

AVADA Group Limited

ACN 648 988 783

ASX Code: AVD

Appendix 4E for the full year ended 30 June 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET:

AVADA Group Limited ("the Company") was incorporated on 25 March 2021 and was listed on the Australian Securities Exchange on 17 December 2021.

| | Consolidated Year ended 30/06/2023 \$'000 | Consolidated Year ended 30/06/2022 \$'000 |
|--|--|--|
| Revenue from ordinary activities | 177,002 | 72,933 |
| Loss from ordinary activities after tax attributable to members | (5,630) | (12,535) |
| Loss for the year attributable to members | (5,630) | (12,535) |

The results above include the recognition of an impairment of goodwill and intangible assets of \$3.2m for the year ended 30 June 2023 (2022: \$15.0m).

The Company acquired 100% of the issued share capital of Wilsons TM Limited and the net assets and the business of Construct Traffic Pty Ltd during the year in addition to five existing subsidiaries that were acquired on 15 December 2021 (together "the Group"). The consolidated Group results incorporate the trading results of the acquired subsidiaries from the date of their respective acquisition up to the end of the year.

The Company acts as a holding company (providing corporate and management shared services and operational support to the Group) with trading for the full year ended 30 June 2023 including costs associated with corporate services and costs associated with the acquisitions of the subsidiaries.

Dividend details

The Company is not proposing to pay dividends in respect of the year ended 30 June 2023.

EXPLANATION OF KEY INFORMATION

Composition of the consolidated financial statements

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 30 June 2023 include the full year results of the Company and the five operating subsidiaries acquired in the prior year and the results of the two operating subsidiaries acquired during the year from the dates they were acquired.

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Details of entities over which control has been gained or lost during the year

| Name | Date of gain of control | Profit for the year ended 30 June 2023 attributable to the Group from acquisitions \$'000 |
|--|-------------------------|---|
| Construct Traffic Pty Ltd ¹ | 26 August 2022 | 1,509 |
| Wilsons TM Limited ² | 05 May 2023 | 224 |

¹ The Company, through its subsidiary Construct Traffic No. 2 Pty Ltd, acquired the business and all of the net assets of Construct Traffic Pty Ltd.

² The Company, through its New Zealand subsidiary AVADA NZ Limited, acquired all of the shares of Wilsons TM Limited.

Investment in Associates and Joint Ventures

On 23 June 2023, the Group acquired a 49% interest in Bilingarra Indigenous Services Pty Ltd. The Group's share of the loss in the joint venture for the year was \$0.0013m. The joint venture reported an operating loss of \$0.0027m for the year ended 30 June 2023.

Net tangible assets per share

| | 30/06/2023 | 30/06/2022 |
|--|------------|------------|
| Net tangible assets / (liabilities) per share ³ | (\$0.23) | \$0.10 |

³ Right-of-use assets and liabilities have been included in the Net tangible assets per share calculation.

Independent audit report

The independent auditor's report is attached to the financial report for the year ended 30 June 2023. The independent auditor's report does not contain any modified opinion, emphasis of matter or other matter paragraph.

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Financial report for the year ended
30 June 2023

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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 2023. 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 | Position | Directorship period |
|---------------------|---|---|
| Lance Hockridge | Chair | Appointed 25 March 2021 |
| Ann-Maree Robertson | Non-Executive Director and Deputy Chair | Appointed 9 November 2021 |
| Joanne Willoughby | Non-Executive Director | Appointed 9 November 2021 |
| Daniel Crowley | Managing Director | Appointed 25 March 2021 |
| Roberto Cazzoli | Executive Director | Appointed 25 March 2021 and resigned 15 June 2023 |
| Courtney Black | Non-Executive Director | Appointed 19 June 2023 |
| Neil Scales OBE | Non-Executive Director | Appointed 25 July 2023 |

Principal activities

The Group's principal activities during the year ended 30 June 2023 were the provision of integrated traffic management services with operations throughout Queensland, New South Wales, Victoria and the South Island of New Zealand, 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, New South Wales, Victoria and the South Island of New Zealand 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 maintain independent branding, leveraging their existing client relationships and goodwill while being supported by the Company's resources and governance frameworks.

Dividends

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

Review of operations

The loss for the year for the Group after providing for income tax (net loss after tax or NPAT) amounted to \$5.6m (2022: loss \$12.5m).

The statutory loss includes other expenses of \$1.96m which resulted from an increase in the fair value of the contingent consideration financial liability upon the acquisition of subsidiary companies; impairment of intangible assets of \$3.2m (in respect of The Traffic Marshal CGU); and \$2.2m of costs incurred by the Company in undertaking the acquisitions of the business and the net assets of Construct Traffic Pty Ltd ("Construct Traffic"), 100% of the issued share capital of Wilsons TM Limited ("Wilsons TM") and unviable potential acquisitions.

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Review of operations (cont'd)

The first half of FY23 saw a continuation of the challenges from FY22 in respect of weather, most significantly across New South Wales and particularly Sydney, which recorded its wettest year on record. Inflationary pressures and wage rate increases resulted in some initial margin erosion which was addressed during the first half with rate negotiations being implemented with our clients, combined with improved monitoring of fleet and equipment utilisation and rostering, and commencement of some shared services functions throughout the Group.

A return to long term average weather and trading conditions has seen results returning to expected levels during the second half of FY23, with gross margin increases reflecting the operational initiatives implemented.

Operationally, the Group continues to implement governance and performance improvements with continuing organic growth, implementing shared services functions, assessing acquisition opportunities and focussing on geographic expansion and diversification, in line with the strategic focus of the Group.

On 26 August 2022, the Company, through its Victorian based subsidiary Construct Traffic No. 2 Pty Ltd, acquired the business and the net assets of Construct Traffic.

On 5 May 2023, the Company, through its New Zealand based subsidiary AVADA NZ Limited, acquired 100% of the share capital of Wilsons TM Limited.

On 24 August 2023, the Company entered into a binding agreement to acquire the net assets of the Victorian based STA Traffic Management Pty Ltd ("STA Traffic"), funded via a combination of existing banking facilities and a private placement program. Refer to the matters subsequent to the end of the financial year for further information.

Outlook

While the Company will continue to investigate future acquisitions, it will continue to focus on organic growth in the 2024 financial year, as well as realising cost efficiencies and margin improvements. This includes client rate negotiations which are tracking well ahead of the timeframes achieved in the previous year.

The current level and pipeline for civil services work remain strong, given the recurring maintenance requirements of essential infrastructure and government funding of new infrastructure projects and bringing infrastructure projects forward.

The low unemployment rate and disruption in supply chains continue to present challenges to the Group (and across all operators in the traffic management and civil construction sectors) to expand the available workforce and fleet to meet the increased demand. Weather disruptions have stabilised with the Australian Bureau of Meteorology estimating a 70% chance of Australia entering an El Nino weather pattern, typically characterised by lower rainfall, forming in the later part of 2023.

Notwithstanding these challenges, the pipeline of infrastructure spend announced by federal and state governments in the 2023 and 2024 budget announcements, provides a positive outlook for FY24 and the medium term. Geographic expansion, including the acquisition of Wilsons TM in New Zealand and the announced acquisition of the Victorian based STA Traffic will provide growth to the Group's revenue base.

Financial position and Impairment

The net asset position of the Group decreased from \$52.1m as at 30 June 2022 to \$46.5m as at 30 June 2023.

The Group acquired the business and the net assets of Construct Traffic and all of the shares of Wilsons TM, including property plant and equipment \$9.9m, right-of-use assets \$1.6m and goodwill and intangible assets \$25.8m. This is offset by financial liabilities related to funding the acquisitions and lease liabilities.

The carrying amount of goodwill and intangible assets with indefinite useful lives are tested annually for impairment. The Directors have, in assessing impairment in accordance with AASB 136 *Impairment of Assets*, and reflecting on the trading performance, gross margins achieved in the second half of FY23 and the strong infrastructure pipeline assessed the goodwill and intangible assets to be recoverable for six of the seven CGUs.

The Group recognised an impairment loss of \$3.2m in respect to the Traffic Marshal CGU's goodwill and intangible assets.

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Details of acquisitions

Details of the Group's new material subsidiaries in the current period and the net assets acquired at acquisition are as follows:

| Name of subsidiary | Net assets acquired / assumed |
|---------------------------------|--|
| Construct Traffic No. 2 Pty Ltd | \$10.7m |
| Wilsons TM Limited | \$8.5m |

All subsidiaries are 100% owned by the Group, are incorporated and operate in Australia and New Zealand, and are involved in the provision of traffic management services as their principal activity. As detailed in Note 31, the purchase price consideration included cash, retention consideration and contingent consideration.

Changes in the state of affairs

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

On 26 August 2022 the Company, through its subsidiary Construct Traffic No. 2 Pty Ltd, acquired the net assets and the business of Construct Traffic Pty Ltd.

On 5 May 2023 the Company, through its subsidiary AVADA NZ Limited, acquired all of the shares and the business of the subsidiary Wilsons TM Limited.

During the current financial year, the Group has renegotiated its banking facilities with the Commonwealth Bank of Australia ("the CBA") and the financing arrangements as at 30 June 2023 are as follows:

| | Currency | Facility Limit \$'000 | Drawn Amount \$'000 | Available Amount \$'000 |
|------------------------|-----------------|----------------------------------|--------------------------------|------------------------------------|
| Term Facility | AUD | 9,500 | 9,500 | - |
| Working Capital Loan | AUD | 17,500 | 16,671 | 829 |
| Asset Finance Facility | AUD | 5,000 | 5,000 | - |
| Asset Finance Facility | AUD | 5,000 | 4,275 | 725 |
| Overdraft Facility | AUD | 2,500 | - | 2,500 |
| Bank Guarantees | AUD | 250 | 105 | 145 |
| Corporate Credit Cards | AUD | 250 | 106 | 144 |

In addition, the Group's New Zealand acquisition was funded by facilities with Kiwibank (New Zealand) and the financing arrangements as at 30 June 2023 are as follows:

| | Currency | Facility Limit \$'000 | Drawn Amount \$'000 | Available Amount \$'000 |
|------------------------|-----------------|----------------------------------|--------------------------------|------------------------------------|
| Term Facility | NZD | 4,000 | 3,948 | 52 |
| Asset Finance Facility | NZD | 3,400 | 2,896 | 504 |
| Overdraft Facility | NZD | 1,000 | - | 1,000 |
| Corporate Credit Cards | NZD | 50 | - | 50 |

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Corporate Governance

The Group is committed to achieving and demonstrating 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 www.avadagroup.com.au/corporate-governance.

The Company's current Corporate Governance Statement released to the ASX 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.

During the reporting year and since the end of the reporting year, 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 year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, 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 year

Acquisition of STA Traffic

On 24 August 2023, the Company entered a binding agreement to acquire the net assets of STA Traffic Management Pty Ltd ("STA Traffic"). The acquisition consideration of \$8.5 million represents an EBITDA multiple of 3.0 times FY23 unaudited EBITDA. The acquisition includes:

- A cash payment on completion of \$7.65 million, subject to adjustment for employee entitlements
- Depending on the normalised EBITDA results of the business at the end of the Earn-Out Period (being the first 12 full months following completion), STA may also be entitled to:
 - a Retention Payment up to a maximum amount of \$850,000, subject to achieving pre-agreed targets, to be paid in cash; and
 - Earn-Out Consideration totalling three times the normalised EBITDA of the acquired business to the extent it exceeds the Minimum Earn-Out Threshold, to be paid in cash.

