AVADA

Annual Report 2022

Driving operational EXCELLENCE & establishing the foundations for value creation

Our vision

AVADA aims to become Australasia's leading integrated network of traffic management operators and ancillary services providers.

AVADA Group Limited
ACN 648 988 783

ASX:AVD

Welcome to AVADA's inaugural annual report

AVADA Group Limited (ASX:AVD) ACN 648 988 783 ("AVADA", "AVADA Group" or "Group") is Australia's only listed traffic management services provider. The Group owns and operates nine individual businesses throughout Queensland, New South Wales and Victoria.

Highlights

Statutory Total Income

$82.1m

Statutory Loss for the Period

$12.5m

Pro Forma Normalised Revenue

$139.1m

Pro Forma Normalised EBITDA

$12.6m

Pro forma normalised revenue and pro forma normalised EBITDA has been adjusted to include pre acquisition trading of the acquired entities, public company costs had AVADA listed on 1 July 2021 and exclusion of costs related to the acquisition of the acquired entities and IPO process.

- **Continuing to secure key contract wins and extensions**
- **Delivering strategic acquisitions across new geographies**
- **Ongoing growth of team to meet demand**
- **Local presence and reputation maintained with established branding**
- **Integration of Verifact acquisitions in FY22**
- **Strong governance required of a listed entity**

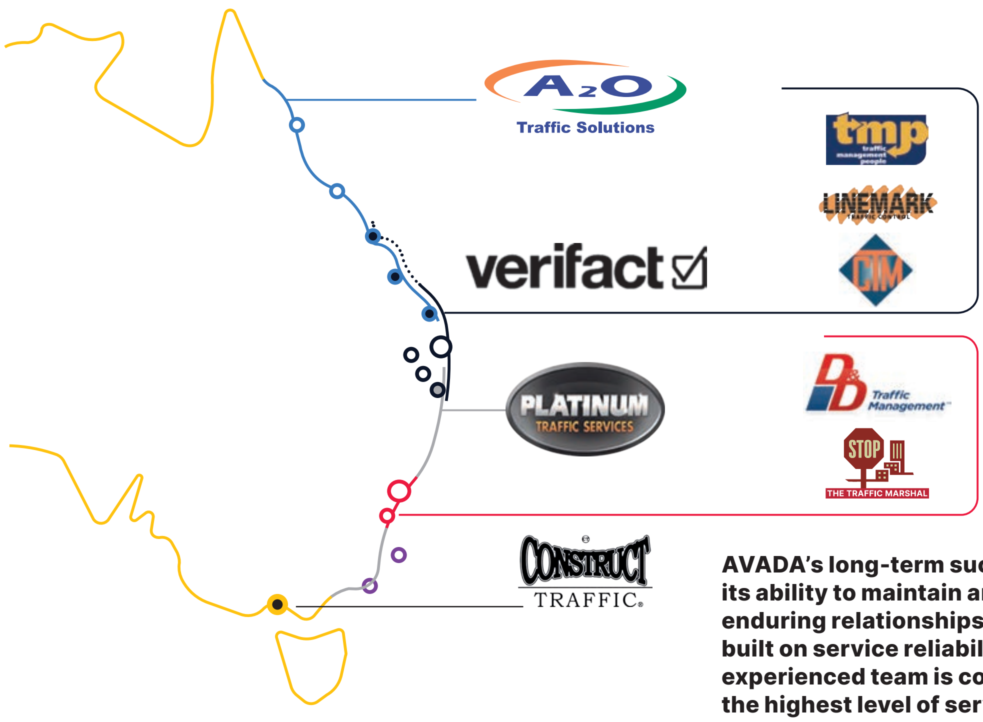
"Building momentum the AVADA way."

Who we are

AVADA Group offers integrated traffic management services including planning and permits, traffic control, equipment hire, event management and emergency services. Traffic management services are essential to all civil infrastructure and maintenance services.

AVADA Group's current network spans Queensland, New South Wales and Victoria. Verifact Traffic, the Queensland cornerstone business, is a major traffic management operator servicing the Greater Brisbane area, South East and Central Queensland. Verifact is supported in Queensland by Arid to Oasis Traffic Solutions, Linemark Traffic Control, Traffic Management People and Customised Traffic Management. The Group's comprehensive and established network includes D&D Traffic Management, which is the New South Wales cornerstone business supported by The Traffic Marshal and Platinum Traffic Services. In Victoria, AVADA has the newly acquired Construct Traffic. The Group's ability to service clients and grow revenue is dependent on having an extensive vehicle and labour network. With its depot network and large service fleet, the Group has become 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.

An expanding integrated network



AVADA's long-term success stems from its ability to maintain and build deep and enduring relationships with key clients built on service reliability. AVADA's highly experienced team is committed to ensuring the highest level of service across its client base.

What we do

We are an integrated traffic management services company.

AVADA Group has a large and established footprint in Queensland, New South Wales and more recently Victoria, 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 Services

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.

Traffic management plans and permit services
Site inspections, safety/risk audits, traffic management plans developed using industry software.

Onsite traffic control
Managing road diversions/detours, road/lane/tunnel closures, pedestrian management.

Equipment hire
Traffic control equipment for hire, such as road cones, arrow boards, portable traffic control devices, emergency signs, variable message signs (VMS).

Incident response
Use of specialised incident response vehicles and crews in the event of roadside hazards, accidents and emergencies.

The services are delivered through:

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

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

Vehicles*	Traffic Controllers*	Depots*
959	2,047	27

** Including Construct Traffic.*

ESG Summary

AVADA is committed to the development of our ESG (Environmental, Social, Governance) framework. As Australia's only listed traffic management services provider, AVADA recognises the role we play in leading the development of responsible practices in our industry.

The AVADA ESG framework will be developed with guidance from AVADA's Board and delegated committee. Specific targets and actions will be developed through FY23 and will be presented in AVADA's inaugural ESG report in FY23.

Further details

Our customers, employees and communities expect us to positively contribute to a more sustainable future.

AVADA's ESG framework will incorporate the United Nations Sustainable Development Goals (SDGs) with the greatest impact on:

- 3 GOOD HEALTH AND WELL-BEING — Good Health and Well-Being
- 4 QUALITY EDUCATION — Quality Education
- 5 GENDER EQUALITY — Gender Equality
- 7 AFFORDABLE AND CLEAN ENERGY — Affordable and Clean Energy
- 8 DECENT WORK AND ECONOMIC GROWTH — Decent Work and Economic Growth
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Industry Innovation and Infrastructure
- 10 REDUCED INEQUALITIES — Support the Marginalised and Disadvantaged
- 11 SUSTAINABLE CITIES AND COMMUNITIES — Sustainable Cities and Communities
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Responsible Consumption and Production
- 13 CLIMATE ACTION — Climate Action

SUSTAINABLE DEVELOPMENT GOALS

Chairman's Letter

Dear Shareholders,

On behalf of AVADA, I am pleased to present our first Annual Report for the year ended 30 June 2022 (FY22).

FY22 reflects a momentous year for AVADA, having completed the acquisition of five traffic management companies throughout Queensland and New South Wales, supported by AVADA's successful Initial Public Offer ("IPO") and listing on the Australian Securities Exchange ("ASX") on 17 December 2021 (ASX:AVD).

AVADA achieved pro forma normalised revenue for FY22 of $139.1 million and pro forma normalised EBITDA of $12.6 million. Statutory total income for FY22 was $82.1 million and the statutory loss for FY22 was $12.5 million, including a charge for impairment of intangible assets and acquisition and IPO costs.

AVADA's operational and financial performance through FY22 has been impacted by unprecedented disruptions (including COVID-19 and severe weather) with the underlying result demonstrating the resilience of the business model. AVADA has also delivered on the strategic ambition to expand the group geographically, recently completing the acquisition of Construct Traffic in Victoria.

AVADA's potential for growth was highlighted by organic revenue growth in FY22, despite the unprecedented disruptions, with strong infrastructure tailwinds to support future revenue growth of what is an essential safety requirement to the civil services sector, supported by continued integration and synergies across the AVADA Group Companies.

This year has been an exceptional one for our Company, people, and customers and I would like to take the opportunity to thank Daniel Crowley, the AVADA Board and leadership team and indeed all our employees who have worked passionately and tirelessly to deliver the milestones achieved in FY22 and complete the successful ASX listing.

As a listed company, AVADA is now well placed for its next phase of growth. AVADA will focus on driving enhanced shareholder value by continued efficiencies through integration and process improvement along with continued geographic diversification and scale through value accretive acquisitions.

As a team we are excited about the opportunities ahead of us. I thank you for your continued support of AVADA and I look forward to keeping you updated on our progress throughout FY23 and beyond.

Yours faithfully

Lance Hockridge
Chairman

AVADA Group Limited

Managing Director and Chief Executive Officer's Report

FY22 has seen significant milestones achieved for AVADA. As a founder of one of our subsidiary businesses, along with my fellow founders, Directors and executive team, we are incredibly proud to have bought AVADA and the entire traffic management industry into the public domain with our recent ASX listing.

The listing was undertaken to enable the initial transaction to be completed along with providing AVADA access to capital to improve financial flexibility for growth. The listing was achieved through a significant contribution from the Board, executive leadership team and the management team within each business and I thank all involved for their dedication.

AVADA's vision is to become Australasia's leading integrated network of traffic management operators and ancillary services providers. Maintaining strong independent brands, supported by the centralised executive and management team differentiates AVADA from our key competitors and provides flexibility in our growth strategy. Executing on our growth strategy with the acquisition of Construct Traffic to establish a footprint in Victoria was a tremendous achievement.

Despite the unprecedented challenges in the industry from the COVID-19 pandemic and severe weather events, the underlying resilience of the business is demonstrated by growth in pro forma normalised revenue to $139.1 million and pro forma normalised EBITDA of $12.6 million. Statutory total income for FY22 was $82.1 million and the statutory loss for FY22 was $12.5 million, including a charge for impairment

of intangible assets and acquisition and IPO costs. Our employees have shown tremendous commitment across the year in managing what was a uniquely challenging period.

The current level and pipeline for civil services work remains strong given the recurring maintenance requirements of essential infrastructure, government funding of new projects and bringing forward infrastructure spend, particularly in response to the COVID-19 pandemic. Additional funding in response to flood damage in New South Wales and Queensland in 2022 is also expected to support future industry revenue into FY23.

The current low unemployment rate and disruption in supply chains does however present ongoing challenges to the Group (and all operators in the traffic management industry and civil construction sectors), to expand the available workforce and fleet to meet the increased demand.

Notwithstanding these challenges, the pipeline of infrastructure spend announced by federal and state governments in the 2022/2023 budget announcements, along with additional spend in response to flood damage in 2022, provides a positive outlook for FY23 and the medium term. Geographic expansion, including through the acquisition of Construct Traffic will also provide diversification of the Group's revenue base.

As we work through FY23, we continue to further integrate the operations and target synergies across AVADA through procurement, processes and back-office functions. Importantly, as the only listed traffic management company in Australia we recognise a unique opportunity and responsibility to enhance the communities' understanding of the importance of our industry to the safe operation of all civil services work and importantly to be a leader in developing and implementing sustainable and social impacts. Driving our environmental, social and governance framework through FY23 and beyond is a priority for the executive team.

We are committed to building a business that can deliver value to our shareholders. I look forward to sharing our progress and achievements with you over the year to come.

Daniel Crowley
Managing Director and Chief Executive Officer

AVADA Group Limited

Board of Directors

Lance Edwin Hockridge

Non-Executive Chairman

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.

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.

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.

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.

Ann-Maree Robertson

Independent Non-Executive Director and Deputy Chair

Ann-Maree was appointed as a Non-Executive Director on 9 November 2021. 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.

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.

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.

Joanne Maree Willoughby

Independent Non-Executive Director

Jo Willoughby was appointed as a Non-Executive Director on 9 November 2021. 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.

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.

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.

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.

Daniel James Crowley

Managing Director and Chief Executive Officer

Dan Crowley is the CEO and founder of the Verifact Traffic business. 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 president of the Traffic Management Association of Queensland and the founding president of the Traffic Management Association of Australia.

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.

Roberto Cazzolli

Chief Executive Officer (D&D Traffic Management)

Rob Cazzolli 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.

Directors' report

The Directors of AVADA Group Limited ("the Company") submit herewith the financial report of the Company and its subsidiaries ("the Group") for the year ended 30 June 2022. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

The names of the Directors of the Company who held office during or since the end of the year are:

Name		
Lance Hockridge	Chair[1]	Appointed 25 March 2021
Ann-Maree Robertson	Non-Executive Director and Deputy Chair	Appointed 9 November 2021
Jo Willoughby	Non-Executive Director	Appointed 9 November 2021
Daniel Crowley	Managing Director	Appointed 25 March 2021
Robert Cazzolli	Executive Director	Appointed 25 March 2021
Greg Kern	Director[2]	Appointed 25 March 2021 and resigned 9 November 2021
James Bowe	Director	Appointed 25 March 2021 and resigned 9 November 2021
Russell Daly	Director	Appointed 25 March 2021 and resigned 9 November 2021
Brendan Woods	Director	Appointed 25 March 2021 and resigned 14 July 2021

1 Elected Chair on 9 November 2021.

2 Elected Chair on 25 March 2021 and resigned on 9 November 2021.

Principal activities

The Company's principal activities during the year ended 30 June 2022 were that of a holding company. As of 15 December 2021, the Company acquired five subsidiaries. After the acquisition of the subsidiaries, the Group's principal activities were the provision of integrated traffic management services with operations throughout Queensland and New South Wales, delivering services to major public and private sector clients.

Integrated traffic management services include the provision of traffic control, equipment hire, plans and permits, event management and incident response. Traffic management is a legislative requirement with regulations prescribing the operational requirements for work on or adjacent to roads. Traffic management is an essential service for civil infrastructure and maintenance works with consistent workflow 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 outdoor nature of these services can result in the deferral of work due to weather impacts, along with other disruptions related to industrial action. Traffic management services revenue is earned based on hourly or day rates billed for traffic controllers, vehicles and other equipment.

The Group has an established and extensive network strategically located in Queensland and New South Wales with the ability to share resources, service innovations and market sector expertise along with enhanced efficiencies through economies of scale and procurement. The subsidiary companies will maintain independent branding, leveraging their existing client relationships and goodwill.

Dividends

There were no dividends paid or declared in the current or previous financial period.

Directors' report (continued)

Review of operations

The loss for the year for the Group after providing for income tax (net loss after tax or NPAT) amounted to $12.5m.

The statutory loss includes $9.1m of other income which resulted from the reduction in contingent consideration upon the acquisition of subsidiary companies; $15.0m impairment of intangible assets (discussed further below); and $7.1m of costs incurred by the Company in undertaking the acquisitions of the subsidiaries and listing on the Australian Securities Exchange on 17 December 2021 (including $3.5m of share-based payments to advisors and key management personnel). Additional costs have been incurred in finalising the completion of the acquisitions and in undertaking an additional review of other acquisition opportunities.

The period from the acquisition of the subsidiary companies on 15 December 2021 to 30 June 2022 has been significantly impacted by severe and prolonged wet weather in the Group's principal markets of Queensland and New South Wales. A "double La Niña" event resulted in rainfall in the period from 1 January 2022 to 30 June 2022 exceeding the prior ten-year average by 86% in Sydney and 122% in Brisbane. While severe weather of this nature increases temporary emergency services work and requires additional road repair and maintenance spending, the La Niña weather event underpinned the deferral of work, resulting in revenue being lower than expected, particularly with regard to project work. The prolonged impact of this weather event has meant that deferred work was not able to be rescheduled in FY22.

Operationally, the Group has continued to integrate the acquired businesses and implement governance improvements while assessing acquisition opportunities, focused on geographic expansion and diversification, in line with the strategic focus of the Group. On 26 August 2022, the Company completed the acquisition of Construct Traffic Pty Ltd ("Construct Traffic"), which included the extension of existing funding facilities. Refer to matters subsequent to the end of the financial year for further information.

