain of the AVADA businesses have contingent consideration payable on achieving specified levels of earnings 12 months post Completion of the acquisitions (expected to be paid in January 2023 as a combination of cash and equity). Based on the Forecast Financial Information, this contingent consideration has been attributed a value of \$11.0 million, which makes up a component of the purchase consideration. The Company intends to fund the contingent consideration with operating cash flow and the New Banking Facilities. The details of the contingent consideration are set out in Section 8.3 and Section 8.6.
- 3 As part of the Offer, management will be issued with 250,000 shares worth \$0.25 million. \$0.15 million of this was recognised as a share based payment in the 30 June 2021 financial statements for the Group.

5.12 Acquisition accounting

Acquisition of the entities forming the Group, by AVADA Group Limited will be accounted for under AASB 3 *Business Combinations*. In this regard, AVADA Group Limited is considered the acquirer because the Group's Board will control the Group post transaction with no Existing Shareholder or target business having more than 20% shareholding or dominating the management team post transaction.

AASB 3 requires that the identifiable assets and liabilities acquired (including intangible assets) are measured at their respective fair values at acquisition date. The Company has performed a preliminary assessment of the fair values of the identifiable assets and liabilities acquired. For the purposes of the Pro forma Historical Balance Sheet, the assets and liabilities have been recorded at their provisional fair values based on the 30 June 2021 Balance Sheet. Under the Australian Accounting Standards, the Group has up to 12 months from the date of acquisition to complete its initial acquisition accounting.

The increase in intangible asset values has been allocated between identifiable finite life and indefinite life intangible assets consisting of customer intangibles as well as indefinite life intangible assets consisting of brands and the remainder to goodwill. This allocation is based on preliminary advice from a qualified external valuer, and adopted by the Directors. A deferred tax liability is recognised in respect of the finite life intangibles on the balance sheet.

Table 5.12 shows the preliminary values that have been attributed to the identified intangible assets and the value of the residual goodwill. Brand names are considered to have indefinite lives and are not amortised. This together with goodwill will be considered for impairment each year. The customer intangibles are amortised over their useful lives ranging between 4 years to 5 years depending on the underlying contract or relationship.

TABLE 5.12: Summary of intangible assets

\$'000s	Useful life	30 June 2021 Pro Forma
Finite life intangible assets		
Customer intangibles	4 – 5 years	17,945
Indefinite life intangible assets		
Brands	n/a	1,927
Goodwill	n/a	47,892
Total		67,763

5.13 Capitalisation and indebtedness

Table 5.13 sets out the net debt/(cash) position of AVADA Group Limited as at 30 June 2021 on a Reported basis (without giving effect to the completion of the Offer) and on a Pro Forma basis (giving effect to the completion of the Offer as if it had occurred as at 30 June 2021).

The Pro Forma balance of net cash as at 30 June 2021 reflects only those adjustments expressly described herein and therefore does not reflect the change in cash position between 30 June 2021 and the date of completion of the Offer resulting from various anticipated cash requirements of the business over this period.

Table 5.13: Summary of net debt

\$'000s	30 June 2021 (prior to completion)	30 June 2021 Pro Forma (following completion)
Seed loans	(360)	–
Term Facility	–	(5,000)
Overdraft	–	(800)
External Debt	(360)	(5,800)
Contingent consideration	–	(11,008)
Cash	192	–
Net Debt	(168)	(16,808)

5.14 Description of the New Banking Facilities

The Group has received a commitment letter and credit-approved term sheet with Commonwealth Bank of Australia in respect of the provision of a term facility, an asset finance facility and a working capital facility (together, the **New Banking Facilities**) from the date of the Offer. The Group's financing arrangements therefore expected to be in place as at the date of the Offer are set out in Table 5.14 below.

Table 5.14: Summary of new banking facilities

Facility	Facility Limit (\$'000s)	Pro Forma Drawn Amount as at 30 June 2021 (\$'000s)	Term
Term Facility	5,000	5,000	Three years
Asset Finance Facility	5,000	–	Annually reviewed and renewed
Overdraft Facility	4,750	800	Annually reviewed and renewed
Bank Guarantees	250	–	Annually reviewed and renewed
Corporate Credit Cards	200	–	Annually reviewed and renewed

A summary of the key terms of the New Banking Facilities is set out below.

The term facility can be used for financing of acquisitions and earn-out payments. Interest is payable monthly with principal payable at maturity. Interest is charged at 1.60% above the base rate (referencing 90 day BBSY rate). Additionally the facility has an establishment fee of 0.75% of the facility limit and a line fee of 1.6%.

The asset finance facility can be used to fund motor vehicle acquisitions or leases. Interest and principal is payable on a per contract basis. Additionally the facility has an establishment fee of 0.75% of the facility limit payable at financial close. The term is reviewed annually.

The overdraft facility can be used to fund working capital. Interest is payable monthly at a current variable rate of 4.0% per annum with an establishment fee of 0.75% of the facility limit payable at financial close and a line fee of 0.75%. The term is reviewed annually.

The Corporate Credit Cards are renewable annually and attract standard Commonwealth Bank of Australia credit card terms.

5. Financial Information

5.15 Liquidity and capital resources

Following Completion of the Offer, the Group's principal source of funds will be cash flow from operations, cash held at Completion of the Offer and borrowings under the New Banking Facilities.

Following Completion of the Offer, the Group's principal uses of cash will be to fund operations, working capital, and Capital Expenditure. AVADA believes that from Completion it will have sufficient cash from the proceeds of the Offer and its operations to meet its operational and working capital requirements and stated business objectives during the Forecast Period.

The Group's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond its control including general economic, financial and competitive conditions.

5.16 Operating segments

The Group intends to have two operating segments and a corporate function for the purposes of AASB 8 *Operating Segments*:

- (a) **Queensland Traffic Management** – contains entities which operate in the Queensland geography; Verifact Traffic, Arid to Oasis Traffic Solutions, and a portion of Platinum Traffic Services.
- (b) **New South Wales Traffic Management** – contains entities which operate in the New South Wales geography; D&D Traffic Management, The Traffic Marshal and a portion of Platinum Traffic Services.
- (c) **Corporate** – consisting of head office and other support activities in relation to the Group.

The Pro Forma Segment Information presented in this section is based on how management intends to monitor the business and the anticipated reporting segments in the future. As the Group continues to integrate and grow its operations there may be revisions to the reporting segments. Given the AVADA Group Businesses operated on a stand alone basis prior to the Offer date, certain commentary in the management discussions and analysis (Sections 5.17 to 5.45) is referenced at an individual company basis. It is not management's intention to monitor and report financial information at an individual company level once the AVADA Group Businesses are fully integrated.

As the Group is newly established, no segment information has been disclosed in the Aggregated Accounts.

Table 5.16: Pro Forma Historical and Forecast Revenue, Gross Margin and EBITDA by operating segment

	Pro Forma				Growth (%)		
\$'000s	FY19	FY20	FY21	FY22	FY19 FY20	FY20- FY21	FY21- FY22
Revenue							
QLD	44,989	59,259	71,165	98,813	31.7%	20.1%	38.9%
NSW	48,715	47,970	45,794	47,819	(1.5%)	(4.5%)	4.4%
Corporate	–	–	–	–	–	–	–
Total Revenue	93,703	107,230	116,959	146,631	14.4%	9.1%	25.4%
Gross Profit							
QLD	9,066	11,465	13,837	20,751	26.5%	20.7%	50.0%
NSW	11,711	10,914	10,909	12,066	(6.8%)	(0.0%)	10.6%
Corporate	–	–	–	–	–	–	–
Total Gross Profit	20,777	22,378	24,747	32,817	7.7%	10.6%	32.6%
EBITDA							
QLD	3,974	5,720	7,621	10,579	43.9%	33.2%	38.8%
NSW	6,146	5,710	5,962	6,825	(7.1%)	4.4%	14.5%
Corporate	(1,852)	(1,872)	(2,043)	(1,893)	1.1%	9.1%	(7.3%)
Total EBITDA	8,269	9,558	11,540	15,511	15.6%	20.7%	34.4%

5.17 Management discussion and analysis of the Pro Forma Historical Financial Information

Key factors affecting the Group's financial performance

This Section 5.17 discusses the general factors which affected the Group's operating and relative financial performance in FY19, FY20 and FY21 and which the Company expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that have affected the Group's historical operating and financial performance, or everything that could have an impact on its operating and financial performance in the future.

Unless otherwise stated, all metrics and financial information presented in this Section 5.17 to 5.32 and the related commentary is on a Pro Forma basis only.

5.18 Revenue

The Group generates revenue from the provision of integrated traffic management services to government clients at state and council levels, federally funded contractors and major contractors in the utilities, infrastructure and other industrial sectors throughout Queensland and New South Wales. The key drivers of revenue are:

- traffic control associated with government client work including maintenance and project based work;
- traffic control associated with major infrastructure maintenance and construction activity (e.g. road and rail projects);
- traffic control associated with telecommunications, energy & utility construction and maintenance work;
- commercial construction activity; and
- traffic control associated with major events and incident response.

5. Financial Information

5.19 Expenses

The Group's cost base predominantly consists of:

- (a) Cost of sales;
- (b) Employee benefit expenses (within operating expenses);
- (c) General and administrative expenses;
- (d) Other operating expenses; and
- (e) Depreciation and amortisation.

5.20 Cost of sales

The majority of the Group's cost of sales relates to direct labour costs associated with the generation of revenue. The majority of the direct labour force is permanent part-time or casual in nature and governed by both Enterprise Agreements or the building and construction award.

Cost of sales also includes the fleet operating costs including insurance, repairs and maintenance, fuel, registration, ad-hoc hiring costs and other miscellaneous running costs.

The Group's gross profit margin is impacted by factors including the mix of work being completed, as well the number of vehicles, signs and equipment required on project sites.

5.21 Employee benefit expenses

Employee costs include salaries, wages, commissions, superannuation and other employment related costs of head office, management and administrative staff.

5.22 General and administrative expenses

General and administrative expenses primarily include costs such as general insurance, accounting and consultant fees, marketing, IT and communications, general repairs and maintenance, rent and utilities.

5.23 Other operating expenses

Other operating expenses include miscellaneous expenses including any accounting loss on sale of assets (primarily motor vehicles).

5.24 Depreciation and amortisation

Depreciation expenses relate to the depreciation of property, plant and equipment. Depreciation rates are applied based on the estimated useful lives of assets using the diminishing value method.

The Group leases some of its vehicles and all of its premises (offices and depots). Depreciation therefore also includes the amortisation of right of use assets in accordance with AASB 16 *Leases*.

Finite life intangible assets are amortised over their useful lives. Refer to further information in Section 5.12.

5.25 Cash flows

Working capital

The Group's working capital is the total of trade and other receivables, other current assets, prepayments and short-term financial assets less trade and other payables, accruals and other liabilities, PAYG withholding, Superannuation liability, GST payable and Employee related provisions.

Capital expenditure

Capital expenditure has historically comprised expenditure on maintenance and growth assets.

Maintenance capital expenditure primarily includes the replacement of aging equipment and fleet whereas growth capital expenditure is incurred to support growth in the business.

5.26 Pro Forma Historical Income Statement and Cash Flows for FY19, FY20 and FY21

Table 5.26.1: Pro Forma Historical Income Statements and Cash Flows for FY21, FY20 and FY19

\$'000s	Pro Forma						
	FY19	FY20	Change FY19 to FY20	% change	FY21	Change FY20 to FY21	% change
Traffic Management Revenue	93,501	106,621	13,120	14.0%	116,616	9,995	9.4%
Other Revenue	203	609	406	200.4%	343	(266)	(43.7%)
Total Revenue	93,703	107,230	13,526	14.4%	116,959	9,729	9.1%
Cost of Sales	(72,927)	(84,851)	(11,924)	16.4%	(92,212)	(7,361)	8.7%
Gross Profit	20,777	22,378	1,602	7.7%	24,747	2,368	10.6%
Employee benefit expenses	(7,235)	(7,638)	(403)	5.6%	(8,242)	(603)	7.9%
General and admin expenses	(4,495)	(5,015)	(521)	11.6%	(4,611)	404	(8.1%)
Other expenses	(779)	(167)	612	(78.6%)	(354)	(188)	112.6%
Operating expenses	(12,508)	(12,820)	(312)	2.5%	(13,207)	(387)	3.0%
EBITDA	8,269	9,558	1,290	15.6%	11,540	1,982	20.7%
Depreciation	(3,168)	(3,534)	(365)	11.5%	(3,550)	(17)	0.5%
Amortisation	(3,984)	(3,984)	–	0.0%	(3,984)	–	0.0%
EBIT	1,116	2,040	924	82.8%	4,005	1,965	96.3%
Net finance income/(expense)	(197)	(269)	(71)	36.2%	(251)	18	(6.7%)
Profit/(loss) before tax	918	1,771	853	92.8%	3,754	1,983	112.0%
Tax expense	(276)	(531)	(256)	92.8%	(1,126)	(595)	112.0%
Net Profit/(Loss) after tax	643	1,240	597	92.8%	2,628	1,388	112.0%
EBITDA	8,269	9,558	1,290	15.6%	11,540	1,982	20.7%
Movement in working capital	(2,346)	2,040	4,386	(187.0%)	1,260	(780)	(38.2%)
Capital expenditure	(3,040)	(2,413)	627	(20.6%)	(1,159)	1,253	(51.9%)
Proceeds from sale of Property, plant and equipment	143	144	1	1.0%	252	107	74.2%
Lease payments	(2,115)	(2,647)	(532)	25.2%	(2,753)	(106)	4.0%
Non cash items	(29)	48	77	(267.1%)	121	73	150.8%
Free Cash Flow	883	6,731	5,849	662.7%	9,260	2,529	37.6%

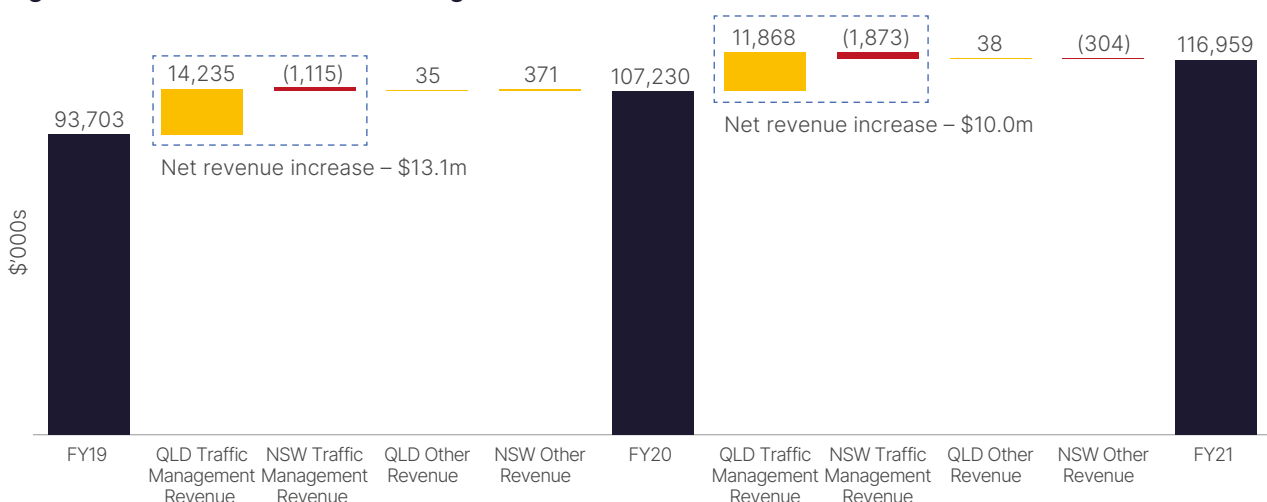
5. Financial Information

Table 5.26.2: Key operating metrics for FY21, FY20 and FY19

Pro Forma							
\$'000s	FY19	FY20	Change FY19 to FY20	% change	FY21	Change FY20 to FY21	% change
Financial metrics							
Revenue growth		14.4%			9.1%	(536 bps)	(37.1%)
Gross profit margin	22.2%	20.9%	(130 bps)	(5.9%)	21.2%	29 bps	1.4%
EBITDA margin	8.8%	8.9%	9 bps	1.0%	9.9%	95 bps	10.7%
EBIT margin	1.2%	1.9%	71 bps	59.8%	3.4%	152 bps	80.0%
Operating expenses as % of revenue	13.3%	12.0%	(139 bps)	(10.4%)	11.3%	(66 bps)	(5.6%)
Operational metrics							
Number of vehicles (at year end)	592	635	43	7.3%	657	22	3.5%
Revenue per vehicle (\$'000s)	158	169	11	6.7%	178	9	5.4%

5.27 Revenue

Figure 5.27: FY19 to FY21 revenue bridge



- (a) Revenue increased by 14.4% from \$93.7 million in FY19 to \$107.2 million in FY20 due to:
- (i) Traffic management revenue in Queensland increased by \$14.2 million due to:
- (A) Verifact Traffic: \$10.1 million primarily as a result of the full year impact of the Brisbane City Council contract which commenced in January 2019;
 - (B) Arid to Oasis Traffic Solutions: \$5.0 million primarily as a result of increasing revenue with key customers in northern Queensland including RoadTek (supported by expansion into the Mackay region); and
 - (C) Offset by Platinum Traffic Services: \$0.9 million due to a large civil construction project coming to an end at the start of FY20 which was in place for the majority of FY19.

- (ii) Traffic management revenue in New South Wales decreased by \$1.1 million due to:
 - (A) The Traffic Marshal: \$1.3 million primarily associated with a reduction in work related to the roll out of the National Broadband Network;
 - (B) D&D Traffic Management: \$0.2 million; and
 - (C) Offset by growth in Platinum Traffic Services: \$0.3 million.
 - (iii) Other revenues increased by \$0.4 million primarily related to COVID-19 cash flow boost funding received of \$0.2 million and JobKeeper receipts of \$0.1 million.
- (b) Revenue increased by 9.1% from \$107.2 million in FY20 to \$117.0 million in FY21 due to:
- (i) Traffic management revenue in Queensland increased by \$11.9 million due to:
 - (A) Verifact Traffic: \$7.9 million primarily as a result of growth into new regions including Toowoomba and Bundaberg with revenue primarily related to government and council contracts;
 - (B) Arid to Oasis Traffic Solutions: \$4.7 million primarily as a result of continued growth with existing customers in northern Queensland, supported by regional expansion into Bundaburg and Rockhampton; and
 - (C) Offset by Platinum Traffic Services: \$0.7 million due to variable nature of large project work offset by growth in work with the Gold Coast City Council with this contract commencing in the second half of FY21.
 - (ii) Traffic management revenue in New South Wales decreased by \$1.9 million due to:
 - (A) D&D Traffic Management: \$3.6 million due to delays in approvals of government funding on two major projects during Q2 and Q3 of FY21. Work on these projects returned to normal revenue run rates in Q4;
 - (B) The Traffic Marshal: \$0.4 million primarily associated with a reduction in work related to the roll out of the National Broadband Network (\$3.0 million) offset by securing work with new customers; and
 - (C) Offset by growth in Platinum Traffic Services \$2.1 million across a range of customers, however primarily related to increased work provided under the RMS contract.
 - (iii) Other revenues: of the \$0.3 million of other revenue in FY21, \$0.1 million related to COVID-19 cash flow boost funding received and \$0.2 million related to JobKeeper receipts.

5.28 Gross profit

Gross profit increased by 7.7% from \$20.8 million in FY19 to \$22.4 million in FY20 due to the increase in Traffic Management Revenue discussed above. The gross profit margin decreased from 22.2% in FY19 to 20.9% in FY20 principally due to reduced margins in Verifact Traffic and Arid to Oasis Traffic Solutions related to increased subcontracting requirements and high volume contracts negotiated as a part of securing increased volumes with key clients in support of regional expansion.

Gross profit increased by 10.6% from \$22.4 million in FY20 to \$24.7 million in FY21 largely due to the increase in Traffic Management Revenue discussed above. The gross profit margin increased from 20.9% in FY20 to 21.2% in FY21 principally due to the mix of work with more higher margin revenue generated in Arid to Oasis Traffic Solutions and D&D Traffic Management in particular. This was combined with improved margins as regional depots become established.

5.29 Operating expenses and EBITDA

Operating expenses increased by \$0.3 million, from \$12.5 million in FY19 to \$12.8 million in FY20. The increase in operating expenses was due to increased employee costs (\$0.4 million) principally in Queensland related to additional headcount to support business expansion (including regional expansion), including planning and supervisory roles along with general & admin expenses (\$0.5 million) associated with increased travel, IT costs and general repairs and maintenance as a result of increased headcount and depots. This was partially offset by a reduction in other expenses due to a loss on sale of asset of \$0.5 million recorded in FY19 compared to \$0.1 million in FY20.