Private placement

On 24 August 2023, the Group announced a non-underwritten capital raising to raise approximately \$7 million by issuing up to 11,666,667 shares, comprising:

- An institutional placement of 9,454,667 shares at \$0.60 per New Share raising \$5,672,800 allotted on 30 August 2023; and
- A further placement 2,212,000 shares at \$0.60 per New Share raising \$1,327,200 of which 2,100,000 shares (valued at \$1,260,000) to Directors (or entities associated with them) are conditional and subject to shareholder approval at an Extraordinary General Meeting planned for on or around 29 September 2023.

Funds from the capital raises will be used to partially fund the acquisition of STA Traffic.

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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 year 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, achieving operational efficiencies and pursuing further acquisition and organic growth opportunities.

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

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:

- Decrease in capital investment and construction activity in the Australian infrastructure sector;
- Cyclical nature of business activities;
- Adversely impacted by industrial relations issues;
- Ability to raise additional capital and funds;
- Reliance upon systems and technology;
- Continued severe weather patterns;
- Labour shortages and dependences upon key personnel;
- Supply chain delays impacting traffic control vehicles and equipment;
- Government responses to health emergencies; and
- Inflationary pressures.

Environmental Issues

The Board has considered the environmental impacts of the Group and determined 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 after this report on page 23.

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Information on Directors and Company Secretary

The following persons were Directors of Avada Group Limited during the whole of the financial year 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): | None – other than AVADA Group Limited |
| 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 |

| | |
|---|---|
| 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 |

Information on Directors and Company Secretary (cont'd)

| | |
|--|---|
| Name: | Joanne Willoughby |
| Title: | Independent Non-Executive Director |
| Experience and expertise: | Joanne has a proven ability to deliver profitable and sustainable growth through customer-led innovation and change in fast-paced, complex and regulated operating environments. Joanne's diverse industry experience includes financial services, logistics, retail and professional services. Combining strategic, governance and commercial experience, Joanne 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: | 61,627 |
| Interests in options: | Nil |

| | |
|--|--|
| Name: | Daniel 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 |

AVADA Group Limited**Information on Directors and Company Secretary (cont'd)**

| | |
|---|--|
| Name: | Roberto Cazzoli |
| Title: | Executive Director, Chief Executive Officer – D&D Management (Resigned 15 June 2023) |
| Experience and expertise: | Roberto brings significant traffic management industry experience and has been a joint Director of D&D Traffic Management since 2003. Roberto'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 |

| | |
|---|--|
| Name: | Courtney Black |
| Title: | Independent Non-Executive Director |
| Experience and expertise: | Courtney is a seasoned leader in commercial and operational roles across a number of industries, with specialist expertise in customer service, strategy, transformation and change management. Courtney is an experienced commercial lawyer and a Graduate of the Australian Institute of Company Directors, and has been a director on public, private, and not-for-profit Boards. |
| 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 Laws (Hons) from Bond University Finance for Non-Finance Executives from Harvard University Graduate of Australian Institute of Company Directors Member of the Australian Institute of Company Directors |
| Interests in shares: | Nil |
| Interests in options: | Nil |

Information on Directors and Company Secretary (cont'd)

| | |
|--|---|
| Name: | Neil Scales OBE |
| Title: | Independent Non-Executive Director |
| Experience and expertise: | Neil has more than 40 years' transport industry experience in Australia and the United Kingdom, having recently completed more than 10 years as Director General of the Queensland Department of Transport and Main Roads. Neil led the successful delivery of a number of major transport infrastructure projects including large civil engineering projects on the Bruce highway and the M1, and Gold Coast Light Rail. He also led the transport taskforce for the 2018 Commonwealth Games and responses to several natural disasters and the COVID-19 pandemic. |
| 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 | Master of Business Administration from The Open University Master of Science, Control Engineering and Computer Systems from the University of Sunderland Bachelor of Science – Engineering from the University of Sunderland Diploma in Management Studies from the University of Sunderland |
| Interests in shares: | Nil |
| Interests in options: | Nil |

| | |
|--|---|
| 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 |

AVADA Group Limited

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 2023, 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 | 12 | 12 | 3 | 3 | 4 | 4 |
| Ann-Maree Robertson | 12 | 12 | 3 | 3 | 4 | 4 |
| Joanne Willoughby | 12 | 12 | 3 | 3 | 4 | 4 |
| Daniel Crowley | 12 | 12 | 3 | 3 | 4 | 4 |
| Roberto Cazzolli | 11 | 10 | 3 | 2 | 4 | 2 |
| Courtney Black | - | - | - | - | - | - |

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 39 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Directors are of the opinion that the services as disclosed in Note 39 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the company or jointly sharing economic risks and rewards.

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.

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

No final or interim fully franked or unfranked dividend was declared or paid during the year ended 30 June 2023.

There was no return of capital by the Company to its shareholders during the year ended 30 June 2023.

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.

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 2023 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 |
| Joanne Willoughby | Non-executive Director | From 9 November 2021 |
| Courtney Black | Non-executive Director | From 19 June 2023 |
| Neil Scales OBE | Non-executive Director | From 25 July 2023 |
| 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 |
| Roberto Cazzolli | Executive Director and General Manager - D&D Traffic Management | From 25 March 2021 and resigned 15 June 2023 |
| Other executive officers | | |
| Paul Fitton | Chief Financial Officer and Company Secretary | From 1 June 2021. Company Secretary from 9 November 2021 |
| Rhonda McSweeney | Chief Operating Officer | From 2 May 2023 |

The named persons held their current position for the whole of the financial year and since the end of the financial year, unless otherwise stated.

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 year ended 30 June 2023 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. There was no STI payment made for the 2023 financial year.

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 2023.

| Fee type | 2023 | 2022 |
|------------------------|-------------|-------------|
| | \$ | \$ |
| Chair of Board | 120,000 | 120,000 |
| Non-Executive Director | 50,000 | 50,000 |
| Committee Chair | 10,000 | 10,000 |

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

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2. Remuneration Policy (cont'd)

Remuneration of Non-Executive Directors

| | Salary and fees | Short-term benefits | | | Post-employment benefits | Long-term benefits | Equity based benefits | Total |
|--------------------------------|-----------------|---------------------|--------------|-------|--------------------------|--------------------|-----------------------|---------|
| | | Cash bonus | Non-monetary | Other | Superannuation | Long service leave | Share-based payments | |
| 2023 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Non-Executive Directors | | | | | | | | |
| Lance Hockridge | 108,597 | - | - | - | 11,403 | - | - | 120,000 |
| Ann-Maree Robertson | 54,299 | - | - | - | 5,701 | - | - | 60,000 |
| Joanne Willoughby | 54,299 | - | - | - | 5,701 | - | - | 60,000 |
| Courtney Black | 1,722 | - | - | - | 181 | - | - | 1,903 |
| | | | | | | | | 241,903 |

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

¹ As recognition of their contribution to the IPO process, Ann-Maree Robertson (Audit and Risk Committee Chair) and Joanne Willoughby (People, Nomination & Remuneration Committee Chair) were awarded shares as recognition of work undertaken during the IPO process. Those shares are held under Escrow until 4 September 2023.

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.

2. Remuneration Policy (cont'd)

Board

Our Board has overall responsibility for Executive Remuneration, including the assessment of performance and remuneration for the Chief Executive Officer and Managing Director. 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.

Remuneration Consultant

During the current financial year, the People, Nomination & Remuneration Committee (PNRC) has engaged Executive Pay Systems Pty Ltd (ExecPay) to provide independent and specialist expertise to support the development of AVADA's Remuneration Strategy. In advising the Group, ExecPay has undertaken extensive analysis of aligned roles in comparable listed organisations, evaluating fixed and total target remuneration. The ExecPay's findings indicate the remuneration for both the Chief Executive Officer and Managing Director, and Chief Financial Officer and Company Secretary were at the lower end of the benchmarked positions.

ExecPay is an independent third-party remuneration consultant, who was engaged by the PNRC to provide independent recommendations to the Board. The Board was satisfied that the remuneration recommendations made were free from undue influence from key management personnel to whom the recommendations related, including both the Chief Executive Officer and Managing Director, and Chief Financial Officer and Company Secretary. ExecPay confirmed to the Board that it received no undue influence placed upon it. The Board was satisfied with this.

ExecPay recommended an increase to the fixed remuneration for Chief Executive Officer and Managing Director and Chief Financial Officer and Company Secretary for 11% and 16%, respectively. The Board considered the recommendations and the proposed amounts in context of other similar sized entities and endorsed the recommendation, effective from 1 July 2022.

In addition to the fixed remuneration increase, ExecPay has furnished the Board with a recommended Remuneration Policy, featuring a Short-Term Incentive (STI) Program for eligible executives within the Group. The Board endorsed this recommendation effective from 1 July 2022.

The Company incurred an expense of \$78,031 which was payable to ExecPay in respect to the remuneration consulting services and Board Review including analysis, research, design and advice for the recommended Remuneration Policy. The amount has been fully paid.

AVADA Group Limited

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 are introduced by the Company. 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 of Executive Directors and Other Executive Officers

| | Short-term employee benefits | | | | Post-employment benefits | Long-term employee benefits | Equity based payments | |
|---------------------------------|------------------------------|------------|--------------|-------|--------------------------|-----------------------------|-----------------------|---------|
| | Salary and fees | Cash bonus | Non-monetary | Other | Superannuation | Long service leave | Share-based payments | Total |
| 2023 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Executive Directors | | | | | | | | |
| Daniel Crowley | 364,100 | - | - | - | 25,293 | - | - | 389,393 |
| Roberto Cazzolli | 140,559 | - | - | 5,000 | 18,882 | 34,266 | - | 198,707 |
| Other Executive Officers | | | | | | | | |
| Paul Fitton | 266,716 | 30,000 | - | 1,430 | 25,293 | - | - | 323,439 |
| Rhonda McSweeny | 50,116 | - | - | - | 3,891 | - | - | 54,007 |
| | | | | | | | | 965,546 |

| | Short-term employee benefits | | | | Post-employment benefits | Long-term employee benefits | Equity based payments | |
|---------------------------------|------------------------------|------------|--------------|-------|--------------------------|-----------------------------|-----------------------|---------|
| | Salary and fees | Cash bonus | Non-monetary | Other | Superannuation | Long service leave | Share-based payments | Total |
| 2022 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Executive Directors | | | | | | | | |
| Daniel Crowley | 211,204 | - | 11,455 | - | 16,616 | 175 | - | 239,450 |
| Roberto 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 |