Outlook

The current level and pipeline for civil services work remains strong given the recurring maintenance requirements of essential infrastructure, government funding of new projects and bringing forward infrastructure spend, particularly in response to the COVID-19 pandemic. Additional funding in response to flood damage in New South Wales and Queensland in 2022 is also expected to support future industry revenue into FY23.

The current low unemployment rate and disruption in supply chains does however present ongoing challenges to the Group (and all operators in the traffic management industry and civil construction sectors), to expand the available workforce and fleet to meet the increased demand. Ongoing weather disruptions may also result in the ongoing deferral of work with the Australian Bureau of Meteorology estimating a 70% chance of a third La Niña system forming later in 2022.

Notwithstanding these challenges, the pipeline of infrastructure spend announced by federal and state governments in the 2022/2023 budget announcements, along with additional spend in response to flood damage in 2022 provides a positive outlook for FY23 and the medium term. Geographic expansion, including through the acquisition of Construct Traffic will also provide diversification of the Group's revenue base.

Whilst acknowledging the strong pipeline of infrastructure spend, the Directors also acknowledge the substantial challenges that are beyond the Group's control, in particular, the weather, workforce, inflationary pressures and pandemic responses which have all adversely impacted financial performance in FY22. In consideration of these challenges and the potential that such challenges, in particular weather impacts, reoccur in FY23, the Directors have, in assessing impairment of the Group's cash-generating units in accordance with AASB 136 *Impairment of Assets*, reflected the potential for these conditions to persist.

Impact of COVID-19 pandemic on operations

The outbreak of COVID-19 and the subsequent quarantine measures were compounded by travel and trade restrictions imposed in Australia and other countries has caused disruption to businesses and economic activity during the year ended 30 June 2022 which, in turn, has impacted the Group's performance.

Directors' report (continued)

The Group did not receive any pandemic-related financial assistance from the Federal or State governments during the year ended 30 June 2022.

Financial position and Impairment

The net asset position of the Group increased from $(0.3)m as at 30 June 2021 to $52.1m as at 30 June 2022. The Group acquired the assets and liabilities of the subsidiaries, including property plant and equipment $19.2m ($18.2m at 30 June 2022), right-of-use assets $4m ($4.1m at 30 June 2022) and goodwill and intangible assets $61.1m ($44.4m at 30 June 2022) related to the acquisition of the acquired entities. This is offset by financial liabilities related to funding acquisitions and right-of-use liabilities.

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment. The Directors have, in assessing impairment in accordance with AASB 136, considered the potential for future severe weather events, the ability for the Group and its clients to recruit additional workforce to deliver expected increased volumes and a high inflation environment. An impairment charge of $15.0m has been reflected in consideration of these matters.

Details of acquisitions

Details of the Group's material subsidiaries and the net assets assumed at acquisition are as follows:

Name of subsidiary	Net assets acquired
Verifact Traffic Pty Ltd	$15.1m
Arid to Oasis Traffic Solutions Pty Ltd	$7.7m
D&D Traffic Management Pty Ltd	$7.7m
Platinum Traffic Services Pty Ltd	$4.5m
The Traffic Marshal Pty Ltd	$3.9m

All subsidiaries are 100% owned by the Group, are incorporated and operate in Australia and are involved in the provision of traffic management services as their principal activity. As detailed in Note 30, the purchase price consideration included cash, the issuing of shares and contingent consideration.

Impact of acquisitions on the trading results of the Group

The revenue of the Group is primarily attributable to the subsidiaries acquired and, with the following expenses incurred in respect of the transaction and Initial Public Offering, the loss for the year is primarily in respect of the subsidiaries acquired:

- transaction costs of $7.1m incurred by the Company;
- $1.1m of transaction-related costs and other significant items incurred by the subsidiaries;
- $1.7m of amortisation on intangibles;
- $15m of impairment charge; and
- $9.1m benefit from the reduction in the contingent consideration upon acquisition.

Had the acquisition of the subsidiaries been effected at 1 July 2021, the revenue of the Group from continuing operations for the year ended 30 June 2022 would have been $139.1m, and the profit for the year from continuing operations would have been $3.5m (including transaction costs of $7.1m incurred by the Company, $1.1m of transaction related costs and other significant items incurred by the subsidiaries and $1.7m of amortisation of intangibles). The Directors of the Group consider these unaudited 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on a yearly basis and to provide a reference point for comparison in future years.

Directors' report (continued)

Changes in the state of affairs

The following significant changes in the state of affairs occurred during the financial year:

On 15 December 2021 the Company acquired five subsidiaries, being:

- Verifact Traffic Pty Ltd, and its subsidiaries Customised Traffic Management No.2 Pty Ltd, Linemark Traffic Control Pty Ltd and Traffic Management People No. 2 Pty Ltd;
- D&D Services (Australia) Pty Limited and its subsidiary D&D Traffic Management Pty Ltd;
- Platinum Traffic Services Pty Ltd;
- The Traffic Marshal Pty Ltd; and
- A2O Pty Limited and its subsidiary Arid to Oasis Traffic Solutions Pty Ltd

(collectively the "Group").

On 9 November 2021, the Company split 1,100 shares into 19,880,807 shares. Shares were split in the ratio of 1:18,073.46 shares.

On 17 December 2021, AVADA Group Limited listed on the Australian Securities Exchange.

On 17 December 2021, 20,594,942 shares were issued in consideration of the acquisition of the subsidiaries.

On 17 December 2021, 32,542,609 shares were issued to investors for $32.5m of capital raised.

The Group has its banking facilities with the Commonwealth Bank of Australia and the financing arrangements as at 30 June 2022 are as follows:

- Market rate loan facility of $5.0m
- Asset Finance Facility of $5.0m
- Bank overdraft facility of $4.75m
- Bank Guarantees of $0.25m
- Corporate Credit Cards of $0.2m

Since the end of the reporting period, the Group has agreed an extension to these facilities. The extension to the facilities included an increase of the market rate loan facility to $9.5m and the addition of a multi-option working capital facility with a limit of $20m including the bank overdraft facility (see Note 42 for further details).

Corporate Governance

The Group is committed to achieving and demonstrating the effective standards of corporate governance. The Group has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

A description of the Group's current corporate governance practices is set out in the Group's corporate governance charter, which can be viewed on AVADA's website at https://avadagroup.com.au/corporate-governance/.

The Company's 2022 Corporate Governance Statement has been released to the ASX on this day and is available on the Company's website at www.avadagroup.com.au.

Indemnity and insurance of officers

In accordance with the constitution of the Company, except as may be prohibited by the *Corporations Act 2001* every officer of the Company shall be indemnified out of the property of the Company against any liability incurred by them in their capacity as officer or agent of the Company in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

Directors' report (continued)

During the reporting period and since the end of the reporting period, the Company has paid premiums in respect of a contract insuring Directors and officers of the Group in relation to certain liabilities. In accordance with normal commercial practices under the terms of the insurance contracts, the nature of liabilities insured against, and the amounts of premiums paid are confidential.

Indemnity and insurance of auditor

The Company has not, during or since the end of the reporting period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Events after the reporting period

Acquisition of Construct Traffic

On 26 August 2022, the Group announced it acquired all the assets of Construct Traffic Pty Ltd ("Construct Traffic") for an upfront consideration of $17.6m (on a cash and debt-free basis) and contingent consideration which is capped at $5.4m. Consideration was settled in cash and was funded through an extension of the Company's existing debt facilities.

Additional financing facilities

Since the end of the reporting date the Group has obtained additional financing facilities from the Commonwealth Bank of Australia, increasing total facility limits to $40m from $15.2m.

New premises lease

On 27 July 2022, AVADA Group Limited entered into a 5-year lease to rent property at Woolloongabba, which had not commenced by 30 June 2022 and, as a result, a lease liability and right-of-use asset has not been recognised at 30 June 2022. The aggregate future cash outflows to which the Group is exposed in respect of this contract is fixed payments of $0.1m per year, for the next 5 years. There are 3 renewal options on this lease for a total 5-year extension on the lease.

No other matters or circumstances

The Directors of the Company are not aware of any other matter or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Future Developments, Prospects and Business Strategies

The current areas of strategic focus continue to be evolving governance and reporting structures, operational efficiencies and pursuing further acquisition and organic growth opportunities.

The Group continues to implement savings through Group-wide procurement and allocation of available resources.

Directors' report (continued)

Business Risks

The Board is entrusted with the identification and management of key risks associated with the business that are vital to creating and delivering long-term shareholder value. The following exposures may affect the Group's ability to achieve the above prospects:

- Continued severe weather patterns;
- Labour shortages;
- Supply chain delays impacting traffic control vehicles and equipment;
- Government responses to health emergencies; and
- Inflationary pressures.

Environmental Issues

The Board will appoint an environmental consultant during FY23 to assess the environmental impacts of the Group and determine the Group's environmental risks and regulations. The Board is not aware of any material environmental issues or regulations that affect the operations of the business.

Auditor's independence declaration

The auditor's independence declaration is included on page 30 of the full year report.

Information on Directors and Company Secretary

The following persons were Directors of AVADA Group Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Name:	**Lance Hockridge**
Title:	Chairman, Non-Executive Director
Experience and expertise:	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 has over 20 years of experience in leading ASX listed companies.
Other current listed Directorships:	Director of Kelsian Group Limited (ASX: KLS)
Former listed Directorships (last 3 years):	Managing Director and Chief Executive Officer of Aurizon Holdings Limited (ASX: AZJ)
Academic and professional qualifications:	Member of the Australian Institute of Company Directors Fellow of the Institute of Managers and Leaders Australia and New Zealand Chartered Fellow of the Chartered Institute of Logistics and Transport
Interests in shares:	7,620,847
Interests in options:	Nil

Directors' report (continued)

Name:	**Ann-Maree Robertson**
Title:	Deputy Chairman, Independent Non-Executive Director
Experience and expertise:	Ann-Maree has developed an extensive understanding of financial reporting, accounting, governance and internal control systems across a wide variety of businesses through her auditing and commercial accounting experience. 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.
Other current listed Directorships:	None – other than AVADA Group Limited
Former listed Directorships (last 3 years):	None – other than AVADA Group Limited
Academic and professional qualifications:	Bachelor of Commerce from the University of Queensland Member of the Australian Institute of Company Directors Fellow of Chartered Accountants Australia & New Zealand ASIC Registered Company Auditor
Interests in shares:	50,000
Interests in options:	Nil

Name:	**Jo Willoughby**
Title:	Independent Non-Executive Director
Experience and expertise:	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. 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.
Other current listed Directorships:	None – other than AVADA Group Limited
Former listed Directorships (last 3 years):	None – other than AVADA Group Limited
Academic and professional qualifications:	Bachelor of Business from the University of Southern Queensland Graduate of the Australian Institute of Company Directors Certified Advisory Board Chair of the Advisory Board Centre Fellow and Certified Practising Marketer of the Australian Marketing Institute
Interests in shares:	50,000
Interests in options:	Nil

Directors' report (continued)

Name:	**Daniel James Crowley**
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	Daniel is the CEO and founder of Verifact Traffic. Verifact Traffic has operated under Daniel's leadership since 2008 and is one of Australia's market leaders in traffic management. Daniel is the current president of the Traffic Management Association of Australia – Queensland and is a former president of the Traffic Management Association of Australia.
Other current listed Directorships:	None – other than AVADA Group Limited
Former listed Directorships (last 3 years):	None – other than AVADA Group Limited
Academic and professional qualifications:	Member of the Australian Institute of Company Directors
Interests in shares:	14,199,027
Interests in options:	Nil

Name:	**Robert Cazzolli**
Title:	Executive Director, Chief Executive Officer – D&D Traffic Management
Experience and expertise:	Robert brings significant traffic management industry experience and has been a joint Director of D&D Traffic Management since 2003. Robert'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.
Other current listed Directorships:	None – other than AVADA Group Limited
Former listed Directorships (last 3 years):	None – other than AVADA Group Limited
Academic and professional qualifications:	Bachelor of Commerce from the University of Wollongong
Interests in shares:	1,679,887
Interests in options:	Nil

Directors' report (continued)

Name:	**Paul Fitton**
Title:	Chief Financial Officer and Company Secretary
Experience and expertise:	Paul is a Chartered Accountant and has over 20 years' professional services experience within audit and corporate finance at PwC and Deloitte in Brisbane, London and Melbourne. Paul joined AVADA Group Limited in June 2021 and is responsible for financial reporting, commercial and business analysis, corporate governance and finance and business development. Paul is the Company Secretary for AVADA Group Limited.
Other current listed Directorships:	None
Former listed Directorships (last 3 years):	None
Academic and professional qualifications:	Bachelor of Commerce from the University of Queensland Member of the Chartered Accountants of Australia and New Zealand
Interests in shares:	150,000
Interests in options:	Nil

Directors' meetings

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Full Board		**People, nominations and remuneration committee**		**Audit and risk committee**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Lance Hockridge	8	8	2	2	6	6
Ann-Maree Robertson	7	7	2	2	6	6
Jo Willoughby	7	7	2	2	6	6
Daniel Crowley	8	8	–	–	–	–
Robert Cazzolli	8	8	–	–	–	–
James Bowe	3	3	–	–	–	–
Russell Daly	3	3	–	–	–	–
Gregory Kern	3	3	–	–	–	–
Brendan Woods	–	–	–	–	–	–

Remuneration report

1. Executives and Non-Executive Directors Covered by this Report
2. Remuneration Policy
3. Executive Remuneration – Performance, Outcomes and Disclosures
4. Other Disclosures and Shareholdings

1. Executives and Non-Executive Directors Covered by this Report

The remuneration of Key Management Personnel for the Group is disclosed in this report.

Key Management Personnel of the Group are those persons having authority and responsibility for planning, directing, and controlling the Group's major activities, whether directly or indirectly. The Board has determined that the Key Management Personnel for the financial years ended 30 June 2021 and 30 June 2022 are the individuals whose details are set out below and are covered by this report.

Name	Position	Term as Key Management Personnel
Non-Executive Directors		
Lance Hockridge	Chairman and Non-Executive Director	From 25 March 2021
Ann-Maree Robertson	Non-Executive Director	From 9 November 2021
Jo Willoughby	Non-Executive Director	From 9 November 2021
Greg Kern	Non-Executive Director	From 25 March 2021 and resigned 9 November 2021
James Bowe	Non-Executive Director	From 25 March 2021 and resigned 9 November 2021
Russell Daly	Non-Executive Director and Company Secretary	From 25 March 2021 and resigned 9 November 2021
Brendan Woods	Non-Executive Director	From 25 March 2021 and resigned 14 July 2021
Executive Directors		
Daniel Crowley	Managing Director and Chief Executive Officer	From 25 March 2021
Robert Cazzolli	Chief Executive Officer – D&D Traffic Management	From 25 March 2021
Other executive officers		
Paul Fitton	Chief Financial Officer and Company Secretary	From 1 June 2021. Company Secretary from 9 November 2021

Remuneration report (continued)

2. Remuneration Policy

The Group is committed to paying employees a fair salary, rewarding consistent high performance, and acknowledging the achievements of teams and individuals. To achieve this, a remuneration committee has been formed with an objective to develop a remuneration policy that offers compensation and benefits that reflect competitive market rates of pay which assist with the attraction and retention of critical skills and motivate individuals to excel. This will in turn achieve the objective of aligning the interests of management with the interests of shareholders.

For the financial period ended 30 June 2022 the remuneration framework consisted of fixed pay arrangements and discretionary incentives.

The Company has implemented a short-term incentive plan ("STI") effective 1 July 2022. The STI defines the Group's success, identifies the circumstances considered to represent success and rewards individual and team contributions to the achievement of that success.

Non-Executive Directors' Remuneration

The Board determines the total amount paid to each Director as remuneration for their services. Under the ASX Listing Rules, the total amount paid to Non-Executive Directors must not exceed the amount fixed in a general meeting of the Company. 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 the Company. There are no retirement or other termination benefits for Directors other than benefits associated with the statutory superannuation contributions.

The following table describes the adopted framework for Non-Executive Director Remuneration for the financial year ended 30 June 2022.

Fee type	2022 $	2021 $
Chair of Board	120,000	–
Non-Executive Director	50,000	–
Committee Chair	10,000	–

The remuneration of Non-Executive Directors does not, and must not include a commission, or a percentage of, profits or operating revenue.