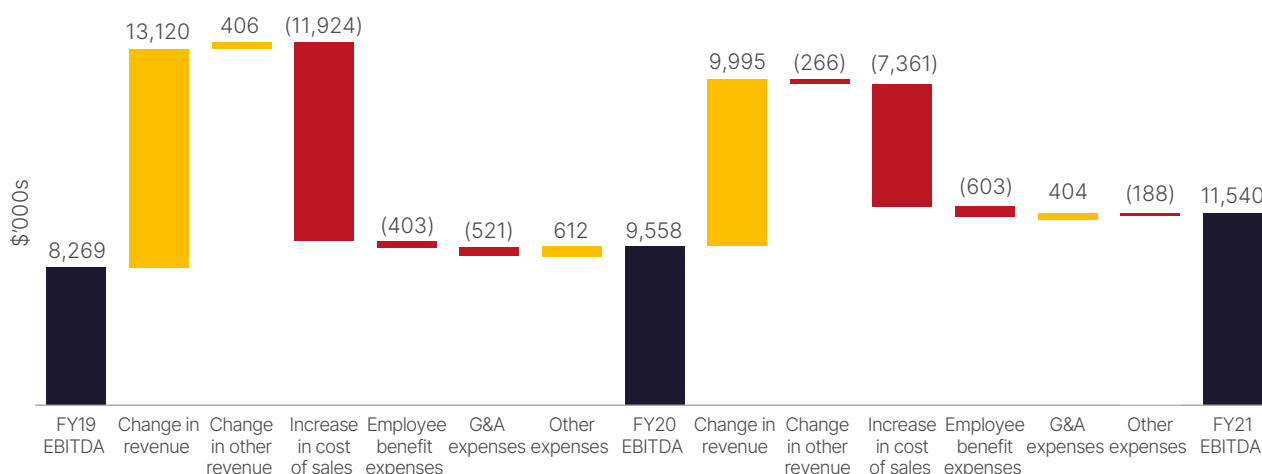
For the reasons discussed, EBITDA increased by \$1.3 million, from \$8.3 million in FY19 to \$9.6 million in FY20, an increase of 15.6%.

5. Financial Information

Operating expenses increased by \$0.4 million, from \$12.8 million in FY20 to \$13.2 million in FY21. This increase in operating expenses was due to increased employee costs (\$0.6 million) principally in Queensland to support regional expansion and increased revenue growth being achieved along with other expenses (\$0.2 million) principally due to a loss on sale of assets. This was partially offset by a reduction in general & admin expenses (\$0.4 million).

For the reasons discussed above, EBITDA increased by \$1.9 million, from \$9.6 million in FY20 to \$11.5 million in FY21, an increase of 20.7%.

Figure 5.29: FY19 to FY21 EBITDA Bridge



5.30 Depreciation and amortisation

Depreciation expense for the Group increased from \$3.2 million in FY19 to \$3.5 million in FY20. At the end of FY20 the Group had 635 vehicles on hand, a 7.3% increase from FY19 which were also associated with the increased revenue growth. Depreciation remained fairly consistent in FY21 at \$3.6 million.

5.31 Movement in working capital

Working capital in FY20 decreased resulting in a cash inflow of \$2.0 million. This was primarily due to the timing of debtor payments. In FY21, working capital reduced further resulting in an inflow of \$1.3 million. The decrease in net working capital principally reflects improved debtor collection.

5.32 Capital expenditure

Capital expenditure primarily relates to the acquisition of motor vehicles to replace or grow the fleet of the AVADA Group Businesses. Capital expenditure decreased by \$0.6 million to \$2.4 million in FY20, from \$3.0 million in FY19. In FY21, capital expenditure decreased by \$1.3 million to \$1.2 million.

5.33 Forecast Financial Information assumptions and management discussion and analysis

General Assumptions in relation to the Forecast Financial Information

The Forecast Financial Information is based on the best estimate assumptions concerning future events. In preparing the Forecast Financial Information, the Group has undertaken an analysis of historical performance and applied assumptions in order to forecast future performance for FY22.

The Directors believe the assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the general and specific assumptions set out in Sections 5.33 to 5.37. However, the actual results are likely to vary from the forecast and any variation may be materially positive or negative. Many of the assumptions upon which the Forecast Financial Information is based are beyond the control of the Directors and management of AVADA and are not reliably predictable.

Accordingly, none of the Group, its Directors, management, or any other person can provide assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 5.46, the risk factors set out in Section 6 and the Investigating Accountant's Report set out in Section 7.

The following general assumptions are relevant to the Forecast Financial Information:

- (a) there are no material changes in the competitive and operating environment in which the Group operates;
- (b) there are no significant deviations from current market expectations of economic and market conditions under which the Group operates; in particular that the impact of COVID-19 from a global and Australian perspective continues with an expectation of generally opening up from late calendar year 2021. No expectations in relation to further state-wide lockdowns, construction lockdowns or the impact of COVID-19 outbreaks have been included in this forecast. Refer to Section 5.40 for additional considerations on the impact of COVID-19 on the recent trading performance of the New South Wales businesses and the specific assumptions noted below which consider the expected impact of the COVID-19 pandemic;
- (c) there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of the Group;
- (d) there are no changes in applicable AAS, IFRS, other mandatory requirements or the Corporations Act which could have a material impact on the Group's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- (e) there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of the Group;
- (f) there are no material changes in key personnel, including key management personnel. It is also assumed that the Group will maintain its ability to recruit and retain the personnel required to support the future growth of the Group;
- (g) there are no material acquisitions, disposals, restructurings or investments other than as contemplated by this Prospectus;
- (h) there are no material changes to the Group's corporate and funding structure;
- (i) there are no significant disruptions to the continuity of operations of the Group or other material changes in the business;
- (j) there are no material amendments to any material contract, agreement or arrangement relating to AVADA's business or intellectual property;
- (k) none of the risks listed in Section 6 has a material adverse impact on the operations of AVADA; and
- (l) the Offer proceeds are received in accordance with the timetable set out in the Key dates section of this Prospectus.

5. Financial Information

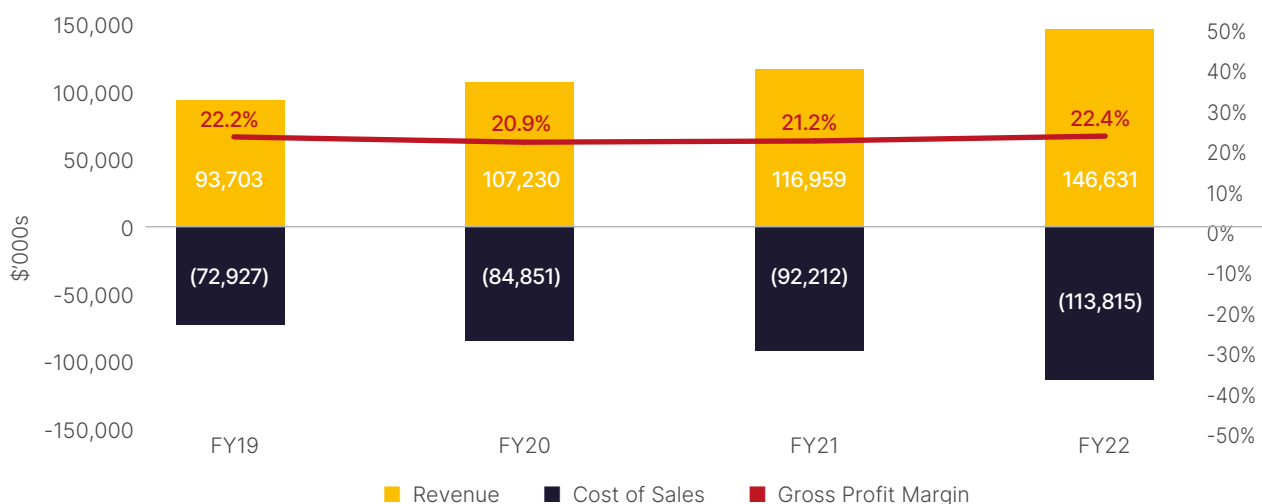
5.34 Specific Assumptions in relation to the Forecast Financial Information

The Forecast Financial Information has been prepared with consideration of the actual, unaudited, trading performance of the Group through to 30 September 2021 and is based on various specific assumptions.

The key specific assumptions are set out in more detail in Sections 5.35 to 5.37.

5.35 Revenue and gross profit

Figure 5.35: Gross profit margin



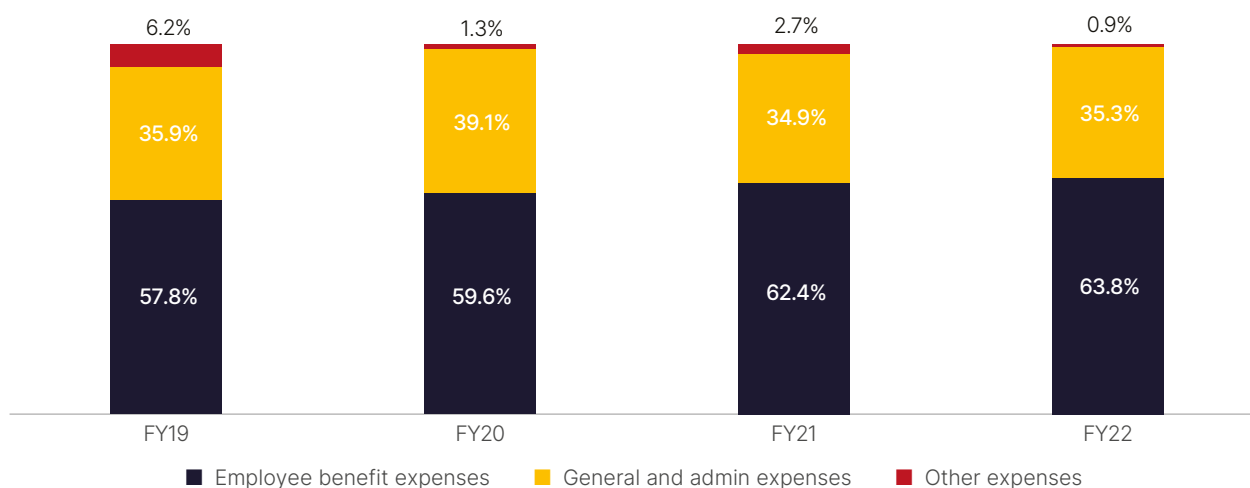
Revenue is forecast by management based on a combination of three separate categories of customers:

- (a) **Continuing:** current contracts/projects where work has already been won and is ongoing. Forecast primarily based on sales run rates over the previous three and six month periods while also considering factors such as project life, capacity requirements and known changes in customer requirements.
- (b) **Pipeline (won):** based on new customers/projects which have been secured with revenue forecast based on expected volumes and workflow based on customer and project information.
- (c) **Pipeline (ongoing):** tenders that have been submitted but not yet awarded are forecast based on the expected volume and workflow based on customer and project information.

Gross profit margins are forecast based on historical gross profit margins having regard to known changes or forecast improvement initiatives. Management has assumed the initiatives which have been put in place will provide the workforce necessary to deliver incremental revenue.

5.36 Operating expenses

Figure 5.36: Operating expenditure contribution (100% basis)



The Group forecasts operating expenses based on:

- (a) salaries and related on-costs: actual headcount and vacant positions (including current salary arrangements) at the time of preparing the forecast; and
- (b) general, admin and other expenses: in line with historical ratios to revenue.

Operating expenses also include incremental costs expected to be incurred by the Group as a result of being a public company (including costs such as annual listing costs, incremental Board costs, incremental insurance costs, costs of investor relations and the distribution of periodic reports) which have been applied to historical and forecast years as if they commenced from 1 July 2018.

5.37 Other assumptions

The following other assumptions have been made in preparing the Forecast Financial Information:

- (a) **Depreciation:** the depreciation policy and useful life assumptions are forecast to remain consistent with historical levels including across right of use assets;
- (b) **Amortisation:** finite life intangible assets are assumed to be amortised over their useful lives, as discussed in Sections 5.6, 5.12 and 5.43;
- (c) **Interest expense:** interest has been forecast having regard to the New Banking Facility. Interest in relation AASB 16 Leases has been forecast on a consistent basis with historical interest;
- (d) **Working capital:** there are no major changes forecast to the working capital structure;
- (e) **Capital expenditure:** forecast consistent spend on maintenance of existing premises and property, plant and equipment based on a regular servicing schedule. Motor vehicles are assumed to be replaced when they reach their useful life of approximately 10 years. The forecast also allows for the purchase of additional motor vehicles to serviced forecast revenue growth.

5. Financial Information

5.38 Management Discussion and Analysis of the Financial Forecast Financial Information

Set out below is a discussion of the Group's revenues and expenses and the main drivers of the Group's historical operating and financial performance, which the Group expects may continue to be the drivers during the period of the Forecast Financial Information. The discussion is intended to provide a brief summary only and does not detail all the factors that had an impact on the historical operating and financial performance, nor everything which may impact the Group's operating and financial performance in the future. Unless otherwise stated, all metrics and financial information presented in this Section, and the related commentary is on a Pro Forma basis only. The information in this Section 5.38 should also be read in conjunction with the general and specific assumptions in Sections 5.33 to 5.37, the sensitivities in Section 5.46, key risk factors set out in Section 6 and the other information contained in this Prospectus.

5.39 Pro Forma Historical and Forecast Income Statement and Cash Flows For FY22 Compared To FY21

Tables 5.39.1 and 5.39.2 compare the Pro Forma Historical Income Statements, Cash Flows and key financial operating metrics for FY21 and FY22.

Table 5.39.1: Pro Forma Historical and Forecast Income Statements and Cash Flows for FY22 and FY21

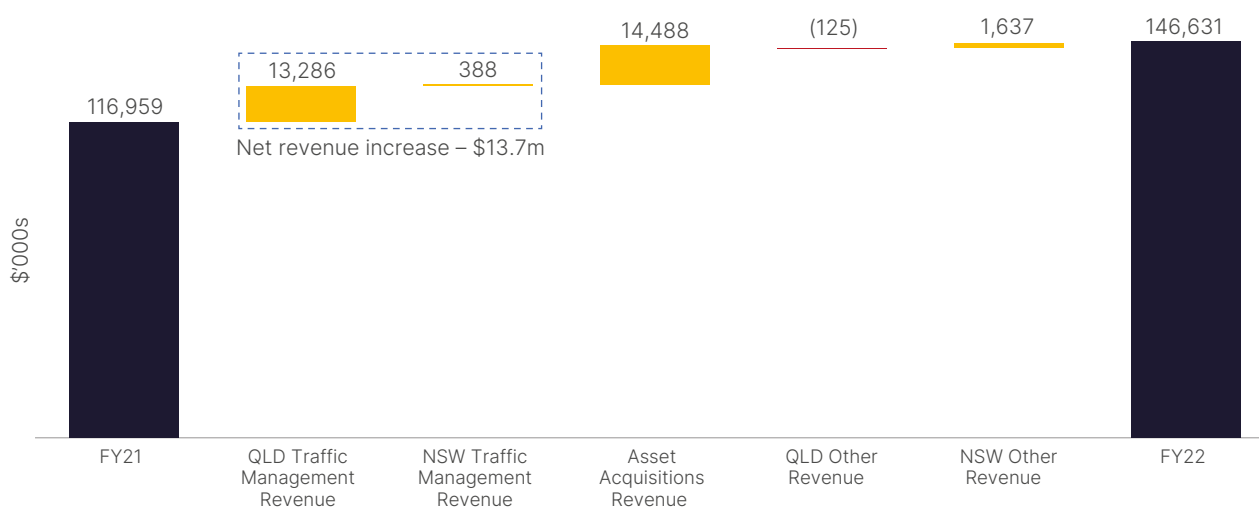
\$'000s	FY21	FY22	Change	% change
Traffic Management Revenue	116,616	144,777	28,161	24.1%
Other Revenue	343	1,854	1,511	440.7%
Total Revenue	116,959	146,631	29,673	25.4%
Cost of Sales	(92,212)	(113,815)	(21,603)	23.4%
Gross Profit	24,747	32,817	8,070	32.6%
Employee benefit expenses	(8,242)	(11,039)	(2,797)	33.9%
General and admin expenses	(4,611)	(6,113)	(1,502)	32.6%
Other expenses	(354)	(154)	200	(56.6%)
Operating expenses	(13,207)	(17,306)	(4,099)	31.0%
EBITDA	11,540	15,511	3,971	34.4%
Depreciation	(3,550)	(3,871)	(321)	9.0%
Amortisation	(3,984)	(3,984)	–	0.0%
EBIT	4,005	7,655	3,650	91.1%
Net finance income/(expense)	(251)	(623)	(372)	148.3%
Profit/(loss) before tax	3,754	7,033	3,278	87.3%
Tax expense	(1,126)	(2,109)	(983)	87.3%
Net Profit/(Loss) after tax	2,628	4,923	2,295	87.3%
EBITDA	11,540	15,511	3,970.1	34.4%
Movement in working capital	1,260	(5,658)	(6,918)	(549.0%)
Capital expenditure	(1,159)	(3,136)	(1,977)	170.5%
Proceeds from sale of Property, plant and equipment	252	–	(252)	(100.0%)
Lease payments	(2,753)	(1,966)	787	650.6%
Non cash items	121	–	(121)	(1.4%)
Free cash flow	9,260	4,751	(4,509)	(48.7%)

Table 5.39.2: Key operating metrics for FY22 and FY21

\$'000s	FY21	FY22	Change	% change
Financial metrics				
Revenue growth excluding Verifact acquisitions	9.1%	13.0%	391 bps	43.1%
Revenue growth including Verifact acquisitions	9.1%	25.4%	1630 bps	179.6%
Gross profit margin	21.2%	22.4%	122 bps	5.8%
Gross profit growth	10.6%	32.6%	2203 bps	208.1%
EBITDA margin	9.9%	10.6%	71 bps	7.2%
EBIT margin	3.4%	5.2%	180 bps	52.5%
PBT margin	3.2%	4.8%	159 bps	49.4%
Operating expenses as % of revenue	11.3%	11.8%	51 bps	4.5%
Operational metrics				
Number of vehicles (at year end)	657	847	190	28.9%
Revenue per vehicle (\$'000s)	178	173	(5)	(2.8%)

5.40 Revenue Forecast

Figure 5.40: FY21 to FY22 revenue bridge



Revenue is forecast to increase by 25.4% from \$117.0 million in FY21 to \$146.6 million in FY22 due to:

- (a) Traffic management revenue in Queensland is forecast to increase by \$13.3 million due to:
- (i) Verifact Traffic: \$10.4 million primarily as a result of continued growth across its portfolio of customers due to ongoing demand for traffic management services (consistent with historical trend) as well as entering into new regions (Gympie and Mackay). Verifact Traffic is established and operating in line with budget in these new regions as at the date of this prospectus;
 - (ii) Arid to Oasis Traffic Solutions: \$1.2 million primarily as a result of organic growth of its existing customer portfolio. No significant new customers, projects or regions have been assumed with management focusing on securing higher margin contracts following the regional expansion achieved since FY19; and
 - (iii) Platinum Traffic Services: \$1.7 million primarily due to growth with the Gold Coast City Council in line with recent run rates.

5. Financial Information

- (b) Traffic management revenue in New South Wales is forecast to increase by \$0.4 million due to:
 - (i) D&D Traffic Management: \$2.8 million due to ongoing, secured and pipeline maintenance and project based infrastructure contracts offsetting COVID-19 impacts;
 - (ii) offset by an assumed reduction in The Traffic Marshal: \$0.7 million primarily associated with expected timing and assumptions regarding project based work and COVID-19 impacts; and
 - (iii) offset by Platinum Traffic Services \$1.8 million as a result of COVID-19 related lockdown impacts;
- (c) the impact of the three Verifact Traffic acquisitions set out in Section 8.3(b) \$14.5 million which takes into account the FY21 revenue rate, available fleet, personnel and current client contracts. These acquisitions will be included in the Queensland segment going forward; and
- (d) an increase in other revenue primarily attributable to JobSaver receipts in the New South Wales operations which were impacted by lockdowns at the start of FY22 (refer to further information below).

Following the lockdowns in New South Wales since June 2021, the three New South Wales entities received a total of \$1.8 million under the New South Wales JobSaver scheme, of which \$1.3 million was received in July and August 2021 and the remainder in September 2021.

Eligibility for this scheme was contingent upon the respective businesses demonstrating a decline in turnover of 30% or more over a two-week period commencing 26 June 2021 compared to either the same period in 2019, the same period in 2020, or the two weeks immediately prior to any restrictions. All three entities with New South Wales operations were eligible for the program and successfully obtained JobSaver.

Actual run rates were significantly below budgeted expectations as a direct result of the lockdowns across New South Wales. As a result, the directors are of the view that JobSaver income received has replaced lost earnings and the businesses have not received any one-off benefit.

5.41 Gross profit

Gross profit is forecast to increase by 32.6% from \$24.7 million in FY21 to \$32.8 million in FY22 largely driven by assumed revenue growth including the impact of the 3 Verifact Traffic acquisitions discussed above.

The gross profit % is forecast to increase from 21.2% in FY21 to 22.4% in FY22. This improvement is largely due to an initiative implemented in June 2021 at Verifact Traffic to attract and retain traffic controllers by offering RTO training on site which is leading to increased workforce at the start of FY22. It is assumed that this will result in less of a need to outsource work to competitors during busy periods. In addition, margins are expected to improve in northern Queensland due to improved billing efficiency and the mix of higher margin work with Arid to Oasis Traffic Solutions following a focus on regional expansion.