AVADA Group Limited

3. Executive Remuneration – Performance, Outcomes and Disclosures (cont'd)

Service Agreements

| | Eligible for incentive plan | Contract duration | Employer/Employee Notice Period | Competitive Restriction |
|---------------------------------|-----------------------------|--------------------------|---------------------------------|-------------------------|
| Executive Directors | | | | |
| Daniel Crowley | ✓ | Ongoing | 6 months | 3 years |
| Roberto Cazzolli | x | Resigned on 15 June 2023 | N/A | 3 years |
| Other Executive Officers | | | | |
| Paul Fitton | ✓ | Ongoing | 3 months | 3 years |
| Rhonda McSweeny | ✓ | Ongoing | 3 months | 3 years |

4. Other Disclosures and Shareholdings

Key management personnel equity holdings

The number of fully paid ordinary shares in the Company held during the financial year ended 30 June 2023 by each Key Management Personnel are set out below:

| | Balance as at 1 July 2022 | Founder share | Shares issued as consideration for acquisition | Granted as compensation | Subscribed shares | Acquired shares | Balance as at 30 June 2023 |
|---------------------------------|---------------------------------|------------------|--|----------------------------|----------------------|--------------------|----------------------------------|
| 2023 | | | | | | | |
| Non-Executive Directors | | | | | | | |
| Lance Hockridge | 7,620,847 | - | - | - | - | - | 7,620,847 |
| Ann-Maree Robertson | 50,000 | - | - | - | - | - | 50,000 |
| Joanne Willoughby | 50,000 | - | - | - | - | 11,627 | 61,627 |
| Courtney Black | - | - | - | - | - | - | - |
| Executive Directors | | | | | | | |
| Daniel Crowley | 14,199,027 | - | - | - | - | - | 14,199,027 |
| Roberto Cazzolli | 1,679,887 | - | - | - | - | - | 1,679,887 |
| Other Executive Officers | | | | | | | |
| Paul Fitton | 150,000 | - | - | - | - | - | 150,000 |
| Rhonda McSweeny | - | - | - | - | - | - | - |

AVADA Group Limited

4. Other Disclosures and Shareholdings (cont'd)

Key management personnel equity holdings (cont'd)

| | Balance as at 1 July 2021 ¹ | Founder share ² | Shares issued as consideration for acquisition | Granted as compensation | Subscribed shares | Acquired shares | Balance as at 30 June 2022 |
|---------------------------------|--|-------------------------------|--|----------------------------|----------------------|--------------------|----------------------------------|
| 2022 | | | | | | | |
| Non-Executive Directors | | | | | | | |
| Lance Hockridge | 311 | 5,620,847 | - | - | 2,000,000 | - | 7,620,847 |
| Ann-Maree Robertson | - | - | - | 50,000 | - | - | 50,000 |
| Joanne Willoughby | - | - | - | 50,000 | - | - | 50,000 |
| Greg Kern | 214 | 3,867,720 | - | - | - | - | 3,867,720 |
| James Bowe | 25 | 686,793 | - | - | 71,774 | - | 758,567 |
| Russell Daly | 12 | 216,881 | - | - | - | - | 216,881 |
| Executive Directors | | | | | | | |
| Daniel Crowley | 250 | 4,518,365 | 9,439,503 | - | 241,159 | - | 14,199,027 |
| Roberto Cazzolli | 42 | 759,085 | 920,802 | - | - | - | 1,679,887 |
| Other Executive Officers | | | | | | | |
| Paul Fitton | - | - | - | 150,000 | - | - | 150,000 |

¹ Founder shares pre-share split on 9 November 2021.

² Founder shares post-share split on 9 November 2021.

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:

AVADA Group Limited

4. Other Disclosures and Shareholdings (cont'd)

Equity Holdings as at the date of this report (cont'd)

| | Ordinary Shares | Options over Ordinary Shares |
|---------------------------------|-----------------|------------------------------|
| Non-executive Directors | | |
| Lance Hockridge | 7,620,847 | - |
| Ann-Maree Robertson | 50,000 | - |
| Joanne Willoughby | 61,627 | - |
| Courtney Black | - | - |
| Neil Scales OBE | - | - |
| Executive Directors | | |
| Daniel Crowley | 14,199,027 | - |
| Other executive officers | | |
| Paul Fitton | 150,000 | - |
| Rhonda McSweeney | - | - |

Shares under option

No share options have been issued during the year ended 30 June 2023 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 2023 and up to the date of this report.

Transactions with Key Management Personnel

The table below stated the transactions with Key Management Personnel during the current financial year and previous financial year.

| 2023 | Name of KMP | Nature of transaction | Revenue \$ | Expense \$ | Liabilities – Current \$ | Terms & Conditions |
|-------------------|----------------|--------------------------|---------------|---------------|--------------------------------|--|
| Verifact Pty Ltd | Daniel Crowley | Contingent consideration | - | 3,006,777 | 3,006,777 | Contingent consideration relates to the acquisition of Verifact Traffic Pty Ltd and its subsidiaries |
| Courtney Petersen | Courtney Black | Advisory Services | - | 115,383 | - | Advisory services under Fixed fee agreement. |

AVADA Group Limited

4. Other Disclosures and Shareholdings (cont'd)

Transactions with Key Management Personnel (cont'd)

| 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. |

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the current financial year and previous financial year.

Bonuses and share-based payments granted as compensation

No share-based payments were awarded to management as compensation during the current financial year. Bonus payments awarded are as follows:

| 2023 | Grant date | Share-based payment | Cash bonus | % of Bonus paid | % of Bonus forfeited | Services/performance criteria used to determine the amount of compensation | Terms and conditions |
|---------------------------------|------------|------------------------|------------|--------------------|-------------------------|--|-------------------------|
| Other Executive Officers | | | | | | | |
| Paul Fitton | 14/7/2023 | - | 30,000 | 100% | 0% | Discretionary bonus in consideration of service provided to support strategic objectives | Payable on grant date |

AVADA Group Limited

4. Other Disclosures and Shareholdings (cont'd)

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

| 2022 | Grant date | Share-based payment | Cash bonus | % of Bonus paid | % of Bonus forfeited | Services/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 |
| Joanne 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 |

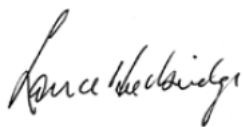
On 19 July 2023, the Company has announced to extend the escrow holding period to 4 September 2024 for the following:

| | Original date of escrow | Shares continuing under escrow | Revised date of escrow |
|-------------------------------|--------------------------------|---------------------------------------|-------------------------------|
| Non-Executive Director | | | |
| Lance Hockridge | 4/9/2023 | 5,620,847 | 4/9/2024 |
| Executive Director | | | |
| Daniel Crowley | 4/9/2023 | 4,518,365 | 4/9/2024 |

AVADA Group Limited

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Lance Hockridge', written in a cursive style.

Lance Hockridge
Chairman

Brisbane, 30 August 2023

The Board of Directors
Avada Group Limited
Level 2/116 Ipswich Rd
Woolloongabba QLD 4000

30 August 2023

Dear Board Members

Auditor's Independence Declaration - 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 2023, 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



Jacques Strydom
Partner
Chartered Accountants

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 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information 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:

- giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- 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.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| <p>Acquisition accounting</p> <p>As disclosed in Notes 4 and 31, AVADA Group Limited ("AVADA") acquired:</p> <ul style="list-style-type: none"> the business and net assets of Construct Traffic Pty Ltd ("Construct Traffic") effective 26 August 2022; and 100% of the shares of Wilsons TM Limited ("Wilsons") effective 5 May 2023. <p>In undertaking the acquisition accounting, AVADA is required to measure the fair value of the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date, with any difference recognised as goodwill.</p> <p>Accounting for these acquisitions requires significant judgement relating to the:</p> <ul style="list-style-type: none"> determination of the fair value of the consideration payable, including retention payments and contingent consideration; and identification and measurement of all assets and liabilities, including intangible assets. <p>The acquisitions resulted in goodwill of \$13.79 million and intangible assets of \$11.98 million.</p> <p>The initial accounting for the Wilsons acquisition is provisional at 30 June 2023.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> Obtaining an understanding of the process associated with the acquisition accounting. Reviewing and obtaining an understanding of the terms of the sale agreement documents. Evaluating the final purchase price consideration, including management's valuation of the retention payments and contingent consideration. In conjunction with our valuation specialists, assessing the intangible assets identified, and the fair values of the assets acquired, and liabilities assumed. Evaluating the adequacy of the related disclosures included within the financial report in Notes 4 and 31. |

Key Audit Matters (continued)

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|--|
| <p>Impairment of goodwill and other intangible assets</p> <p>As disclosed in Notes 4 and 20, AVADA performed impairment testing on goodwill and other non-current assets. This resulted in impairment charges of \$3.19 million being recognised against The Traffic Marshal cash-generating unit's (CGU) goodwill and intangible assets.</p> <p>The recoverable amount of AVADA's CGUs has been determined by management using the 'value-in-use' approach, which incorporates significant judgement related to the estimation of future cash flows, short term growth rates, long term growth rates, gross margins and an appropriate discount rate.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of management's process in preparing the impairment models used to estimate the recoverable amount of each CGU and impairment charges, where applicable. • Obtaining an understanding of the methodology applied by management in developing the impairment assessments including the underlying key assumptions. • Agreeing the forecast cash flows included in management's models to the latest Board approved budgets. • Assessing management's historical forecasting accuracy through retrospective analysis of the actual current and historical results to budget. • In conjunction with our valuation specialists, assessing the methodology used to estimate the recoverable amount for the CGUs and the reasonableness of key assumptions, including growth rates, gross margins and the discount rate. • Performing independent sensitivity analysis to challenge key assumptions. • Evaluating the adequacy of the related disclosures included within the financial report in Notes 4 and 20. |

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): *Who We Are, Highlights, Chairman's Report, Managing Director and CEO's Report, Sustainability Report, additional ASX disclosures and Shareholder Information*, which is expected to be made available to us after that date.

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

Other Information (continued)

In connection with our audit of the financial report, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- 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.

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 12 to 21 of the Directors' Report for the year ended 30 June 2023.

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

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jacques Strydom

Jacques Strydom
Partner
Chartered Accountants
Brisbane, 30 August 2023

Saeed Seedat

Saeed Seedat
Partner
Chartered Accountants
Brisbane, 30 August 2023

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*.

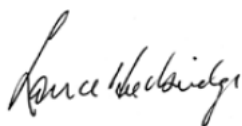
This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

At the date of this declaration, the Company is within the class of companies affected by *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debts in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* applies, as detailed in Note 41 to the financial statements will, as a group, be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee.