As recognition of their contribution to the IPO process, Ann-Maree Robertson and Jo Willoughby were awarded shares as recognition of work undertaken during the IPO process. Those shares are held under Escrow until 4 September 2023.

Remuneration report (continued)

Remuneration of Non-Executive Directors

	Short-term benefits				Post-employ-ment benefits	Long-term benefits	Equity based benefits	
2022	**Salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Other $**	**Super-annuation $**	**Long service leave $**	**Share-based payments $**	**Total $**
Non-Executive Directors								
Lance Hockridge	70,303	–	–	–	7,030	–	1,997,823	2,075,156
Ann-Maree Robertson	35,152	–	–	–	3,515	–	50,000	88,667
Jo Willoughby	35,152	–	–	–	3,515	–	50,000	88,667
Greg Kern	–	–	–	–	–	–	1,374,708	1,374,708
James Bowe	–	–	–	–	–	–	–	–
Russell Daly	–	–	–	–	–	–	77,086	77,086
Brendan Woods	–	–	–	–	–	–	–	–
								3,704,284

	Short-term benefits				Post-employ-ment benefits	Long-term benefits	Equity based benefits	
2021	**Salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Other $**	**Super-annuation $**	**Long service leave $**	**Share-based payments $**	**Total $**
Non-Executive Directors								
Lance Hockridge	–	–	–	–	–	–	–	–
Greg Kern	–	–	–	–	–	–	–	–
James Bowe	–	–	–	–	–	–	–	–
Russell Daly	–	–	–	–	–	–	–	–
Brendan Woods	–	–	–	–	–	–	–	–
								–

Our Board takes a proactive approach to decision making in the evaluation of Executive Remuneration outcomes. Our remuneration and governance frameworks enable our Board to assess the achievement of strategic objectives and balance the interests of the business, employees, and shareholders.

Remuneration report (continued)

Board

Our Board has overall responsibility for Executive Remuneration, including the assessment of performance and remuneration for the CEO. Ensuring there is a transparent connection between pay and performance is the key objective of the Board in rewarding outcomes for our leaders.

The Board is committed to providing competitive rewards that attract and retain talent and compensate Executive Leaders commensurate with the progress and growth of the Company.

Senior Executive Leader Remuneration

Our goal has been to provide a remuneration framework that attracts, retains and motivates a high quality and experienced leadership team with the necessary capabilities and attributes to lead our people in achieving our long and short-term objectives and create value for our shareholders.

During the period the Board engaged an independent consultant, Executive Pay Systems Pty Ltd, to review Executive Remuneration and provide benchmarks for senior executive positions. The independent consultant was also engaged to work with the Board to implement a short-term incentive programme for senior management, effective 1 July 2022. The independent consultant was paid a cash consideration of $34,688 for all advisory services provided.

The independent consultant provides similar services to large ASX listed organisations. Recommendations made are with reference to benchmarking information and analysis compiled and provided as part of the review. The Board, taking account of benchmarking information provided and experience within other organisations, is satisfied that the remuneration recommendation was made free from undue influence by the members of the Key Management Personnel to whom the recommendation relates.

For the financial year ended 30 June 2022, the remuneration structure reflected the arrangements in place at the time of the IPO and as reflected in the FY22 forecast. Incentivisation was linked to the shares issued in respect of business acquisition or on IPO.

3. Executive Remuneration – Performance, Outcomes and Disclosures

Executive Directors and Other Executive Officers

Executive Directors and other executive officers will receive an annual fixed remuneration inclusive of superannuation. They may be eligible to participate in any short-term or long-term incentive plans that the Company may introduce. They may terminate their employment contract by giving the required notice in writing to the Company. The Company may at any time and for any reason, terminate their employment by giving the required notice in writing. In the event of the termination of employment, they will be entitled to payment of remuneration up until the end of the required 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 their employment contract immediately by notice in writing and without payment in lieu of notice.

Remuneration report (continued)

Remuneration of Executive Directors and Other Executive Officers

2022	Short-term Employee benefits: Salary and fees $	Short-term Employee benefits: Cash bonus $	Short-term Employee benefits: Non-monetary $	Short-term Employee benefits: Other $	Post-employment benefits: Super-annuation $	Long-term Employee benefits: Long service leave $	Equity based benefits: Share-based payments $	Total $
Executive Directors								
Daniel Crowley	211,204	–	11,455	–	16,616	175	–	239,450
Robert Cazzolli	100,751	–	6,700	–	14,744	(1,545)	–	120,650
Other executive officers								
Paul Fitton	229,188	25,000	15,283	–	27,035	570	–	297,076
								657,176

2021	Short-term Employee benefits: Salary and fees $	Short-term Employee benefits: Cash bonus $	Short-term Employee benefits: Non-monetary $	Short-term Employee benefits: Other $	Post-employment benefits: Super-annuation $	Long-term Employee benefits: Long service leave $	Equity based benefits: Share-based payments $	Total $
Executive Directors								
Daniel Crowley	–	–	–	–	–	–	–	–
Robert Cazzolli	–	–	–	–	–	–	–	–
Other executive officers								
Paul Fitton	19,026	–	–	–	1,807	–	150,000	170,833
								170,833

Service Agreements

	Eligible for incentive plan	Contract duration	Employer/Employee Notice Period	Competitive Restriction
Executive Directors				
Daniel Crowley	✓	Ongoing	6 months	3 years
Robert Cazzolli	✓	Ongoing	3 months	3 years
Other executive officers				
Paul Fitton	✓	Ongoing	3 months	3 years

Remuneration report (continued)

4. Other Disclosures and Shareholdings

Key management personnel equity holdings

The number of fully paid ordinary shares in AVADA Group Limited held during the financial period ended 30 June 2022 by each Key Management Personnel are set out below:

2022	Balance as at 1 July 2021	Founder shares[2]	Shares issued as consid-eration for Acquisition	Granted as compen-sation	Subscribed shares	Balance as at 30/06/2022
Non-Executive Directors						
Lance Hockridge	311	5,620,847	–	–	2,000,000	7,620,847
Ann-Maree Robertson	–	–	–	50,000	–	50,000
Jo Willoughby	–	–	–	50,000	–	50,000
Greg Kern	214	3,867,720	–	–	–	3,867,720
James Bowe[1]	25	686,793	–	–	71,774	758,567
Russell Daly	12	216,881	–	–	–	216,881
Brendan Woods	–	–	–	–	–	–
Executive Directors						
Daniel Crowley	250	4,518,365	9,439,503	–	241,159	14,199,027
Robert Cazzolli	42	759,085	920,802	–	–	1,679,887
Other executive officers						
Paul Fitton	–	–	–	150,000	–	150,000

2021	Balance as at 25 March 2021	Founder shares[3]	Shares issued as consid-eration for Acquisition	Granted as compen-sation	Subscribed shares	Balance as at 30/06/2021
Non-Executive Directors						
Lance Hockridge	–	311	–	–	–	311
Ann-Maree Robertson	–	–	–	–	–	–
Jo Willoughby	–	–	–	–	–	–
Greg Kern	–	214	–	–	–	214
James Bowe	–	25	–	–	–	25
Russell Daly	–	12	–	–	–	12
Brendan Woods	–	–	–	–	–	–
Executive Directors						
Daniel Crowley	–	250	–	–	–	250
Robert Cazzolli	–	42	–	–	–	42
Other executive officers						
Paul Fitton	–	–	–	–	–	–

1 Includes shares held by an entity controlled by a close family member.
2 Founder shares post share split on 9 November 21.
3 Founder shares pre-share split on 9 November 21.

Remuneration report (continued)

Equity Holdings as at the date of this report

The relevant interest of each Key Management Personnel in the shares and performance rights of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, as at the date of this report is as follows:

	Ordinary Shares	Options over Ordinary Shares
Non-Executive Directors		
Lance Hockridge	7,620,847	–
Ann-Maree Robertson	50,000	–
Jo Willoughby	50,000	–
Greg Kern	3,867,721	–
James Bowe[1]	758,567	–
Russell Daly	216,881	–
Brendan Woods	–	–
Executive Directors		
Daniel Crowley	14,199,027	–
Robert Cazzolli	1,679,887	–
Other executive officers		
Paul Fitton	150,000	–

1 Includes shares held by an entity controlled by a close family member.

Shares under option

No share options have been issued during the year ended 30 June 2022 and up to the date of this report.

Shares issued on the exercise of options

No shares issued on the exercise of options have been issued during the year ended 30 June 2022 and up to the date of this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Non-audit services provided during the financial period by the auditor consisted of investigating accountant services.

Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

Remuneration report (continued)

Bonuses and share-based payments granted as compensation

The following Key Management Personnel were granted bonuses and share-based payments as compensation as follows during the current financial year:

2022	Grant date	Share-based payment $	Cash bonus $	% of Bonus paid	% of Bonus forfeited	Service/performance criteria used to determine the amount of compensation	Terms and conditions
Non-Executive Directors							
Lance Hockridge	14/7/2021	1,997,823	–	–	–	Pre-IPO services provided to establish a successful transaction	Held under escrow until 4/9/2023
Ann-Maree Robertson	17/12/2021	50,000	–	–	–	Awarded on Completion of the IPO	Held under escrow until 4/9/2023
Jo Willoughby	17/12/2021	50,000	–	–	–	Awarded on Completion of the IPO	Held under escrow until 4/9/2023
Greg Kern	14/7/2021	1,374,708	–	–	–	Pre-IPO services provided to establish a successful transaction	Held under escrow until 4/9/2023
Russell Daly	14/7/2021	77,086	–	–	–	Pre-IPO services provided to establish a successful transaction	Held under escrow until 4/9/2023
Other executive officers							
Paul Fitton	30/6/2022	–	25,000	100%	0%	Discretionary bonus in consideration of service provided to support strategic objectives	Payable on grant date

2021	Grant date	Share-based payment $	Cash bonus $	% of Bonus paid	% of Bonus forfeited	Service/performance criteria used to determine the amount of compensation	Terms and conditions
Paul Fitton	17/12/2021	150,000	–	–	–	Awarded on Completion of the IPO	Held under escrow until 4/9/2023

Transactions with Key Management Personnel

The following transactions occurred with Key Management Personnel during the year.

2022	Name of KMP	Nature of transaction	Revenue $	Expense $	Liabilities – Current $	Terms & Conditions
Kern Group	Greg Kern	Advisory Services	–	950,000	–	Transaction advisory services, payable on completion of a successful transaction. Fixed fee agreement.

Remuneration report (continued)

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the year.

Company's earnings and consequences of the Company's performance on shareholder wealth

No final or interim fully franked or unfranked dividend was paid during the year ended 30 June 2022.

As at 17 December 2021, the Company was listed on the Australian Securities Exchange with an offer price of $1.00 per share. As at year ended 30 June 2022, the price at which shares in the Company traded was $0.74 per share.

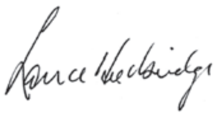
There was no return of capital by the Company to its shareholders during the year ended 30 June 2022.

Rounding off amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in this Directors' report (excluding the Remuneration report) and financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Lance Hockridge
Chairman

Brisbane, 29 September 2022

Auditor's independence declaration

Deloitte Touche Tohmatsu
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Australia

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The Board of Directors
AVADA Group Limited
Level 22, 300 Queen Street
Brisbane QLD 4000

29 September 2022

Dear Board Members

Auditor's Independence Declaration to AVADA Group Limited.

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of AVADA Group Limited.

As lead audit partner for the audit of the financial report of AVADA Group Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jacques Strydom
Partner
Chartered Accountants

Independent auditor's report

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of AVADA Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AVADA Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

1. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
2. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Acquisition accounting for the operating entities As disclosed in Notes 4 and 30, AVADA Group Limited ("AVADA") acquired the following entities and their subsidiaries on 15 December 2021: 1. Verifact Traffic Pty Limited and its subsidiaries; 2. A2O Pty Ltd and its subsidiary; 3. Platinum Traffic Services Pty Ltd; 4. D&D Services (Australia) Pty Ltd and its subsidiary; and 5. The Traffic Marshall Pty Ltd. The acquisitions constituted business combinations in accordance with AASB 3 *Business Combinations* and AVADA was determined to be the acquirer for accounting purposes. In undertaking the acquisition accounting, AVADA is required to measure the fair value of the consideration transferred and the fair value of identifiable assets acquired and liabilities assumed at the acquisition date with any difference being recognised as goodwill. Acquisition accounting requires significant judgement and complex estimation in respect of: 1. the determination of the acquirer; 2. the determination of the consideration paid or payable, including the contingent consideration and uplift in value of the vendor shares; and 3. the identification and measurement of all assets and liabilities, including intangible assets. The business combination accounting resulted in goodwill of $38.2m.	In conjunction with our internal specialists, our procedures included: 1. Obtaining an understanding of the process flows and key controls associated with the acquisition accounting. 1. Assessing the appropriateness of AVADA's determination of the acquirer. 2. Evaluating the final purchase price consideration, including management's valuation of the contingent consideration and the vendor shares. 3. Assessing the intangible assets identified and the fair values of the acquired assets and liabilities assumed. 4. Evaluating the tax effect accounting because of the business combinations. We also assessed the adequacy of the financial report disclosures setting out the nature and basis of the business combination accounting and the assumptions applied by management in accounting for the acquisition.

Independent auditor's report (continued)

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairments of non-current assets, including goodwill and other intangible assets. As disclosed in Notes 4 and 19, at 30 June 2022, AVADA performed impairment testing on its cash-generating units ("CGUs"), resulting in impairment charges of $15m being recognised. Determining the recoverable amount of the CGUs to which goodwill is allocated, is a matter of significant judgement, particularly in the current economic environment. We identified four key estimates in management's determination of the impairment charge: 1. revenue growth rates; 2. gross margins; 3. terminal growth rates; and 4. discount rates.	In conjunction with our internal specialists our procedures included: 1. Obtaining an understanding of the process flows and key controls associated with the impairment models, approved by the Board, used to estimate the recoverable amount of each CGU and impairment charges, where applicable. 2. Evaluating AVADA's identification of CGUs. 3. Obtaining an understanding of the methodology applied by AVADA in developing its impairment assessments, including the inherent subjectivity and complexity of underlying key assumptions. 4. In conjunction with our valuation specialists, we have challenged: 1. the revenue and terminal growth rates against relevant external data and historical actuals; 2. the discount rate by comparing the rate to our range; and 3. the gross margins against historical actuals and recent market trends. 5. Performing sensitivity analysis and evaluating management's impairment assessment for any evidence of management bias in assumptions and judgements applied. We assessed the adequacy of the financial report disclosures setting out the nature and basis of the impairment assessment and the assumptions applied by AVADA in determining the recoverable amount of the CGUs.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor’s report (continued)

Deloitte.

Responsibilities of the Directors for the Financial Report

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

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

Auditor’s Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

Independent auditor's report (continued)

Deloitte.

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 29 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of AVADA Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jacques Strydom
Partner
Chartered Accountants
Brisbane, 29 September 2022

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Saeed Seedat
Partner
Chartered Accountants
Brisbane, 29 September 2022

Directors' declaration

In the opinion of the Directors of Avada Group Limited:

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

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2022.