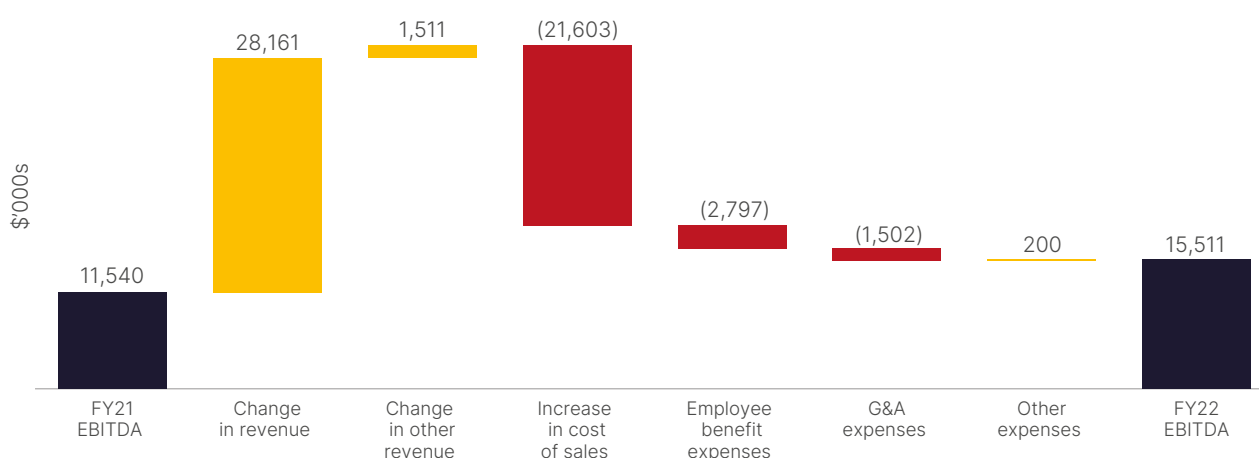
5.42 Operating expenses and EBITDA

Operating expenses are forecast to increase by \$4.1 million, from \$13.2 million in FY21 to \$17.3 million in FY22. This increase in operating expenses is being due to:

- (a) an increase in salaries and wages (\$2.8 million) of which:
 - (i) \$0.5 million relates to the three Verifact Traffic acquisitions;
 - (ii) \$1.0 million relates to Queensland with additional head office and depot supervisory functions forecast to support business expansion;
 - (iii) \$0.8 million in New South Wales largely reflecting vacant positions in FY21; and
 - (iv) increased associated superannuation and other salary on-costs;
- (b) \$0.2 million increase in other staff related expenditure to service the increased workforce requirements discussed above;
- (c) Rent and utilities (\$0.2 million) largely reflecting the additional depots acquired from the three Verifact Traffic acquisitions; and
- (d) Additional administrative, insurance, IT and office expenditure (\$0.6 million) is expected to be incurred to service the expanding operations.

EBITDA is forecast to increase by \$4.0 million, from \$11.5 million in FY21 to \$15.5 million in FY22, an increase of 34.4% as a result of the items discussed above.

Figure 5.42: FY21 to FY22 EBITDA bridge



5.43 Depreciation and amortisation

Depreciation expense for the Group increased from \$3.6 million in FY21 to \$3.9 million in FY22 predominantly due to the acquisition of an additional 114 motor vehicles as a part of the three Verifact Traffic asset acquisitions in FY22.

Amortisation of \$4.0 million in FY22 relates to intangibles recognised from business combinations set out in Section 5.12.

5.44 Movement in working capital

Working capital is forecast to increase by \$5.7 million in FY22. This is predominantly due to the increase in debtor balances associated with the 25.4% uplift in revenue forecasted for FY22 combined with the addition of the three asset acquisitions and a reduction in accruals due to timing of payments.

5.45 Capital expenditure

Capital expenditure is forecast to increase by \$1.9 million, from \$1.2 million in FY21 to \$3.1 million in FY22 primarily due to the acquisition of new motor vehicles to the Group fleet predominantly in Queensland to support expected revenue growth.

5.46 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Group, its Directors and management. These estimates are also based on assumptions with respect to future business developments which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in the other assumptions. In practice, changes in assumptions may offset each other or be additive and it is likely that the Group's management would respond to any adverse changes in one item to seek to reduce the net effect on the Group's NPAT. For the purpose of the analysis below, the effect of the changes in key assumptions on the FY22 Pro Forma NPAT is set out in Table 5.46 below.

5. Financial Information

Table 5.46: Sensitivity analysis on the impact on Pro Forma NPAT for FY22

\$'000s	Notes	FY22	Sensitivity	NPAT impact (\$'000s)
Revenue growth	1	25.4%	+/- 5 ppt	+/- 866
Gross profit %	2	22.4%	+/- 1 ppt	+/- 1,026
Operating cost %	3	11.8%	+/- 1 ppt	+/- 1,026

Notes:

- 1 Revenue growth – The revenue growth rate sensitivity demonstrates the impact of a change in the assumed growth rate of revenue by +/- 5.0 percentage points on the Group's Pro Forma NPAT for FY22. The calculation assumes the forecast gross margin percentage is maintained and has been tax effected. A change in the forecast revenue growth rate of +/- 5.0% (i.e. to 20.4% or 30.4%) is likely to result in an NPAT impact of +/- \$0.9 million.
- 2 Gross profit margin – As discussed in Section 5.35 gross profit margin is forecast to increase to 22.4% in FY22. The sensitivity demonstrates the impact of a +/- 1.0 percentage point movement in the margin, calculated based on forecast FY22 revenues and on a tax-effected basis.
- 3 Operating cost % – Operating costs as a percentage of revenue is forecast at 11.8% in FY22. A movement of +/- 1.0 percentage point would have an impact of \$1.0 million on the NPAT of the Group based on the forecast revenue and on a tax-effected basis.

5.47 Financial risk management framework

The Group's activities are exposed to a number of financial risks including interest rate risk, liquidity risk and credit risk.

The Company manages financial risk through Board approved policies and procedures. These detail the responsibility of the Directors and key executives with regard to the management of financial risk. Financial risk is managed centrally by the Group's finance team. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

5.48 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial asset or financial liability will change as a result of changes in market interest rates. The Group is exposed to interest rate risk through its New Banking Facilities, which include floating rate facilities.

5.49 Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its financial commitments as and when they fall due. The finance team manages liquidity risk through frequent and periodic cash flow forecasting and analysis. Liquidity support is provided through holding undrawn facilities in committed debt facilities.

5.50 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk arising from its operating activities, primarily from trade receivables. Trade receivables balances are monitored on a weekly basis by the finance and executive team.

5.51 Critical accounting judgements and estimates

Preparing financial statements in accordance with AAS requires management to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. Judgements made by management in the application of AAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Refer to the significant accounting policies outlined in the Appendix to this Prospectus.

5.52 Dividend policy

The payment of a dividend by the Group is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of the Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Group, and any other factors the Directors may consider relevant.

Having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio in the range of 40-60% of annual NPATA.

The Group intends to frank dividends to the maximum extent possible. No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking on any such dividend.

Investors who are not residents of Australia and who acquire New Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the New Shares. Prospective investors who are not residents of Australia should consult with their own tax advisers regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the New Shares. Taxation considerations for an Australian tax resident investor are set out in Section 9.16.

RISK FACTORS

6.

6. Risk Factors

6.1 Factors influencing success and risk

Introduction

This section identifies the major risks the Board believes are associated with an investment in AVADA.

The AVADA business is subject to risk factors, both specific to its business activities, and risks of a general nature. Individually, or in combination, these risks might affect the future operating performance of AVADA and the value of an investment in the Company. There can be no guarantee that AVADA will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if they eventuate, have a material adverse impact on AVADA's operating performance and profits, and the market price of the Shares.

Before deciding to invest in the Company, potential investors should:

- (a) read the entire Prospectus;
- (b) consider the assumptions underlying the Directors' forecasts, the sensitivity analysis and the risk factors that could affect the financial performance of AVADA;
- (c) review these factors in light of their personal circumstances; and
- (d) seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

6.2 Specific investment risks

Decrease in capital investment and construction activity in the Australian infrastructure sector

A significant number of the AVADA Group Businesses' key customers operate in the Australian infrastructure sector. The number of new infrastructure projects and the level of project expansion and maintenance activity in the Australian infrastructure sector vary, and are affected by a number of factors including construction and infrastructure activity and investment, government approvals, availability of finance (both government and private sector), and the need for infrastructure such as road systems. The Australian infrastructure sector may also be affected by other factors including economic growth, demographic pressures and government policies in Australia and globally. There can be no assurance that the current levels of capital investment and construction activity in the Australian infrastructure sector will grow, be maintained or not be reduced in the future. Any failure to maintain, or a reduction in, the current levels of capital investments and construction activity in the Australian infrastructure sector, or any changes or delays in the timeline for the construction or completion of infrastructure projects, may reduce the demand for the Group's services and may materially and adversely affect AVADA's revenue, profitability and growth.

Cyclical nature of business

The traffic control and traffic management industry can be cyclical in the volume of business undertaken. Infrastructure cycles in Australia may adversely affect the Company's financial performance. AVADA is exposed to downturns in private and government infrastructure investment in the regions it operates in. The loss of major customers through industry downturns or for any other reason could impact the earnings of AVADA.

AVADA may be adversely impacted by industrial relations issues

AVADA may be adversely impacted by industrial relations issues in connection with its employees or the employees of its customers, contractors and suppliers due to strikes, work stoppages, work slowdowns, grievances, complaints, claims of unfair practices or other industrial activity under the enterprise bargaining

6. Risk Factors

arrangements governing their employment arrangements. Such enterprise bargaining arrangements are subject to negotiation from time to time, which may result in product delays, increased labour costs or industrial action. These circumstances may materially and adversely affect AVADA's operational and financial performance.

The modern award which applies to the vast majority of the AVADA Group Business' employees is complex and has been subject to recent decisions by the Fair Work Commission which have interpreted night shift entitlements in a manner which may create back pay liability. AVADA understand the industry is looking at ways to obtain better certainty on this issue. Underpayments are difficult to identify with certainty and there is a greater push by unions to examine and litigate claims of 'wage theft'.

The AVADA Group Businesses have a range of industrial instruments, including enterprise agreements, some of which are beyond their nominal expiry date. This increases the risk of industrial action and, for older agreements, creates some risk of underpayments.

Dependence upon key personnel and employees

The Group's success depends on its ability to attract and retain qualified key personnel, including the general managers of each business, and other key members of AVADA's Key Management Personnel named in this Prospectus. There may be a negative impact on the Group if any of its key personnel leave. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key personnel of the Company who leave to work for a competitor may adversely impact the Company.

The day-to-day management of AVADA relies on general managers and Directors and the success of AVADA's business depends on retaining the key employees and general motivation of the workforce.

AVADA's ability to attract and retain personnel will have a direct correlation upon its ability to achieve forecast revenues and profitability. Additionally, increases in recruitment, wages and contractor costs and non-compliance with, or future changes to, employment laws may adversely impact upon the financial performance of the Company.

Limited operating history

Whilst each of the AVADA Group Businesses have a long operating history and AVADA's Directors and officers have experience in business, management and the traffic control industry, AVADA was incorporated in March 2021. Accordingly, AVADA has a limited financial and operating history. AVADA's ability to achieve its objectives depends on the ability of its Directors and management to implement the proposed business plans and to respond in a timely and appropriate manner to any changed or unforeseen circumstances. There is a risk that AVADA cannot meet forecast sales or other key performance indicators.

Acquisition due diligence risk

Whilst pre-acquisition due diligence has been performed on each of the AVADA Group Businesses, as is a risk for any acquisition due diligence, the process may not have identified certain issues or the significance of such issues that are material to the decision to acquire the AVADA Group Businesses for the prices agreed.

Operating risks

The Group's overall operations may be adversely affected by various factors, including but not limited to failure to sell or deliver services, unanticipated service delivery problems, plant and labour availability, or increases in the costs of labour, fuel or plant and equipment, equipment and labour sourcing problems, industrial accidents, industrial disputes or delays due to government actions.

The Group's operations can be impacted by the wet season, which limits its ability to provide services which may mean projects are delayed for a period of time. The timing of the wet season varies depending on the exact location of a project, however, projects can be impacted from October to December in South Eastern Queensland and December to March in Northern Australia. Periods of adverse weather conditions can reduce construction activity and lead to a decrease in demand for the Group's services in areas affected by those weather conditions.

Contractual risks

The AVADA Group Businesses operate, and will continue to operate, through a series of contractual relationships with customers and suppliers. All contracts, including those entered into by the Company, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated. In certain instances, it may be costly for the Company to enforce its contractual rights.

Integration

There is a risk that it may take longer than expected for AVADA to integrate the AVADA Group Businesses, which could impact on the costs expended to achieve integration.

Further, there is no guarantee the AVADA Group Businesses will operate as profitably after integration into AVADA as the businesses did prior. The performance of the enlarged business may be adversely affected by changes such as an increase in overheads, the change in management, or a change in workplace culture.

Competition and loss of reputation

The industry in which the Company operates is intensely competitive. A number of companies may be pursuing the provision of services that the AVADA is targeting. In addition, AVADA may be subject to competition on pricing for its services. The Company may face competition from parties who have substantially greater resources than the company.

Downward pricing pressures are experienced from time to time as a result of competitive pressures (which may include potential new entrants in the market) and AVADA is not always able to quickly recover increases in operating expenses through higher selling prices (if at all). If AVADA is consistently unable to recover increased operating expenses through higher selling prices, AVADA's financial performance would be adversely affected.

The success of AVADA and the AVADA Group Businesses is partly reliant on their reputations and brands. Any event or occurrence that diminishes AVADA's reputation or brand could have a significant adverse financial effect on AVADA. In particular, the actions of AVADA's employees, including breaches of relevant regulations or negligence in the provision of services, or major contractual disputes, could damage AVADA's brand and diminish future profitability and growth.

COVID-19

Events related to COVID-19 have resulted in significant market volatility. There is continued uncertainty as to the ongoing and future response of governments and authorities globally, and a further Australian economic downturn is possible. As such, the full impact of COVID-19 on clients, employees and the Company are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to the Company's financial and operational performance. Further, any government or industry measures may materially adversely affect AVADA's operations and are likely beyond AVADA's control.

As a result, AVADA may experience some customer losses, including due to bankruptcy or AVADA's customers ceasing operations, which may result in an inability to collect receivables from these customers. AVADA may also experience a decrease or delay in infrastructure spending and demand for AVADA's services, which could result in decreased revenue and cash flows for AVADA. AVADA could be further adversely affected by a decline in government spending or changes in government budgetary priorities as a result of the economic impact of COVID-19 (or other macroeconomic events that may constrain infrastructure spend), competing demands for public funding or other factors.

There is also a risk that the full impact of COVID-19 on AVADA may not be fully reflected in its results of operations until future periods, for example, if the prolonged nature of the pandemic impacts customer demand through lower infrastructure investment, the impact of the pandemic on customer spending decisions and AVADA's revenues may not be reflected until future periods.

In addition, COVID-19 has affected how AVADA and its clients are operating their business, including as a result of local, state and federal government public health orders, travel restrictions and/or business shutdowns, all of which could negatively impact AVADA's business and results of operations, including cash flows. The duration and extent to which these restrictions will continue to impact AVADA and its clients remains uncertain, and may prove difficult to assess or predict, particularly over the medium to longer term. Government restrictions on AVADA's operations may impact AVADA's ability provide services or lead to an increase in costs. Such restrictions may, directly and indirectly, have a material adverse impact on the financial and operational performance of AVADA.

Workplace health and safety

The Group's employees are at risk of workplace accidents and incidents given the nature of the industry in which the Group operates. In the event that an employee is injured in the course of their employment, AVADA may be liable for penalties or damages under relevant work health and safety legislation. This has the potential to harm both the reputation and financial performance of AVADA.

6. Risk Factors

Inability to secure adequate insurance

Whilst AVADA seeks to maintain insurance coverage that is consistent with industry practice, there is a risk that any claim under AVADA's insurance policies may be subject to certain exceptions, or may not be honoured (in full or in part). AVADA may also be unable to purchase sufficient insurance to cover all losses incurred.

If AVADA were to incur substantial liabilities, or if its business operations were interrupted for a sustained period of time, it may suffer loss. Such losses may not be fully covered by AVADA's insurance policies. In addition, future coverage may not be available to AVADA when required, at commercially acceptable premiums, or at all.

Reliance upon systems and technology

The Group's services and operations are heavily reliant upon technology and information systems. Some of the AVADA Group Businesses have invested significantly in the development of information systems designed to assist the respective businesses to monitor individual contracts, maximise profits, manage relationships and identify and rectify risk or loss-making situations. These systems may fail, or not operate effectively, and this may negatively impact on the respective businesses and the Company's performance.

Regulation

The Group is subject to a broad range of industry laws, regulations and standards. These include statutes, regulations, standards and laws affecting labour and employment practices, the provision of services, and other matters. This results in significant compliance costs and could expose AVADA to legal liability or place limitations on operations. Unfavourable changes to the regulatory environment for traffic control services in Australia may have an impact on the profitability of AVADA. Additionally, while the Group expects its employees to comply with best practice in relation to these matters, it cannot guarantee that its operations will at all times be successful in complying with all demands of relevant laws and regulating agencies in a manner which will not materially adversely affect its business, financial condition or results of operations.

Requirement to raise additional funds

The Company may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or, even if available, the terms may be unsatisfactory. If the Company is unsuccessful in obtaining funds when they are required, the Company may need to delay or scale down its operations.

Growth

There is a risk that the Company may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel may be a significant obstacle to growth.

There is also no guarantee AVADA can maintain or grow the volume of its projects and its project pipeline going forward. This may also be negatively impacted by factors beyond AVADA's control, including a decline in industry growth.

Capital structure risk

Following completion of the Offer, the Directors and Sellers will retain a significant holding in AVADA and will therefore have a significant influence over the Company, including in relation to resolutions requiring the approval of Shareholders. This collective interest may also have an impact on the liquidity (particularly having regard to escrow arrangements referred to below), as well as acting as a potential deterrent to corporate transactions.

Escrow arrangements

Certain Shareholders and the Sellers will be subject to escrow requirements, designed to protect the integrity of the market and allow the Company to develop a track record. This means that certain Shareholders will not be able to deal with escrowed Shares for a period of up to 24 months commencing on Completion or the date the Company's securities are quoted on the ASX. At the end of the escrow period, these Shares will be released from escrow at the same time, which may impact the Company's share price if relevant persons seek to trade their Shares at that time.

Further acquisitions and shareholder dilution

AVADA's growth strategy includes pursuing further acquisitions. Shareholders' interests will be diluted if AVADA issues new Shares as consideration for acquisitions or if AVADA funds acquisitions by placing Shares with new investors.

AVADA's growth strategy may be impacted if it is unable to find and integrate suitable acquisitions. The Company's due diligence processes may not be successful and an acquisition may not perform to the level expected.

Debt covenants may be breached if performance declines

As described in Section 5.14 AVADA will enter into the New Banking Facilities pursuant to which AVADA will be subject to various covenants. Factors such as a decline in AVADA's operational and financial performance could lead to a breach of its banking covenants. If a breach occurs AVADA's financiers may seek to exercise enforcement rights under debt facilities, including requiring immediate repayment, which may have a materially adverse effect on AVADA's future financial performance and position.

6.3 General investment risks

Share market investments

Before the Offer there has been no public market for the Shares. It is important to recognise that, once the Shares are quoted on ASX, their price might rise or fall and they might trade at prices below or above the Offer Price. There can also be no assurance that an active trading market will develop for the Shares.

Factors affecting the price at which the Shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant company. Those fluctuations might adversely affect the price of the Shares.

General economic conditions

AVADA's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

Force majeure events may occur

Events may occur within or outside Australia that could impact upon global, Australian or other local economies relevant to AVADA's financial performance, the operations of AVADA and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural events or occurrences that can have an adverse effect on the demand for AVADA's services and its ability to conduct business. AVADA has only a limited ability to insure against some of these risks.

Contractual risks and litigation

AVADA operates in an industry in which contract (including panel and broader client arrangements) and industrial disputes can arise, and there is a risk that the Company may in future be subject of or required to commence litigation, for example in relation to its key contracts, panel or other client arrangements, core commercial activities and employee personal injury claims. Currently, there is no litigation, mediation, conciliation or administrative proceeding taking place, pending or threatened against the Company. Frequent or high-profile litigation may undermine consumer confidence in AVADA's brand or adversely affect the investment market's perception which would negatively impact the financial performance of AVADA or the price of Shares in the Company.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the Directors' and AVADA's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in AVADA's financial statements.

Tax risks

Changes to the rate of taxes imposed on AVADA, (including in overseas jurisdictions in which AVADA operates, now or in the future) or tax legislation generally, may affect AVADA and its Shareholders. In addition, an interpretation of Australian tax laws by the Australian Taxation Office that differs to AVADA's interpretation may lead to an increase in AVADA's tax liabilities and a reduction in Shareholder returns.

Personal tax liabilities are the responsibility of each individual investor. AVADA is not responsible either for tax or tax penalties incurred by investors.

6. Risk Factors

No guarantee of dividend

The ability of AVADA to pay dividends in the future is dependent on many factors, and in particular its financial performance and profits derived from operations. This, together with a number of other factors, will impact on the Company's ability to pay a dividend. The Board cannot give any assurance regarding the payment of dividends in the future.