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, 30 August 2023

Consolidated statement of profit or loss and other comprehensive income

for the full year ended 30 June 2023

| | | Consolidated Year ended 30/06/2023 \$'000 | Consolidated Year ended 30/06/2022 \$'000 |
|--|------|--|--|
| | Note | | |
| Revenue | 6 | 177,002 | 72,933 |
| Other income | 7 | 295 | 9,169 |
| Depreciation and amortisation expense | | (10,355) | (4,706) |
| Direct equipment hire and consumables | | (20,492) | (7,915) |
| Direct wages and salaries | | (119,723) | (50,092) |
| Non-direct wages and salaries | | (13,755) | (6,572) |
| Administration expenses | 8 | (6,129) | (8,828) |
| Impairment of intangible assets | 9 | (3,194) | (14,957) |
| Other expenses | 11 | (6,961) | (2,680) |
| Finance costs | 10 | (2,613) | (312) |
| Loss before income tax | | (5,925) | (13,960) |
| Income tax benefit | 12 | 295 | 1,425 |
| Loss for the year | | (5,630) | (12,535) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | 3 | - |
| Other comprehensive income for the year, net of tax | | 3 | - |
| Total comprehensive loss for the year | | (5,627) | (12,535) |
| Loss attributable to: | | | |
| Owners of the parent | | (5,630) | (12,535) |
| Total comprehensive loss attributable to: | | | |
| Owners of the parent | | (5,627) | (12,535) |
| Loss per share | | | |
| Basic (cents per share) | 13 | (8) | (26) |
| Diluted (cents per share) | 13 | (8) | (26) |

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

Consolidated statement of financial position

as at 30 June 2023

| | | Consolidated Year ended 30/06/2023 \$'000 | Consolidated Year ended 30/06/2022 \$'000 |
|--------------------------------------|------|--|--|
| | Note | | |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 14 | 10,834 | 2,751 |
| Trade and other receivables | 15 | 26,714 | 18,264 |
| Current tax assets | 16 | 377 | 1,278 |
| Other current assets | 17 | 895 | 570 |
| Total current assets | | 38,820 | 22,863 |
| Non-current assets | | | |
| Property, plant and equipment | 18 | 23,519 | 18,229 |
| Right-of-use assets | 19 | 4,500 | 4,149 |
| Goodwill | 20 | 36,533 | 23,824 |
| Other intangible assets | 21 | 26,652 | 20,605 |
| Other non-current assets | 17 | 168 | 143 |
| Total non-current assets | | 91,372 | 66,950 |
| Total assets | | 130,192 | 89,813 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 23 | 18,303 | 12,840 |
| Lease liabilities | 24 | 1,079 | 995 |
| Borrowings | 25 | 2,980 | 3,931 |
| Current tax liabilities | 16 | 72 | - |
| Provisions | 26 | 2,702 | 2,534 |
| Other financial liabilities | 27 | 6,968 | 1,210 |
| Total current liabilities | | 32,104 | 21,510 |
| Non-current liabilities | | | |
| Lease liabilities | 24 | 3,731 | 3,237 |
| Borrowings | 25 | 38,871 | 7,057 |
| Deferred tax liabilities | 22 | 6,555 | 5,455 |
| Provisions | 26 | 429 | 469 |
| Other financial liabilities | 27 | 2,044 | - |
| Total non-current liabilities | | 51,630 | 16,218 |
| Total liabilities | | 83,734 | 37,728 |
| Net Assets | | 46,458 | 52,085 |
| Equity | | | |
| Share capital | 28 | 51,160 | 51,160 |
| Reserves | 29 | 13,878 | 13,875 |
| Accumulated losses | | (18,580) | (12,950) |
| Total equity | | 46,458 | 52,085 |

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 2023

| Consolidated | Note | Share capital \$'000 | Share-based payments reserve \$'000 | Acquisition reserve \$'000 | Foreign Currency Translation Reserve \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|---|------|-------------------------|--|----------------------------------|---|---------------------------------|---------------------------|
| Balance as at 1 July 2022 | | 51,160 | 3,700 | 10,175 | - | (12,950) | 52,085 |
| Loss for the year | | - | - | - | - | (5,630) | (5,630) |
| Other comprehensive income for the year | | - | - | - | 3 | - | 3 |
| Total comprehensive income for the year | | - | - | - | 3 | (5,630) | (5,627) |
| Balance as at 30 June 2023 | | 51,160 | 3,700 | 10,175 | 3 | (18,580) | 46,458 |

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

Consolidated statement of changes in equity (cont'd)

for the full year ended 30 June 2023

| Consolidated | Note | Share capital \$'000 | Share-based payments reserve \$'000 | Acquisition reserve \$'000 | Foreign Currency Translation Reserve \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|---|------|-------------------------|--|----------------------------------|---|---------------------------------|---------------------------|
| Balance as at 1 July 2021 | | 1 | 150 | - | - | (415) | (264) |
| Loss for the year | | - | - | - | - | (12,535) | (12,535) |
| Other comprehensive income for the year | | - | - | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | - | (12,535) | (12,535) |
| Issue of share capital | 28 | 32,543 | - | - | - | - | 32,543 |
| Share issue costs | 28 | (1,979) | - | - | - | - | (1,979) |
| Shares issued as consideration in business combinations | 28 | 20,595 | - | 10,175 | - | - | 30,770 |
| Share-based payments | 33 | - | 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 |

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 2023

| | | Consolidated Year ended 30/06/2023 \$'000 | Consolidated Year ended 30/06/2022 \$'000 |
|---|------|--|--|
| | Note | | |
| Cash flows from operating activities | | | |
| Receipts from customers (including GST) | | 188,788 | 79,918 |
| Payments to suppliers and employees (including GST) | | (180,627) | (79,298) |
| Interest and other finance costs paid | | (1,929) | (201) |
| Interest received | | 13 | 1 |
| Income taxes paid | | (1,287) | (1,370) |
| Net cash inflow/(outflow) from operating activities | 32 | 4,958 | (950) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 18 | (1,542) | (1,636) |
| Proceeds from sale of property, plant and equipment | | 604 | 188 |
| Acquisition of business and subsidiary (net of cash acquired) | 31 | (25,838) | (33,558) |
| Net cash outflow from investing activities | | (26,776) | (35,006) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 30,388 | 5,000 |
| Proceeds from related party borrowings | | - | 1,520 |
| Repayment of borrowings | | (5,517) | - |
| Repayment of related party borrowings | | (1,250) | (361) |
| Proceeds from asset finance borrowings | | 10,859 | 2,584 |
| Repayments of asset finance borrowings | | (1,417) | (46) |
| Proceeds from issue of shares (net of transaction costs) | | - | 28,186 |
| Repayment of lease liabilities | | (1,162) | (569) |
| Net cash inflow from financing activities | 32 | 31,901 | 36,314 |
| Net increase in cash and cash equivalents | | 10,083 | 358 |
| Cash and cash equivalents at the beginning of the year | | 550 | 192 |
| Effects of foreign exchange rate changes | | 201 | - |
| Cash and cash equivalents at the end of the Year¹ | 32 | 10,834 | 550 |

¹ Cash and cash equivalents at the beginning of the year do not reconcile to cash and cash equivalents at Note 14 due to the bank overdraft which was recorded within borrowings in prior year (Note 25).

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 2023 comprises the Company and its subsidiaries (together referred to as "the Group").

(a) 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.

(b) Presentation currency and rounding

These financial statements are presented in Australian Dollar (\$). Foreign operations are included in accordance with the policies set out in Note 2.

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.

(c) Going concern

The Group incurred a loss after tax of \$5.63m for the year ended 30 June 2023 compared to a loss after tax of \$12.54m in the prior year. This was primarily due to:

- the impact of unfavourable weather conditions on operations during the first half of FY23;
- costs of \$2.16m incurred in respect of the acquisition of the business and net assets of Construct Traffic Pty Ltd ("Construct Traffic"), 100% of the issued share capital of Wilsons TM Limited ("Wilsons TM") and costs incurred in respect of abandoned acquisitions;
- impairment of goodwill and intangible assets of \$3.19m in respect of The Traffic Marshal CGU (refer Notes 9 and 20); and
- a \$1.96m loss with respect to the remeasurement of the retention and contingent consideration liabilities associated with the acquisition of Verifact Pty Ltd ("Verifact") in FY22 and Wilsons TM in FY23.

At the reporting date, the Group had excess current assets compared to current liabilities of \$6.72m. This includes a retention and contingent consideration amount of \$2.89m due in July 2024 which is associated with the acquisition of Wilsons TM which is linked to future EBITDA targets (refer Note 27). The Directors note that this retention and contingent consideration liability will not be paid if these targets are not met. Additionally, the Group has generated cash inflows from operating activities of \$4.96m in FY23 compared with a cash outflow from operating activities of \$0.95m in FY22.

The Group was compliant with Commonwealth Bank of Australia bank covenants at the 30 June 2023 reporting date.

1. General information (cont'd)

(c) Going concern (cont'd)

The Directors have reviewed cash flow forecasts for a period of 12 months from the date of signing this financial report (review period) containing both a base case and a downside scenario. In both the base case and the downside scenario, the cash flow forecasts indicate liquidity headroom will be maintained and financial covenants will be met throughout the review period. Details of covenants related to the facility agreements with the Commonwealth Bank of Australia and Kiwibank (New Zealand) are disclosed in Note 25. The base case and downside scenario both assume the return to long-term average weather and trading conditions over the review period.

The downside scenario assumes a reduction in revenue and gross margins consistent with the reasonable change assumptions for revenue growth rates and gross margins disclosed in Note 20. The Group also has several mitigating measures under its control, including decreasing capital expenditure, reducing levels of discretionary spend and rationalising its overhead base which, although not forecast to be required, could be implemented to be able to meet covenant tests and to continue to operate within borrowing facility limits.

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.

(d) 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 generally based on the fair value of the consideration given in exchange for goods and services.

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 2023. 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.

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

(b) Business combinations

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.

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 112 *Income Taxes* ("AASB 112") and AASB 119 *Employee Benefits* ("AASB 119") respectively; and
- 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).

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.

2. Summary of significant accounting policies (cont'd)

(b) Business combinations (cont'd)

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) 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 21. 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.

(d) 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 20 and 21.

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

2. Summary of significant accounting policies (cont'd)

(e) Revenue recognition

The Group recognises revenue from the following major sources.

Traffic management services

Traffic management services, principally the provision of labour, vehicle hire and equipment hire, which are recognised based on the period (typically hours) of service provided and contractually agreed periodic rates.

Plans and permits

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

(f) 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.

Financial assets

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.

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.

2. Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

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 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 ("ECL") on 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.

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

The 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 fair value through profit or loss ("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.

2. Summary of significant accounting policies (cont'd)

(f) Financial instruments (cont'd)

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.

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.

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.

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.

(g) Taxation

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

Tax consolidation

The Company and its Australian subsidiaries are considered as one 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.

The Group's New Zealand subsidiaries are excluded from the Tax Consolidated Group and treated as individual tax entity under New Zealand tax jurisdiction.

2. Summary of significant accounting policies (cont'd)

(g) Taxation (cont'd)

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.

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.

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 year

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.

2. Summary of significant accounting policies (cont'd)

(h) Property, plant and equipment

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

| Class of Property, plant and equipment | Method | Useful life |
|--|---------------|--------------|
| Traffic control equipment | Straight line | 3 – 7 years |
| Motor vehicles | Straight line | 8 – 10 years |
| Office equipment | Straight line | 2 – 10 years |
| Leasehold improvements | Straight line | 1 – 15 years |

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of 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. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(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.

2. Summary of significant accounting policies (cont'd)

(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.

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.