Signed in accordance with a resolution of Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Lance Hockridge
Chairman

Brisbane, 29 September 2022

Consolidated statement of profit or loss and other comprehensive income

for the full year ended 30 June 2022

	Note	Consolidated Year ended 30/06/2022 $'000	Consolidated Period ended 30/06/2021 $'000
Revenue	6	72,933	–
Other income	7	9,169	–
Depreciation and amortisation expense		(4,706)	–
Direct equipment hire and consumables		(7,915)	–
Direct wages and salaries		(50,092)	–
Non-direct wages and salaries		(6,572)	(173)
Administration expenses	8	(8,828)	(242)
Impairment of intangible assets	9	(14,957)	–
Other expenses		(2,680)	–
Finance costs	10	(312)	–
Loss before income tax		(13,960)	(415)
Income tax benefit	11	1,425	–
Loss for the period		(12,535)	(415)
Other comprehensive income, net of tax		–	–
Total comprehensive loss for the period		**(12,535)**	**(415)**
Loss attributable to:			
Owners of the parent		(12,535)	(415)
		(12,535)	(415)
Total comprehensive loss attributable to:			
Owners of the parent		(12,535)	(415)
		(12,535)	(415)
Loss per share			
Basic (cents per share)	12	(26)	(2)
Diluted (cents per share)	12	(26)	(2)

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2022

	Note	Consolidated Year ended 30/06/2022 $'000	Consolidated Period ended 30/06/2021 $'000
Assets			
Current assets			
Cash and cash equivalents	13	2,751	192
Trade and other receivables	14	18,264	7
Current tax assets	15	1,278	–
Other current assets	16	570	8
Total current assets		22,863	207
Non-current assets			
Property, plant and equipment	17	18,229	–
Right-of-use assets	18	4,149	–
Goodwill	19	23,824	–
Other intangible assets	20	20,605	–
Other non-current assets	16	143	–
Total non-current assets		66,950	–
Total assets		89,813	207
Liabilities			
Current liabilities			
Trade and other payables	22	12,840	107
Lease liabilities	23	995	–
Borrowings	24	3,931	360
Provisions	25	2,534	4
Other financial liabilities	26	1,210	–
Total current liabilities		21,510	471
Non-current liabilities			
Lease liabilities	23	3,237	–
Borrowings	24	7,057	–
Deferred tax liabilities	21	5,455	–
Provisions	25	469	–
Total non-current liabilities		16,218	–
Total liabilities		37,728	471
Net Assets		52,085	(264)
Equity			
Share capital	27	51,160	1
Reserves	28	13,875	150
Accumulated losses		(12,950)	(415)
Total equity		52,085	(264)

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the full year ended 30 June 2022

Consolidated	Note	Share capital $'000	Share-based payments reserve $'000	Acquisition reserve $'000	Accum. losses $'000	Total equity $'000
Balance as at 1 July 2021		1	150	–	(415)	(264)
Loss for the period		–	–	–	(12,535)	(12,535)
Other comprehensive income for period		–	–	–	–	–
Total comprehensive loss for the period		–	–	–	(12,535)	(12,535)
Issue of share capital	27	32,543	–	–	–	32,543
Share issue costs	27	(1,979)	–	–	–	(1,979)
Shares issued as consideration in business combinations	27/28	20,595	–	10,175	–	30,770
Share-based payments	32	–	3,550	–	–	3,550
Total transactions with owners		51,159	3,550	10,175	–	64,884
Balance as at 30 June 2022		51,160	3,700	10,175	(12,950)	52,085

Consolidated	Note	Share capital $'000	Share-based payments reserve $'000	Acquisition reserve $'000	Accum. losses $'000	Total equity $'000
Balance as at 25 March 2021		–	–	–	–	–
Loss for the period		–	–	–	(415)	(415)
Other comprehensive income for period		–	–	–	–	–
Total comprehensive loss for the period		–	–	–	(415)	(415)
Issue of share capital	27	1	–	–	–	1
Share issue costs	27	–	–	–	–	–
Shares issued as consideration in business combinations	27/28	–	–	–	–	–
Share-based payments	32	–	150	–	–	150
Total transactions with owners		1	150	–	–	151
Balance as at 30 June 2021		1	150	–	(415)	(264)

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the full year ended 30 June 2022

	Note	Consolidated Year ended 30/06/2022 $'000	Consolidated Period ended 30/06/2021 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		79,918	–
Payments to suppliers and employees (including GST)		(79,298)	(169)
Interest and other finance costs paid		(201)	–
Interest received		1	–
Income taxes paid		(1,370)	–
Net cash outflow from operating activities	31	(950)	(169)
Cash flows from investing activities			
Purchases of property, plant and equipment	17	(1,636)	–
Proceeds from sale of property, plant and equipment		188	–
Acquisition of subsidiaries (net of cash acquired)	30	(33,558)	–
Net cash outflow from investing activities		(35,006)	–
Cash flows from financing activities			
Proceeds from borrowings		5,000	–
Proceeds from related party borrowings		1,520	360
Repayments of related party borrowings		(361)	–
Proceeds from asset finance borrowings		2,584	–
Repayments of asset finance borrowings		(46)	–
Repayment of lease liabilities		(569)	–
Proceeds on issue of shares (net of transaction costs)		28,186	1
Net cash inflow from financing activities	31	36,314	361
Net increase in cash and cash equivalents		358	192
Cash and cash equivalents at beginning of the period		192	–
Cash and cash equivalents at the end of the period[1]	31	550	192

1 Cash and cash equivalents at the end of the period do not reconcile to Cash and cash equivalents at Note 13 due to the bank overdraft which is within Borrowings (see Note 24).

The consolidated financial statements should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. General information

AVADA Group Limited ("the Company") is a company domiciled in Australia. It was incorporated on 25 March 2021 and undertook an initial public offering and was listed on the Australian Securities Exchange on 17 December 2021.

The consolidated financial statements of the Company for the year ended 30 June 2022 comprises the Company and its subsidiaries (together referred to as "the Group").

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

Basis of preparation

The consolidated financial statements have 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. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Rounding off amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going concern

The Group has incurred a loss after tax of $12.5m and used net cash in operating activities of $1.0m for the year ended 30 June 2022. This was a result of:

- Costs of $7.1m incurred in respect of the acquisition of the subsidiaries and listing on the Australian Securities Exchange;
- Operating results of the subsidiaries being reflected only from 16 December 2021;
- Operating results being impacted by challenging trading conditions, including severe weather disruption;
- Impairment of intangible assets of $15.0m (refer Notes 9 and 19); and
- A $9.1m benefit from the reduction in the contingent consideration upon acquisition.

At the reporting date, the Group had an excess of current assets compared with current liabilities of $1.4m. Current liabilities include a contingent consideration liability of $1.2m payable to Executive Directors (refer to Note 26) in March 2023. The payment could be deferred, if required, to ensure that the Group can settle all external liabilities due.

The Group's cash flow forecast for the relevant reporting period, being 12 months from the signing date of these financial statements projects that the Group expects to generate sufficient operating cashflows through which to pay all debts as and when they fall due. The cash flow forecast is consistent with the assumptions applied in its value-in-use discounted cash flow model for the purpose of its impairment testing and also factors in the extension of the Group's finance facilities with the Commonwealth Bank of Australia. The extension of these facilities were finalised on 22 August 2022 and resulted in an increase in the Group's available facilities from $15.2m to $40m. The Group has drawn down on $30.1m of available facilities as at the signing date of these financial statements.

Notes to the consolidated financial statements (continued)

As part of the facility agreement with the Commonwealth Bank of Australia, the Group must comply with specified bank covenants and report the ratios to the bank every six months. Details of the Group's bank covenants are presented at Note 24. Included within Director's going concern assessment, was bank covenant ratio testing performed at 30 June 2022, 31 December 2022 and 30 June 2023. The Group was compliant and is forecast to be compliant with its bank covenants at each of these reporting periods.

Accordingly, the financial statements have been prepared on the basis that the Group is a going concern, able to realise assets in the ordinary course of business and settle liabilities as and when they fall due.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The Group's accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 30 June 2022. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

(b) Business combinations

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 12 *Disclosure of Interest in Other Entities* ("AASB 12") and AASB 119 *Employee Benefits* ("AASB 119") respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-based Payments* ("AASB 2") at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* ("AASB 5") are measured in accordance with that Standard.

Notes to the consolidated financial statements (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(c) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill and brands are tested annually for impairment, based on estimates made by Directors. The recoverable amount of goodwill and the intangible assets is based on the value-in-use ("VIU") for the cash-generating units that they have been allocated to. VIU is assessed by the Directors through a discounted cash flow analysis which includes significant estimates and assumptions including growth rates, margins, and discount rates based on the current cost of capital. The above figures therefore reflect the estimate of the recoverable amounts post any impairment recognised during the year. Further information on the impairment testing and the impairment recognised in respect of goodwill and intangible assets can be found in Notes 19 and 20.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(d) Revenue recognition

The Group recognises revenue from the following major sources:

- Traffic management services, principally the provision of labour and vehicle hire;
- equipment hire; and
- provision of plans and permits.

Notes to the consolidated financial statements (continued)

Traffic management services

Traffic management services revenues are recognised based on the period (typically hours) of service provided and contractually agreed periodic rates.

Equipment hire

Equipment hire revenues are recognised based on the period (typically hours) of hire and contractually agreed periodic rates.

Plans and permits

Plans and permits revenues are recognised based on the contractually agreed rate per plan.

(e) Financial instruments

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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.

The Group does not have any debt instruments at fair value through other comprehensive income.

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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have

Notes to the consolidated financial statements (continued)

subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

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, 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.

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 (ECL). In using this practical expedient, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and 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.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

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.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

- It has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; and
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Notes to the consolidated financial statements (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at 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 to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). 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 (Note 7) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Tax consolidation

The Company and its subsidiaries are in the process of forming a Tax Consolidated Group. Consequently, all members of the Tax Consolidated Group will be taxed as a single entity and the consolidated financial statements have been prepared on the basis that this has occurred. The head entity within the Tax Consolidated Group will be AVADA Group Limited.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Notes to the consolidated financial statements (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is 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.

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 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.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is calculated on the basis set out below for each category to write off the cost or valuation of each item of property, plant and equipment over their expected useful lives as follows:

Class of fixed asset	Method	Useful life
Motor vehicles	Straight line	8 – 10 years
Traffic control equipment	Straight line	3 – 7 years
Office furniture and equipment	Straight line	2 – 10 years
Right of use assets	Straight line	1 – 15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Notes to the consolidated financial statements (continued)

(h) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in Note 20. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(i) Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

(j) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, 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). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Notes to the consolidated financial statements (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* ("AASB 137"). To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 *Impairment of Assets* ("AASB 136") to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

Notes to the consolidated financial statements (continued)

(k) 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.

(l) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligations for short-term employee benefits. Short term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salary and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provision in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(m) Share-based payments

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Notes to the consolidated financial statements (continued)

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, for which it is probable that the Group will be required to settle that 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 the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

Make good provisions

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the Directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37") and the amount recognised initially less cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15").

(o) Earnings per share

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.

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.

(p) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amounts of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Notes to the consolidated financial statements (continued)

3. Adoption of new and revised Australian Accounting Standards

(a) New and amended Accounting Standards that are effective for the current period

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

The Directors of the Company do not anticipate that the amendments will have a material impact on the Group.

(b) New and amended Accounting Standards and Interpretations on issue that are not yet effective

At the date of authorisation of the consolidated financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2020-1 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-Current*	1 January 2023
AASB 2020-3 Amendments to Australian Accounting Standards – *Annual Improvements 2018-2020 and Other Amendments*	1 January 2022
AASB 2021-2 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-5 Amendments to Australian Accounting Standards – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
AASB 2022-1 Amendments to Australian Accounting Standards – *Initial Application of AASB17 and AASB9 Comparative Information*	1 January 2023

The Directors of the Company do not anticipate that the amendments will have a material impact on the Group but may change the disclosure of accounting policies included in the financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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 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 current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Accounting for the acquisition of businesses

The Group completed the acquisitions of:

- Verifact Traffic Pty Ltd, and its subsidiaries Customised Traffic Management No.2 Pty Ltd, Linemark Traffic Control Pty Ltd and Traffic Management People No. 2 Pty Ltd ("Verifact Traffic");
- D&D Services (Australia) Pty Limited and its subsidiary D&D Traffic Management Pty Ltd ("D&D Traffic Management");
- Platinum Traffic Services Pty Ltd ("Platinum Traffic Services");
- The Traffic Marshal Pty Ltd ("The Traffic Marshal"); and
- A2O Pty Limited and its subsidiary Arid to Oasis Traffic Solutions Pty Ltd ("Arid to Oasis Traffic Solutions")

on 15 December 2021.

The acquisition of the subsidiaries falls under the scope of AASB 3 *Business Combinations* ("AASB 3"). Accounting for business combinations is complex and requires judgements and estimates to be made in determining several matters including but not limited to:

- identifying the acquirer;
- determining the date on which the Group achieved control over the subsidiaries;
- determining the purchase price consideration paid;
- identifying assets acquired and liabilities assumed as part of the transaction including the consideration of intangible assets and contingencies not previously recognised in the subsidiaries' accounts; and
- determining fair values to be attributed to the identifiable assets acquired and liabilities assumed.

Identifying the acquirer

In assessing the acquirer, an assessment was made, and the Directors consider, based on the judgements applied, that AVADA Group Limited is the acquirer. The judgement made considered all relevant facts and circumstances, including the substance of the transaction, final shareholding and voting rights.

Notes to the consolidated financial statements (continued)

Purchase price considerations

As detailed in Note 30, the purchase price consideration included cash, the issuing of shares and Founder shares and contingent consideration.

On 9 November 2021 the Company undertook a share split which resulted in the issued capital in the Company being subdivided from 1,100 fully paid ordinary shares into 19,880,807 fully paid ordinary shares. The subdivision was allocated to the members of the Company in proportion to their shareholding prior to the subdivision. Of these shares, 10,175,359 were held by the owners of three of the companies acquired on 15 December 2021 (Verifact Traffic, Arid to Oasis Traffic Solutions and D&D Traffic Management) ("Vendor Founder Shares") and 9,705,448 shares were held by advisors and key management personnel.

The difference between the consideration paid by the vendors for 521 shares in the Company prior to IPO and the fair value of the shares at the date of listing of the Company, being the date at which control was obtained over the subsidiaries, of $10.2m was assessed by the Directors as being consideration for the acquisitions. Refer to Note 30.

Two of the acquired businesses have contingent consideration payable on achieving specified levels of earnings 12 months post completion of the transaction date. If the required earnings thresholds are met, an amount will be due and payable in March 2023 as a combination of cash and equity. The fair value of the contingent consideration of $10.3m was estimated at the date of acquisition by calculating the present value of the future expected EBITDA. The internal rate of return ("IRR") of 17.85%, at the acquisition date, was used to discount the contingent consideration. At 30 June 2022, the contingent consideration has been re-calculated based on actual monthly trading to 31 August 2022 and future expected EBITDA based on a probability weighting of two different scenarios, one being linked to the EBITDA implied in the VIU model. The weighted average cost of capital ("WACC") of 11% was used to discount future cash flows associated with the contingent consideration. Refer Notes 26 and 30.

Measurement of the assets acquired and liabilities assumed

On the basis that the Company is the acquirer, each acquisition was accounted for as a separate acquisition with the assets and liabilities of the acquired entities included in the consolidated financial statements at their fair value at acquisition date.

In respect of fixed assets acquired (in particular motor vehicles), the Directors contracted an independent valuer, to appraise the fair value of all motor vehicles included in the business acquisitions. This independent valuation resulted in a fair value increase of $6.5m to the motor vehicles acquired at acquisition date. This fair value increase has been reflected in the assets and liabilities acquired per Note 30. This assessment required judgement to consider the valuation methodology and valuation range, taking account of the operational considerations and usage of the fleet.

The Directors have considered the requirements AASB 3 for leased assets acquired and remeasured the lease liability at the acquisition date, resulting in an equal increase/reduction to the right of use asset being recognised. Refer to Note 30.

The Directors engaged an independent expert to assist with identifying the previously unidentified intangible assets, such as Customer lists and Brands. See Note 20.

For all other assets acquired and liabilities assumed, either the book value of these assets and liabilities has been determined as the fair values at 15 December 2021 or acquisition adjustments have been made, but in those instances, no significant accounting judgements have been applied.

Notes to the consolidated financial statements (continued)

Share-based payments

As noted under 'Accounting for the Acquisition of Businesses' above, following the share split on 9 November 2021, 9,705,448 shares were held by advisors and key management personnel.

The Directors determined that shares issued to the advisors and key management personnel are attributable to advisory and related services provided to the Company and, accordingly, are share-based payments. As detailed in Note 32, a share-based payment expense was recorded in respect of these shares.

In applying AASB 2, the Directors have made certain estimates and judgements, including but not limited to:

- determining that the valuation date of the share-based payments as 14 July 2021; a valuation of the Group at the valuation date that incorporated valuation multiples forecast probabilities; and
- determining the fair value of the share-based payments, by performing a probability assessment of the success or failure of the successful listing of the Company on the ASX. The probability adjusted fair value of the share-based payment was $3.5m and is based on the Director's best estimate at the valuation date.