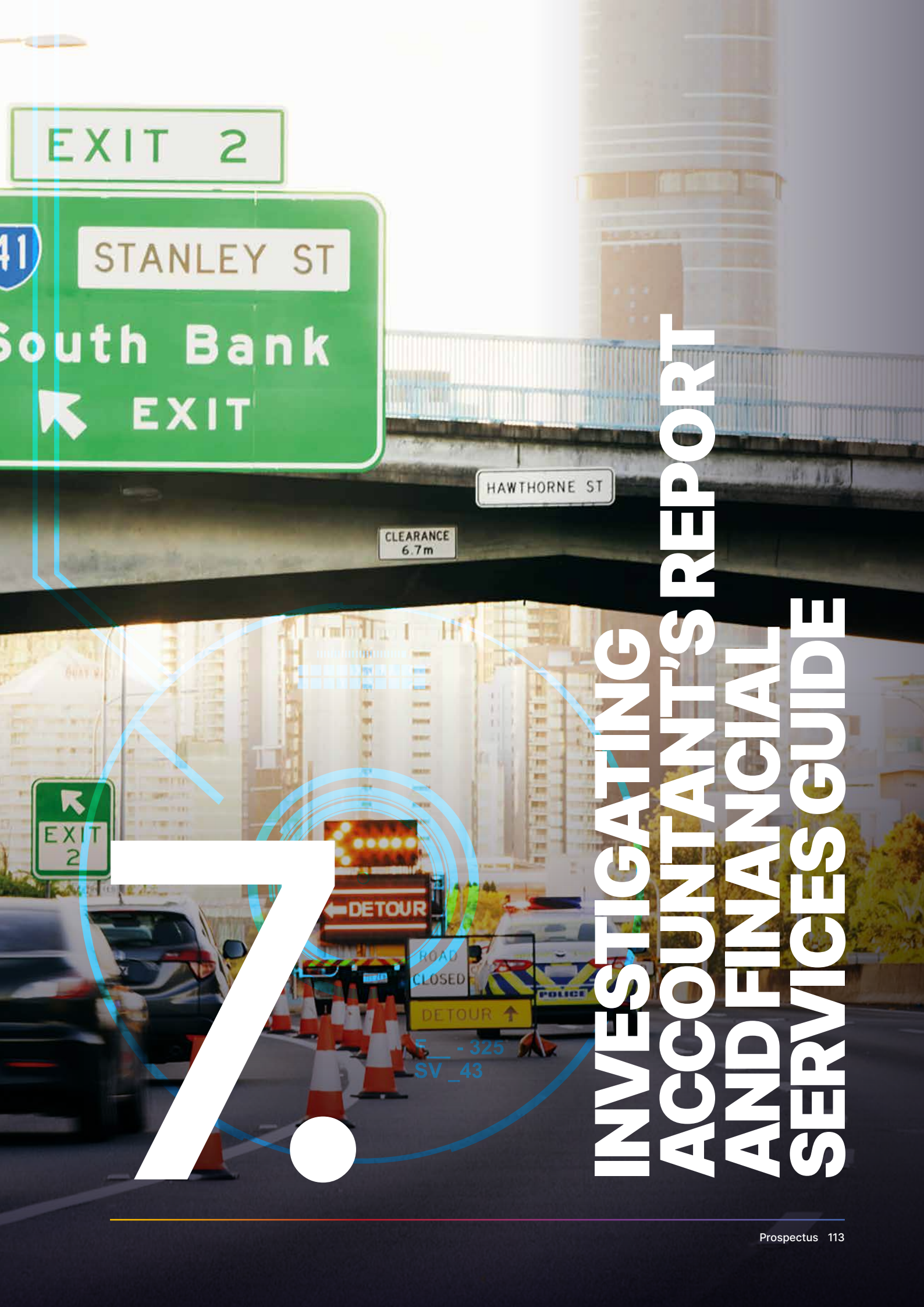
6.4 Cautionary statement

Statements contained in this Prospectus may be forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. They are based on, among other sources the examination of historical operating trends, data contained in the Company's records and other data available from third parties. There can be no assurance, however, that their expectations, beliefs or projections will give the results projected in the forward-looking statements. Additional factors that could cause actual results to differ materially from those indicated in the forward-looking statements are discussed earlier in this section.

Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements, which speak only as of the date of this Prospectus. Under no circumstances should forward looking statements be regarded as a representation or warranty by AVADA or any other person referred to in this Prospectus, that a particular outcome or future event is guaranteed.

AVADA has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.



EXIT 2

STANLEY ST

South Bank

EXIT

HAWTHORNE ST

CLEARANCE
6.7m

EXIT
2

DETOUR

ROAD
CLOSED

DETOUR

E - 325
SV - 43

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

7. Investigating Accountant's Report and Financial Services Guide



Deloitte Corporate Finance Pty Limited
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The Directors
AVADA Group Limited
Level 22, 300 Queen Street
Brisbane QLD 4000

9 November 2021

Dear Directors,

INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of AVADA Group Limited (ACN 648 988 783) (the Company) for inclusion in a prospectus (the Prospectus) to be issued in respect of the initial public offering of fully paid ordinary shares (Shares), through an issue of new Shares by the Company (the Offer) and the subsequent listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the *Corporations Act 2001* for the issue of this report.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

Scope

Reported Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- (i) the reported historical aggregated income statements of the AVADA Group Businesses for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- (ii) the reported historical statement of financial position as at 30 June 2021 of the Company; and
- (iii) the reported historical aggregated cash flows of the AVADA Group Businesses for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021;

as set out in Tables 5.8, 5.11 and 5.9.2 of the Prospectus (the Reported Historical Financial Information).

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

The Reported Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Reported Historical Financial Information for the years ended 30 June 2019, 30 June 2020 and 30 June 2021 has been extracted from the special purpose aggregated financial statements of the AVADA Group Businesses for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021, which were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on the special purpose aggregated financial statements of the AVADA Group Businesses.

The Reported Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001* (Cth).

Pro Forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- (i) the Pro Forma historical aggregated income statements of the Company for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- (ii) the Pro Forma historical aggregated statement of financial position of the Company as at 30 June 2021; and
- (iii) the Pro Forma historical aggregated cash flows of the Company for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021;

as set out in Tables 5.5, 5.11 and 5.9.1 of the Prospectus (the Pro Forma Historical Financial Information).

The Pro Forma Historical Financial Information has been derived from the Reported Historical Financial Information, after adjusting for the effects of the Pro Forma adjustments described in Sections 5.6, 5.11 and 5.10 of the Prospectus (the Pro Forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Reported Historical Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at the date of the Reported Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- (i) the statutory forecast consolidated income statement and the statutory forecast consolidated cash flows for the financial year ending 30 June 2022; and
- (ii) the Pro Forma forecast consolidated income statement and the Pro Forma forecast consolidated cash flows for the financial year ending 30 June 2022;

(together the Forecast Financial Information).

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The Directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Sections 5.33 through to 5.37 of the Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro Forma Adjustments described in Sections 5.6, 5.11 and 5.10 of the Prospectus.

The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at 30 June 2021.

Due to its nature the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the financial year ending 30 June 2022.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2022. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecasts since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and /or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly, prospective investors should have regard to the sensitivities set out in Section 5.46 and risks factors set out in Section 6 of the Prospectus.

We have assumed and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Reported Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of Pro Forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro Forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of Reported Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Reported Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Reported Historical Financial Information

- a review of the extraction of the Reported Historical Financial Information from the special purpose aggregated financial statements of the AVADA Group Businesses for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- analytical procedures on the Reported Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Reported Historical Financial Information;
- a review of the work papers, accounting records and other documents of the AVADA Group Businesses; and

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- enquiry of Directors and management of the AVADA Group Businesses and the Company and their advisors in relation to the Reported Historical Financial Information.

Pro Forma Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Reported Historical Financial Information of the AVADA Group Businesses from the special purpose aggregated financial statements for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- consideration of the appropriateness of the Pro Forma Adjustments described in Sections 5.6, 5.11 and 5.10 of the Prospectus;
- enquiry of Directors, management and personnel of the Company and their advisors;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies adopted and used by the Company over the period for consistency of application.

Forecast Financial Information

- enquiries, including discussions with management of the Company and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used by the Company in the preparation of the Forecast Financial Information;
- consideration of the Pro Forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro Forma Forecast Financial Information.

Conclusions***Reported Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not prepared or presented, in all material respects, in accordance with the stated basis of preparation as described in Section 5.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared or presented, in all material respects, in accordance with the stated basis of preparation as described in Section 5.2 of the Prospectus.

The Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information,
- (ii) in all material respects, the Statutory Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Sections 5.33 through to 5.37 of the Prospectus,
 - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards,
- (iii) the Statutory Forecast Financial Information itself is unreasonable.

The Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information,
- (ii) in all material respects, the Pro Forma Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Sections 5.33 through to 5.37 of the Prospectus,
 - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred as at 30 June 2021,
- (iii) the Pro Forma Forecast Financial Information itself is unreasonable.

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Restrictions on Use

Without modifying our conclusions, we draw attention to Sections 5.33 and 5.34 of the Prospectus, which describe the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

A handwritten signature in blue ink, appearing to read "David Hagger".

David Hagger

Authorised Representative of Deloitte Corporate Finance Pty Limited
(AFSL Number 241457)
AR number 461001

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (**DCF**) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (**AR**) and DCF authorises the AR to distribute this FSG. Their AR number and contact details are in the document that accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (**AFCA**). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

A cityscape background with a digital overlay. The overlay consists of blue and red geometric patterns, including squares and triangles, arranged in a way that suggests a 3D or isometric structure. A large, white, stylized number '8' is prominently displayed on the left side of the image. The sky is blue with white clouds, and the city buildings are visible in the background.

8.

MATERIAL AGREEMENTS

8. Material Agreements

8.1 Key documents

The Board considers that certain agreements relating to AVADA are significant to the Offer, the operations of AVADA or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

8.2 Constitution

Below is a summary of the key provisions of AVADA's Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of a Shareholder's rights and obligations.

Shares

The Directors are entitled to issue and cancel Shares in the capital of AVADA, grant options over unissued shares and settle the manner in which fractions of a Share are to be dealt with. The Directors may decide the persons to whom, and the terms on which, Shares are issued or options are granted as well as the rights and restrictions that attach to those Shares or options.

The Constitution also permits the issue of preference shares on terms determined by the Directors.

AVADA may also sell a Share that is part of an unmarketable parcel of shares under the procedure set out in the Constitution.

Variation of class rights

The rights attached to any class of Shares may, unless their terms of issue state otherwise, only be varied with the consent in writing of members holding at least three-quarters of the Shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of Shares of that class.

Restricted securities

If the ASX classifies any of AVADA's share capital as restricted securities, then the restricted securities must not be disposed of during the escrow period and AVADA must refuse to acknowledge a disposal of the restricted securities during the escrow period, except as permitted under the Listing Rules or by the ASX.

Share certificates

Subject to the requirements of the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules, AVADA need not issue share certificates if the Directors so decide.

Calls

The Directors may, from time to time, call upon Shareholders for unpaid monies on their shares. The Directors must give Shareholders notice of a call at least 30 business days before the amount called is due, specifying the time and place of payment. If a call is made, Shareholders are liable to pay the amount of each call by the time and at the place specified.

A call is taken to have been made when a Directors' resolution passing the call is made or on any later date fixed by the Board. A call may be revoked or postponed at the discretion of the Directors.

Forfeiture and lien

AVADA may forfeit Shares to cover any call, or other amount payable in respect of Shares, which remains unpaid following any notice to that effect sent to a Shareholder. Forfeited Shares become the property of AVADA and the Directors may sell, reissue or otherwise dispose of the Shares as they think fit.

8. Material Agreements

A person whose Shares have been forfeited may still be required to pay AVADA all calls and other amounts owing in respect of the forfeited Shares (including interest) if the Directors so determine.

AVADA has a first and paramount lien for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's Shares. The lien extends to all distributions relating to the Shares, including dividends.

AVADA's lien over Shares will be released if it registers a transfer of the Shares without giving the transferee notice of its claim.

Share transfers

Shares may be transferred by any method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules or by a written transfer in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer of Shares where it is not in registrable form, AVADA has a lien over any of the Shares to be transferred or where it is permitted to do so by the Listing Rules or the ASX Settlement Operating Rules.

General meetings

Each Shareholder, Director and auditor is entitled to receive notice of and attend any general meeting of AVADA. Two Shareholders must be present to constitute a quorum for a general meeting. No business may be transacted at any meeting, except the election of a chair and the adjournment of the meeting, unless a quorum is present when the meeting proceeds to business.

Voting rights

Subject to any rights or restrictions attached to any Shares or class of shares, on a show of hands each Shareholder present has one vote and, on a poll, one vote for each fully paid Share held, and for each partly paid Share, a fraction of a vote equivalent to the proportion to which the Share has been paid up. Voting may be in person or by proxy, attorney or representative.

Remuneration of Directors

Each Director is entitled to remuneration from AVADA for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by AVADA in general meeting. The remuneration of a Director (who is not the Managing Director or an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue.

Remuneration may be provided in the manner that the Directors decide, including by way of non-cash benefits. There is also provision for Directors to be paid extra remuneration (as determined by the Directors) if they devote special attention to the business of AVADA or otherwise perform services which are regarded as being outside of their ordinary duties as Directors or, at the request of the Directors, engage in any journey on AVADA's business.

Directors are also entitled to be paid all travelling and other expenses they incur in attending to AVADA's affairs, including attending and returning from general meetings or Board meetings, or meetings of any committee engaged in AVADA's business.

Interests of Directors

A Director who has a material personal interest in a matter that is being considered by the Board must not be present at a meeting while the matter is being considered nor vote on the matter, unless the Corporations Act allows otherwise.

Election and retirement of Directors

There must be a minimum of 3 Directors and a maximum of 12 Directors unless AVADA in general meeting resolves otherwise.

Where required by the Corporations Act or Listing Rules, AVADA must hold an election of directors each year. No Director, other than the managing director, may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. A Director appointed to fill a casual vacancy, who is not a managing Director, holds office until the conclusion of the next annual general meeting following his or her appointment. If there would otherwise not be a vacancy, and no Director is required to retire, then the director who has been longest in office since last being elected must retire.

If a number of Directors were elected on the same day, the Directors to retire is (in default of agreement between them) determined by ballot.

Dividends

If the Directors determine that a final or interim dividend is payable, it is (subject to the terms of issue on any Shares or class of Shares) paid on all Shares proportionate to the amount fully paid up on each Share. Dividends may be paid by cash, electronic transfer or any other method as the Board determines.

The Directors have the power to capitalise and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to Shareholders. The capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the Listing Rules, the Directors may pay a dividend out of any fund or reserve or out of profits derived from any source.

Proportional takeover bids

AVADA may prohibit registration of transfers purporting to accept an offer made under a proportionate takeover bid unless a resolution of AVADA has been passed approving the proportional takeover bid under the provisions of the Constitution.

The rules in the Constitution relating to proportional takeover bids cease on the third anniversary of the adoption of the Constitution, or the renewal of the rules, unless renewed by a special resolution of Shareholders.

Indemnities and insurance

AVADA must indemnify current and past Directors and other executive officers (**Officers**) of AVADA on a full indemnity basis and to the fullest extent permitted by law against all liabilities incurred by the Officer as a result of their holding office in AVADA or a related body corporate.

AVADA may also, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability incurred by the Officer as a result of their holding office in AVADA or a related body corporate.

8.3 Verifact Acquisition Agreement

- (a) On 8 June 2021, the Company and Verifact Pty Ltd ACN 120 091 590 (**Verifact Seller**) entered into the Verifact Acquisition Agreement (as varied by deeds of variation dated 14 October 2021 and 8 November 2021) on the following key terms:
- (i) the Verifact Seller agreed to sell the entire issued share capital of Verifact Traffic (being 1,456,000 ordinary shares) (**Verifact Shares**) to the Company and the Company agreed to purchase the Verifact Shares for the Verifact Purchase Price;
 - (ii) the **Verifact Purchase Price** is made up of two components:
 - (A) an upfront payment on Completion, being an amount calculated at 5 times EBITDA (as calculated in the Verifact Acquisition Agreement) of Verifact Traffic to 30 June 2021 payable:
 - (I) \$7,947,125 in cash; and
 - (II) 14,159,254 Shares, being 64% of the up-front payment divided by the Offer Price; and
 - (B) an “earn-out” component, being an amount calculated at 4 times EBITDA (as calculated in the Verifact Acquisition Agreement subject to a minimum EBITDA threshold) of Verifact Traffic for the first 12 full months following Completion (**Verifact Earn-Out Payment**) payable:
 - (I) 90% in cash; and
 - (II) the remainder in Shares, being 10% of the Verifact Earn-Out Payment divided by the 30-day volume weighted average price of the Shares on the relevant issue date.
 - (iii) the principals of the Verifact Seller, being Dan Crowley and Jarrod Bowditch, guarantee the obligations of the Verifact Seller under the Verifact Acquisition Agreement;
 - (iv) the parties agreed to standard terms in respect of, among other things, confidentiality, conduct in relation to completion, costs, notices and governing law;
 - (v) the Verifact Seller provided customary warranties in respect of accuracy of information, title to the Verifact Shares, Verifact Traffic, Verifact Traffic’s business and assets, accounts and financial position,

8. Material Agreements

contracts, intellectual property, taxation, employees, legal compliance, absence of litigation, insurance and delegations of authorities, as appropriate for an acquisition of this nature and size; and

- (vi) completion under the Verifact Acquisition Agreement is conditional on the provision of any change of control consents required under material contracts and upon completion of the Offer.
- (b) Verifact Traffic has recently entered into agreements to acquire the assets of the following:
 - (i) **Linemark Agreement** – Verifact Traffic entered into an agreement with Linemark Australia Pty Ltd ACN 121 995 104 as trustee for The Dantab Trust and Australian Company Finance Pty Ltd ACN 151 381 930 dated 31 July 2021 (**Linemark Agreement**) to purchase certain traffic control assets for a purchase price of \$615,000;
 - (ii) **CTM Agreement** – Verifact Traffic (through its subsidiary Customised Traffic Management No.2 Pty Ltd ACN 650 168 335) entered into an agreement with CUSTOMTWO PTY LTD ACN 601 113 428 (formerly Customised Traffic Management Pty Ltd) (**CTM**) dated 13 September 2021 (**CTM Agreement**) to purchase certain traffic control assets from CTM for a purchase price of \$700,000, payable in instalments set out in the CTM Agreement; and
 - (iii) **TMP Agreement** – Verifact Traffic (through its subsidiary Traffic Management People No. 2 Pty Ltd ACN 652 656 016) entered into an agreement with Abrahamson Holdings Pty Ltd ACN 141 760 483 (formerly Traffic Management People TMP Pty Ltd) as trustee for the Abrahamson Family Trust (**TMP**) dated 27 September 2021 (**TMP Agreement**) to purchase certain traffic control assets from TMP for a purchase price of \$1,200,000.

8.4 Arid to Oasis Acquisition Agreement

On 2 July 2021, the Company and Bowe Developments Pty Ltd ACN 106 635 965 as trustee for the Bowe Family Trust and the Bowe No. 2 Family Trust (**Arid to Oasis Seller**) entered into the Arid to Oasis Acquisition Agreement (as varied by a deed of amendment dated 7 October 2021) on the following key terms:

- (a) the Arid to Oasis Seller agreed to sell, and the Company agreed to purchase, the entire issued share capital of Arid to Oasis Traffic Solutions (being 4 ordinary shares) (**Arid to Oasis Shares**) for the Arid to Oasis Purchase Price;
- (b) the **Arid to Oasis Purchase Price** is the amount calculated at 4.2 times EBITDA (as calculated in the Arid to Oasis Acquisition Agreement) for the year ending 30 June 2021, and comprises the following components in the event of an initial public offering payable on Completion:
 - (i) \$9,191,454 in cash; and
 - (ii) 1,882,586 Shares, being 17% of the Arid to Oasis Purchase Price divided by the Offer Price;
- (c) the sole director and company secretary of Arid to Oasis Traffic Solutions, James Patrick Bowe, as well as James Anthony Bowe and David Bowe, have guaranteed the obligations of the Arid to Oasis Seller under the Arid to Oasis Acquisition Agreement in the following proportions:

James Patrick Bowe	50%
James Anthony Bowe	25%
David Bowe	25%
- (d) completion under the Arid to Oasis Acquisition Agreement is conditional on the provision of any change of control consents required under material contracts and upon completion of the Offer;
- (e) the parties agreed to standard terms in respect of, among other things, confidentiality, mechanics of completion, costs, notices and governing law; and
- (f) the Arid to Oasis Seller provided customary warranties in respect of accuracy of information, title to the Arid to Oasis Shares, Arid to Oasis Traffic Solutions' services, Arid to Oasis Traffic Solutions' business and assets, accounts and financial position, contracts, intellectual property, taxation, employees, legal compliance, absence of litigation, insurance and delegations of authorities, as appropriate for an acquisition of this nature and size.