2. Summary of significant accounting policies (cont'd)

(j) Leases (cont'd)

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.

(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.

2. Summary of significant accounting policies (cont'd)

(l) Employee benefits (cont'd)

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 33.

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.

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.

2. Summary of significant accounting policies (cont'd)

(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.

(q) Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

2. Summary of significant accounting policies (cont'd)

(q) Foreign currencies (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3. Adoption of new and revised Australian Accounting Standards

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

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 – <i>Classification of Liabilities as Current or Non-Current</i> | 1 January 2024 |
| AASB 2021-2 Amendments to Australian Accounting Standards – <i>Disclosure of Accounting Policies and Definition of Accounting Estimates</i> | 1 January 2023 |
| AASB 2021-5 Amendments to Australian Accounting Standards – <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | 1 January 2023 |
| AASB 2022-1 Amendments to Australian Accounting Standards – <i>Initial Application of AASB17 and AASB9 Comparative Information</i> | 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.

(a) Impairment testing of goodwill and other intangibles

Goodwill and intangible assets with indefinite lives are tested annually for impairment based on assumptions and judgements made by the Group's Directors. The only intangible assets with an indefinite life recognised by the Group are brands.

The recoverable amount of goodwill and brands is determined based on the Value-in-use ("VIU") calculated for the respective cash-generating units ("CGUs") that they have been allocated to. VIU is determined by the Directors through a discounted cash flow analysis which includes significant assumptions and judgements to be made on forecast growth rates, gross margins, and the post-tax discount rate, based on the current cost of capital.

Additionally, the Directors are also required to perform impairment testing on non-current assets with finite useful lives when impairment indicators have been identified.

A judgement has also been made in identifying the smallest level of assets that generates independent cash flows at the operating entity level. Therefore, the operating entities have been identified as the Group's CGUs and this judgement remains unchanged from the prior year.

Refer to Note 20 for further details on these assumptions and judgements made by the Directors and the impairment testing outcomes.

(b) Accounting for the acquisition of businesses

During the current financial year, the Group completed the acquisitions of:

- Construct Traffic – 26 August 2022
- Wilsons TM – 5 May 2023

The Directors have determined that the below significant judgements and assumptions have made in accounting for these acquisitions.

The Wilsons TM acquisition is provisionally accounted for in these financial statements.

Purchase price considerations

In relation to the acquisition of Construct Traffic, the Group has measured the fair value of contingent consideration based on the information and forecasts available at the acquisition date in accordance with the terms of Business Sale Agreement dated 20 June 2022. Based on this assessment, no value was attributed to the contingent consideration in the purchase price consideration.

4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(b) Accounting for the acquisition of businesses (cont'd)

In relation to the acquisition of Wilsons TM, the Group has measured the fair value of the retention payment and the contingent consideration based on the information and forecasts available at the acquisition date in accordance with the Sale and Purchase Agreement dated 15 April 2023. A total amount of \$6.0m was included in the fair value of the purchase price consideration.

The purchase price considerations are detailed in Note 31.

Measurement of the assets acquired and liabilities assumed

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.

The Directors contracted independent valuers to appraise the fair value of motor vehicles acquired. This independent valuation resulted in a fair value of \$9.0m for motor vehicles being reflected in the net assets acquired per Note 31. The valuation methodology required judgement, including the number of vehicles physically inspected and key assumptions, such as, the working condition of the vehicles, odometer readings and other inputs.

The Directors have considered the requirements of AASB 3 *Business Combinations* ("AASB 3") for leases acquired and remeasured the lease liability and right-of-use asset at the acquisition date.

The Directors engaged an independent expert to assist with identifying and valuing the previously unidentified intangible assets. Intangible assets of \$12m were identified, including Customer Lists and Brands. Valuing such intangible assets is complex and requires the Directors to exercise significant judgement in determining the expected attrition rate of the acquired customer base, the royalty rate for the Brands, the discount rate, the terminal growth rate, and the projected cash flow.

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 acquisition date or acquisition adjustments have been made, but in those instances, no significant accounting judgements have been applied.

Refer to Note 31 for further details.

(c) Leases

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

During FY23, the Directors determined that they were no longer reasonably certain that the Group would exercise the renewal options for two leases. This has resulted in a remeasurement of these leases at 30 June 2023. Refer to Note 19 for impact of the remeasurements.

5. Operating segments

Identification of reportable operating segments

The Group is organised into four 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 |
| Victoria Traffic Management | – contains entities which operate in the Victoria geography |
| New Zealand Traffic Management | – contains entities which operate in the New Zealand geography |

The Group offers integrated traffic management services including planning and permits, 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.

The following is an analysis of the Group's revenue and results by reportable operating segment for the full year ended 30 June 2023:

| | Year ended 30/06/2023 | | | | | |
|---|----------------------------------|----------------------------------|----------------------------------|---------------------------------|-----------------------|-----------------|
| | QLD Traffic Management \$'000 | NSW Traffic Management \$'000 | VIC Traffic Management \$'000 | NZ Traffic Management \$'000 | Unallocated \$'000 | Total \$'000 |
| Revenue | | | | | | |
| Sales to external customers | 100,071 | 48,270 | 26,472 | 2,189 | - | 177,002 |
| Total revenue | 100,071 | 48,270 | 26,472 | 2,189 | - | 177,002 |
| Other income | 194 | 63 | 30 | - | 8 | 295 |
| Segment operating expenses | (89,035) | (43,060) | (22,852) | (2,670) | (9,443) | (167,060) |
| Impairment of intangible assets | - | (3,194) | - | - | - | (3,194) |
| EBITDA | 11,230 | 2,079 | 3,650 | (481) | (9,435) | 7,043 |
| Depreciation and amortisation expense | (5,403) | (3,339) | (1,343) | (173) | (97) | (10,355) |
| EBIT | 5,827 | (1,260) | 2,307 | (654) | (9,532) | (3,312) |
| Finance costs | (310) | (106) | (39) | (66) | (2,092) | (2,613) |
| Profit/(loss) before income tax | 5,517 | (1,366) | 2,268 | (720) | (11,624) | (5,925) |
| Income tax (expense) / benefit | (1,824) | 300 | (730) | (60) | 2,609 | 295 |
| Profit/(loss) after tax for the year | 3,693 | (1,066) | 1,538 | (780) | (9,015) | (5,630) |

5. Operating segments (cont'd)

| | Year ended 30/06/2022 | | | | | |
|---------------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|-----------------------|-----------------|
| | QLD Traffic Management \$'000 | NSW Traffic Management \$'000 | VIC Traffic Management \$'000 | NZ 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 year | (3,941) | (9,679) | - | - | 1,085 | (12,535) |

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. The accounting policies of the reportable segments are the same as the Group's accounting policies.

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. 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 30/06/2023 | | | | | |
|---------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|-----------------------|-----------------|
| | QLD Traffic Management \$'000 | NSW Traffic Management \$'000 | VIC Traffic Management \$'000 | NZ Traffic Management \$'000 | Unallocated \$'000 | Total \$'000 |
| Current assets | 14,128 | 7,689 | 6,686 | 2,161 | 8,156 | 38,820 |
| Non-current asset | 43,550 | 12,015 | 19,553 | 15,861 | 393 | 91,372 |
| Total assets | 57,678 | 19,704 | 26,239 | 18,022 | 8,549 | 130,192 |
| Current liabilities | 10,083 | 5,584 | 2,392 | 7,196 | 6,849 | 32,104 |
| Non-current liabilities | 7,488 | 1,603 | 4,363 | 11,605 | 26,571 | 51,630 |
| Total liabilities | 17,571 | 7,187 | 6,755 | 18,801 | 33,420 | 83,734 |
| Net assets/(liabilities) | 40,107 | 12,517 | 19,484 | (779) | (24,871) | 46,458 |

5. Operating segments (cont'd)

| | Year ended 30/06/2022 | | | | | |
|---------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|-----------------------|-----------------|
| | QLD Traffic Management \$'000 | NSW Traffic Management \$'000 | VIC Traffic Management \$'000 | NZ Traffic Management \$'000 | Unallocated \$'000 | Total \$'000 |
| Current assets | 13,554 | 8,116 | - | - | 1,193 | 22,863 |
| Non-current asset | 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/(liabilities) | 41,459 | 17,756 | - | - | (7,130) | 52,085 |

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments, other than financial assets (except for trade and other receivables) (and tax assets. Goodwill has been allocated to reportable segments as described in Note 20. 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 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------------------------------------|------------------------------------|
| External revenue by location and customer type | | |
| Queensland | | |
| Government (incl. councils) | 60,468 | 29,647 |
| Non-Government | 39,603 | 19,812 |
| | 100,071 | 49,459 |
| New South Wales | | |
| Government (incl. councils) | 15,806 | 6,337 |
| Non-Government | 32,464 | 17,137 |
| | 48,270 | 23,474 |
| Victoria | | |
| Government (incl. councils) | 8,470 | - |
| Non-Government | 18,002 | - |
| | 26,472 | - |
| New Zealand | | |
| Government (incl. councils) | 42 | - |
| Non-Government | 2,147 | - |
| | 2,189 | - |
| | 177,002 | 72,933 |

6. Revenue (cont'd)

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| External revenue by service line | | |
| Traffic management services | 173,722 | 71,343 |
| Plans and permits | 3,280 | 1,590 |
| | <u>177,002</u> | <u>72,933</u> |
| External revenue by timing of revenue | | |
| Services transferred over time | 173,643 | 71,247 |
| Services transferred at a point in time | 3,359 | 1,686 |
| | <u>177,002</u> | <u>72,933</u> |

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

7. Other Income

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Other Income | | |
| Gain on the movement in the contingent consideration liability | - | 9,065 |
| Other income | 295 | 104 |
| | <u>295</u> | <u>9,169</u> |

8. Administration expenses

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Professional fees | 3,383 | 1,076 |
| IPO listing costs | - | 3,684 |
| Acquisition related costs – share-based payment | - | 3,450 |
| Acquisition related costs - Construct Traffic | 688 | 199 |
| Acquisition related costs - Wilsons TM | 780 | - |
| Acquisition related costs - Abandoned acquisitions | 698 | - |
| Rent and other occupancy expenses | 491 | 400 |
| Other administration expenses | 89 | 19 |
| | <u>6,129</u> | <u>8,828</u> |

9. Impairment of intangible assets

| | Note | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---------------------------------|------|------------------------------------|------------------------------------|
| Impairment of goodwill | 20 | 961 | 14,354 |
| Impairment of other intangibles | 21 | 2,233 | 603 |
| | | <u>3,194</u> | <u>14,957</u> |

In the 31 December 2022 half-year financial report, the Group recognised an impairment charge of \$2.7m in relation to The Traffic Marshal CGU allocated goodwill and intangible assets. At 30 June 2023, an additional impairment charge of \$0.5m was recorded in respect to The Traffic Marshal CGUs remaining intangible assets. All other intangible assets recognised by the Group are considered recoverable.