Impairment testing of goodwill and other intangibles

Goodwill and brands are tested annually for impairment, based on estimates made by Directors. The recoverable amount of goodwill and brands is based on the Value-in-use ("VIU") for the cash-generating units that they have been allocated to. VIU is assessed by the Directors through a discounted cash flow analysis which includes significant estimates and assumptions including growth rates, margins, and discount rates based on the current cost of capital. Further information on the impairment testing and the impairment recognised in respect of goodwill and brands can be found in Note 19 and 20.

Leases

In applying AASB 16 *Leases* ("AASB 16"), the Directors have made certain assumptions and judgements, including, but not limited to, the appropriate incremental borrowing rates and the likely exercise of renewal options. See Note 2(j).

Provision for expected credit losses

The Company 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 Company uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses before management's judgement is applied in determining the provision for doubtful debts in accordance with Note 14.

5. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments, based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker ("CODM")) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The Group's reportable segments under AASB 8 *Operating Segments* ("AASB 8") are as follows:

Queensland Traffic Management – contains entities which operate in the Queensland geography

New South Wales Traffic Management – contains entities which operate in the New South Wales geography

The Group offers integrated traffic management services including planning and permit, traffic control, equipment hire, event management and incident response. 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.

Notes to the consolidated financial statements (continued)

The following is an analysis of the Group's revenue and results by reportable operating segment for the full year ended 30 June 2022:

	Year ended 30/06/2022			
	QLD Traffic Management $'000	NSW Traffic Management $'000	Unallocated $'000	Total $'000
Revenue				
Sales to external customers	49,459	23,474	–	72,933
Total revenue	49,459	23,474	–	72,933
Other income	96	8	9,065	9,169
Segment operating expenses	(42,289)	(24,293)	(9,505)	(76,087)
Impairment of intangible assets	(8,003)	(6,954)	–	(14,957)
EBITDA	(737)	(7,765)	(440)	(8,942)
Depreciation and amortisation expense	(2,764)	(1,939)	(3)	(4,706)
EBIT	(3,501)	(9,704)	(443)	(13,648)
Finance costs	(68)	(46)	(198)	(312)
Loss before income tax	(3,569)	(9,750)	(641)	(13,960)
Income tax (expense)/benefit	(372)	71	1,726	1,425
Loss after tax for the period	(3,941)	(9,679)	1,085	(12,535)

	Period ended 30/06/2021			
	QLD Traffic Management $'000	NSW Traffic Management $'000	Unallocated $'000	Total $'000
Revenue				
Sales to external customers	–	–	–	–
Total revenue	–	–	–	–
Other income	–	–	–	–
Segment operating expenses	–	–	(415)	(415)
EBITDA	–	–	(415)	(415)
Depreciation and amortisation expense	–	–	–	–
EBIT	–	–	(415)	(415)
Finance costs	–	–	–	–
Loss before income tax	–	–	(415)	(415)
Income tax (expense)/benefit	–	–	–	–
Loss after tax for the period	–	–	(415)	(415)

The revenue reported above represents revenue generated from external customers. The Group does not have any customers which provide more than 10% of its external revenue. Each segment is not reliant on any of the Group's major customers. There were no intersegment sales during the year. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Notes to the consolidated financial statements (continued)

Segment profit represents the profit earned by each segment without allocation of central administration costs including Directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	Year ended 30/06/2022			
	QLD Traffic Management $'000	**NSW Traffic Management $'000**	**Unallocated $'000**	**Total $'000**
Current assets	13,554	8,116	1,193	22,863
Non-current assets	48,791	18,130	29	66,950
Total assets	62,345	26,246	1,222	89,813
Current liabilities	11,368	4,980	5,162	21,510
Non-current liabilities	9,518	3,510	3,190	16,218
Total liabilities	20,886	8,490	8,352	37,728
Net assets	41,459	17,756	(7,130)	52,085

	Period ended 30/06/2021			
	QLD Traffic Management $'000	**NSW Traffic Management $'000**	**Unallocated $'000**	**Total $'000**
Current assets	–	–	207	207
Non-current assets	–	–	–	–
Total assets	–	–	207	207
Current liabilities	–	–	471	471
Non-current liabilities	–	–	–	–
Total liabilities	–	–	471	471
Net assets	–	–	(264)	(264)

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments, other financial assets (except for trade and other receivables) (refer Note 26) and tax assets. Goodwill has been allocated to reportable segments as described in Note 19. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

6. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following geographies and customer types. The disclosure of revenue by geography is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 *Operating Segments* (“AASB 8”). Refer Note 5.

Disaggregation of revenue

	Year ended 30/06/2022 $’000	Period ended 30/06/2021 $’000
External revenue by geography and customer type		
Queensland		
Government (incl. councils)	29,647	–
Non-Government	19,812	–
	49,459	–
New South Wales		
Government (incl. councils)	6,337	–
Non-Government	17,137	–
	23,474	–
	72,933	–
External revenue by service line		
Traffic control services	60,006	–
Equipment hire	10,875	–
Plans and permits	1,914	–
Training	96	–
Security guard services	42	–
	72,933	–
External revenue by timing of revenue		
Services transferred over time	70,923	–
Services transferred at a point in time	2,010	–
	72,933	–

Plans and permits and training are all services provided at a point in time. All other services are provided over time.

Notes to the consolidated financial statements (continued)

7. Other Income

	Note	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Gain on the movement in the contingent consideration liability	26	9,065	–
Other income		104	–
		9,169	–

8. Administrative expenses

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Professional fees	1,076	172
IPO listing costs	3,684	–
Acquisition related costs – share-based payments	3,450	–
Acquisition related costs – Construct Traffic	199	–
Rent and other occupancy expenses	400	–
Other administrative expenses	19	70
	8,828	242

A total of $6.5m of listing and transaction costs have been excluded from the consideration transferred upon acquisition of subsidiaries. $3.7m has been recognised as an expense in profit or loss during the year within the administrative expenses and $2.8m ($2.0m net of tax – refer Note 27) was offset against equity.

9. Impairment of intangible assets

	Note	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Impairment of goodwill	19	14,354	–
Impairment of other intangibles	20	603	–
		14,957	–

10. Finance costs

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Bank charges on bank overdrafts and loans	111	–
Interest on bank overdrafts and loans	120	–
Interest on lease liabilities	81	–
	312	–
Finance costs recognised in profit or loss	312	–

Notes to the consolidated financial statements (continued)

11. Income tax benefit

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in the consolidated statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Income tax expense

The major components of income tax are:

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Current income tax		
Current income tax charge	–	–
Adjustment in respect of current income tax of the previous years	–	–
Deferred income tax		
Relating to the origination and reversal of temporary differences	1,397	–
Recognition of previously unrecognised losses	–	–
Adjustment in respect of deferred income tax of the previous years	28	–
Derecognition of deductible temporary differences	–	–
	1,425	–

Numerical reconciliation between tax expense and pre-tax accounting profit

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Accounting loss from continuing operations before tax	(13,960)	–
Prima facie tax benefit on loss before income tax at 30%	4,188	–
Non-deductible expenses	(3)	–
Impairment of goodwill	(4,306)	–
Share-based payments	(1,035)	–
Non-deductible acquisition costs	(178)	–
Non-assessable gain on movement in contingent consideration	2,719	–
Temporary differences not recognised	–	–
Tax effect of previously unrecognised tax losses	–	–
Adjustment in respect of the previous year	28	–
Other	12	–
Income tax (benefit)	1,425	–

Notes to the consolidated financial statements (continued)

Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss and other comprehensive income but directly debited or credit to equity:

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Deferred tax: Recognition and amortisation of IPO listing costs	848	–
	848	–

Amounts recognised in net profit or loss and other comprehensive income

Aggregate deferred tax arising in the reporting period, recognised in net profit or loss and other comprehensive income:

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Net balances as at 1 July 2021	–	–
Prior year adjustments	28	–
Recognised in profit or loss	1,397	–
Net deferred tax assets recognised in loss	1,425	–

12. Loss per share

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Loss		
Loss for the purposes of basic and diluted earnings per share being net loss attributable to owners of the Company	(12,535)	(415)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) per share	48,515,772	19,880,807
Basic earnings per share (cents)	(26)	(2)
Diluted earnings per share (cents)[1]	(26)	(2)

1 Potential ordinary shares which may be issued in settlement of the contingent consideration are considered antidilutive given their conversion would decrease the loss per share.

13. Cash and cash equivalents

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Cash at bank	2,751	192
	2,751	192

Notes to the consolidated financial statements (continued)

14. Trade and other receivables

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Trade receivables	16,133	–
Accrued income	1,898	–
Other receivables	312	7
Less: Expected credit losses	(79)	–
	18,264	7

The average credit period on provision of services is 30 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off are subject to enforcement activities. The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

Allowance for expected credit losses

The Group has recognised a loss of $0.1m in profit or loss in respect of the expected credit losses for the full year ended 30 June 2022. The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

2022	Expected credit rate loss Year ended 30/06/2022	Carrying amount Year ended 30/06/2022 $'000	Allowance for expected credit loss Year ended 30/06/2022 $'000
Current	0.1%	11,206	10
30+ days overdue	0.3%	3,281	12
60+ days overdue	3.8%	643	26
90+ days overdue	2.9%	1,003	31
Total trade receivables		16,133	79

2021	Expected credit rate loss Period ended 30/06/2021	Carrying amount Period ended 30/06/2021 $'000	Allowance for expected credit loss Period ended 30/06/2021 $'000
Current	–	–	–
30+ days overdue	–	–	–
60+ days overdue	–	–	–
90+ days overdue	–	–	–
Consolidated assets		–	–

Notes to the consolidated financial statements (continued)

15. Current tax assets

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Current		
Net income tax receivable	1,278	–
	1,278	–

16. Other assets

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Current		
Prepayments	569	8
Other current assets	1	–
	570	8
Non-current		
Security deposits	143	–
	143	–

17. Property, plant and equipment

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Traffic control equipment		
Traffic control equipment – at cost	1,809	–
Less accumulated depreciation	(253)	–
	1,556	–
Motor vehicles		
Motor vehicles – at cost	18,566	–
Less accumulated depreciation	(2,001)	–
	16,565	–
Office equipment		
Office equipment – at cost	130	–
Less accumulated depreciation	(26)	–
	104	–
Leasehold improvements		
Leasehold improvements – at cost	5	–
Less accumulated depreciation	(1)	–
	4	–
Total property, plant and equipment	18,229	–

Notes to the consolidated financial statements (continued)

Movements in carrying amounts

	Note	Traffic control equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
		Year ended 30/06/2022 $'000				
Cost						
At 1 July 2021		–	–	–	–	–
Additions from acquisitions of subsidiaries	30	1,269	17,817	104	5	19,195
Additions		552	1,058	26	–	1,636
Disposals		(12)	(309)	–	–	(321)
At 30 June 2022		1,809	18,566	130	5	20,510
Depreciation						
At 1 July 2021		–	–	–	–	–
Charge for the period		254	2,036	26	1	2,317
Disposals		(1)	(35)	–	–	(36)
At 30 June 2022		253	2,001	26	1	2,281
Carrying amount						
At 30 June 2022		1,556	16,565	104	4	18,229

	Traffic control equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
	Period ended 30/06/2021 $'000				
Cost					
At 25 March 2021	–	–	–	–	–
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
At 30 June 2021	–	–	–	–	–
Depreciation					
At 25 March 2021	–	–	–	–	–
Charge for the period	–	–	–	–	–
Disposals	–	–	–	–	–
At 30 June 2021	–	–	–	–	–
Carrying amount					
At 30 June 2021	–	–	–	–	–

Assets pledged as security

During the year, the Group drew down $2.5m from the asset finance facility to purchase motor vehicles and plant and equipment. The draw down from the asset finance facility is secured against these specific assets (refer Note 24).

The Group is not allowed to pledge these specific assets as security for other borrowings or to sell them to another entity.

The Commonwealth Bank also holds a general security over all assets of the Group against the borrowing facilities provided.

18. Right-of-use assets

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Buildings		
Buildings – right-of-use assets	2,871	–
Less accumulated depreciation	(338)	–
	2,533	–
Motor vehicles		
Motor vehicles – right-of-use assets	1,854	–
Less accumulated depreciation	(238)	–
	1,616	–
Total right-of-use assets	4,149	–

Movements in carrying amounts

		Year ended 30/06/2022 $'000		
	Note	**Buildings**	**Motor Vehicles**	**Total**
Cost				
At 1 July 2021		–	–	–
Additions from acquisitions of subsidiaries	30	2,871	1,177	4,048
Additions		–	677	677
Disposals		–	–	–
At 30 June 2022		2,871	1,854	4,725
Depreciation				
At 1 July 2021		–	–	–
Charge for the period		338	238	576
Disposals		–	–	–
At 30 June 2022		338	238	576
Carrying amount				
At 30 June 2022		2,533	1,616	4,149

Notes to the consolidated financial statements (continued)

	Period ended 30/06/2021 $'000		
	Buildings	Motor Vehicles	Total
Cost			
At 25 March 2021	–	–	–
Additions	–	–	–
Disposals	–	–	–
At 30 June 2021	–	–	–
Depreciation			
At 25 March 2021	–	–	–
Charge for the period	–	–	–
Disposals	–	–	–
At 30 June 2021	–	–	–
Carrying amount			
At 30 June 2021	–	–	–

The Group leases several assets including buildings and motor vehicles. The average lease term is 4 years. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The maturity analysis of lease liabilities is presented in Note 23.

Amounts recognised in profit and loss

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Depreciation expense on right-of-use asset	576	–
Interest expense on lease liabilities	81	–

At 30 June 2022, the Group is committed to $0.4m for short-term leases.

The total cash outflow for leases amount to $0.6m.

Notes to the consolidated financial statements (continued)

19. Goodwill

	Note	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Gross carrying amount			
Balance at beginning of the year		–	–
Amounts recognised from business combinations occurring during the year	30	38,178	–
Impairment losses for the year	9	(14,354)	–
Balance at end of the year		23,824	–

Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs. Each CGU to which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes.

Below we have presented the allocation of goodwill to the identified CGUs for the Group.

Allocation of goodwill

The Group has five CGUs within the Queensland and New South Wales operating segments being:

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Verifact Traffic	13,861	–
Arid to Oasis Traffic Solutions	5,570	–
Platinum Traffic Services	–	–
D&D Traffic Management	3,432	–
The Traffic Marshal	961	–
	23,824	–

The recoverable amount of a CGU to which goodwill and other indefinite life intangible assets is allocated is determined based on the greater of its value-in-use and its fair value less costs of disposal. Fair value is determined as being the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties at the balance date. If relevant, this fair value assessment less costs of disposal is conducted by the Directors based on their extensive knowledge of the traffic management services industry including the current market conditions prevailing in the industry. The value-in-use assessment is conducted using a discounted cash flow ("DCF") methodology requiring the Directors to estimate the future cash flows expected to arise from the CGUs and then applying a discount rate to calculate the present value.

During the year ended 30 June 2022, all of the Group's CGUs were tested for impairment in accordance with AASB 136 *Impairment of Assets*.

The DCF models adopted by the Directors utilises cash flow forecasts derived from the 2023 financial year budgets approved by the Board and also includes the impact of recent market and environmental factors. After year one, cash flows are increased by a range of growth rates to year five that do not exceed the relevant industry forecast. A growth rate of 2.5% is applied from the terminal period, which does not exceed the long-term average growth rate for the industry and generally accepted future consumer price index ("CPI") rate. The forecasts consider all available sources of information (both external and internal).

The Group acknowledges in its forecasting that the existing industry and general market conditions are currently challenging with recent significant weather events impacting the regions in which it operates, inflationary pressures and increasing interest rates.

Notes to the consolidated financial statements (continued)

Key assumptions used for value-in-use calculations

Key assumptions are those to which the recoverable amount of the CGU is most sensitive.