8.5 Platinum Acquisition Agreement

On 14 July 2021, the Company and Nigel Tarr as trustee for Nigel Tarr Family Trust, Minamurra Pty Ltd ACN 115 913 847 as trustee for The McGinty Trust and Glen Sillick as trustee for G & J Sillick Family Trust (together the **Platinum Sellers**) entered into the Platinum Acquisition Agreement (as varied by a deed of amendment dated 14 October 2021) on the following key terms:

- (a) the Platinum Sellers agreed to sell, and the Company agreed to purchase, the entire issued share capital of Platinum (being 100 ordinary shares (**Platinum Shares**) for the Platinum Purchase Price;
- (b) the **Platinum Purchase Price** is the amount calculated at 2.625 times the normalised EBITDA (as calculated in the Platinum Acquisition Agreement) for the year ending 30 June 2021, and comprises the following components payable on Completion as follows:
 - (i) an upfront cash payment equal to \$3,015,480, minus a retention amount equal to \$301,548, to be paid to the Platinum Sellers in their respective proportions; and
 - (ii) 753,871 Shares, being 20% of the Platinum Purchase Price divided by the Offer Price, to be issued to the Platinum Sellers in their respective proportions;
- (c) following completion of the Acquisition, there will be a post completion adjustment based on agreed completion accounts and the retention amount will be paid based on that adjustment;
- (d) the directors of Platinum Traffic Services, being Nigel Tarr and Sean Michael McGinty, as well as Glen Sillick, have guaranteed the obligations of the Platinum Sellers under the Platinum Acquisition Agreement in the following proportions:

Nigel Tarr	45%
Sean Michael McGinty	45%
Glen Sillick	10%
- (e) completion under the Platinum Acquisition Agreement is conditional on a number of events including the provision of any change of control consents required under material contracts and upon completion of the Offer;
- (f) the parties agreed to standard terms in respect of, among other things, confidentiality, mechanics of completion, costs, notices and governing law; and
- (g) the Platinum Sellers provided customary warranties in respect of accuracy of information, title to the Platinum Shares, Platinum Traffic Services' services, Platinum Traffic Services' business and assets, accounts and financial position, contracts, intellectual property, taxation, employees, legal compliance, absence of litigation, insurance and delegations of authorities, as appropriate for an acquisition of this nature and size.

8.6 D&D Acquisition Agreement

On 16 July 2021, the Company and Rodeca Pty Ltd ACN 105 285 881 as trustee for the Cazzolli Family Trust, Fabian Diaz and Diego Diaz (together the **D&D Sellers**) entered into the D&D Acquisition Agreement (as varied by a deed of amendment dated 26 October 2021 (**D&D Amendment Deed**)) on the following key terms:

- (a) the D&D Sellers agreed to sell, and the Company agreed to purchase, the entire issued share capital of D&D Traffic Management (being 270 ordinary shares) (**D&D Shares**) for the D&D Purchase Price;
- (b) the **D&D Purchase Price** in the event of an initial public offering is payable in two components:
 - (i) an upfront payment on Completion, being an amount calculated at 4.45 times EBITDA (as calculated in the D&D Acquisition Agreement) for the year ending 30 June 2021, to be paid to the D&D Sellers payable:
 - (A) \$8,839,699 in cash; and
 - (B) 2,209,925 Shares, being the up front payment divided by the Offer Price, issued to the D&D Sellers;
 - (ii) an "earn-out" component, being such number of Shares calculated at 4.45 times EBITDA (as calculated in the D&D Acquisition Agreement and subject to a minimum EBITDA threshold) of D&D Traffic Management for the first 12 full months following Completion divided by the 30-day volume weighted average price of the Shares in the Company on the relevant issue date, issued to the D&D Sellers in their respective proportions;

8. Material Agreements

- (c) the D&D Sellers are receiving the D&D Purchase Price in the following proportions:
 - (i) Fabian Diaz: 75% cash and 25% in shares;
 - (ii) Diego Diaz: 90% cash and 10% shares; and
 - (iii) Rodeca Pty Ltd ACN 105 285 881 as trustee for the Cazzolli Family Trust: 75% cash and 25% shares;
- (d) as Rodeca Pty Ltd ACN 105 285 881 as trustee for the Cazzolli Family Trust is the only D&D Seller not holding their proportion of the D&D Shares in their personal capacity Rob Cazzolli, a director of D&D Traffic Management, has guaranteed the obligations of Rodeca Pty Ltd as trustee for the Cazzolli Family Trust under the D&D Acquisition Agreement;
- (e) completion under the D&D Acquisition Agreement is conditional on a number of events including the provision of any change of control consents required under material contracts and upon completion of the Offer;
- (f) the parties agreed to standard terms in respect of, among other things, confidentiality, mechanics of completion, costs, notices and governing law; and
- (g) the D&D Sellers provided customary warranties in respect of accuracy of information, title to the D&D Shares, D&D Traffic Management's services, D&D Traffic Management's business and assets, accounts and financial position, contracts, intellectual property, taxation, employees, legal compliance, absence of litigation, insurance and delegations of authorities, as appropriate for an acquisition of this nature and size.

8.7 Traffic Marshal Acquisition Agreement

On 12 July 2021, the Company and Martin James French as trustee for the Ekonos Family Trust (**The Traffic Marshal Seller**) entered into the Traffic Marshal Acquisition Agreement (as varied by a Deed of Amendment dated 6 October 2021) on the following key terms:

- (a) The Traffic Marshal Seller agreed to sell, and the Company agreed to purchase, the entire issued share capital of The Traffic Marshal (being 1 ordinary share) (**The Traffic Marshal Share**) for the Traffic Marshal Purchase Price;
- (b) The **Traffic Marshal Purchase Price** is the amount calculated at 3 times EBITDA (as calculated in The Traffic Marshal Acquisition Agreement) for the year ending 30 June 2021, and comprises the following components payable on Completion as follows:
 - (i) an upfront cash payment of \$3,708,380, minus a retention amount equal to \$370,838; and
 - (ii) 1,589,306 Shares, being 30% of the Traffic Marshal Purchase Price divided by the Offer Price;
- (c) following completion of the Acquisition, there will be a post completion adjustment based on agreed completion accounts and the retention amount will be paid based on that adjustment;
- (d) Martin James French, the sole director and company secretary of The Traffic Marshal, has guaranteed the obligations of The Traffic Marshal Seller under The Traffic Marshal Acquisition Agreement;
- (e) completion under The Traffic Marshal Acquisition Agreement is conditional on a number of events including the provision of any change of control consents required under material contracts and upon completion of the Offer;
- (f) the parties agreed to standard terms in respect of, among other things: confidentiality, mechanics of completion, costs, notices and governing law; and
- (g) The Traffic Marshal Seller provided customary warranties in respect of accuracy of information, title to The Traffic Marshal Share, The Traffic Marshal's services, The Traffic Marshal's business and assets, accounts and financial position, contracts, intellectual property, taxation, employees, legal compliance, absence of litigation, insurance and delegations of authorities, as appropriate for an acquisition of this nature and size.

8.8 Seed Loans

- (a) The Company has entered into seven seed loan agreements, each with the entities identified in the table below (**Seed Loans**) on the following terms:
- (i) each Seed Loan is unsecured and no interest is payable on the loan amount;
 - (ii) each Seed Loan must be repaid in full following either the listing or, a leveraged acquisition or private equity or third-party sale (each a **Target Transaction**), or in the event that no Target Transaction occurs any amounts not spent;
 - (iii) each Seed Loan amount may only be used by the Company for approved purposes, being the external costs associated with Target Transactions and acquisition of any company or business predominantly operating in the traffic management, energy contracting services and associated sectors;
 - (iv) standard warranties exchanged by the parties relating to title, solvency and information provided to the lender;
 - (v) standard events of default and applicable consequences; and
 - (vi) the agreement may not be assigned without the other party's written consent.

D&D Traffic Management Seed Loan

- (b) The Seed Loan agreement entered into with D&D Traffic Management contains the following additional provisions:
- (i) the lender's prior approval is required before any loan money is paid to the Company's related entities or allocated to its internal costs, operating expenses, labour costs or overheads;
 - (ii) the Company's failure to fulfil its contractual obligations only becomes an event of default if the failure remains unremedied 14 days after being notified by the lender of the failure;
 - (iii) interest of 8.5% p.a. may be charged from the date of the event of default; and
 - (iv) if by 31 December 2021 a Target Transaction has not occurred the lender may at its discretion extend the loan term or demand repayment of amounts not expensed.

Lender	Related party	Facility amount	Seed Loan Agreement Date
Aaction Traffic Control Pty Ltd		\$20,000	23 April 2021
B Woods Super Fund Pty Ltd as trustee for B Woods Superannuation Fund		\$60,000	27 April 2021
Bowe Developments Pty Ltd	James Anthony Bowe	\$200,000	15 April 2021
Crowley Superannuation Pty Ltd as trustee for the Crowley Superannuation Fund	Dan Crowley	\$266,667	8 April 2021
D&D Traffic Management Pty Ltd	Rob Cazzolli	\$300,000	21 April 2021
The following entities controlled by Lance Hockridge <ul style="list-style-type: none"> Lance E Hockridge on behalf of Hockridge Estate Pty Ltd as trustee for Hockridge Family Trust; and Hockridge Superannuation Fund Pty Ltd as trustee for The Hockridge Family Superannuation Fund 	Lance Hockridge	\$1,320,000	13 April 2021
Zinline Pty Ltd as trustee for Bowditch Super Fund		\$133,333	8 April 2021

Note: the committed Seed Loans are \$2.3 million in total. The Seed Loans drawn down as at 30 September 2021 were \$1.2 million and it is expected that \$1.9 million would have been drawn down by 31 October 2021. This \$1.9 million has been used to fund transaction costs up to that date.

8. Material Agreements

8.9 Kern Group Engagement Letter

The Company has engaged Kern Group Pty Ltd ACN 135 813 964 (**Kern Group**) as the corporate adviser for the Offer under an engagement letter dated 14 June 2021 (**Kern Group Engagement Letter**) to assist the Company by:

- (a) identifying and advising the Company on its acquisitions of the AVADA Group Businesses;
- (b) raising up to \$50 million in capital;
- (c) negotiating appropriate debt facilities; and
- (d) engaging advisers necessary for the Offer.

Under the Kern Group Engagement Letter, the Company will pay Kern Group a fee of \$950,000 (exclusive of GST).

The Company is required to reimburse any reasonable out-of-pocket expenses that Kern Group incurs in connection with the Kern Group Engagement Letter under the engagement letter, subject to the Company's prior written approval of any expenditure over \$3,000. Kern Group may also charge the Company up to \$1,500 per month for use of its offices by the Company's employees.

Kern Group will rely on information provided to it by the Company and will maintain the confidentiality of any information as required by the Company.

Each party is entitled to terminate the Kern Group Engagement Letter with or without cause at any time by issuing a notice of termination.

The Company has indemnified Kern Group in respect of all claims and losses arising in connection with the engagement under the Kern Group Engagement Letter capped at \$9,500,000.

The Company has given standard representations and warranties relating to information provided and regulatory compliance.

8.10 Underwriting Agreement

AVADA, Verifact Traffic and the Lead Manager and Underwriter have entered into the Underwriting Agreement. In accordance with the terms of the Underwriting Agreement, the Lead Manager and Underwriter has agreed to manage the Offer and to underwrite the application for new Shares under the Offer by subscribing for any Shares the subject of the Offer for which valid applications are not received. The Lead Manager and Underwriter may also appoint sub-underwriters.

Fees and costs

AVADA must pay the Lead Manager and Underwriter a fee of 4.25% (comprising an underwriting fee of 2.25% and a management fee of 2%) of the underwritten Offer proceeds (\$30 million of New Shares, which excludes the Committed Shares).

In addition to the fees described above, AVADA has agreed to pay the Lead Manager and Underwriter for reasonable out of pocket expenses (including legal fees) in relation to the Offer.

Termination

As is normal for agreements of this nature, the Lead Manager and Underwriter may terminate its obligations under the Underwriting Agreement, without cost or liability, if certain events occur before the Shares are issued (**Unqualified Termination Events**). In respect of the occurrence of certain other events, the Lead Manager and Underwriter's ability to terminate is limited to circumstances in which the Lead Manager and Underwriter is of the opinion that the event has had or could be expected to have a material adverse effect on certain factors including (but not limited to) the financial condition of AVADA, the ability of the Lead Manager and Underwriter to market or promote the Offer or the price or likely price at which the Shares are likely to trade on ASX (**Qualified Termination Events**).

- (a) The Unqualified Termination Events include (but are not limited to):
 - (i) (**index fall**) the S&P/ASX 300 Indices published by ASX on any trading day before completion of the Offer closes at 10% below its level as at the close of ASX trading on the trading day before lodgement of the Prospectus, or any two consecutive Business Days after the Underwriting Agreement;
 - (ii) (**supplementary prospectus**) the Lead Manager and Underwriter forms the view (acting reasonably) that a supplementary prospectus must be lodged with ASIC and AVADA does not lodge the supplementary prospectus as required or approved by the Lead Manager;

- (iii) **(offer documents)** there is:
 - (A) a material omission from the Prospectus or any supplementary prospectus of material required by the Corporations Act to be included;
 - (B) an Offer Document (defined in the Underwriting Agreement to mean any documents issued or published by, or on behalf of the Company in respect of the Offer, in an approved form, including the Prospectus, any Application Form, any supplementary prospectus, any written materials that are presented or provided to prospective investors (including roadshow presentations) and any Publication of Public Information (defined in the Underwriting Agreement to include media statements, announcements and other similar materials)) contains a statement which is misleading or deceptive (whether by inclusion or omission); or
 - (C) an Offer Document (as defined above) does not contain all information required to comply with Chapter 6D and Chapter 7 of the Corporations Act.
 - (iv) **(insolvency)** AVADA or any of its related bodies corporate becomes insolvent or could be expected to become insolvent; and
 - (v) **(material change)** there is a change in the material terms of the Offer as set out in the Prospectus (or any supplementary prospectus) without the prior written approval of the Lead Manager and Underwriter;
 - (vi) **(timetable)** any event specified in the Offer timetable is delayed for more than two business days without the prior written approval of the Lead Manager and Underwriter.
- (b) The Qualified Termination Events include (but are not limited to):
- (i) **(hostilities)** in respect of any one or more of Australia, the United States of America, Hong Kong, New Zealand, Singapore, the United Kingdom, any Member State of the European Union or the People's Republic of China: (i) hostilities not presently existing commence, (ii) an escalation in existing hostilities occurs (whether war is declared or not), or (iii) a major terrorist act is perpetrated;
 - (ii) **(material adverse change in financial markets)** any of the following occurs:
 - (A) any material adverse change or disruption to the political, economic or financial conditions on the financial markets of Australia, New Zealand, Hong Kong, Singapore the United Kingdom or the United States of America, or a general moratorium on commercial banking activities is declared in those countries; or
 - (B) trading on ASX, the London Stock Exchange, NASDAQ or the New York Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.
 - (iii) **(material adverse change)** a material adverse change, or any development involving a prospective material adverse change occurs in relation to AVADA and its related bodies corporate in the reasonable opinion of the Lead Manager and Underwriter, including a change that could result in the success of the Offer being affected to a material degree;
 - (iv) **(change in law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a new law, or the Government of Australia or any State or Territory authority of Australia, including ASIC, or the Reserve Bank of Australia, adopts or announces a proposal to adopt a new policy (other than any law or policy announced prior to the Underwriting Agreement);
 - (v) **(material contracts)** any contract, deed or other agreement which is material to the making of an informed investment decision in relation to the Shares, as referred to in the Prospectus, in the reasonable opinion of the Lead Manager, is terminated or breached by AVADA or a related body corporate, or altered or amended without the Lead Manager's consent; and
 - (vi) **(legal proceedings)** the commencement of legal proceedings against AVADA or any Director or any regulatory inquiry or public action against a Director or announcement that such action may be taken.

Representations, warranties and undertakings

The Underwriting Agreement contains various representations and warranties made by AVADA and the Lead Manager and Underwriter, which are customary in such an agreement. AVADA also provides certain undertakings under the Underwriting Agreement regarding the conduct of AVADA prior to, and for limited periods of time following, the Shares being issued.

8. Material Agreements

Guarantee and Indemnity

AVADA agrees to indemnify the Lead Manager and Underwriter, each of its related bodies corporate and affiliates and each of its officers, directors, employees, representatives, agents and advisers against all losses, liabilities, claims, damages, costs, charges and expenses whatsoever (including reasonable legal costs on a full indemnity basis) incurred or suffered directly or indirectly arising out of or in connection with the Offer or the Underwriting Agreement, other than losses caused directly by the gross negligence, wilful default, wilful misconduct, recklessness or fraud of any indemnified party or the Lead Manager and Underwriter, except to the extent that the breach is caused or contributed to by AVADA, its related bodies corporate or their directors, officers, advisers, agents or employees.

Verifact Traffic, as the Guarantor of the Underwriting Agreement, guarantees and agrees to indemnify the Lead Manager and Underwriter, each of its related bodies corporate and affiliates and each of its officers, directors, employees, representatives, agents and advisers against all losses (including reasonable legal costs on a full indemnity basis and, all stamp duties, fees, taxes and charges connected to the guarantee and indemnity) incurred arising directly or indirectly from, or in connection with, any breach of due and punctual performance by AVADA under the Underwriting Agreement, including any obligations of payment of money.

8.11 Voluntary restriction agreements

(a) Director and senior management escrow agreements

All of the Existing Shareholders, Paul Fitton, Ann-Maree Robertson and Jo Willoughby have entered into voluntary restriction agreements (excluding the Committed Shares), which restrict them from selling, creating a security interest in or otherwise dealing in their Shares held until 4 September 2023.

(b) Seller escrow agreements

Pursuant to the Acquisition Agreements each of the Sellers have entered into voluntary restrictions agreements which restrict them from selling, creating a security interest in or otherwise dealing in Shares received as consideration for their respective Acquisition until the date falling 24 months from Completion.

The escrow arrangements do not restrict those Shareholders from accepting a successful takeover bid (being a takeover bid that is accepted by at least half of the non-escrowed Shareholders), transferring Shares under a scheme of arrangement or entering into a pre-bid acceptance agreement with a potential bidder for all the Shares.

8.12 Executive service contracts

The Group has entered into executive service agreements with key executives, which contain standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The agreements are expressed to cover periods specific to individual appointments, but may generally be terminated by notice by either party, or earlier in the event of certain breaches of the terms and conditions.

Name	Role	Total salary package
Dan Crowley	CEO	\$350,000
Paul Fitton	CFO	\$250,000
Vicki Allen	Chief Operating Officer (Verifact Traffic)	\$250,000
Brendan Cannon	General Manager (Verifact Traffic)	\$176,690
Tynan Diaz	Chief Operating Officer (D&D Traffic Management)	\$220,000
James Anthony Bowe	General Manager (Arid to Oasis Traffic Solutions)	\$200,000
Glen Sillick	General Manager (Platinum Traffic Services)	\$200,000
Rob Cazzolli	General Manager (D&D Traffic Management)	\$200,000
Martin French	General Manager (The Traffic Marshal)	\$220,000 ¹

¹ Includes car allowance.

Each executive will be eligible to participate in any short-term or long-term incentive plan, when established. Details of fees payable to the Directors are set out in Section 4.3.

8.13 Deeds of indemnity and access

The Company has entered into standard deeds of indemnity and access with the Directors.

The Company has undertaken, consistent with the Corporations Act, to indemnify each Director in certain circumstances and to maintain directors' and officers' insurance cover in favour of the Director for seven years after the Director ceases to be a Director.

The Company has further undertaken with each Director to maintain a complete set of the Company's board papers and to make them available to the Director for seven years after the Director ceases to be a Director.

8.14 Material customer contracts

The AVADA Group Businesses have entered into the following customer contracts which are material to the Group:

(a) Brisbane City Council

Verifact Traffic entered into an agreement with Brisbane City Council (**BCC Agreement**) for the provision of qualified traffic control personnel, vehicles and equipment for planned and emergency work commencing 23 January 2019 for a four-year period (with two options to extend for an additional year each), with an annual value of \$15.5 million.

The BCC Agreement contains terms and conditions (including provisions for confidentiality, liabilities and indemnities) considered standard for an agreement of this nature.

(b) Department of Main Roads – RoadTek

Verifact Traffic entered into a standing offer arrangement with the Queensland Department of Transport and Main Roads (**RoadTek**) dated 16 November 2016 (**Verifact RoadTek Agreement**) for the supply of traffic management and control services over a five-year term expiring 30 November 2021, with an annual value over \$7.3 million.

Arid to Oasis Traffic Solutions entered into an agreement with RoadTek dated 24 June 2016 (**Arid to Oasis RoadTek Agreement**) for the supply of traffic management and control services over a five-year term (with options exercised) expiring 30 November 2021, with an annual value of about \$2 million.

As at the date of this Prospectus, RoadTek have not advised the market of its intentions to extend existing contracts or timescales to go to tender for their required services.

Both the Verifact RoadTek Agreement and the Arid to Oasis RoadTek Agreement contain terms and conditions (including provisions for representations, warranties, confidentiality, liabilities and indemnities) considered standard for an agreement of this nature and cannot be assigned without prior written consent from RoadTek.

(c) Transport for New South Wales – Road and Maritime Services

Both D&D Traffic Management and Platinum Traffic Services have each separately entered into an arrangement with Roads and Maritime Services NSW (**RMS**) for minor physical works and services as a member of the New South Wales RMS state wide panel (**RMS Panel Arrangement**).