10. Finance costs

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------------------------------------|------------------------------------|
| Bank charges on bank overdrafts and loans | 684 | 111 |
| Interest on bank overdrafts and loans | 1,724 | 120 |
| Interest on lease liabilities | 205 | 81 |
| | <u>2,613</u> | <u>312</u> |

11. Other expenses

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------------------------------------|------------------------------------|
| Fair value movement on retention and contingent consideration | 1,960 | - |
| Other corporate costs | 4,334 | 2,450 |
| Other expenses | 667 | 230 |
| | <u>6,961</u> | <u>2,680</u> |

12. Income tax benefit

Income tax benefit 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 benefit

The major components of income tax are:

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------------------------------------|------------------------------------|
| <i>Current Income Tax</i> | | |
| Current income tax charge | (2,171) | - |
| Adjustment in respect of current income tax of the previous years | - | - |
| <i>Deferred income tax</i> | | |
| Relating to the origination and reversal of temporary differences | 2,429 | 1,397 |
| Prior year under / over provision true-up | 37 | 28 |
| | <u>295</u> | <u>1,425</u> |

Numerical reconciliation between tax benefit and pre-tax accounting profit

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Accounting loss from continuing operations before tax | (5,925) | (13,960) |
| Prima facie tax benefit on loss before income tax at 30% | 1,778 | 4,188 |
| Non-deductible expenses | (22) | (3) |
| Impairment of goodwill | (288) | (4,306) |
| Share-based payments | - | (1,035) |
| Non-deductible acquisition costs | (604) | (178) |
| Non-assessable gain / (loss) on movement in contingent consideration | (585) | 2,719 |
| Prior year under / over provision true-up | 37 | 28 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (14) | - |
| Other | (7) | 12 |
| Income tax benefit | <u>295</u> | <u>1,425</u> |

12. Income tax benefit (cont'd)

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 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Deferred tax: Recognition of IPO listing costs | - | 848 |
| | - | 848 |

13. Loss per share

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Loss for the purposes of basic and diluted earnings per share being net loss attributable to owners of the Company | (5,630) | (12,535) |
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic (loss) per share | 73,268,358 | 48,515,772 |
| Basic earnings per share (cents) | (8) | (26) |
| Diluted earnings per share (cents) | (8) | (26) |

14. Cash and cash equivalents

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--------------|------------------------------------|------------------------------------|
| Cash at bank | 10,834 | 2,751 |
| | 10,834 | 2,751 |

15. Trade and other receivables

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|----------------------------|------------------------------------|------------------------------------|
| Trade receivables | 26,132 | 16,133 |
| Accrued income | 512 | 1,898 |
| Other receivables | 78 | 312 |
| Less: expected credit loss | (8) | (79) |
| | <u>26,714</u> | <u>18,264</u> |

The average credit period on provision of services is 45 to 50 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 \$0.008m in profit or loss in respect of the expected credit losses for the full year ended 30 June 2023. The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

| Year ended 30 June 2023 | Expected credit rate loss | Carrying amount \$'000 | Allowance for expected credit loss \$'000 |
|-------------------------|------------------------------|---------------------------|---|
| Current | 0% | 18,800 | - |
| 30+ days overdue | 0% | 6,179 | - |
| 60+ days overdue | 0% | 758 | - |
| 90+ days overdue | 1.9% | 395 | 8 |
| Total trade receivables | | <u>26,132</u> | <u>8</u> |

| Year ended 30 June 2022 | Expected credit rate loss | Carrying amount \$'000 | Allowance for expected credit loss \$'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 | | <u>16,133</u> | <u>79</u> |

16. Current tax assets and liabilities

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|-------------------------|------------------------------------|------------------------------------|
| Current | | |
| Current tax assets | 377 | 1,278 |
| Current tax liabilities | (72) | - |
| | <u>305</u> | <u>1,278</u> |

Current 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.

Current tax assets and liabilities have not been offset as they relate to different taxation authorities.

17. Other assets

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Current | | |
| Prepayments | 895 | 569 |
| Other current assets | - | 1 |
| | <u>895</u> | <u>570</u> |
| Non-Current | | |
| Investment in joint venture ¹ | 2 | - |
| Security deposits | 166 | 143 |
| | <u>168</u> | <u>143</u> |

¹ The Group owns a 49% interest in a joint venture arrangement called Bilingarra Indigenous Services Pty Ltd. The joint venture is owned by AVADA IS QLD No.1 Pty Ltd, a wholly owned subsidiary of the Group which was created for the purposes of holding interest in the joint venture. The Group's share of loss in the joint venture for the year is \$0.0013m. The principal place of business of the joint venture operation is in Australia.

18. Property, plant and equipment

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Traffic control equipment | | |
| Traffic control equipment - at cost | 3,081 | 1,809 |
| Less accumulated depreciation | (925) | (253) |
| | <u>2,156</u> | <u>1,556</u> |
| Motor vehicles | | |
| Motor vehicles - at cost | 27,640 | 18,566 |
| Less accumulated depreciation | (6,553) | (2,001) |
| | <u>21,087</u> | <u>16,565</u> |
| Office equipment | | |
| Office equipment - at cost | 400 | 130 |
| Less accumulated depreciation | (131) | (26) |
| | <u>269</u> | <u>104</u> |
| Leasehold improvements | | |
| Leasehold improvements - at cost | 9 | 5 |
| Less accumulated depreciation | (2) | (1) |
| | <u>7</u> | <u>4</u> |
| Total property, plant and equipment | <u>23,519</u> | <u>18,229</u> |

18. Property, plant and equipment (cont'd)

Movements in carrying amounts

| | | Year ended 30/06/2023 | | | | |
|---|------|---------------------------|----------------|------------------|------------------------|--------|
| | | \$'000 | | | | |
| | Note | Traffic control equipment | Motor Vehicles | Office Equipment | Leasehold improvements | Total |
| Cost | | | | | | |
| At 1 July 2022 | | 1,809 | 18,566 | 130 | 5 | 20,510 |
| Additions from acquisitions of subsidiaries | 31 | 739 | 9,011 | 187 | - | 9,937 |
| Additions | | 546 | 907 | 85 | 4 | 1,542 |
| Disposals | | - | (780) | (2) | - | (782) |
| Exchange differences | | (13) | (64) | - | - | (77) |
| At 30 June 2023 | | 3,081 | 27,640 | 400 | 9 | 31,130 |
| Depreciation | | | | | | |
| At 1 July 2022 | | 253 | 2,001 | 26 | 1 | 2,281 |
| Charge for the year | | 672 | 4,713 | 105 | 1 | 5,491 |
| Disposals | | - | (160) | - | - | (160) |
| Exchange differences | | - | (1) | - | - | (1) |
| At 30 June 2023 | | 925 | 6,553 | 131 | 2 | 7,611 |
| Carrying amount | | | | | | |
| At 30 June 2023 | | 2,156 | 21,087 | 269 | 7 | 23,519 |

| | | Year ended 30/06/2022 | | | | |
|---|--|---------------------------|----------------|------------------|------------------------|--------|
| | | \$'000 | | | | |
| | | Traffic control equipment | Motor vehicles | Office equipment | Leasehold improvements | Total |
| Cost | | | | | | |
| At 1 July 2021 | | - | - | - | - | - |
| Additions from acquisitions of subsidiaries | | 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 |

18. Property, plant and equipment (cont'd)

Assets pledged as security

During the year, the Group drew down \$10.9m from the asset finance facility (2022: \$2.6m) to fund motor vehicles and plant and equipment. The draw down from the asset finance facility is secured against these specific assets (refer Note 25).

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 Australian Group against the borrowing facilities provided.

Kiwi Bank also holds a general security over all assets of AVADA New Zealand Limited against the borrowing facilities provided.

19. Right-of-use assets

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--------------------------------------|------------------------------------|------------------------------------|
| Buildings | | |
| Buildings – right-of-use assets | 3,684 | 2,871 |
| Less accumulated depreciation | (426) | (338) |
| | <u>3,258</u> | <u>2,533</u> |
| Motor vehicles | | |
| Motor vehicles - right-of-use assets | 1,801 | 1,854 |
| Less accumulated depreciation | (567) | (238) |
| | <u>1,234</u> | <u>1,616</u> |
| Office equipment | | |
| Property - right-of-use assets | 10 | - |
| Less accumulated depreciation | (2) | - |
| | <u>8</u> | <u>-</u> |
| Total Right-of-use assets | <u>4,500</u> | <u>4,149</u> |

19. Right-of-use assets (cont'd)

Movements in carrying amounts

| | Note | Year ended 30/06/2023 \$'000 | | | Total |
|---|------|---------------------------------|----------------|------------------|---------|
| | | Buildings | Motor Vehicles | Office equipment | |
| At 1 July 2022 | | 2,533 | 1,616 | - | 4,149 |
| Additions from acquisitions of subsidiaries | 31 | 1,616 | - | - | 1,616 |
| Remeasurement of lease term | | (1,562) | - | - | (1,562) |
| Additions | | 1,500 | 72 | 10 | 1,582 |
| Depreciation charge | | (808) | (449) | (2) | (1,259) |
| Exchange differences | | (21) | (5) | - | (26) |
| At 30 June 2023 | | 3,258 | 1,234 | 8 | 4,500 |

| | | Year ended 30/06/2022 \$'000 | | | Total |
|---|--|---------------------------------|----------------|------------------|-------|
| | | Buildings | Motor Vehicles | Office equipment | |
| At 1 July 2021 | | - | - | - | - |
| Additions from acquisitions of subsidiaries | | 2,871 | 1,177 | - | 4,048 |
| Additions | | - | 677 | - | 677 |
| Depreciation charge | | (338) | (238) | - | (576) |
| At 30 June 2022 | | 2,533 | 1,616 | - | 4,149 |

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 24.

Amounts recognised in profit or loss

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Depreciation expense on right-of-use asset | 1,259 | 576 |
| Interest expense on lease liabilities | 205 | 81 |

At 30 June 2023, the Group is committed to \$0.3m (2022: \$0.4m) for short-term leases.

The total cash outflow for leases amount to \$1.4m (2022: \$0.6m).

20. Goodwill

| | Note | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------|------------------------------------|------------------------------------|
| Movement - Goodwill | | | |
| Balance at beginning of year | | 23,824 | - |
| Amounts recognised from business combinations occurring during the year | | 13,791 | 38,178 |
| Exchange differences | | (121) | |
| Impairment of goodwill | 9 | (961) | (14,354) |
| Balance at end of the year | | <u>36,533</u> | <u>23,824</u> |

Impairment of Assets

Goodwill allocated to the Group's CGUs is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it may be impaired.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs, which is at the operating entity level. Each CGU to which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes. This testing methodology was adopted on acquisition as each business operated relatively on a stand-alone basis due to legal Earn-Out Considerations in place.

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

Allocation of goodwill

The Group has seven CGUs. Goodwill is allocated to the CGU's as per below:

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------------------------------------|------------------------------------|
| Verifact Traffic Control (VTC) | 13,861 | 13,861 |
| Arid to Oasis Traffic Solutions (A2O) | 5,570 | 5,570 |
| D&D Traffic Management (D&D) | 3,432 | 3,432 |
| The Traffic Marshall (TTM) ¹ | - | 961 |
| Construct Traffic (CT) | 7,283 | - |
| Wilsons TM | 6,387 | - |
| | <u>36,533</u> | <u>23,824</u> |

¹ Refer to Note 9 for the goodwill impairment for the current financial year.