The key general assumptions used in the DCF models and value-in-use calculations are the post-tax discount rate, the projected revenue growth rates and gross margins.

The forecast revenue growth rate and terminal growth rates have been based on consideration of historical performance and the expected future operating conditions.

The forecast gross margins are based on historical averages and also factor in current economic and climate considerations.

	Verifact Traffic	Arid to Oasis Traffic Solutions	Platinum Traffic Services	D&D Traffic Management	The Traffic Marshal
Discount rate used in impairment calculation	11%	11%	11%	11%	11%
Growth rates:					
Revenue for Yr 1	11.9%	5.4%	6.8%	4.9%	0%
Revenue for Yr 2 – Yr 5[1]	4.9%	4.9%	4.9%	4.9%	4.9%
Annual growth for terminal value	2.5%	2.5%	2.5%	2.5%	2.5%

1 Average annual growth rate.

As disclosed above, gross margin has been identified as a key assumption, but is not disclosed as management considers it to be commercially sensitive.

Verifact Traffic Control

Impairment testing identified that the carrying value of the Verifact Traffic Control CGU exceeded the recoverable amount. An $8m impairment expense was recognised in the current year against the goodwill allocated to the CGU. The total impairment expense of $8m reflects challenging trading conditions post acquisition, with significant disruption from multiple La Niña weather events combined with future cash flows that incorporate inflationary pressures, labour market constraints and further La Niña weather events.

Arid to Oasis Traffic Solutions

The impairment testing determined that the recoverable amount exceeded the carrying value for the CGU. Therefore, the impairment test did not result in any impairments for the CGU.

Management recognises that a change in one or a combination of the key assumptions applied to the discount rate, margin or growth rates could result in impairment. Management do not consider that a reasonable possible change in any of the key assumptions would cause the carrying amount to significantly exceed the recoverable amounts.

Platinum Traffic Services

Impairment testing identified that the carrying value of the Platinum Traffic Services CGU exceeded the recoverable amount. A $1.1m impairment expense was recognised in the current year against goodwill and other intangible assets allocated to the CGU. The total impairment expense of $1.1m reflects challenging trading conditions post acquisition, with significant disruption from multiple La Niña weather events combined with future cash flows that incorporate inflationary pressures, labour market constraints and further La Niña weather events.

Notes to the consolidated financial statements (continued)

D&D Traffic Management

Impairment testing identified that the carrying value of the D&D Traffic Management CGU exceeded the recoverable amount. A $4.1m impairment expense was recognised in the current year against goodwill allocated to the CGU. The total impairment expense of $4.1m reflects challenging trading conditions post acquisition, with significant disruption from multiple La Niña weather events combined with future cash flows that incorporate inflationary pressures, labour market constraints and further La Niña weather events.

The Traffic Marshal

Impairment testing identified that the carrying value of The Traffic Marshal's CGU exceeded the recoverable amount. A $1.8m impairment expense was recognised in the current year against goodwill allocated to the CGU. The total impairment expense of $1.8m reflects challenging trading conditions post acquisition, with significant disruption from multiple La Niña weather events combined with future cash flows that incorporate inflationary pressures, labour market constraints and further La Niña weather events.

Sensitivity analysis

Given that there is impairment in four of the five CGUs any reasonably possible change would lead to an additional impairment. Below we have quantified the impact of any reasonably possible change in key assumptions.

	Increase/ (decrease) %	VTC CGU $'000	A2O CGU $'000	D&D CGU $'000	PTS CGU $'000	TTM CGU $'000
Change in terminal value rate	0.5%	1,550	1,020	452	117	194
	(0.5%)	(1,378)	(906)	(402)	(104)	(173)
Change in discount rate	1%	(3,340)	(2,080)	(1,016)	(241)	(396)
	(1%)	4,235	2,636	1,271	306	501
Change in revenue growth rate	1%	5,153	2,686	3,356	1,016	820
	(1%)	(5,305)	(2,721)	(3,386)	(1,144)	(886)

Gross margin has been identified as a key assumption, however, has not been disclosed as it is commercially sensitive. A change in gross margin will materially impact the recoverable amount for each CGU.

Consideration of climate change

In estimating the recoverable amount for each CGU, the Group has considered the potential impacts of climate change, including the threat of reoccurrence of significant weather events that have impacted the East Coast of Australia during the second half of the 2022 financial year. Ongoing disruption from severe weather and climate events may impact trading performance.

Notes to the consolidated financial statements (continued)

20. Other intangible assets

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Customer lists		
Customer lists – at cost	21,205	–
Less accumulated amortisation	(1,736)	–
Less impairment	(468)	–
	19,001	–
Brands		
Brands – at cost	1,739	–
Less impairment	(135)	–
	1,604	–
Total other intangible assets	20,605	–

Movements in carrying amounts

		Year ended 30/06/2022 $'000		
2022	**Note**	**Customer lists**	**Brands**	**Total**
Carrying amount at beginning of the year		–	–	–
Additions from acquisitions of subsidiaries	30	21,205	1,739	22,944
Less Amortisation for the year		(1,736)	–	(1,736)
Less Impairment loss during the year		(468)	(135)	(603)
Carrying amount at end of the year		19,001	1,604	20,605

	Period ended 30/06/2021 $'000		
2021	**Customer lists**	**Brands**	**Total**
Carrying amount at beginning of the year	–	–	–
Additions from acquisitions of subsidiaries	–	–	–
Less Amortisation for the period	–	–	–
Less Impairment loss during the period	–	–	–
Carrying amount at end of the year	–	–	–

The customer lists are amortised over their useful lives which has been determined to be 4 – 7 years. This useful life is based off a pool of 500+ customers, with the majority of the customer being repeat customers year on year. Brands are indefinite life and are not amortised.

Notes to the consolidated financial statements (continued)

21. Deferred tax assets and liabilities

Recognised Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Year ended 30/06/2022 $'000		
	Assets	Liabilities	Net Assets/ (Liabilities)
Property, plant and equipment	–	(2,792)	(2,792)
ROU assets/Lease liabilities	25	–	25
Intangibles	–	(6,182)	(6,182)
Other provisions	10	–	10
Employee provisions	891	–	891
Payables and accruals	839	–	839
Allowances for expected credit losses	24	–	24
Prepayments	–	(1)	(1)
Business acquisition related costs	1,488	–	1,488
Borrowing costs	28	–	28
Tax losses	215	–	215
	3,520	(8,975)	(5,455)

	Period ended 30/06/2021 $'000		
	Assets	Liabilities	Net Assets/ (Liabilities)
Property, plant and equipment	–	–	–
ROU assets/Lease liabilities	–	–	–
Intangibles	–	–	–
Employee provisions	–	–	–
Payables and accruals	–	–	–
Allowances for expected credit losses	–	–	–
Prepayments	–	–	–
Business acquisition related costs	–	–	–
Borrowing costs	–	–	–
Tax losses	–	–	–
	–	–	–

Notes to the consolidated financial statements (continued)

Movement in temporary differences during the year

	1/07/2021 $'000	Year ended 30/06/2022 $'000				
	Net Opening Balance	Prior Yr Adjust	Acquired	Recognised in Equity	Recognised in Profit or loss	Net DTL
Property, plant and equipment	–	–	(2,663)	–	(129)	(2,792)
ROU assets/Lease liabilities	–	–	–	–	25	25
Intangibles	–	–	(6,884)	–	702	(6,182)
Other provisions	–	–	10	–	–	10
Employee provisions	–	1	1,022	–	(132)	891
Payables and accruals	–	1	662	–	176	839
Allowances for expected credit losses	–	–	30	–	(6)	24
Prepayments	–	–	(1)	–	–	(1)
Business acquisition related costs	–	26	96	678	688	1,488
Borrowing costs	–	–	–	–	28	28
Tax losses	–	–	–	170	45	215
	–	28	(7,728)	848	1,397	(5,455)

	25/03/2021 $'000	Period ended 30/06/2021 $'000				
	Net Opening Balance	Prior Yr Adjust	Acquired	Recognised in Equity	Recognised in Profit or loss	Net DTL
Property, plant and equipment	–	–	–	–	–	–
ROU assets/Lease liabilities	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–
Other provisions	–	–	–	–	–	–
Employee provisions	–	–	–	–	–	–
Payables and accruals	–	–	–	–	–	–
Allowances for expected credit losses	–	–	–	–	–	–
Prepayments	–	–	–	–	–	–
Business acquisition related costs	–	–	–	–	–	–
Borrowing costs	–	–	–	–	–	–
Tax losses	–	–	–	–	–	–
	–	–	–	–	–	–

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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.

At the reporting date, the Group has unused tax losses of $0.8m available for offset against future profits. A deferred tax asset has been recognised in respect of $0.8m of such losses as it is considered probable that there will be future taxable profits available.

Tax values on consolidation

The Group prepared an Allocable Cost Amount ("ACA") for each entity on a preliminary basis to determine the cost base of assets and liabilities for income tax purposes. The tax cost base of assets and liabilities may change upon finalisation of the outcome of the contingent consideration.

Notes to the consolidated financial statements (continued)

22. Trade and other payables

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Trade payables	3,321	101
Accrued expenses	2,929	–
GST payable	2,265	–
Employee related payables	2,626	6
Other payables	1,699	–
	12,840	107

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The typical credit period taken for trade purchases is between 7 – 30 days. For most suppliers no interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

23. Lease liabilities

Maturity analysis

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Year 1	995	–
Year 2	755	–
Year 3	682	–
Year 4	662	–
Year 5	285	–
Onwards	1,504	–
	4,883	–
Undiscounted lease liabilities analysed as:		
Current	995	–
Non-current	3,888	–
	4,883	–
Discounted lease liabilities analysed as:		
Current	995	–
Non-current	3,237	–
	4,232	–

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's finance function.

Notes to the consolidated financial statements (continued)

24. Borrowings

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Current		
Unsecured		
Related parties[1]	1,250	360
Secured		
Bank overdraft	2,201	–
Equipment finance	480	–
	3,931	360
Non-current		
Secured		
Bank loan (term facility)	5,000	–
Equipment finance	2,057	–
	7,057	–
Total borrowings	10,988	360

1 Acquired on acquisition of subsidiaries and is payable on demand.

Since the end of the reporting date the Group has obtained additional financing facilities from the Commonwealth Bank of Australia, refer Note 42 for further details.

Description of the Banking facilities

The Group has its banking facilities with the Commonwealth Bank of Australia in respect of the provision of a term facility, an asset finance facility, and a working capital facility. The Group's financing arrangements in place as at 30 June 2022 are set out below:

Facility	Facility Limit $'000	Drawn Amount as at 30 June 2022 $'000	Term
Term Facility	5,000	5,000	Three years
Asset Finance Facility	5,000	2,538	Annually reviewed and renewed[1]
Overdraft Facility	4,750	2,201	Annually reviewed and renewed
Bank Guarantees	250	105	Annually reviewed and renewed
Corporate Credit Cards	200	40	Annually reviewed and renewed

1 The undrawn amount is annually reviewed and renewed.

Facility	Facility Limit $'000	Drawn Amount as at 30 June 2021 $'000	Term
Term Facility	–	–	Three years
Asset Finance Facility	–	–	Annually reviewed and renewed
Overdraft Facility	–	–	Annually reviewed and renewed
Bank Guarantees	–	–	Annually reviewed and renewed
Corporate Credit Cards	–	–	Annually reviewed and renewed

Notes to the consolidated financial statements (continued)

The key terms of the banking facilities are:

- 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). The facility has an establishment fee of 0.75% of the facility limit and a line fee of 1.6%. Security is provided in the form of a first ranking general security interest from each obligor in respect of each of their present and after acquired property.
- 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. Security is provided over each asset acquired under the facility.
- The overdraft facility can be used to fund working capital. Interest is charged quarterly at the lenders Overdraft Index Rate minus a margin of 3.68%. The facility has 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. Security is provided in the form of a first ranking general security interest from each obligor in respect of each of their present and after acquired property.

Bank covenants

There were no breaches of loan covenants during the full year ended 30 June 2022.

The loan covenants are assessed on a rolling 12 month basis every six months and are:

- Gross leverage ratio – no more than 2.0 times; and
- Interest cover ratio – more than 4.0 times.

Loans received and repaid

Funds were received during the year from the following borrowings:

- The Company received $1.5m in additional seed funding from shareholders. This was fully repaid prior to 30 June 2022.
- The Group received $5.0m from the Commonwealth Bank as a Term Loan.
- The Group drew down $2.2m from the Overdraft Facility from the Commonwealth Bank.
- The Group received $2.6m from the Asset Finance Facility, of which $0.1m was repaid prior to 30 June 2022.

The Group repaid seed funding of $1.9m from the proceeds of the capital raising, of this amount $0.4m was repaid with cash and $1.5m was repaid with the issue of shares.

Additional financing facilities

Since the end of the reporting period but prior to the signing of this report, AVADA Group Limited has obtained additional financing facilities from the Commonwealth Bank of Australia. (Refer Note 42.)

25. Provisions

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Current		
Annual leave	2,329	–
Long service leave	173	–
Other employee provisions	–	4
Make good	32	–
	2,534	4
Non-current		
Long service leave	469	–
Make good	–	
	469	–

Notes to the consolidated financial statements (continued)

Movements in provisions

	Year ended 30/06/2022 $'000		
	Employee benefits	Other	Total
At 1 July 2021	4	–	4
Additions from acquisitions of subsidiaries	3,409	32	3,441
Charged to profit or loss	746	–	746
Amounts used during the period	(1,188)	–	(1,188)
At 30 June 2022	2,971	32	3,003

	Period ended 30/06/2021 $'000		
	Employee benefits	Other	Total
At 25 March 2021	–	–	–
Charged to profit or loss	4	–	4
Amounts used during the period	–	–	–
At 30 June 2021	4	–	4

AVADA is required to restore the leased premises of its leased assets to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

26. Other financial liabilities

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Current		
Contingent consideration	1,210	–

Contingent consideration is payable on the acquisition of Verifact Traffic Pty Ltd and its subsidiaries and D&D Services (Australia) Pty Ltd and its subsidiary. Under the contingent consideration arrangement, an EBITDA threshold must be achieved before any contingent consideration is payable.

At acquisition, contingent consideration was estimated based on forecast trading for the year to 31 December 2022. Based on the forecast methodology, contingent consideration was estimated to be $12.1m, with a net present value of $10.3m (discounted at IRR of 17.85%). As at 30 June 2022, the contingent consideration has been revalued based on actual monthly trading to 31 August 2022 and future expected EBITDA based on a probability weighting of two different scenarios, one being linked to the EBITDA implied in the VIU model used for impairment testing. The weighted average cost of capital ("WACC") of 11% was used to discount the contingent consideration. Based on the forecast methodology, contingent consideration has been estimated to be $1.2m, resulting in a $9.1m reduction in the value of the contingent consideration payable at the end of the reporting period. This reduction of $9.1m is included in Other income in the profit or loss, refer Note 7.

Contingent consideration in respect of D&D Services (Australia) Pty Ltd is capped at $1.7m. There is no cap in respect of the contingent consideration for Verifact Traffic Pty Ltd.

Notes to the consolidated financial statements (continued)

27. Issues of equity securities

	Note	Year ended 30/06/2022 No. of shares	Year ended 30/06/2022 $'000
Ordinary shares			
Balance at beginning of the period		1,100	1
Share split (1,100 shares converted to 19,880,807 shares)		19,879,707	–
Shares issued at IPO		30,000,000	30,000
Subscribed shares issued to repay seed loans		1,528,696	1,529
Other subscribed shares issued		1,013,913	1,014
Shares issued to management/Directors		250,000	–
Transaction costs arising on share issues		–	(1,979)
Shares issued as consideration in business combinations	30	20,594,942	20,595
		73,268,358	51,160

	Period ended 30/06/2021 No. of shares	Period ended 30/06/2021 $'000
Ordinary shares		
Balance at beginning of the period	–	–
Other subscribed shares issued	1,100	1
	1,100	1

Terms and conditions of contributed equity

Ordinary shares

During the period, the Company conducted an initial public offering raising $30m in cash from the issue of 30 million shares at $1.00 per share.