D&D Traffic Management commenced on the RMS panel on January 2019 for a term of three years, ending January 2022. RMS may consider an extension to the term for up to 24 months.

Platinum Traffic Services commenced on the RMS panel on January 2019 for a three-year term.

Each RMS Panel Arrangement engages the relevant AVADA Group Business on an as and when specified basis by a Work-as-Ordered Contract, Term Services Contract or Project Contract (together, **RMS Contracts**). The RMS Contracts contain terms and conditions (including provisions for representations, warranties, liabilities and indemnities) considered standard for an agreement of this nature.

8. Material Agreements

(d) BMD Group

Verifact Traffic entered into an agreement with BMD Constructions Pty Ltd (**Verifact BMD Agreement**) for the provision of traffic control services and design of traffic guidance schemes over a two-year term commencing 21 September 2020, with an annual value of about \$1.1 million.

Arid to Oasis Traffic Solutions entered into an agreement with the BMD Constructions Pty Ltd dated 30 June 2021 (**Arid to Oasis BMD Agreement**) for the supply of traffic management and control services that are ordered under a service order over a three-year term (with an option to extend for a further two years) expiring 29 June 2024.

Both the Arid to Oasis BMD Agreement and the Verifact BMD Agreement contain terms and conditions (including provisions for representations, warranties, confidentiality, liabilities and indemnities) considered standard for an agreement of this nature.

(e) Ipswich City Council

Verifact Traffic entered into a 12-month agreement with Ipswich City Council commencing 1 July 2021 (**Ipswich Agreement**) for the supply of traffic control services over a one-year term with an annual value of \$2.8 million. The Ipswich Agreement may be extended for a further one-year period by written notice.

The Ipswich Agreement contains terms and conditions (including provisions for representations, warranties, confidentiality and indemnities) considered standard for an agreement of this nature.

(f) Ventia

D&D Traffic Management entered into an agreement with Ventia Australia Pty Ltd ACN 093 114 553 (**Ventia**) for the provision of traffic management in relation to the Sydney Roads Asset Performance Contract on or about 11 November 2020 (**Ventia Contract**) for a three-year term commencing 1 July 2021 with an option to extend for one year in favour of Ventia. The value of the Ventia Contract is on a 'per work order' basis.

The Ventia Contract contains terms and conditions (including provisions for representations, warranties, liabilities and indemnities) considered standard for an agreement of this nature.

8.15 Leases

Each of the AVADA Group Businesses have entered into the following leases in respect of their head depots:

- (a) **Verifact Traffic** – Verifact Traffic entered into a three-year lease dated 1 June 2021 with Midmarlar Pty Ltd as trustee for The Crowley Family Trust ABN 47 010 105 310, a related party of Dan Crowley, in respect of the premises at 18 Vanessa Boulevard, Springwood Queensland 4127 (**Verifact Lease**). The annual rent payable on the Verifact Lease is \$146,746.44 (exclusive of GST);
- (b) **Arid to Oasis Traffic Solutions** – Arid to Oasis Traffic Solutions entered into a five-year lease dated 1 July 2017 with Pearl Bowe Nominees Pty Ltd ACN 145 089 630 as trustee for the Pearl Bowe Retirement Trust in respect of the premises at 66-72 Northern Circuit, Shaw, Queensland 4818 (**A2O Lease**). The annual rent payable on the A2O Lease is \$120,000 (exclusive of GST);
- (c) **D&D Traffic Management** – D&D Traffic Management is a party to a two-year lease dated 1 June 2021 with Reil Dealership Bonds Pty Ltd, in respect of premises at 1/65 Market Street, Woollongong, New South Wales 2500 (**D&D Lease**). The annual rent payable on the D&D Lease is \$75,000 (excluding GST);
- (d) **Platinum Traffic Services** – Platinum Traffic Services entered into a one-year lease dated 1 November 2020, extended for a further year ending 1 November 2022, with Frederick Neil Martin and Elisabeth Meridee Martin in respect of the premises at 1/30 Notar Drive, Ormeau, Queensland 4208 (**Platinum Lease**). The annual rent payable on the Platinum Lease is \$44,412.50 (exclusive of GST); and
- (e) **The Traffic Marshal** – The Traffic Marshal leases 12/78 Reserve Rd Artarmon New South Wales 2064 on a month to month basis from The Traffic Marshal Seller (**Traffic Marshal Lease**). The monthly rent payable on the Traffic Marshal Lease is \$6,000 (exclusive of GST).

8.16 Related party agreements

- (a) The Company has entered into the following related party transactions:
- (i) the Seed Loans entered into with entities related to certain Directors and Sellers, as set out in further detail in Section 8.8; and
 - (ii) the engagement letter with Kern Group, an entity related to former director Greg Kern (who holds shares in the Company through a related entity), as set out in further detail in Section 8.9.
- (b) The AVADA Group Businesses have entered into the following related party transactions:
- (i) the following leases have been entered into with entities related to certain Directors and Sellers, as set out in further detail in Section 8.15:
 - (A) the Verifact Lease; and
 - (B) the Traffic Marshal Lease;
 - (ii) a supply agreement for traffic equipment hire between Arid to Oasis Traffic Solutions and FNQ Traffic Hire Pty Ltd ACN 625 310 358 (**FNQ**) an entity related to James Anthony Bowe, a guarantor under the Arid to Oasis Acquisition Agreement and general manager of Arid to Oasis Traffic Solutions (**FNQ Agreement**). Under the FNQ Agreement, FNQ will hire traffic equipment to Arid to Oasis Traffic Solutions for a fee equal to 85% of the hire fee which Arid to Oasis Traffic Solutions charges its ultimate customers (resulting in a 15% fixed profit margin to Arid to Oasis Traffic Solutions); and
 - (iii) a service agreement between Arid to Oasis Traffic Solutions and LEAD Training Pty Ltd ACN 629 094 604 (**LEAD**), an entity related to James Anthony Bowe, a guarantor under the Arid to Oasis Acquisition Agreement and general manager of Arid to Oasis Traffic Solutions (**LEAD Agreement**). Under the LEAD Agreement, LEAD will provide training services to Arid to Oasis Traffic Solutions in accordance with an agreed schedule of rates.

8.17 Intellectual property

A number of the AVADA Group Businesses have unregistered intellectual property over their brands and logos. AVADA intends to implement a comprehensive review of its intellectual property strategy for the Group following Completion.

8.18 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- (a) the Constitution of AVADA; and
- (b) the consents to the issue of this Prospectus.

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9.

DETAILS OF
THE OFFER

9. Details of the Offer

9.1 Description of the Offer

The Offer comprises a capital raising of \$32,542,609, by way of an issue of 32,542,609 New Shares at \$1 per New Share.

Allocations must be for a minimum of 2,000 New Shares (\$2,000).

9.2 Structure of the Offer

The Offer comprises:

- (a) the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of New Shares from their Broker (see Section 9.9 for further details on the Broker Firm Offer);
- (b) the Priority Offer, which is open to selected investors in Australia nominated by the Company who have received an invitation from the Company to apply for New Shares at the Offer Price (see Section 9.10 for further details on the Priority Offer);
- (c) the Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions to apply for New Shares (see Section 9.13 for further details on the Institutional Offer); and
- (d) the subscription by certain Existing Shareholders for the Committed Shares as detailed further in Section 9.7.1.

No general public offer of New Shares will be made under the Offer. Members of the public wishing to subscribe for New Shares must do so through a Broker with a firm allocation.

The process for applying for New Shares under the Offer is set out in Sections 9.9 (Broker Firm Offer), 9.10 (Priority Offer) and 9.13 (Institutional Offer).

All New Shares offered under this Prospectus will rank equally with the existing Shares on issue. Refer to section 8.2 for details of the rights attaching to Shares.

9.3 Underwriting

The Offer is partially underwritten by Shaw and Partners Limited up to \$30,000,000.

Further details of the Underwriting Agreement, including the circumstances in which the Lead Manager and Underwriter may terminate its obligations, are set out in Section 8.10.

9. Details of the Offer

9.4 What will the proceeds of the Offer be used for?

The table below sets out the proposed use of the proceeds from the Offer. This represents current intentions of the Company based on its current business plan and business conditions. The amounts and timing of the actual expenditure may vary and will depend upon numerous factors.

Use of proceeds	\$million raised
Completion of the acquisition of Verifact Traffic	\$7.9
Completion of the acquisition of Arid to Oasis Traffic Solutions	\$9.2
Completion of the acquisition of Platinum Traffic Services	\$3.0
Completion of the acquisition of D&D Traffic Management	\$8.8
Completion of the acquisition of The Traffic Marshal	\$3.7
Repayment of Seed Loan ¹	\$1.9
Costs of the Offer ¹	\$3.7
Total use of proceeds	\$38.3

¹ Total costs associated with the Offer are \$5.6 million. However, it is estimated that \$1.9 million of these costs would have been funded and paid by the Seed Loans up to the date of the Offer.

9.5 Pro forma historical aggregated statement of financial position

AVADA's Pro Forma Historical Statement of Financial Position following Completion, including details of the Pro Forma adjustments, is set out in Section 5.11.

9.6 Shareholding structure

Details of the ownership of Shares before and after Completion of the Offer and completion of the Acquisition Agreements are set out in the table below:

	Ownership pre-Completion of the Offer	Ownership post-Completion of the Offer
Verifact Subtotal	6,777,548	21,298,541
Crowley Superannuation Pty Ltd ATF the Crowley Superannuation Fund	4,518,365	4,759,524
Zinline Pty Ltd ATF Bowditch Family Trust	2,259,183	2,379,763
Verifact Unit Trust	–	14,159,254
D&D Subtotal	2,259,182	4,469,107
Allpiper Holdings Pty Ltd ATF Diaz Superannuation Fund	759,085	759,085
SC & I Holdings Pty Ltd ATF Fabian Diaz Family Trust	741,012	741,012
Rodeca Pty Ltd ATF Cazzolli Family Trust	759,085	1,679,887
Fabian Diaz	–	920,802
Diego Diaz	–	368,321
A2O Subtotal	1,138,629	3,202,085
Bowe Developments Pty Ltd ATF Bowe No. 2 Family Trust	108,441	1,066,960
Bowe Developments Pty Ltd ATF Bowe No. 2 F/Trust	126,514	146,610
JamanBow Pty Ltd	451,837	523,611
Advanced No.1 Pty Ltd ATF D Bowe Family Trust	451,837	523,611
Bowe Developments Pty Ltd ATF Bowe Family Trust	–	941,293
Lance Hockridge	5,620,847	7,620,847
Hockridge Estate Pty Ltd ATF Hockridge Family Trust	2,801,387	3,787,474
Hockridge Superannuation Pty Ltd ATF Hockridge Family Superannuation Fund	2,819,460	3,833,373
Kern Group (Licensing) Pty Ltd ATF Singapore Investment Trust	3,867,720	3,867,720
Russell James Daly ATF RCLG Investment Trust	216,881	216,881
Platinum Subtotal	–	753,871
Nigel Tarr ATF Nigel Tarr Family Trust	–	339,242
Glen Sillick ATF G & J Sillick Family Trust	–	75,387
Minamurra Pty Ltd ATF The McGinty Trust	–	339,242
TTM Subtotal	–	1,589,306
Martin James French ATF Ekonos Family Trust	–	1,589,306
Shares issued to management/directors	–	250,000
Paul Fitton	–	150,000
Ann-Maree Roberston	–	50,000
Jo-Anne Willoughby	–	50,000
New investors	–	30,000,000
Total	19,880,807	73,268,358

9. Details of the Offer

9.7 Committed Shares and Control Implications of the Offer

9.7.1 Committed Shares

The Existing Shareholders set out below have undertaken to subscribe for New Shares under this Prospectus (**Committed Shares**):

Existing Shareholder	Committed Shares
Hockridge Superannuation Pty Ltd ATF Hockridge Family Superannuation Fund	1,013,913
Hockridge Estate Pty Ltd ATF Hockridge Family Trust	986,087
Crowley Superannuation Pty Ltd ATF the Crowley Superannuation Fund	241,159
Zinline Pty Ltd ATF Bowditch Family Trust	120,580
Bowe Developments Pty Ltd ATF Bowe No. 2 Family Trust	37,322
JamanBow Pty Ltd	71,774
Advanced No.1 Pty Ltd ATF D Bowe Family Trust	71,774
Total Committed Shares	2,542,609

The Committed Shares will be issued on Completion with the other New Shares.

9.7.2 Control implications of the Offer

The Directors do not expect any Shareholder will control (as defined by section 50AA of the Corporations Act) AVADA on Completion.

9.8 Terms and conditions of the Offer

Question	Detail
What is the Offer?	The Offer is an initial public offer of 32,542,609 New Shares in AVADA. AVADA will list on ASX following the close of this Offer and you will be able to trade your shares on ASX.
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of AVADA).
What rights and liabilities attach to the New Shares?	The New Shares will rank equally in all respects with the shares held by the Existing Shareholders. The rights and liabilities attaching to all shares are set out in the Company's Constitution.
What is the Offer Price of the Shares?	The New Shares are being issued at \$1 per Share.
What is the Offer period?	The key dates including details of the offer, are set out in Section 1.1. No shares will be issued on the basis of this Prospectus later than the expiry date of 13 months after the date of this Prospectus.

Question	Detail
What is the structure of the Offer and who is eligible to participate?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> (a) the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of New Shares from their Broker; (b) the Priority Offer, which is open to selected investors in Australia nominated by the Company who have received an invitation from the Company to apply for New Shares at the Offer Price; (c) the Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions to apply for New Shares; and (d) the subscription by certain Existing Shareholders for the Committed Shares. <p>No general public offer of New Shares will be made under the Offer. Members of the public wishing to subscribe for New Shares must do so through a broker with a firm allocation.</p>
What are the cash proceeds to be raised?	\$32,542,609 is expected to be raised under the Offer.
Is the Offer underwritten?	<p>The Offer is partially underwritten by Shaw and Partners Limited up to \$30,000,000. If AVADA does not raise the full amount of \$30,000,000 under this Offer, the Lead Manager and Underwriter will subscribe for, or procure subscriptions for, any shortfall.</p>
Are there any escrow arrangements?	Yes. Details are provided in Section 8.11.
Will I receive dividends on my Shares?	The Directors' current intention is to distribute approximately 40-60% of reported net profit after the impact of tax, but before the impact of the amortisation of intangible assets in the form of dividends. The Directors intend to declare interim dividends payable in May and final dividends payable in November.
How do I participate in the Offer?	<p>Broker Firm Offer Please refer to section 9.9 for further information.</p> <p>Institutional Offer Please refer to section 9.13 for further information.</p> <p>Priority Offer Please refer to section 9.10 for further information.</p>
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be dispatched by standard post on or about 15 December 2021.</p> <p>Refunds to Applicants who make an Application and are scaled back will be made as soon as possible post Settlement, which is expected to occur on or about 16 December 2021.</p>
Will the Shares be quoted on the ASX?	<p>AVADA will apply to the ASX for admission to the ASX official list and official quotation of Shares under the ASX code AVD.</p> <p>Completion of the Offer is conditional on the ASX approving the Company's listing application. If approval is not given within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>

9. Details of the Offer

Question	Detail
When are the Shares expected to commence trading?	<p>It is expected that the Shares will commence trading on the ASX on or about 16 December 2021.</p> <p>It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk.</p> <p>AVADA and the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the Offer Information Line.</p>
What is the allocation policy?	<p>The allocation of New Shares within and between the Institutional Offer, the Broker Firm Offer and the Priority Offer will be determined by the Company in consultation with the Lead Manager, having regard to the allocation policies outlined in sections 9.9, 9.10 and 9.13.</p> <p>The Company, in consultation with the Lead Manager, has absolute discretion regarding the basis of allocation of New Shares amongst Applicants. No assurance can be given that any Applicant under the Offer will be allocated all, or any New Shares applied for. The Company will not be liable to any person not allocated New Shares or not allocated the full amount applied for.</p> <p>With respect to the Broker Firm Offer, it will be a matter for the Lead Manager as to how it allocates New Shares among its clients and other brokers.</p>
How do I calculate the Application Money payable if I wish to participate in the Offer?	<p>The Application Money is calculated by multiplying the number of New Shares you wish to apply for by the Offer Price of \$1 per New Share.</p>
What is the minimum number of New Shares for which I can apply?	<p>Applications under the Offer must be for a minimum of 2,000 New Shares (total cost of \$2,000) and then in multiples of 500 New Shares (\$500).</p>
Has an ASIC relief or ASX waiver been obtained or been relied on?	<p>No.</p>
Is the Offer conditional?	<p>Yes. The contracts formed on acceptance of application and confirmation of allocations of New Shares will be conditional on:</p> <ul style="list-style-type: none"> (a) the ASX agreeing to admit the Company to the ASX official list and quote the Shares; (b) the Company satisfying the subscription condition under the Offer to raise \$32,542,609 (before costs of the Offer) (Subscription); and (c) Completion in respect of the allotment of Shares in accordance with the Underwriting Agreement. <p>The Company will not issue any Shares until these conditions are satisfied. If ASX does not grant permission for official quotation of Shares within three (3) months after the date of this Prospectus or if the Subscription is not achieved within four (4) months after the date of this Prospectus, or in each case such longer period as is permitted under the Corporations Act, the Company will not proceed with the Offer and will repay all Application Monies received under the Offer without interest.</p> <p>Trades in Shares occurring on the ASX before their issue occurring will be conditional on the above matters occurring and the issue of Shares to successful Applications under the Offer.</p>

Question	Detail
Are there any tax considerations?	Yes. Refer to Section 9.16.
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1800 262 299 (within Australia) and +61 1800 262 299 (outside Australia) from 8:30am to 5:30pm (Sydney time), Monday to Friday (excluding public holidays).</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether AVADA is a suitable investment for you, you should seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest.</p>

9.9 Broker Firm Offer

(a) Who may apply

The Broker Firm Offer is open to retail clients of Brokers who have received a firm allocation of New Shares from their Broker and who have a registered address in Australia and are not located in the United States. Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

You should contact your Broker to determine whether you can receive an allocation of New Shares under the Broker Firm Offer. The Broker Firm Offer is open to retail and Sophisticated Investor clients of a Broker and is not a general public offer and is not open to persons in the United States.

(b) How to apply

If you have received an allocation of New Shares from your Broker and wish to apply for those New Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a copy of the Prospectus and the Broker Firm Offer Application Form or download a copy of these documents at AVADA's website at www.avadagroup.com.au. An Applicant's Broker will act as their agent and it is an Applicant's Broker's responsibility to ensure that an Applicant's Broker Firm Offer Application Form and Application Monies are received before 5:00pm (Sydney time) on 2 December 2021 or any earlier closing date as determined by an Applicant's Broker.

Applications for New Shares may only be made on an Application Form attached to or accompanying this Prospectus or any replacement or supplementary prospectus. Applicants under the Broker Firm Offer must complete and lodge their Application Form with the Broker from whom they received their firm allocation. Application Forms must be completed in accordance with the instructions given to an Applicant by their Broker and the instructions set out on the reverse of the Application Form.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application size. The Company and the Lead Manager reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. The Company may determine a person to be eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by Applicants' Brokers in connection with their Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on 23 November 2021 and is expected to close at 5:00pm (Sydney time) on 2 December 2021. The Company and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. An Applicant's Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible and should contact their Broker for instructions.

9. Details of the Offer

(c) How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

(d) Allocation policy under the Broker Firm Offer

The allocation of New Shares to the Broker Firm Offer, and the identity and level of participation of Brokers participating in the Broker Firm Offer, has been determined by agreement between the Company and the Lead Manager. New Shares that have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of the Company and the Lead Manager to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate New Shares among their Australian resident retail clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that Australian resident retail clients who have received a firm allocation from them receive the relevant New Shares. Applicants under the Broker Firm Offer should confirm their allocation through the Broker from whom they received their allocation. However, if an Applicant sells New Shares before receiving a holding statement, an Applicant does so at their own risk, even if an Applicant obtained details of their holding from the Offer Information Line or confirmed their allocation through a Broker.

The Company and its directors, officers, representatives and advisers, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, if Applicants sell Shares before receiving their holding statement even if they obtained details of their holding from the Offer Information Line or confirmed their allocation through a Broker.

The Company expects to announce the final allocation policy under the Broker Firm Offer on or about Completion. Applicants under the Broker Firm Offer will be able to call the Offer Information Line on 1800 262 299 (within Australia) and +61 1800 262 299 (outside Australia) from 8:30am to 5:30pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation. Applicants under the Broker Firm Offer, including those outside Australia, will also be able to confirm their allocation through the Broker from whom they received their allocation.

9.10 Priority Offer

(a) Who may apply

The Priority Offer is open to investors who have a registered address in Australia who have received an invitation to participate in the Priority Offer from the Company and are not located in the United States. If you have been invited by the Company to participate in the Priority Offer you will be treated as an Applicant under the Priority Offer in respect of those New Shares that are allocated to you and you will receive a personalised invitation to apply for New Shares in the Priority Offer.

The Priority Offer is not open to US persons.

(b) How to apply

If you have received a personalised invitation to apply for New Shares under the Priority Offer and you wish to apply for all or some of those New Shares, you should follow the instructions on your personalised invitation.