The recoverable amount of a CGU to which goodwill is allocated is determined based on the greater of its value-in-use ("VIU") and its fair value less costs of disposal ("FVLCD").

The VIU 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 post-tax discount rate to calculate the present value.

FVLCD 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.

During the year ended 30 June 2023, all of the Group's CGUs were tested for impairment in accordance with AASB 136 *Impairment of Assets*.

20. Goodwill (cont'd)

The DCF models adopted by the Directors utilises cash flow forecasts derived from the FY24 budgets approved by the Board, with a 3.6% growth rate applied thereafter to year five, which does 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 industry and general market conditions remain a challenge with weather events having the capacity to impact the regions in which it operates. Inflation pressures and continued interest rate impacts are anticipated for a further 12 months. It is anticipated that future inflationary pressures will start to reduce in future years.

As the Wilsons TM CGU was recently acquired, management have concluded that the purchase consideration for Wilsons TM approximate the recoverable amount of the CGU at 30 June 2023. Therefore, its carrying value approximates its fair value. Adverse changes in macroeconomic factors or failure to achieve forecasts, including growth objectives, may lead to future impairment.

Key assumptions used for VIU calculations

Key assumptions are those to which the recoverable amount of the CGU is most sensitive. The Directors have determined that the key assumptions used in the DCF models and VIU calculations are the post-tax discount rate, the projected revenue growth rates and forecast gross margins.

A post-tax discount rate of 11.6% (2022: 11%) was applied to the cash flows for its CGUs, incorporating the impact of AASB 16 *Leases* on the Group's cost of debt. Management engaged a third-party specialist to provide the post-tax discount rate utilised in the DCF VIU models.

The projected revenue growth rates have been based on consideration of historical performance and the expected future operating conditions in both road and bridge infrastructure works and maintenance of roads, rail, bridge and utilities infrastructure.

The forecast gross margins are based on a combination of historical averages, current and anticipated economic considerations, business and market opportunities.

Revenue growth for year 1 has been determined based on inflation growth, and the known approved rate increases with customers. The revenue growth rates assumed in year 1 for each CGU in calculating the recoverable amount is presented below.

| | CT | A2O | PTS | TTM | D&D | VTC |
|---------------------|------|------|------|-------|-------|-------|
| Revenue Growth Yr 1 | 0.0% | 0.0% | 7.0% | 33.0% | 11.7% | 16.4% |

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

Impairment testing outcomes

For the VTC, A2O, PTS, D&D and CT CGUs, the impairment testing determined that the recoverable amount exceeded the carrying value for the CGU. Therefore, the impairment test did not result in any impairment charge being recognised on its goodwill and non-current assets.

Management recognises that a change in one or a combination of the key assumptions applied to the post-tax discount rate, revenue growth rates or growth margin could result in impairment. Management's assessment has identified that the CGUs most sensitive to impairment due to a reasonable possible change in these key assumptions are the VTC and CT CGUs. The sensitivity analysis for these CGUs is presented below.

Impairment testing identified that the carrying value of TTM exceeded the recoverable amount. A \$0.96m impairment expense was recognised against goodwill and an additional impairment charge of \$2.23m on other intangibles allocated to this CGU. The TTM CGUs goodwill and other intangibles are now fully impaired.

20. Goodwill (cont'd)

Sensitivity analysis

Any variation in the key assumptions used to determine the recoverable amount would result in a change to the estimated recoverable amount. If variations in assumptions had a negative impact on recoverable amount it could indicate a requirement for some impairment of goodwill and non-current assets. If variations in assumptions had a positive impact on recoverable amount it could indicate a requirement for a reversal of previously impaired non-current assets, with the exception of goodwill.

Estimated reasonable possible changes in the key assumptions would have the following approximate impact on impairment for the VTC and CT CGUs at 30 June 2023.

| | Reasonable possible change | VTC (\$'000) | CT (\$'000) |
|--|-----------------------------------|---------------------|--------------------|
| Change in post-tax discount rate¹ | increased by 1.5% | nil | nil |
| Change in revenue growth rate Y1¹ | decreased by 5% | nil | nil |
| Change in revenue growth rate Y2-Y5¹ | decreased by 2% | nil | nil |
| Change in gross profit margin %¹ | decreased by 1.25% | nil | nil |

¹ Percentage change presented above represent the absolute change in the assumption value.

Whilst the above outline management's best estimates of key assumptions and reasonably possible changes in key value drivers, changes in the level of business activity and severe weather events may also materially impact the determination of the recoverable amount. Should the regulatory macroeconomic factors that are specific to the Australian and New Zealand domestic market change, this could impact the level of activity in the market, as well as competition, and thereby affect the Group's revenue and cost initiatives. Additionally, given the outdoor nature of the Group's operations, any significant weather event would also impact the Group's revenue and therefore, forecast cash flows. If conditions change unfavourably, changes in recoverable amount estimates may arise.

Each of the assumptions above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption. Action is usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of such a change.

Modelling incorporating the assumptions identified in the key assumptions table provides that the recoverable amount exceeds the carrying amount (headroom) as outlined below. The recoverable amount of the CGUs would equal its carrying amount if the key assumptions were to change as follows:

| 30 June 2023 | VTC | CT |
|--|---------------|--------------|
| Headroom (\$'000) | 14,474 | 3,779 |
| Increase in post-tax discount rate ² | 4.3% | 1.5% |
| Decrease in revenue growth rate Y1 ² | 11% | 7% |
| Decrease in revenue growth rate Y2-Y5 ² | 3.1% | 2.3% |
| Decrease in gross profit margin % ² | 2% | 1.5% |

² Percentage change presented above represent the absolute change in the assumption value.

21. Other intangible assets

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--------------------------------------|------------------------------------|------------------------------------|
| Customer lists | | |
| Customer lists - at cost | 31,437 | 21,205 |
| Less accumulated amortisation | (5,346) | (1,736) |
| Less accumulated impairment | (2,620) | (468) |
| | <u>23,471</u> | <u>19,001</u> |
| Brands | | |
| Brands - at cost | 3,397 | 1,739 |
| Less accumulated impairment | (216) | (135) |
| | <u>3,181</u> | <u>1,604</u> |
| Total Other intangible assets | <u>26,652</u> | <u>20,605</u> |

Allocation of brands

Brands are allocated to the CGU's as per below:

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|-----------------------------------|------------------------------------|------------------------------------|
| Verifact Traffic Control | 843 | 843 |
| Arid to Oasis Traffic Solutions | 237 | 237 |
| Platinum Traffic Services Pty Ltd | 76 | 76 |
| D&D Traffic Management | 367 | 367 |
| The Traffic Marshall | - | 81 |
| Construct Traffic | 1,220 | - |
| Wilsons TM | 438 | - |
| | <u>3,181</u> | <u>1,604</u> |

21. Other intangible assets (cont'd)

Movements in carrying amounts

| | | Year ended 30 June 2023 | | |
|---|------|-------------------------|--------|---------|
| | | \$'000 | | |
| | Note | Customer lists | Brands | Total |
| At 1 July 2022 | | 19,001 | 1,604 | 20,605 |
| Additions from acquisitions of subsidiaries | 31 | 10,311 | 1,667 | 11,978 |
| Exchange differences | | (79) | (9) | (88) |
| Less Amortisation for the year | | (3,610) | - | (3,610) |
| Less Impairment loss for the year | 9 | (2,152) | (81) | (2,233) |
| At 30 June 2023 | | 23,471 | 3,181 | 26,652 |

| | | Year ended 30 June 2022 | | |
|---|--|-------------------------|--------|---------|
| | | \$'000 | | |
| | | Customer lists | Brands | Total |
| At 1 July 2021 | | - | - | - |
| Additions from acquisitions of subsidiaries | | 21,205 | 1,739 | 22,944 |
| Less Amortisation for the year | | (1,736) | - | (1,736) |
| Less Impairment loss for the year | | (468) | (135) | (603) |
| At 30 June 2022 | | 19,001 | 1,604 | 20,605 |

The customer lists are amortised over their useful lives which has been determined to be 4 - 10 years. This useful life is based off a pool of 500+ customers, with the majority of the customers being repeat customers year on year. Brands are indefinite life and are not amortised.

22. Deferred tax assets and liabilities

Recognised Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| Year ended 30/06/2023 | | | |
|------------------------------------|--------|-------------|-------------------------------|
| \$'000 | | | |
| | Assets | Liabilities | Net Assets / (Liabilities) |
| Property, plant and equipment | - | (2,161) | (2,161) |
| ROU assets / Lease liabilities | 93 | - | 93 |
| Other intangible assets | - | (7,904) | (7,904) |
| Employee provisions | 926 | - | 926 |
| Payables and accruals | 1,293 | - | 1,293 |
| Business acquisition related costs | 1,131 | - | 1,131 |
| Borrowing costs | 56 | - | 56 |
| Other | 12 | (1) | 11 |
| | 3,511 | (10,066) | (6,555) |

| 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 |
| Other intangible assets | - | (6,182) | (6,182) |
| Employee provisions | 891 | - | 891 |
| Payables and accruals | 839 | - | 839 |
| Business acquisition related costs | 1,488 | - | 1,488 |
| Borrowing costs | 28 | - | 28 |
| Tax losses | 215 | - | 215 |
| Other | 34 | (1) | 33 |
| | 3,520 | (8,975) | (5,455) |

22. Deferred tax assets and liabilities (cont'd)**Movement in temporary differences during the year**

| Year ended 30 June 2023 | | | | | |
|------------------------------------|------------------------------------|-----------------|---------------------------------|---|----------------|
| | Net Opening balance | Acquired | Recognised in Equity | Recognised in profit or loss | Net DTL |
| Property, plant and equipment | (2,792) | - | - | 631 | (2,161) |
| ROU assets / Lease liabilities | 25 | - | - | 68 | 93 |
| Other intangible assets | (6,182) | (3,475) | - | 1,753 | (7,904) |
| Employee provisions | 891 | 79 | - | (44) | 926 |
| Payables and accruals | 839 | - | - | 454 | 1,293 |
| Business acquisition related costs | 1,488 | - | - | (357) | 1,131 |
| Borrowing costs | 28 | - | - | 28 | 56 |
| Tax losses | 215 | - | - | (215) | - |
| Other | 33 | - | - | (22) | 11 |
| | (5,455) | (3,396) | - | 2,296 | (6,555) |

| Year ended 30 June 2022 | | | | | |
|------------------------------------|------------------------------------|-----------------|---------------------------------|---|----------------|
| | Net Opening Balance | 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 |
| Other intangible assets | - | (6,884) | - | 702 | (6,182) |
| Employee provisions | - | 1,022 | - | (131) | 891 |
| Payables and accruals | - | 662 | - | 177 | 839 |
| Business acquisition related costs | - | 96 | 678 | 714 | 1,488 |
| Borrowing costs | - | - | - | 28 | 28 |
| Tax losses | - | - | 170 | 45 | 215 |
| Other | - | 39 | - | (6) | 33 |
| | - | (7,728) | 848 | 1,425 | (5,455) |

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.