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

28. Reserves

	Note	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Share-based payment reserve		3,700	150
Acquisition reserve	30	10,175	–
		13,875	150

Notes to the consolidated financial statements (continued)

Movement in each class of reserve

	Note	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Share-based payment reserve			
Opening balance		150	–
Share-based payments fair value recognised in profit or loss		3,550	150
Closing balance		3,700	150
Acquisition reserve			
Opening balance		–	–
Additions from acquisitions of subsidiaries	30	10,175	–
Closing balance		10,175	–
		13,875	150

Details of reserves

Share-based payment reserve

The share-based payment reserve arose as a result of shares issued to Directors, managers and advisors for their services in the IPO listing in lieu of cash payment.

As the given value of the services could not be reliably measured, the fair value of the equity issued at valuation date, was used to value the share-based payment, after applying management's assessment of the probability of the outcome of the IPO.

Acquisition reserve

The acquisition reserve arose as a result of the acquisition of subsidiaries during the period and comprises the difference between the consideration the vendors paid for 563 shares (prior to the share split) in the Company prior to IPO and the fair value of the shares at the date of listing of the Company. This date is the date at which control was obtained over the subsidiaries.

29. Dividends

Details of dividends

No final or interim fully franked or unfranked dividend was paid during the year ended 30 June 2022.

Proposed dividends

There are no dividends proposed to be paid as at the date of this report.

Franking credits

The franking account balance available to the shareholders of the Company at year-end is $6.3m. The balance includes adjustments made for franking credits arising from the payment of estimated provision for 2022 income tax.

Notes to the consolidated financial statements (continued)

30. Acquisition of subsidiaries

Details of acquisitions

During the year, the Company was a party to five business combinations:

(a) Pursuant to an agreement signed by the Company on 8 June 2021, the Company agreed to acquire 100% of the shares of Verifact Traffic Pty Ltd and its subsidiaries ("Verifact Traffic") effective 15 December 2021 by way of a cash payment and an issue of shares. The agreement also contains an "earn out" component based on trading performance for the 12 months post completion of the acquisition subject to certain performance hurdles being met (refer Note 26).

(b) Pursuant to an agreement signed by the Company on 2 July 2021, the Company agreed to acquire 100% of the shares of A2O Pty Ltd and its subsidiary ("Arid to Oasis Traffic Solutions") effective 15 December 2021 by way of a cash payment and an issue of shares.

(c) Pursuant to an agreement signed by the Company on 14 July 2021, the Company agreed to acquire 100% of the shares of Platinum Traffic Services Pty Ltd ("Platinum Traffic Services") effective 15 December 2021 by way of a cash payment and an issue of shares.

(d) Pursuant to an agreement signed by the Company on 16 July 2021, the Company agreed to acquire 100% of the shares of D&D Services (Australia) Pty Ltd and its subsidiary ("D&D Traffic Management") effective 15 December 2021 by way of a cash payment and an issue of shares. The agreement also contains an "earn out" component based on trading performance for the 12 months post completion of the acquisition subject to certain performance hurdles being met (refer Note 26).

(e) Pursuant to an agreement signed by the Company on 12 July 2021, the Company agreed to acquire 100% of the shares of The Traffic Marshal Pty Ltd ("The Traffic Marshal ") effective 15 December 2021 by way of a cash payment and an issue of shares.

Consideration transferred

		Verifact Traffic	Arid to Oasis Traffic Solutions	Platinum Traffic Services	D&D Traffic Management	The Traffic Marshal	Total
Vendor Founder Shares value uplift[1]	**No of shares**	6,777,548	1,138,628	–	2,259,183	–	10,175,359
	$'000	6,777	1,139	–	2,259	–	10,175
Shares issued to settle	**No of shares**	14,159,254	1,882,586	753,871	2,209,925	1,589,306	20,594,942
	$'000	14,159	1,883	754	2,210	1,589	20,595
Cash to settle	**$'000**	7,947	9,191	3,015	8,840	3,708	32,701
Net Working Capital Adjustment	**$'000**	(772)	1,055	1,242	555	1,294	3,374
Contingent Consideration[2]	**$'000**	8,870	–	–	1,404	–	10,274
Total	**$'000**	36,981	13,268	5,011	15,268	6,591	77,119

1 The increase in the value of the Vendor Founder Shares on the date of the acquisition of businesses was assessed as being consideration for the acquisitions.

2 Refer Note 26 for details of the contingent consideration.

Notes to the consolidated financial statements (continued)

Assets acquired and liabilities assumed at the date of acquisition

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed at the date of acquisition are as follows:

	Verifact Traffic $'000	Arid to Oasis Traffic Solutions $'000	Platinum Traffic Services $'000	D&D Traffic Management $'000	The Traffic Marshal $'000	Total
Assets						
Current assets						
Cash and cash equivalents	344	266	56	352	1,264	2,282
Trade and other receivables[1]	7,574	3,223	2,518	3,941	396	17,652
Current tax assets	–	158	–	–	–	158
Other current assets	602	98	357	414	90	1,561
Total current assets	8,520	3,745	2,931	4,707	1,750	21,653
Non-current assets						
Property, plant and equipment	8,485	3,921	2,972	3,219	598	19,195
Right-of-use assets	711	1,454	–	1,762	121	4,048
Other intangible assets	12,189	3,105	981	3,740	2,929	22,944
Other assets	30	–	72	20	–	122
Total non-current assets	21,415	8,480	4,025	8,741	3,648	46,309
Total assets	29,935	12,225	6,956	13,448	5,398	67,962
Liabilities						
Current liabilities						
Trade and other payables	6,714	1,180	1,995	2,030	385	12,304
Lease liabilities	191	100	–	490	63	844
Current tax liabilities	17	–	96	93	44	250
Employee related provisions	2,133	84	139	460	112	2,928
Total current liabilities	9,055	1,364	2,230	3,073	604	16,326
Non-current liabilities						
Lease liabilities	519	1,355	–	1,272	58	3,204
Borrowings	1,250	–	–	–	–	1,250
Provisions	216	36	60	190	11	513
Deferred tax liabilities	3,777	1,773	155	1,171	852	7,728
Total non-current liabilities	5,762	3,164	215	2,633	921	12,695
Total liabilities	14,817	4,528	2,445	5,706	1,525	29,021
Net Assets	15,118	7,697	4,511	7,742	3,873	38,941

1 Recoverability has been assessed and is not materially different to the assessment for full year ended 30 June 2022. Refer to Note 14.

Notes to the consolidated financial statements (continued)

Goodwill arising on acquisition

	Verifact Traffic $'000	Arid to Oasis Traffic Solutions $'000	Platinum Traffic Services $'000	D&D Traffic Management $'000	The Traffic Marshal $'000	Total
Consideration transferred	36,981	13,268	5,011	15,268	6,591	77,119
Less: Total of identifiable net assets acquired	(15,118)	(7,697)	(4,511)	(7,742)	(3,873)	(38,941)
Goodwill arising on acquisition	21,863	5,571	500	7,526	2,718	38,178

The goodwill is attributable to workforce, business processes and know-how and synergies on combination of the Group. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented, or exchanged, either individually or together with any related contracts. Customer lists and brand names which are separately identifiable are accounted for as intangible assets.

Net cash outflow arising on acquisition

	Verifact Traffic $'000	Arid to Oasis Traffic Solutions $'000	Platinum Traffic Services $'000	D&D Traffic Management $'000	The Traffic Marshal $'000	Total
Consideration paid in cash	7,947	9,191	3,015	8,840	3,708	32,701
Net working capital adjustments	(772)	1,055	1,242	555	1,294	3,374
Less: cash and cash equivalent balances acquired	(344)	(266)	(56)	(352)	(1,264)	(2,282)
	6,831	9,980	4,201	9,043	3,738	33,793[1]

1 Net cash outflow arising on acquisition includes net working capital adjustments which were unpaid at 30 June 2022.

Impact of acquisition on the results of the Group

The revenue of the Group is primarily attributable to the subsidiaries acquired and, with the following expenses incurred in respect of the transaction and Initial Public Offering, the loss for the year is primarily in respect of the subsidiaries acquired:

- transaction costs of $7.1m incurred by the Company;
- $1.1m of transaction related costs and other significant items incurred by the subsidiaries;
- $1.7m of amortisation on intangibles;
- $15m of impairment charge; and
- $9.1m benefit from the reduction in the contingent consideration upon acquisition.

Had the acquisition of the subsidiaries been effected at 1 July 2021, the revenue of the Group from continuing operations for the year ended 30 June 2022 would have been $139.1m, and the profit for the year from continuing operations would have been $3.5m (including transaction costs of $7.1m incurred by the Company, $1.1m of transaction related costs and other significant items incurred by the subsidiaries and $1.7m of amortisation of intangibles). The Directors of the Group consider these unaudited 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on a yearly basis and to provide a reference point for comparison in future years.

Notes to the consolidated financial statements (continued)

Details of the Group's material subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary:

- Verifact Traffic Pty Ltd
- Arid to Oasis Traffic Solutions Pty Ltd
- D&D Traffic Management Pty Ltd
- Platinum Traffic Services Pty Ltd
- The Traffic Marshal Pty Ltd

All subsidiaries are 100% owned by the Group, were incorporated and operate in Australia and provision of traffic management services is their principal activity.

31. Notes to the cash flow statement

Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated Year ended 30/06/2022 $'000	Consolidated Period ended 30/06/2021 $'000
Loss for the year	(12,535)	(415)
Adjustments for:		
Depreciation and amortisation	4,706	–
Equity-settled share-based payment	3,550	150
Movement in bad and doubtful debts	(19)	–
Loss on sale of fixed assets	74	–
Contingent consideration liability movement	(9,065)	–
Impairment in goodwill and other intangibles	14,957	–
Movements in working capital:		
Increase/(decrease) in Trade and other receivables	(306)	(7)
Increase/(decrease) in Other assets	999	(8)
Increase/(decrease) in Deferred tax liability	(1,425)	–
Increase/(decrease) in Trade and other payables	(76)	107
Increase/(decrease) in Current tax payable	(1,370)	–
Increase/(decrease) in Other liabilities	(440)	4
Net cash used in operating activities	(950)	(169)

Notes to the consolidated financial statements (continued)

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

			Non-cash changes		
	1 July 2021 $'000	Financing cash flows[1] $'000	Acquisition of subsidiaries $'000	New lease commitments $'000	30 June 2022 $'000
Seed loans	360	1,169	(1,529)[2]	–	–
Related party loans acquired on acquisition	–	(10)	1,260	–	1,250
Bank loan	–	5,000	–	–	5,000
Chattel mortgage	–	2,538	–	–	2,538
Lease liabilities	–	(569)	4,048	753	4,232
Share capital	1	28,186	22,973	–	51,160
Contingent consideration[3]	–	–	1,210	–	1,210
Total liabilities from financing activities	361	36,314	27,962	753	65,390

1 The cash flows from bank loans, loans from related parties and other borrowings make up the net amount proceeds from borrowings and repayments of borrowings in the cash flow statement.

2 Refer to Note 27 for further details.

3 Refer Note 26 for further details.

		Non-cash changes		
	25 March 2021 $'000	Financing cash flows[1] $'000	Acquisition of subsidiaries $'000	30 June 2021 $'000
Seed loans	–	360	–	360
Share capital	–	1	–	1
Total liabilities from financing activities	–	361	–	361

1 The cash flows from bank loans, loans from related parties and other borrowings make up the net amount proceeds from borrowings and repayments of borrowings in the cash flow statement.

Reconciliation of cash

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Cash	2,751	192
Bank overdraft	(2,201)	–
	550	192

Notes to the consolidated financial statements (continued)

32. Share-based payments

The following share-based payments were recognised through profit or loss during the full year ended 30 June 2022:

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Share-based payments issued in respect of advisory services provided to the Company[1]	3,450	–
Grant of shares to Non-Executive Directors/Company Secretary	100	150
	3,550	150

1 The expense was calculated based on the probability factor of the success or failure of the business acquisition and listing of the Company. Expensed at the valuation date, which was 14 July 2021.

33. Key management personnel

	Note	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Short-term employee benefits		740	19
Post-employment benefits		72	2
Long-term benefits		(1)	–
Share-based payments	32	3,550	150
		4,361	171

The term 'key management personnel' (KMP) refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Short-term employee benefits

These amounts include salaries, fees, cash bonuses and fringe benefits paid to Key Management Personnel including executive and Non-Executive Directors.

Post-employment benefits

These amounts include the cost of superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave and long-term annual leave benefits accruing during the year.

Notes to the consolidated financial statements (continued)

Bonuses and share-based payments granted as compensation for the current financial year

Discretionary bonuses of $0.03m were granted during the year ended 30 June 2022.

Share-based payments

The following share-based payments have been expensed to KMP during the full year ended 30 June 2022:

- Lance Hockridge: share-based payment in respect of services rendered ($1,997,823);
- Greg Kern: share-based payment in respect of services rendered ($1,374,708);
- Russell Daly: share-based payment in respect of services rendered ($77,086);
- Ann-Maree Robertson: grant of 50,000 shares ($50,000) on listing; and
- Jo Willoughby: grant of 50,000 shares ($50,000) on listing.

Shares-issued in respect of the above are subject to escrow until 4 September 2023. No vesting conditions are attached to the shares.

34. Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at 30/06/2022 $'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration in a business combination	Liabilities (FVTPL) – $1,210 (see (iii) below)	Level 3	Present Value of expected future cash outflow (see (ii) below)	Forecast revenues and profits.	An increase in the forecast revenues and profits used in isolation would result in a significant increase in the fair value (see (i) below.)

(i) A 1% increase/decrease in the forecast revenues and profits while holding all other variables constant would increase/decrease the carrying amount of the contingent consideration by $0.1m respectively.

(ii) On acquisition of the business combinations on 15 December 2021, the contingent consideration was initially measured at net present value of the expected future cash outflow, using an IRR of $17.85%. The contingent consideration has been reassessed at 30 June 2022, using the weighted average cost of capital ("WACC") of 11% (refer Note 26).

(iii) Included in other income is $9.1m (Note 7), which reflects the movement in fair value of the contingent consideration from acquisition date (15 December 2021) to 30 June 2022.

The Directors consider that the carrying amounts of all financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

35. Financial risk management

The Group's activities expose it to market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit and Risk Management Committee ("ARM") then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors. Financial risk management is carried out by the finance function in accordance with the policies set by the ARM.

Interest rate risk

The Group's main exposure to interest rate risk is long-term borrowings. 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 Banking Facilities, which include floating rate facilities. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

Interest rate risk management

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group is exposed to BBSY in respect of interest rate benchmarks for borrowings. The Group does not currently have any hedging activities or interest rate swaps implemented.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A one per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the Director's assessment of the reasonably possible change in interest rates.

If interest rates had been one per cent higher/lower and all other variables were held constant, the Group's loss for the full year ended 30 June 2022 would decrease/increase by $0.05m. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

Notes to the consolidated financial statements (continued)

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate %	Less than 1 month $'000	1 month to 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000	Carrying value $'000
30 June 2022								
Trade and other payables	–	8,020	4,131	–	–	–	12,151	12,151
Trade payables – related parties	–	74	615	–	–	–	689	689
Related parties loan[1]	–	1,250	–	–	–	–	1,250	1,250
Bank overdraft	–	–	2,201	–	–	–	2,201	2,201
Bank loan	0.18	–	–	–	5,000	–	5,000	5,000
Lease liabilities	3.25	87	908	755	1,629	1,504	4,883	4,232
Equipment finance	–	47	521	568	1,647	–	2,783	2,537
Contingent consideration	–	–	1,287	–	–	–	1,287	1,210
Provisions	–	127	2,407	105	317	47	3,003	3,003
		9,605	12,070	1,428	8,593	1,551	33,247	32,273

1 The related party loan is repayable upon demand or as otherwise agreed. There is no interest incurred on this loan.

	Weighted average effective interest rate %	Less than 1 month $'000	1 month to 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000	Carrying value $'000
30 June 2021								
Trade and other payables	–	–	107	–	–	–	107	107
Related parties	–	–	360	–	–	–	360	360
Bank loan	–	–	–	–	–	–	–	–
Lease liabilities	–	–	–	–	–	–	–	–
Contingent consideration	–	–	–	–	–	–	–	–
Provisions	–	–	4	–	–	–	4	4
Deferred tax liabilities	–	–	–	–	–	–	–	–
	–	–	471	–	–	–	471	471

Notes to the consolidated financial statements (continued)

Financing facilities

The Group has access to financing facilities as described below, of which $5.3m were unused at the reporting date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	Year ended 30/06/2022 $'000				
Facility	**Market Rate Loan**	**Bank Overdraft**	**Asset Finance**	**Credit Cards**	**Bank Guarantees**
Amount used	5,000	2,201	2,538	40	105
Amount unused	–	2,549	2,462	160	145
	5,000	4,750	5,000	200	250

	Period ended 30/06/2021 $'000				
Facility	**Market Rate Loan**	**Bank Overdraft**	**Asset Finance**	**Credit Cards**	**Bank Guarantees**
Amount used	–	–	–	–	–
Amount unused	–	–	–	–	–
	–	–	–	–	–

Since the end of the reporting date the Group has obtained additional financing facilities from the Commonwealth Bank of Australia, refer Note 42 for further details.