Applicants may apply for an amount up to and including the amount indicated on your personalised invitation. Applications under the Priority Offer must be for a minimum of \$2,000 worth of New Shares and in multiples of \$500 worth of New Shares thereafter. There is no maximum value of New Shares that may be applied for under the Priority Offer.

The Priority Offer opens at 9.00am (Sydney time) on 23 November 2021 and is expected to close at 5.00pm (Sydney time) on 2 December 2021. The Company and the Lead Manager may elect to close the Priority Offer early, extend the Priority Offer or any part of it, or accept late Applications either generally or in particular cases. The Priority Offer may be closed at any earlier date and time, without further notice. The Company and the Lead Manager take no responsibility for any failure to receive Application Monies before the close of the Offer Period arising as a result of, amongst other things, delays in processing of payments by financial institutions. Applicants are therefore encouraged to submit their Applications as early as possible.

(c) How to pay

Applicants under the Priority Offer must pay for New Shares applied for following the instructions on their personalised invitation.

(d) Allocation policy under the Priority Offer

Offers under the Priority Offer will be at the absolute discretion of the Company.

Applicants under the Priority Offer will receive a guaranteed allocation up to and including the amount indicated on their personalised invitation. Allocations under the Priority Offer will be at the discretion of the Company, in consultation with the Lead Manager, provided that those allocations (in aggregate) do not exceed 5% of the Offer.

9.11 Acceptance of Applications under the Broker Firm Offer and the Priority Offer

An Application under the Broker Firm Offer or the Priority Offer is an offer by the Applicant to the Company to apply for New Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form (including the acknowledgements in Section 9.14). To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

By making an Application, Applicants declare that they were given access to this Prospectus or any replacement or supplementary Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company reserves the right to scale back or reject Applications in whole or in part, without giving any reason. Accordingly, an Application may be accepted by the Company in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant.

The Company, in consultation with the Lead Manager, reserves the right to:

- (a) reject any Application which is not correctly completed, or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer or the Priority Offer;
- (b) to waive or correct any errors made by the Applicant in completing their Application;
- (c) waive the procedures or requirements of Applications under the Broker Firm Offer or the Priority Offer, in its discretion in compliance with applicable laws; or
- (d) aggregate any Applications (or aggregation of Applications) which they believe may be from an Institutional Investor or are for more than \$250,000 worth of New Shares.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided, by the Offer Price (rounded down to the nearest whole number of New Shares). Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Applicant's Broker.

Successful Applicants in the Broker Firm Offer or the Priority Offer will be issued New Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract on allocation of New Shares to successful Applicants, conditional on Completion.

9.12 Application Monies

Application Monies received under the Broker Firm Offer or the Priority Offer will be held in a special purpose account until New Shares are issued to successful Applicants. Applicants under the Broker Firm Offer or the Priority Offer whose Application Forms are not accepted, or who are allocated a lesser number of New Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company or the relevant Broker if applicable.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of their BPAY® payment, electronic funds transfer or other valid payment method (as applicable). If the amount of an Applicant's BPAY® payment, electronic funds transfer or other valid payment method (as applicable) is less than the amount specified on the Application Form, Applicants may be taken to have applied for such lower dollar amount of New Shares.

9. Details of the Offer

9.13 Institutional Offer

(a) Invitations to bid

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for New Shares at the Offer Price. The Lead Manager has separately advised Institutional Investors of the Application procedures for the Institutional Offer.

(b) Allocation policy under the Institutional Offer

The allocation of New Shares to the Institutional Offer has been determined by the Company, in consultation with the Lead Manager. The Lead Manager in consultation with the Company, has absolute discretion regarding the basis of allocation of New Shares among Institutional Investors.

Participants in the Institutional Offer will be advised of their allocation of New Shares, if any, by the Lead Manager. The allocation policy will be influenced, but not constrained, by the following factors:

- (i) number of New Shares bid for by particular Applicants;
- (ii) the timeliness of the bid by particular Applicants;
- (iii) the Company's desire for an informed and active trading market following Completion;
- (iv) the Company's desire to establish a wide spread of Institutional Shareholders;
- (v) overall level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- (vi) the size and type of funds under management of particular Applicants;
- (vii) the likelihood that particular Applicants will be long-term Shareholders; and
- (viii) any other factors that the Company and the Lead Manager considered appropriate.

9.14 Acknowledgement

Each Applicant under the Offer will be deemed to have:

- (a) agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- (b) acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- (c) declared that all details and statements in their Application Form are complete and accurate;
- (d) declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- (e) acknowledged that, once the Company, Share Registry or a Broker receives an Application Form, it may not be withdrawn;
- (f) applied for the number of New Shares at the Australian dollar amount shown on the front of the Application Form;
- (g) agreed to being allocated and issued the number of New Shares applied for (or a lower number allocated in a way described in this Prospectus), or no New Shares at all;
- (h) authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for New Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- (i) acknowledged that, the Company may not pay dividends, or that any dividends paid may not be franked;
- (j) acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- (k) declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);

- (l) acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- (m) acknowledged and agreed that if Completion does not occur for any reason, the Offer will not proceed.

9.15 Withdrawal

The Company reserves the right to withdraw the Offer, at any time before the allotment of New Shares. If the Offer does not proceed, the Application Money is refunded. No interest is paid on any Application Money refunded as a result of the withdrawal of the Offer.

9.16 Taxation considerations

The following comments provide a general summary of the Australian and New Zealand tax issues for Australian and New Zealand tax resident investors who acquire Shares under this Prospectus.

The categories of investors considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account.

This summary does not consider the consequences for non-Australian or non-New Zealand tax resident investors, or Australian or New Zealand tax resident investors who are insurance companies, banks, investors that hold their Shares on revenue account or carry on a business of trading in shares or investors who are exempt from Australian or New Zealand tax. This summary also does not cover the consequences for Australian tax resident investors who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or “TOFA” regime).

This summary is based on the law in Australia and New Zealand in force at the date of this Prospectus. This summary does not take into account the tax law of countries other than Australia and New Zealand. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia and New Zealand or their interpretation may change. The precise implications of the investment in the New Shares will depend upon each investor’s specific circumstances.

Investors should obtain their own independent advice on the taxation implications of acquiring, holding or disposing of Shares, taking into account their specific circumstances.

(a) Dividends may be paid to investors

The Company may attach ‘franking credits’ to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

Further, the Company may elect to maintain a Trans-Tasman imputation account which allows the Company to attach ‘imputation credits’ to such dividends. Imputation credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to New Zealand tax. It is possible for a dividend to be fully imputed, partly imputed or unimputed.

The Trans-Tasman imputation regime allows Australian and New Zealand companies to form a Trans-Tasman imputation group. This enables New Zealand and Australian shareholders of Trans-Tasman companies to be allocated both franking credits and imputation credits in proportion to their ownership in the company. The Trans-Tasman imputation regime therefore enables the Company to pass on the benefit of imputation credits to its New Zealand Shareholders, relative to their proportionate ownership.

(b) Australian tax implications

(i) Individuals and complying superannuation entities

Where dividends on a Share are paid, those dividends will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, together with any franking credit attached to that dividend if they are a “qualified person” (refer further comments below). Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a qualified person or where the investor receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the investor’s taxable income. Where the tax offset exceeds the tax payable on the investor’s taxable income in an income year, such investors should be entitled to a tax refund.

9. Details of the Offer

Where a dividend paid is unfranked, the investor will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

Dividends might also be paid by the Company to investors with exempting credits (as opposed to franking credits) attached. Broadly, exempting credits are accrued by companies (in an exempting account which operates similar to a franking account) during periods of time where they are effectively owned by non-residents.

Dividends paid which have exempting credits attached (as opposed to franking credits) generally do not provide any tax benefit to Australian tax resident Shareholders. For New Zealand tax resident Shareholders on the other hand, no withholding tax would apply to distributions which have exempting credits attached.

Furthermore, a portion of an unfranked dividend might be declared to be conduit foreign income (**CFI**) in accordance with the Australian CFI regime (broadly, this regime enables certain foreign income and gains to flow through the Australian tax system free of dividend withholding tax in certain circumstances). It is possible, although not mandatory or guaranteed, for the Company to attach imputation credits to such a dividend if it elects to join the Trans-Tasman imputation regime.

Any dividend declared to be CFI would not provide any tax benefit to Australian tax resident investors however, they can provide a withholding tax exemption for New Zealand tax resident investors.

(ii) Corporate investors

Australian tax resident corporate investors are required to include both the dividend and associated franking credit in their assessable income subject to being a qualified person. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate investors can then pass on the benefit of the franking credits to their own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund of income tax, but may be able to be converted into carry forward tax losses.

(iii) Trusts and partnerships

Australian tax resident investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a qualified person, the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

(iv) Shares held at risk

The benefit of franking credits can be denied where an investor is not a qualified person in which case the investor will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, an investor must satisfy the holding period rule including, if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares at risk for more than 45 days continuously, in the period beginning the day after the day on which the investor acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45-day period. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares at risk. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where an investor or their associate passes on the benefit of the dividend to another person. The related payment rule requires the investor to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another person. Investors should obtain their own tax advice to determine if these requirements have been satisfied.

Where these rules are not satisfied, the shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received.

Investors should obtain their own independent advice in respect of the impact of these rules having regard to their own personal circumstances.

(c) New Zealand tax implications

An investor's tax residence status will affect how New Zealand taxes apply to a return on their Shares. If a Shareholder is a New Zealand tax resident and is also a tax resident in another country, the following summary applying to New Zealand tax residents may not apply to the Shareholder, and the Shareholder should seek their own tax advice. If the Shares are held through a tax transparent, fiscally transparent or hybrid entity, the following summary of the New Zealand tax implications may also not apply to the Shareholder, and the Shareholder should seek their own tax advice.

An Investor will be a New Zealand tax resident if they are a natural person and they have:

- (i) a permanent place of abode in New Zealand; and/or
- (ii) been present in New Zealand for more than 183 days in a 12-month period.

If an investor has been present in New Zealand for more than 183 days in a 12-month period, but does not have a permanent place of abode in New Zealand, and is subsequently absent from New Zealand for more than 325 days in a 12-month period, the investor will cease being a New Zealand resident from the first day of absence.

A company is tax resident in New Zealand if it is incorporated in New Zealand, if it has its head office or centre of management in New Zealand or if its directors exercise control of the company in New Zealand.

Generally, Shares held by a trust will be treated as held by a New Zealand tax resident if a New Zealand tax resident has contributed to the trust.

Distributions received by a New Zealand tax resident investor will generally be taxable dividends for New Zealand tax purposes. Some distributions an investor receives from the Company may not be taxable dividends (for example, non-taxable bonus issues and certain returns of capital).

New Zealand operates an imputation regime under which income tax paid by the Company gives rise to credits, known as imputation credits, which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax-resident investors as a credit against their tax liability in respect of the dividends. The maximum ratio at which the Company can attach imputation credits to dividends is 28:72 (i.e. \$28 of imputation credits to \$72 of cash dividend).

Under the Trans-Tasman imputation regime, the Company may also attach Australian 'franking credits' to dividends it pays. Franking credits attached to dividends will have no implications for New Zealand tax purposes.

If an investor files an income tax return, they must include in their taxable income not only the cash dividend they receive, but also the imputation credits attached to, and Australian dividend withholding tax deducted from, the dividend. This total amount included in an investor's taxable income is referred to as the gross dividend. An investor will be able to use attached imputation credits and (subject to certain criteria) the Australian dividend withholding tax deducted to satisfy (or partially satisfy) their tax liability on the gross dividend. If the attached imputation credits exceed the amount of tax on the gross dividend, a Shareholder's tax liability on other income they earn may be reduced as a result of receiving the dividend. To the extent that a Shareholder cannot use the credit for Australian dividend withholding tax to satisfy (or partially satisfy) their tax liability, the credit is forfeited.

If a Shareholder does not currently file an income tax return, the Shareholder may need to file an income tax return declaring the dividends from the Company.

(d) Disposal of Shares

(i) Australian tax implications

The disposal of a Share by an investor is generally taken to be a capital gains tax (**CGT**) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

9. Details of the Offer

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the investor is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. A withholding tax regime for the disposal of certain taxable Australian property by foreign tax residents may also apply. These rules impose a 12.5% withholding obligation on the purchaser of certain property from a foreign tax resident vendor. Transactions which occur on an approved stock exchange are excluded from this regime and hence it would be expected that these rules would have no application to New Zealand tax residents who dispose of their Shares.

(ii) New Zealand tax implications

New Zealand does not have a comprehensive capital gains tax. As a result, Shareholders that hold Shares on capital account for New Zealand tax purposes should not be subject to New Zealand tax on any gain on disposal. Similarly a capital loss realised on disposal should not be deductible to Shareholders under New Zealand tax law.

Although New Zealand does not have a comprehensive capital gains tax, there are instances where an investor may be subject to New Zealand tax on gains they make on the sale or disposal of their Shares or be allowed a deduction for any loss they make. An investor must consider their individual circumstances to determine whether any gain on the sale or disposal of their Shares will be taxable (or loss deductible).

Generally, a Shareholder will be subject to tax on any gain (or allowed to deduct any loss) arising from the sale or disposal of their Shares if they:

- (A) are in the business of dealing in shares;
- (B) acquire their Shares as part of a profit-making undertaking or scheme; or
- (C) acquire their Shares with the dominant purpose of selling them.

As noted above, this does not take into account any consequences for investors who hold their investment on revenue account or as trading stock.

(e) Goods and services tax (GST)

(i) Australian tax implications

Investors should not be liable for GST in respect of their investment in Shares. Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect.

(ii) New Zealand tax implications

New Zealand GST should not apply to an investor's investment in Shares.

(f) Stamp duty

(i) Australian duty implications

Investors should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone with an associated/related person, an interest of 90% or more in AVADA. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

(ii) New Zealand duty implications

New Zealand does not have a stamp duty regime. Accordingly, no stamp duty will be payable by investors on the acquisition of Shares or on any subsequent transfer of Shares.

(g) Australian tax file numbers (TFN)

Australian tax resident investors may, if they choose, notify AVADA of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event AVADA is not so notified, Australian tax may require to be automatically deducted at the highest marginal rate, including where relevant, the Medicare levy and temporary budget repair levy, from unfranked dividends and/or distributions.

Australian tax resident investors may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

9.17 ASX listing

AVADA will apply to the ASX within seven days of the date of this Prospectus, for admission to the official list of the ASX and quotation of the Shares on the ASX (which is expected to be under the code AVD).

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit AVADA to the official list of the ASX is not to be taken as an indication of the merits of AVADA or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on the ASX within three months after such application is made (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by AVADA from time to time), AVADA will be required to comply with the ASX Listing Rules.

The expected free float of the Company on completion of the Offer will be 56%, based on 73,268,358 Shares being on issue less 40,725,749 Shares subject to voluntary escrow restrictions. See section 8.11 for further information on escrow.

9.18 CHESS

The Company will apply for the Shares to participate in CHESS. Applicants who are issued New Shares under this Offer will receive shareholding statements in lieu of share certificates. They set out the number of New Shares issued to each successful Applicant.

The shareholding statement also provides details of the Shareholder's HIN (in the case of a holding on the CHESS sub-register) or SRN (in the case of a holding on the issuer sponsored sub-register).

In future, Shareholders need to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry. Further statements are given to Shareholders showing changes in their shareholding during a particular month. Additional statements may be requested at any time, although the Company reserves the right to charge a fee for them.

9.19 Discretion regarding the Offer

AVADA may withdraw the Offer at any time before the issue or transfer of New Shares to successful Applicants and bidders. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

AVADA and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer New Shares than applied or bid for.

9. Details of the Offer

9.20 Foreign selling restrictions

This Prospectus does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except as provided below.

(a) Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). Accordingly, this Prospectus may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

(b) Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an “institutional investor” (as defined in the SFA) or (ii) an “accredited investor” (as defined in the SFA). If you are not an investor falling within one of these categories, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.21 Investor representations

Each Applicant warrants and represents that they:

- (a) are a resident or domiciled in Australia or, if outside Australia, is an Institutional Investor;
- (b) where located in Australia at the time of the application;
- (c) are not acting for the account or benefit of any person in the United States or any other foreign person, excluding Applicants who are Institutional Investors;
- (d) understands that the New Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States, except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws; and
- (e) has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States or elsewhere outside Australia.

9.22 Ownership restrictions

The sale and purchase of Shares in Australia are regulated by Australian laws and laws in other countries in which AVADA operates that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

(a) Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in AVADA, either themselves or through an associate.

(b) Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to acquisitions of shares and voting power in an Australian company of 20% or more by a single foreign person together with its associates (Substantial Interest). However, Foreign Investment Review Board (**FIRB**) approval is generally only required where the total asset value of the company or the total issued securities value of the company is in excess of the relevant monetary threshold.

In certain circumstances, a foreign person may require FIRB approval for an acquisition of less than a Substantial Interest in an Australian company.

The relevant percentage acquisition threshold and monetary threshold depends on the identity of the investor and that nature of the business and assets of the company. For the purposes of an investor determining if FIRB approval is required to invest into AVADA it is relevant that:

- (i) AVADA is not an Australian land entity; and
- (ii) AVADA does not conduct a national security business or hold any interest in national security land.

Where the threshold requirements for FIRB approval are met, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either issued a no objection notification, or the relevant Statutory period has expired without the Federal Treasurer objecting. An acquisition of an interest in a company that is in breach of the FIRB rules may result in the imposition of penalties including fines or divestment orders.

Stricter rules apply to acquisitions by foreign government investors. Specifically, acquisitions of a direct interest (as defined in the FATA) in an Australian company (which includes certain investments in offshore holding companies of an Australian company) by foreign governments and their related entities require prior FIRB approval regardless of value, subject to certain exceptions. A 'direct interest' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor obtains potential influence or control over the target company.

Where a foreign person (together with associates) holds a Substantial Interest, or foreign persons in aggregate (together with their associates) hold an interest of 40% or more in AVADA, AVADA itself will be a "foreign person" for the purposes of the FATA. If that occurs, AVADA will be required to consider its obligations under the FATA for any subsequent transactions.



ADDITIONAL INFORMATION

10. Additional Information

10.1 Registration

AVADA was registered in Queensland on 25 March 2021 as a public company limited by shares.

10.2 Company tax status

AVADA will be taxed as an Australian tax resident public company in Australia for the purposes of Australian income tax. AVADA will be subject to tax at the Australian corporate tax rate. The financial year of AVADA ends on 30 June.

10.3 Recent transactions

The Company's recent transactions include entering into the Acquisition Agreements and Seed Loans as set out in more detail in Section 8.

10.4 Rights attaching to Shares

The rights attaching to Shares in AVADA are set out in the Constitution and summarised in Section 8.2 of this Prospectus.

10.5 Shareholding qualifications

Directors are not required under the Constitution to hold any Shares.

10.6 Litigation

AVADA may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business. These disputes may lead to legal and other proceedings, and may cause AVADA to suffer additional costs. As far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which AVADA is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of AVADA.

10.7 Consents and disclaimers of responsibility

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

Shaw and Partners Limited has given, and has not withdrawn, its written consent to be named as Lead Manager and Underwriter to the Offer in the form and context in which it is named.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named.

Frost & Sullivan Pty Limited has given, and has not withdrawn, its written consent to be named as authors of the Industry Report in Section 2.

10. Additional Information

Deloitte Corporate Finance Pty Limited has given, and has not withdrawn, its written consent to be named as Investigating Accountant, in the form and context in which it is named and for the inclusion of its Investigating Accountant's Report in Section 7 of this Prospectus in the form and context in which it is included.

Deloitte Touche Tohmatsu has given, and not withdrawn, its consent to be named as Auditor in the form and context in which it is named.

Link Market Services Limited has given, and not withdrawn, its written consent to be named as share registrar in the form and context in which it is named.

Kern Group has given, and has not withdrawn, its written consent to be named as corporate advisers to the Company in the form and context in which it is named.

10.8 Interests of experts and advisers

Except as set out in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has any interest or has had any interest during the last two years:
 - (i) in the formation or promotion of AVADA; or
 - (ii) in property acquired or proposed to be acquired by AVADA in connection with its formation or promotion; or
 - (iii) the Offer of the New Shares; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus in connection with the services provided by the person in connection with the:
 - (i) formation or promotion of AVADA; or
 - (ii) the Offer of the New Shares.

Shaw and Partners Limited has acted as Lead Manager and Underwriter to the Offer. Shaw and Partners Limited will be paid a management and underwriting fee, details of which are disclosed in Section 8.10 of this Prospectus.

McCullough Robertson has acted as legal adviser to the Company for the Offer and has undertaken due diligence enquiries and provided legal advice on the Offer. McCullough Robertson will be paid an amount of \$200,000 plus GST for these services. McCullough Robertson has also provided services relating to the acquisitions of each of the AVADA Group Businesses and will be paid an amount of \$420,000 plus GST for these services. Further amounts may be paid to McCullough Robertson in accordance with their normal time-based charges.

Deloitte Corporate Finance Pty Limited has acted as Investigating Accountant to the Offer and has prepared the Investigating Accountant's Report in Section 7 and performed work on due diligence enquiries. Deloitte Corporate Finance Pty Limited will be paid an estimated fee of \$475,000 plus GST for these services. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with their normal time-based charges.