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.

Credit risk management

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. Credit risk is managed through the maintenance of procedures such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties; ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, these customers may be required to pay upfront, or the risk may be further managed through obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

The maximum exposure to credit risk at the end of the reporting period is equivalent to the carrying amount of trade receivables and cash and cash equivalents. The Group does not consider there to be any significant concentration of credit risk with any single or group of customers.

Notes to the consolidated financial statements (continued)

36. Related party balances or transactions

The Company's main related parties are as follows:

Entities exercising control over the Group

The ultimate parent entity that exercises control over the Group is AVADA Group Limited, which is incorporated in Australia.

Key management personnel

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity, are considered Key Management Personnel. For details of disclosures relating to Key Management Personnel, refer to Note 33.

Other related parties

Other related parties include entities controlled by the ultimate parent entity and entities over which Key Management Personnel have joint control.

Trading transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year, Group entities entered into the following transactions with related parties who are not members of the Group:

		Year ended 30/06/2022	
Related party	**Purpose**	**Transactions with related parties $'000**	**Amounts owed to related parties $'000**
Kern Group[1]	Advisory Services	950	–
Kern Group[1]	Office rent	15	–
The Bowe Family Trust	Rent	64	–
James Bowe Family Trust	Rent	20	–
FNQ Traffic Hire Pty Ltd	Equipment hire	136	66
Lead Training Pty Ltd	Training services	118	–
Traffic & Access Solutions Pty Ltd	Administration services	4	–
Trafmar Holdings Pty Ltd	Rent	35	–
Midmarlar Pty Ltd	Rent	73	–
Verifact Investigations Pty Ltd	Administration services	37	8
Verifact Pty Ltd	Insurance	769	615
Verifact Investigations Pty Ltd	Liability assumed on acquisition	1,250	1,250
Verifact Investigations Pty Ltd	Rent and admin services	16	–
Verifact Pty Ltd	Working capital credit	–	(301)
Bowe Developments Pty Ltd	Completion payment	–	176
Rodeca Pty Ltd	Completion payment	–	92
Hockridge Family Trust	Seed loan	441	–
Hockridge Family Super Fund	Seed loan	445	–
Bowe Developments Pty Ltd	Seed loan	141	–
The Crowley Family Super Fund	Seed loan	188	–
D&D Traffic Management Pty Ltd	Seed loan	211	–

Notes to the consolidated financial statements (continued)

		Period ended 30/06/2021	
Related party	Purpose	Transactions with related parties $'000	Amounts owed to related parties $'000
Kern Group	Office rent and admin services	10	10
Hockridge Family Trust	Seed loan	50	50
Hockridge Family Super Fund	Seed loan	50	50
Bowe Development Pty Ltd	Seed loan	40	40
The Crowley Family Super Fund	Seed loan	53	53
B Woods Superannuation Fund[1]	Seed loan	60	60
D&D Traffic Management Pty Ltd	Seed loan	60	60

1 Defined as a Related Party as the entity was controlled by a person who was a Director during the reporting period but not at 30 June 2022.

The businesses acquired (refer to Note 30) were previously controlled by Directors or Directors who have resigned during the period and who received cash and share consideration from the Company. The related parties are James Anthony Bowe who received cash and shares on the acquisition of A2O Pty Ltd, Daniel James Crowley who received cash and shares on the acquisition of Verifact Traffic Pty Ltd and Rob Cazzolli who received cash and shares on the acquisition of D&D Services (Australia) Pty Limited.

37. Contingent assets and contingent liabilities

The Group enters into arrangements in the normal course of business, whereby it is required to supply a performance guarantee to its customers. These guarantees are provided in the form of cash deposits or bank guarantees issued by the Group's financial institution. The probability of having to make a payment in respect to these performance bonds is considered to be highly unlikely. As such, no provision has been made in the consolidated financial statements in respect of these contingencies.

The Group had no contingent assets or contingent liabilities as at 30 June 2022.

Notes to the consolidated financial statements (continued)

38. Remuneration of auditors

	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Deloitte		
Audit or review of financial reports	338	–
Audit or review of financial reports – other entities pre-acquisition[1]	735	53
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	–	–
Total audit services	1,073	53
Investigating Accountants Report	485	–
Total non-audit services	485	–
Total amount payable to auditor	1,558	53

1 AVADA Group Limited paid for the audit of financial reports of the acquired entities prior to the acquisition of those entities as part of the due diligence and IPO process.

39. Parent entity information

The financial information for the parent entity, AVADA Group Limited, has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries entities are accounted for at cost.

Tax consolidation

The Company and its subsidiaries are in the process of forming a Tax Consolidated Group. Consequently, all members of the Tax Consolidated Group will be taxed as a single entity and the consolidated financial statements have been prepared on the basis that this has occurred. The head entity within the Tax Consolidated Group will be AVADA Group Limited.

Amounts payable or receivable under the tax-funding arrangement between the Company and the entities in the Tax Consolidated Group will be determined using a separate taxpayer within Group's approach to determine the tax contribution amounts payable or receivable by each member of the Tax Consolidated Group. This approach will result in the tax effect of transactions being recognised in the legal entity where that transaction occurred and does not tax effect transactions that have no tax consequences to the Group. The same basis will be used for tax allocation within the Tax Consolidated Group.

Notes to the consolidated financial statements (continued)

Statement of financial position	Year ended 30/06/2022 $'000	Period ended 30/06/2021 $'000
Assets		
Current assets	1,193	207
Non-current assets	64,732	–
Total assets	65,925	207
Liabilities		
Current liabilities	5,163	471
Non-current liabilities	9,287	–
Total liabilities	14,450	471
Net assets	51,475	(264)
Equity		
Issued Capital	51,160	1
Share-based payment reserve	3,700	–
Acquisition reserve	10,175	150
Accumulated losses	(13,560)	(415)
Total Equity	51,475	(264)
Statement of profit or loss and other comprehensive income		
Total loss for the financial year[1]	(13,145)	(415)
Total comprehensive income for the financial year	(13,145)	(415)

1 Includes impairment of investment in subsidiaries of $14.2m and movement in contingent consideration of $9.1m.

Other financial assets and liabilities

The parent entity has a financial liability of $1.2m as at 30 June 2022, relating to the earn-out on acquisition of Verifact Traffic Pty Ltd and D&D Traffic Management Pty Ltd. (Refer Notes 26 and 30).

Guarantees entered into by the parent entity

The parent entity has entered into bank guarantees of $0.1m per Notes 24 and 35.

Contractual commitments for the acquisition of property, plant and equipment

On 26 August 2022, the parent entity completed the acquisition of the business and assets of Construct Traffic Pty Ltd ACN 120 994 523 as trustee for Construct Traffic Unit Trust, trading as Construct Traffic. Net consideration was $17.6m with an additional amount of $0.5m paid in respect of vehicles. Consideration was settled in cash and was funded through an extension of the Company's existing debt facilities. Refer to Note 42.

Notes to the consolidated financial statements (continued)

40. Impact of COVID-19

The outbreak of COVID-19 and the subsequent quarantine measures, compounded by travel and trade restrictions imposed by Australia and other countries during the six months period has caused disruption to businesses and economic activity. Given the essential nature of traffic control in supporting civil services, and taking account of the year-end shutdown post the acquisition of the subsidiaries, the COVID-19 pandemic has had a negligible impact on the Group's operations and results for the six months ending 30 June 2022.

The Group did not receive any pandemic-related financial assistance from the Federal or State governments during the year ended 30 June 2022.

The Group's business operations remain resilient in the face of the challenges presented by these continuing social and workplace restrictions with continued investment in equipment and initiatives to support recruitment of traffic controllers.

41. Subsidiaries and controlled entities

The consolidated financial statements include the financial statements of AVADA Group Limited and the following subsidiaries:

Name of entity	**Country of incorporation**	**Equity holding Year ended 30/06/2022** %
A20 Pty Ltd	Australia	100%
Arid to Oasis Traffic Solutions Pty Ltd	Australia	100%
Customised Traffic Management No 2 Pty Ltd	Australia	100%
D&D Services (Australia) Pty Ltd	Australia	100%
D&D Traffic Management Pty Ltd	Australia	100%
Linemark Traffic Control Pty Ltd	Australia	100%
Platinum Traffic Services Pty Ltd	Australia	100%
The Traffic Marshal Pty Ltd	Australia	100%
Traffic Management People No 2 Pty Ltd	Australia	100%
Verifact Traffic Pty Ltd	Australia	100%

42. Events occurring after the reporting date

Construct Traffic acquisition

On 26 August 2022, the Group announced it had completed the acquisition of the assets and business of Construct Traffic Pty Ltd for an upfront consideration of $17.6m (on a cash and debt free basis) and contingent consideration which is capped at $5.4m. The contingent consideration is based on a target minimum EBITDA threshold of $5.0m. Where the threshold EBITDA is exceeded, the contingent consideration amount will be paid at a multiple of x4.25. The acquisition is debt funded through an increase in the Group's available facilities from $15.2m to $40m.

The provisional assessment of the fair value of the assets acquired and liabilities assumed has identified net assets of $5.5m.

The provisional acquisition accounting is currently underway. Given that the acquisition completed on 26 August 2022, management have determined that it is not possible to reliably estimate and provide additional information on the financial effect of this transaction as at the date of these financial statements.

Additional financing facilities

Since the end of the reporting period but prior to the signing of this report, AVADA Group Limited has obtained additional financing facilities from the Commonwealth Bank of Australia as follows:

	Post 30/06/2022 $'000	Year ended 30/06/2022 $'000
Market rate loan	9,500	5,000
Multi–option working capital facility		
Overdraft	4,750	4,750
Working capital loan	15,250	–
Bank guarantees	250	250
Asset finance facility		
Existing MAFA facility	5,000	5,000
Standalone asset finance facility	5,000	–
Corporate credit card facility	250	200
Total financing facilities	40,000	15,200

Market Rate Loan

The Market rate loan facility has been increased from $5m to $9.5m, with a term of 3 years. At maturity the facility will be repaid in full. This facility has a line fee of 1.60% per annum on the total facility amount, and 1.60% plus Base Rate per annum on any drawdown amounts.

Multi Option Working Capital Facility

The total facility available is $20m split between overdraft and working capital loan, with a term of 3 years. Any individual advances on the working capital loan will be repaid at maturity.

The overdraft facility will reduce from $4.75m to $2.5m after 90 days from date of the agreement. The working capital loan will increase from $15.25m to $17.5m after 90 days from date of the agreement.

Both the overdraft facility and working capital loan have a line fee of 1.40% per annum on the total facility amount. The overdraft facility has a usage fee of Overdraft Index Rate less margin of 4.28%, and the Working Capital Loan usage fee is 1.40% plus Base Rate on any amounts drawn down.

Notes to the consolidated financial statements (continued)

Bank Guarantee

The Bank Guarantee of $0.25m has a term of 1 year and an issuance fee of 2.50% per annum.

Asset Finance

An additional Standalone Asset Finance facility of $5m, amortising to nil over 5 years and not available for redraw. The margin/usage fee will vary per each individual contract.

Bank Covenants

The loan covenants under the new facility will be assessed on a rolling 12 month basis every six months and are:

- Net Leverage Ratio:
  - for any period to and including 30 June 2023, no more than 2.50 times;
  - on and from 1 July 2023 to and including 30 June 2024, no more than 2.25 times; and
  - on and from 1 July 2024, no more than 2.00 times.
- Debt Service Cover Ratio:
  - is more than or equal to 2.50 times.

New premises lease

On 27 July 2022, AVADA Group Limited entered into a 5-year lease to rent property at Woolloongabba, which had not commenced by the year-end and as a result, a lease liability and right-of-use asset has not been recognised at 30 June 2022. The aggregate future cash outflows to which the Group is exposed in respect of this contract is fixed payments of $0.1m per year, for the next 5 years. There are 3 renewal options on this lease for a total 5-year extension.

No other matters or circumstances

The Directors of the Company are not aware of any other matter or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Shareholder Information

The shareholder information set out below was applicable as at 29 September 2022.

Distribution of equitable securities

Analysis of number equitable security holders by size of holding:

	Ordinary Shares	
Name	Number of holders	% of total Shares issued
1 to 1,000	34	7.16%
1,001 to 5,000	115	24.21%
5,001 to 10,000	70	14.74%
10,001 to 100,000	211	44.42%
100,001 and over	45	9.47%
	475	100.00%

Equity security holders

Twenty largest quoted equity security holders

The twenty largest security holders of quoted equity securities are:

Name	Number Held	% of total Shares issued
VERIFACT PTY LTD	14,159,254	19.33%
UBS NOMINEES PTY LTD	9,468,059	12.92%
CROWLEY SUPERANNUATION PTY LTD	4,759,524	6.50%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,491,179	6.13%
KERN GROUP (LICENSING) PTY LTD	3,867,720	5.28%
HOCKRIDGE SUPERANNUATION FUND PTY LTD	3,833,373	5.23%
HOCKRIDGE ESTATE PTY LTD	3,787,474	5.17%
ZINLINE PTY LTD	2,379,763	3.25%
RODECA PTY LTD	1,679,887	2.29%
MARTIN JAMES FRENCH	1,589,306	2.17%
CITICORP NOMINEES PTY LIMITED	1,482,745	2.02%
BOWE DEVELOPMENTS PTY LTD	1,213,570	1.66%
MR PHILIP WEINMAN & MS ROCHELLE WEINMAN & MR DEAN WEINMAN	1,200,000	1.64%
BOWE DEVELOPMENTS PTY LTD	941,293	1.28%
FABIAN DIAZ	920,802	1.26%
ALLPIPER HOLDINGS PTY LTD	759,085	1.04%
SC&I HOLDINGS PTY LTD	741,012	1.01%
WARBONT NOMINEES PTY LTD	711,009	0.97%
GFS SECURITIES PTY LTD & GFS SECURITIES PTY LTD	525,000	0.72%
JAMANBOW PTY LTD	523,611	0.71%
	59,033,666	80.58%

Shareholder Information (continued)

Substantial holders

The names of the security holders who have notified the Company of a substantial holding in accordance with section 671B of the *Corporations Act 2001* are:

Name	Number Held	% of total Shares issued
DANIEL CROWLEY	18,918,778	25.82%
REGAL FUNDS MANAGEMENT PTY LTD	8,278,722	11.30%
LANCE HOCKRIDGE	7,620,847	10.40%
MA FINANCIAL GROUP LIMITED	4,000,000	5.46%
KERN GROUP (LICENSING) PTY LTD	3,867,720	5.28%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting or by proxy has one vote. On a poll, every member present or by proxy has one vote for each fully paid share and a fraction of a vote for each partly paid share.

There are no other classes of securities that confer voting rights.

Securities subject to escrow

At 29 September 2022 the following shares were subject to escrow:

Security	Expiry Date	Number of securities
Ordinary shares	4 September 2023	20,130,807
Ordinary shares	24 months from official quotation	20,594,942

Corporate directory

Company

AVADA Group Limited

c/o Kern Group
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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

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New South Wales 2000

Auditor

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AVADA

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