Deloitte Touche Tohmatsu has acted as Independent Auditor to the Company. Deloitte Touche Tohmatsu will be paid an estimated fee of \$685,000 plus GST for the following audit services:

- (a) AVADA Group Limited;
- (b) Verifact Traffic Pty Ltd ACN 156 231 793;
- (c) A20 Pty Limited ACN 600 056 013 and its subsidiary Arid to Oasis Traffic Solutions Pty Ltd ACN 133 998 740;
- (d) Platinum Traffic Services Pty Ltd ACN 153 614 245;
- (e) D&D Services (Australia) Pty Limited ACN 082 271 458, and its subsidiary D&D Traffic Management Pty Ltd ACN 105 286 146; and
- (f) The Traffic Marshal Pty Ltd ACN 118 354 395.

Further amounts may be paid to Deloitte Touche Tohmatsu in accordance with their normal time-based charges.

10.9 Interests of Directors

Other than as set out above or elsewhere in this Prospectus:

- (a) no Director or proposed Director of AVADA has, or has had in the two years before lodgement of this Prospectus, any interest in:
 - (i) the formation or promotion of AVADA; or
 - (ii) the Offer of Shares; or
 - (iii) any property proposed to be acquired by AVADA in connection with the formation or promotion of the Offer of the Shares; and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of AVADA either:
 - (i) to induce him or her to become, or to qualify him or her as a Director; or
 - (ii) otherwise for services rendered by him or her in connection with the formation or promotion of AVADA or the Offer of Shares.

Shareholdings

The Directors or their associates have a beneficial interest in the following Shares and options in the Company at the date of this Prospectus:

Director	Shareholder entity	Founder shares (pre-share split)	Founder shares (post-share split)	Shares issued as consideration for Acquisition	Committed Shares	Total Shares held following Completion of the Offer
Dan Crowley	Crowley Superannuation Pty Ltd as trustee for the Crowley Superannuation Fund	250	4,518,365	–	241,159	4,759,524
Dan Crowley	Verifact Pty Ltd as trustee for the Verifact Unit Trust	–	–	9,439,503	–	9,439,503
Rob Cazzolli	Rodeca Pty Limited	42	759,085	920,802	–	1,679,887
Lance Hockridge	Hockridge Superannuation Pty Ltd as trustee for Hockridge Family Superannuation Fund and	156	2,819,460	–	1,013,913	3,833,373
Lance Hockridge	Hockridge Estate Pty Ltd as trustee for Hockridge Family Trust	155	2,801,387	–	986,087	3,787,474
Ann-Maree Robertson		–	–	–	–	50,000
Jo Willoughby		–	–	–	–	50,000

Other than in respect of the Committed Shares, the Directors do not intend to apply for further shares under the Offer.

Transactions with related parties

All related party transactions have been set out in Section 8.16.

10. Additional Information

Payments to Directors

The Constitution of AVADA provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by the Shareholders in general meeting, with that sum to be divided among the Directors as they agree.

The maximum aggregate amount which has been approved by the Shareholders for payment to the Directors is \$500,000 per annum. The current Non-Executive Director's fees are \$120,000 per annum for the Chairman and \$50,000 per annum for each of the Non-Executive Directors. The chairman of each board committee will be paid a further \$10,000 per annum.

10.10 Substantial Shareholders

It is expected that the following Shareholders will have a substantial holding in AVADA following completion of the Offer:

Shareholder	Shares	Percentage interest
Dan Crowley	14,199,027	19.4%
Lance Hockridge	7,620,847	10.4%
Jarrold Bowditch	7,099,514	9.7%
Kern Group (Licensing) Pty Ltd as trustee for Singapore Investment Trust	3,867,720	5.3%

The above assumes no additional participation by these Shareholders in the Offer other than the Committed Shares. Final holdings of all substantial Shareholders will be notified to the ASX on the Company's listing.

10.11 Expenses of the Offer

The total estimated expenses of the Offer payable by the Company including ASX and ASIC fees, underwriting fees, accounting fees, legal fees, share registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be approximately \$5.6 million.

These costs will be borne by AVADA from the proceeds of the Offer.

10.12 Electronic Prospectus

This Prospectus is available in electronic form at www.avadagroup.com.au. Any person receiving this Prospectus electronically will, on request, be sent a paper copy of the Prospectus by AVADA free of charge until the Closing Date.

Applications must be made by completing a paper copy of the Application Form. AVADA does not accept Application Forms electronically.

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus before completing the Application Form.

AVADA will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While AVADA believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be altered in any way, AVADA cannot give any absolute assurance that this will not occur. Any investor in doubt about the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from AVADA or a financial adviser.

10.13 Privacy

When applying for New Shares in the Company, Applicants will be asked to provide personal information to AVADA directly, and through the Share Registry, such as name, address, telephone and fax numbers, tax file number and account details. The Company and the Share Registry collect, hold and use that personal information to assess Applications, provide facilities and services to Applicants and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with the information under the *Privacy Act 1988* (Cth). Incomplete applications may not be processed. Under the *Privacy Act 1988* (Cth), Applicants may request access to their personal information held by or on behalf of the Company by contacting the Share Registry.

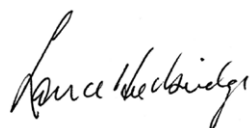
10.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Queensland and each Applicant and bidder under this Prospectus submit to the exclusive jurisdiction of the courts of Queensland.

10.15 Authorisation

This Prospectus is issued by the Company and authorised by each Director. Each Director has consented to the lodgement of the Prospectus with ASIC and the issuance of the Prospectus, and has not withdrawn that consent.

Dated 9 November 2021

A handwritten signature in black ink, appearing to read 'Lance Hockridge', written in a cursive style.

Lance Hockridge
Chairman



11.

GLOSSARY

11. Glossary

In this document:

Acquisition Agreements	means the: (a) Arid to Oasis Acquisition Agreement; (b) D&D Acquisition Agreement; (c) Platinum Acquisition Agreement; (d) The Traffic Marshal Acquisition Agreement; and (e) Verifact Acquisition Agreement, as described in further detail in Section 8.
Acquisitions	means the acquisitions of each of: (a) Verifact Traffic; (b) Arid to Oasis Traffic Solutions; (c) Platinum Traffic Services; (d) D&D Traffic Management; and (e) The Traffic Marshal, as described in further detail in Section 8.
Aggregated Accounts	has the meaning given in Section 5.2.
Anti-Bribery and Anti-Corruption Policy	has the meaning given in Section 4.10.
Applicant	means a person or entity who submits an Application Form.
Application Form	means an application form attached to this Prospectus.
Application Money	means the money received by the Company under the Offer, being the Offer Price multiplied by the number of New Shares applied for.
Arid to Oasis Acquisition Agreement	means the share purchase deed dated 2 July 2021 between the Company and the Arid to Oasis Seller, as detailed in Section 8.4.
Arid to Oasis Purchase Price	has the meaning given in Section 8.4.
Arid to Oasis Seller	has the meaning given in Section 8.4.
Arid to Oasis Shares	has the meaning given in Section 8.4.
Arid to Oasis Traffic Solutions	means A20 Pty Limited ACN 600 056 013 and its subsidiary Arid to Oasis Traffic Solutions Pty Ltd ACN 133 998 740.

11. Glossary

ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
ASX Settlement	means ASX Settlement Pty Ltd ACN 008 504 532.
ASX Settlement Operating Rules	means the ASX Settlement Operating Rules, being the operating rules of the Settlement Facility for the purposes of the Corporations Act.
AVADA Group Businesses	means: (a) Verifact Traffic; (b) Arid to Oasis Traffic Solutions; (c) Platinum Traffic Services; (d) D&D Traffic Management; and (e) The Traffic Marshal, and AVADA Group Business shall mean any one as the context requires.
AVADA or Company	means AVADA Group Limited ACN 648 988 783.
Board	means the board of directors of the Company.
Board Charter	means the board charter adopted by the Company, set out in the Corporate Governance Charter.
Broker	means any ASX participating organisation selected by the Lead Manager and the Company to as a broker to this Offer.
Broker Firm Offer	means the invitation to investors in Australia who have received a firm allocation of New Shares from their broker, as described in Section 9.2(a).
Broker Firm Offer Application Form	means the Broker Firm Offer application form attached to this Prospectus.
CEO	means Chief Executive Officer, who is Dan Crowley as at the date of this Prospectus.
CFO	means Chief Financial Officer, who is Paul Fitton as at the date of this Prospectus.
Chairman	means Lance Hockridge.
CHESS	means Clearing House Electronic Subregister System, operated by ASX Settlement.
Closing Date	means the date on which the Offer closes, being 2 December 2021, or another date nominated by the Company in consultation with the Lead Manager and Underwriter.
Code of Conduct	means the code of conduct adopted by the Company, contained in the Corporate Governance Charter.
Committed Shares	has the meaning given in Section 9.7.1.
Completion	means the completion of the Offer, being the date upon which commencement of official quotation of the Company's Shares begins on the ASX.
Continuous Disclosure Policy	has the meaning given in Section 4.10.

Corporate Governance Charter	means the corporate governance charter adopted by the Company.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
CTM	has the meaning given in Section 8.3(b)(ii).
CTM Agreement	has the meaning given in Section 8.3(b)(ii).
D&D Acquisition Agreement	means the share purchase deed dated 16 July 2021 between the Company and the D&D Sellers, as detailed in Section 8.6.
D&D Purchase Price	has the meaning given in Section 8.6.
D&D Sellers	has the meaning given in Section 8.6.
D&D Shares	has the meaning given in Section 8.6.
D&D Traffic Management	means D&D Services (Australia) Pty Ltd ACN 082 271 458 and its subsidiary D&D Traffic Management Pty Ltd ACN 105 286 146.
Directors	means the directors of the Company.
Diversity Policy	has the meaning given in Section 4.10.
EBIT	means earnings before interest and income tax.
EBITDA	means earnings before income tax, depreciation and amortisation.
Existing Shareholders	means the holders of Shares before the date of this Prospectus.
Financial Information	has the meaning given in Section 5.1.
Forecast Financial Information	has the meaning given in Section 5.
Former Director	means an individual who has been a director of the Company in the previous six months.
Group	means AVADA and the AVADA Group Businesses, following completion of the Acquisitions.
Guidelines	has the meaning given in Section 4.11.
Industry Report	means the report prepared by Frost & Sullivan Pty Limited set out in Section 2.
Institutional Investor	<p>means an institutional or professional investor (and any person for whom it is acting) in Australia, New Zealand, Hong Kong and Singapore and in particular:</p> <ul style="list-style-type: none"> (a) if in Australia, who is a “wholesale client” for the purpose of section 761G of the Corporations Act and who is either a “professional investor” or “sophisticated investor” within the meaning of sections 708(11) and 708(8) of the Corporations Act; (b) if in Hong Kong, who is a “professional investor” as defined in the SFO; or (c) if in Singapore, who is an “institutional investor” or “accredited investor” as defined in the SFA.
Institutional Offer	means the invitation to institutional investors in Australia and certain overseas jurisdictions, described in Section 9.2(c).

11. Glossary

Investigating Accountant	Deloitte Corporate Finance Pty Limited ACN 003 833 127.
ISO	means the International Organisation for Standardization.
Kern Group	means Kern Group Pty Ltd ACN 135 813 964.
Kern Group Engagement Letter	has the meaning given in Section 8.9.
Key Management Personnel	means the persons identified in Section 4.3(e).
Lead Manager or Lead Manager and Underwriter	Shaw and Partners Limited ACN 003 221 583.
Linemark Agreement	has the meaning given in Section 8.3(b)(i).
Listing Rules	means the listing rules of ASX.
NBN	means the National Broadband Network.
New Banking Facilities	has the meaning given in Section 5.14.
New Shares	means the Shares issued pursuant to the Offer.
Offer	means the offer of New Shares under this Prospectus.
Offer Information Line	means line available on 1800 262 299 (within Australia) and +61 1800 262 299 (outside Australia) from 8:30am to 5:30pm (Sydney time), Monday to Friday (excluding public holidays).
Offer Price	means \$1 per New Share.
Platinum Acquisition Agreement	means the share purchase deed dated 14 July 2021 between the Company and the Platinum Sellers, as detailed in Section 8.5.
Platinum Purchase Price	has the meaning given in Section 8.5.
Platinum Sellers	has the meaning given in Section 8.5.
Platinum Shares	has the meaning given in Section 8.5.
Platinum Traffic Services	means Platinum Traffic Services Pty Ltd ACN 153 614 245.
Pro Forma Historical Financial Information	has the meaning given in Section 5.
Prospectus	means this document.
RMS	means Roads and Maritime Services NSW.
RoadTek	means Queensland Department of Transport and Main Roads.

Securities Trading Policy	has the meaning given in Section 4.10.
Seed Loans	has the meaning given in Section 8.8.
Seller	means: (a) the Verifact Seller; (b) the Arid to Oasis Seller; (c) Platinum Sellers; (d) D&D Sellers; and (e) The Traffic Marshal Seller, and Seller shall mean any one as the context requires.
Settlement Facility	has the meaning specified in the ASX Settlement Operating Rules.
SFA	means the Securities and Futures Act, Chapter 289 of Singapore.
SFO	means the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.
Share Registry	means Link Market Services Limited ACN 083 214 537.
Shareholders	means holders of shares in AVADA.
Shares	means fully paid ordinary shares in AVADA.
Target Transaction	has the meaning given in Section 8.8.
The Traffic Marshal	means The Traffic Marshal Pty Ltd ACN 118 354 395.
The Traffic Marshal Acquisition Agreement	means the share purchase deed dated 12 July 2021 between the Company and The Traffic Marshal Seller, as described in Section 8.7.
The Traffic Marshal Purchase Price	has the meaning given in Section 8.7.
The Traffic Marshal Seller	has the meaning given in Section 8.7.
The Traffic Marshal Share	has the meaning given in Section 8.7.
TMAA	means the Traffic Management Association of Australia.
TMAQ	means the Traffic Management Association of Australia, Queensland Division (formerly the Traffic Management Association of Queensland).
TMP	has the meaning given in Section 8.3(b)(iii).
TMP Agreement	has the meaning given in Section 8.3(b)(iii).
Traffic Controller	refers to an accredited employee that manually direct vehicles to ensure safety around roadworks, construction sites and public events.
Us or we	means the Company.
Verifact Acquisition Agreement	means the share purchase deed between the Company and the Verifact Seller dated 8 June, as described in Section 8.3.

11. Glossary

Verifact Earn-Out Payment	has the meaning given in Section 8.3.
Verifact Seller	has the meaning given in Section 8.3.
Verifact Shares	has the meaning given in Section 8.3.
Verifact Traffic	means Verifact Traffic Pty Ltd ACN 156 231 793 and its subsidiaries Customised Traffic Management No.2 Pty Ltd ACN 650 168 335, Linemark Traffic Control Pty Ltd ACN 652 512 948 and Traffic Management People No. 2 Pty Ltd ACN 652 656 016.
Whistleblower Policy	has the meaning given in Section 4.10.
You	means the investors under this Prospectus.



APPENDIX: SIGNIFICANT ACCOUNTING POLICIES

APPENDIX:

Significant Accounting Policies

The financial information presented in this Prospectus has been prepared in accordance with the measurement and recognition (but not all disclosure) requirements of applicable Australian Accounting Standards (**AAS**) issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB. AASB 10 has been applied to the fullest extent possible, but cannot be fully complied with as there is no common controlling entity for the Group during all periods presented in the Aggregated Accounts. The financial information is presented in abbreviated form insofar as it does not comply with all disclosure requirements set out in the Australian Accounting Standards and Interpretations and the Corporations Act.

The financial information has been prepared on the basis of historical cost and on a going concern basis. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated. In the view of the Directors, the omitted disclosures provide limited relevant information to potential investors.

The following significant accounting policies have been adopted in the preparation and presentation of the historical and Pro Forma financial information (collectively referred to as the Financial Information).

The Financial Information has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

A.1 Basis of preparation

The Financial Information has been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

The following is a summary of the material accounting policies adopted by the Group.

A.2 Principles of aggregation

The aggregated financial statements incorporate the assets and liabilities of Verifact Traffic Pty Ltd, D&D Traffic Management Pty Ltd, D&D Services (Australia) Pty Ltd, A2O Pty Ltd, Platinum Traffic Services Pty Ltd and the Traffic Marshal Pty Ltd (Aggregated Group) and the results of the Aggregated Group for the period then ended.

The aggregated historical information is not consolidated financial information. As at 30 June 2021, there is no basis for the preparation of consolidated financial information as there is no common control of the entities which make up the Aggregated Group. The Historical Financial Information incorporates the assets and liabilities of all entities of the Group as at 30 June 2019, 2020 and 2021 and the results of these entities for the years then ended.

The Aggregated Group differs from a consolidated entity in that there is no single parent entity in the aggregated group. As a consequence of the financial information being prepared on an aggregated basis, no eliminations have occurred in relation to equity balances, specifically; issued capital, retained earnings and reserves.

A.3 Operating segments

Operating segments intend to be reported in a manner consistent with the internal reporting.

The Group's reportable segments under AASB 8 *Operating Segments* are:

- Queensland Traffic Management;
- New South Wales Traffic Management; and
- Corporate.

A.4 Revenue recognition

A.4.1 Services revenue

The Group recognises revenue from the following major sources:

- Traffic management services, including provision of plans permits; and
- Vehicle and equipment hire.

Revenue in relation to traffic management services is recognised as the performance obligation is satisfied over time. Revenue is recognised for the traffic management services as the services are performed as the directors have assessed the contractual arrangements with the Company's customers and determined that the customer simultaneously receives and consumes the benefits as the Company performs the service.

A.4.2 Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

A.4.3 Government grants

Government grants are recognised at fair value where there is a reasonable certainty that the grant will be received upon meeting the grantors terms and conditions.

During the COVID-19 pandemic, the Group has received the JobSaver payment from the New South Wales Government and the cash flow boost stimulus payments from the Federal Government. These have been recognised as other income in the financial statements.

A.4.4 Gain on disposal of non-current assets

When a non-current asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

A.5 Financial instruments

A.5.1 Recognition, measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables which are initially measured at the transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset or substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

A.5.2 Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- (b) 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. By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

APPENDIX: Significant Accounting Policies

A.5.3 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

A.5.4 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income ("FVTOCI"), lease receivables and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

A.5.5 Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

A.5.6 Financial liabilities and Equity

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A.5.7 Financial liabilities

(a) Financial liabilities at fair value through profit and loss ("FVTPL")

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

(b) Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

A.6 Income tax

A.6.1 Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

A.6.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

A.6.3 Current tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

A.7 Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on the basis set out below for each category to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Class of fixed asset	Method	Useful life
Motor vehicles	Diminishing value	1 – 12 years
Office equipment and other equipment	Diminishing value/Straight-line	1 – 12 years
Right of use assets	Straight-line	Term of lease

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

A.8 Right of use assets

A right-of-use asset arising from property leases (office premises) and equipment leases (vehicle fleet) is recognised at the commencement date of a lease except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated based on the estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

APPENDIX: Significant Accounting Policies

A.9 Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; the lease term; and certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

A.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

A.11 Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

A.12 Employee benefits

A.12.1 Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment or approved by the Board as part of a short-term incentive arrangement in the period of service and the amount can be reliably measured.

A.12.2 Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

A.13 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A.14 Issued capital

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.

A.15 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

APPENDIX: Significant Accounting Policies

A.16 Intangible assets

A.16.1 Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

A.16.2 Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives.

A.16.3 Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill and brands are not amortised. Intangible assets, other than goodwill and brands, have finite useful lives. Goodwill has an indefinite useful life.

A.17 Earnings per share

A.17.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of AVADA Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

A.17.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Avada Group Limited ("AVD") Shares. Further details about the Shares are contained in the Prospectus dated 9 November 2021 issued by Avada Group Limited. This Prospectus expires on 9 December 2022. While the Prospectus is current, Avada Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 2,000 Shares and thereafter in multiples of 500. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Avada Group Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Avada Group Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Avada Group Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate Directory

Company

AVADA Group Limited

c/o Kern Group
Level 22
300 Queen Street
Brisbane
Queensland 4000
www.avadagroup.com.au

Directors

Lance Hockridge
Non-Executive Chairman
Ann-Maree Robertson
Independent Non-Executive Director and Deputy Chair
Jo Willoughby
Independent Non-Executive Director
Dan Crowley
Managing Director and Chief Executive Officer
Rob Cazzolli
Executive Director

Company Secretary

Paul Fitton

Share Registry

Link Market Services Limited

Level 12
680 George Street
Sydney
New South Wales 2000

Lead Manager and Underwriter to the Offer

Shaw and Partners Limited

Level 7
Chifley Tower
2 Chifley Square
Sydney
New South Wales 2000

Auditor

Deloitte Touche Tohmatsu

Level 23, Riverside Centre
123 Eagle Street
Brisbane
Queensland 4000

Investigating Accountant

Deloitte Corporate Finance Pty Limited

Grosvenor Place
225 George Street
Sydney
New South Wales 2000

Lawyers to the Offer

McCullough Robertson Lawyers

Level 11, Central Plaza Two
66 Eagle Street
Brisbane
Queensland 4000