Included in the net deferred tax liability total, is a net deferred liability balance of \$1.2m relating to the New Zealand operations which cannot be offset against deferred tax assets and liabilities of the Australian operations.

Tax values on consolidation

During the year, the Group finalised the Allocable Cost Amount ("ACA") for each entity acquired on 15 December 2021. Any tax base differences between the preliminary ACA calculations used for the purposes of the prior period accounts have been reflected as prior year under / over provision true-up's in the current period.

23. Trade and other payables

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---------------------------|------------------------------------|------------------------------------|
| Trade payables | 4,069 | 3,321 |
| Accrued expenses | 4,021 | 2,929 |
| GST payable | 3,737 | 2,265 |
| Employee related payables | 4,401 | 2,626 |
| Other payables | 2,075 | 1,699 |
| | 18,303 | 12,840 |

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.

24. Lease liabilities

Maturity analysis

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---------|------------------------------------|------------------------------------|
| Year 1 | 1,256 | 995 |
| Year 2 | 1,186 | 755 |
| Year 3 | 1,126 | 682 |
| Year 4 | 732 | 662 |
| Year 5 | 336 | 285 |
| Onwards | 765 | 1,504 |
| | 5,401 | 4,883 |

Undiscounted lease liabilities analysed as:

| | | |
|-------------|--------------|--------------|
| Current | 1,256 | 995 |
| Non-current | 4,145 | 3,888 |
| | 5,401 | 4,883 |

Discounted lease liabilities analysed as:

| | | |
|-------------|--------------|--------------|
| Current | 1,079 | 995 |
| Non-current | 3,731 | 3,237 |
| | 4,810 | 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.

25. Borrowings

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------------------------------------|------------------------------------|
| Current | | |
| Unsecured | | |
| Related party loans ¹ | - | 1,250 |
| Secured | | |
| Bank loans | 677 | - |
| Bank overdraft | - | 2,201 |
| Equipment finance | 2,303 | 480 |
| | <u>2,980</u> | <u>3,931</u> |
| Non-Current | | |
| Secured | | |
| Bank loans (term facility / working capital loan) | 29,194 | 5,000 |
| Equipment finance | 9,677 | 2,057 |
| | <u>38,871</u> | <u>7,057</u> |
| Total borrowings | <u>41,851</u> | <u>10,988</u> |

¹ Acquired on acquisition of Verifact Traffic Pty Ltd.

Description of the Banking facilities

The Group has its banking facilities with the Commonwealth Bank in Australia and Kiwibank in New Zealand. These facilities include the provision of term facilities, asset finance facilities, and a working capital facility. The Group's financing arrangements in place as at 30 June 2023 are set out below.

Year ended 30 June 2023

| Facility | Currency | Facility Limit \$'000 | Drawn Amount Current \$'000 | Drawn Amount Non-current \$'000 | Maturity date |
|--|----------|-----------------------------|--------------------------------------|--|-----------------------|
| <u>Commonwealth Bank of Australia</u> | | | | | |
| Term Facility ² | AUD | 9,500 | - | 9,500 | 25 August 2025 |
| Working Capital Loan ² | AUD | 17,500 | - | 16,671 | 25 August 2025 |
| Asset Finance Facility ³ | AUD | 5,000 | 902 | 4,141 | Variable ⁴ |
| Asset Finance Facility ³ | AUD | 5,000 | 928 | 3,347 | 23 August 2027 |
| Overdraft Facility ³ | AUD | 2,500 | - | - | |
| Bank Guarantees ³ | AUD | 250 | - | 239 | Variable ⁵ |
| Corporate Credit Cards ³ | AUD | 250 | 106 | - | |
| <u>Kiwibank (New Zealand)</u> | | | | | |
| Term Facility ⁶ | NZD | 4,000 | 658 | 3,290 | 5 May 2028 |
| Asset Finance Facility ⁶ | NZD | 3,400 | 514 | 2,382 | 5 May 2028 |
| Overdraft Facility ⁶ | NZD | 1,000 | - | - | 5 May 2028 |
| Corporate Credit Cards ⁶ | NZD | 50 | - | - | 5 May 2028 |

² The term facility and working capital loan have a three-year term.

³ The undrawn portion of the facility is annually reviewed and renewed in July each year.

⁴ The drawn amount are comprised of asset financing arrangements with maturity dates to 28 April 2028.

⁵ The drawn amount are comprised of bank guarantee arrangements with maturity dates to 1 May 2033. No liability was recognised by the parent entity or the Group in relating to these guarantees.

⁶ The undrawn portion of the facility is available until the loan maturity date.

25. Borrowings (cont'd)

Year ended 30 June 2022

| Facility | Currency | Facility Limit \$'000 | Drawn Amount Current \$'000 | Drawn Amount Non-current \$'000 | Maturity date |
|--|----------|--------------------------|-----------------------------------|---------------------------------------|-----------------------|
| <u>Commonwealth Bank of Australia</u> | | | | | |
| Term Facility ¹ | AUD | 5,000 | - | 5,000 | 25 August 2025 |
| Asset Finance Facility ² | AUD | 5,000 | 481 | 2,057 | Variable ³ |
| Overdraft Facility ² | AUD | 4,750 | 2,201 | - | 25 August 2025 |
| Bank Guarantees ³ | AUD | 250 | - | 105 | Variable ⁴ |
| Corporate Credit Cards ⁴ | AUD | 250 | 40 | - | |

¹ The facility has a three-year term.

² The undrawn amount is annually reviewed and renewed in July each year

³ The drawn amount are comprised of asset financing arrangements with maturity dates to 13 December 2027.

⁴ The drawn amount are comprised of bank guarantee arrangements with maturity dates to 20 June 2025.

The key terms of the banking facilities are:

Commonwealth Bank of Australia

- The term facility can be used for financing of acquisitions and Earn-Out Considerations 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 facilities can be used to fund motor vehicle acquisitions or leases. Interest and principal is payable on a per contract basis. Additionally, the facilities have an establishment fee of 0.75% of the facility limit payable at financial close. The terms relating to the undrawn portion of the facilities are 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.
- The working capital loan can be used for financing day to day operating activity. The facility is charged at the day of draw down spot rate and has an annual line fee of 1.40%.

Bank covenants

There was a breach of the Net Leverage Ratio covenant at the half year ended 31 December 2022. The Commonwealth Bank confirmed in writing its position not to exercise its rights relating to the breach and waived its rights for future actions relating to the Group's financial reporting period for December 2022.

The Group was compliant with the covenants at 30 June 2023.

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

- Net leverage ratio – no more than 2.5 times; and
- Debt service cover ratio – more than 2.5 times.

Kiwibank (New Zealand)

- The term facility can be used for financing of acquisitions and Earn-Out Considerations payments. Principal and Interest is payable monthly. Interest is charged at 1.10% below the lender's base rate. The facility has an establishment fee of NZ\$0.05m. 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.

25. Borrowings (cont'd)

- The overdraft facility can be used to fund working capital. Interest is charged monthly at the lenders Overdraft Base Rate minus a margin of 1.50%. The facility has a shared establishment fee with the term facility and a line fee of 0.1% per month on the overdraft facility amount. 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 facilities can be used to fund motor vehicle acquisitions or leases. Principal and Interest is payable monthly at the floating interest which is 9% at 30 June 2023. Security is provided over each asset acquired under the facility.

Bank covenants

The first reporting period for the loan covenants is 30 September 2023.

The loan covenants are assessed quarterly on a rolling 12-month basis and are:

- Funding cost cover ratio – not less than 2.5 times
- Debt cover ratio – not less than 1.5 times; and
- Equity ratio – not less than 30% (Tested annually on the 31st of March)

26. Provisions

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---------------------------|------------------------------------|------------------------------------|
| <u>Current</u> | | |
| Annual leave | 2,504 | 2,329 |
| Long service leave | 166 | 173 |
| Make good provision | 32 | 32 |
| | <hr/> 2,702 | <hr/> 2,534 |
| <u>Non-Current</u> | | |
| Long service leave | 429 | 469 |
| | <hr/> 429 | <hr/> 469 |
| Total provisions | <hr/> 3,131 | <hr/> 3,003 |

Movements in provisions

| | Year ended 30/06/2023 \$'000 | | |
|---|---------------------------------|----------|-------------|
| | Employee benefits | Other | Total |
| At 1 July 2022 | 2,971 | 32 | 3,003 |
| Additions from acquisitions of subsidiaries | 276 | - | 276 |
| Charges to profit or loss | 2,952 | - | 2,952 |
| Amounts used during the period | (3,100) | - | (3,100) |
| At 30 June 2023 | <hr/> 3,099 | <hr/> 32 | <hr/> 3,131 |

26. Provisions (cont'd)

| | 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 |
| Charges to profit or loss | 746 | - | 746 |
| Amounts used during the period | (1,188) | - | (1,188) |
| At 30 June 2022 | 2,971 | 32 | 3,003 |

27. Other financial liabilities

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------------------------------------|------------------------------------|
| <u>Current</u> | | |
| Fixed retention – Wilsons TM | 1,073 | - |
| Contingent retention – Wilsons TM | 2,146 | - |
| Contingent consideration – Wilsons TM | 742 | - |
| Contingent consideration – Verifact Traffic Control | 3,007 | - |
| Contingent consideration – D&D Traffic Management | - | 1,210 |
| | 6,968 | 1,210 |
| <u>Non-Current</u> | | |
| Contingent consideration – Wilsons TM | 2,044 | - |
| | 2,044 | - |
| Total other financial liabilities | 9,012 | 1,210 |

Wilsons TM

Retention and contingent consideration are payable on the acquisition of Wilsons TM. A portion of retention represents a deferred payment consideration with no attached conditions. Another portion of retention is contingent as described below. At acquisition, both retention and contingent consideration have been discounted using a post-tax IRR of 17.5% which was determined to be Wilsons TM's weighted average cost of capital (WACC).

Under the retention arrangement, a fixed amount of \$1.3m with a net present value of \$1.1m is payable shortly after 12 months from the completion date. An additional retention amount of \$2.5m with a net present value of \$2.1m, estimated based on forecast trading, will be payable contingent upon a predetermined EBITDA threshold being achieved. The retention amount in respect of Wilsons TM is capped at \$3.8m.

Under the contingent consideration arrangement, consideration will be payable in approximately 12 and 24 months based on forecast trading. The contingent consideration payable has been determined by using predetermined Earn-Out multiples that have been applied to the surplus of predetermined EBITDA thresholds.

At the acquisition date, contingent consideration for the 12-month Earn-Out period was estimated to be \$0.9m with a net present value of \$0.7m. Contingent consideration for the 24-month Earn-Out period was estimated to be \$2.8m with a net present value of \$2.0m.

There is no cap in respect of the contingent consideration.

At each reporting date, the estimated retention and contingent consideration will be revalued to reflect its fair value.

27. Other financial liabilities (cont'd)

Verifact Traffic Control

Contingent consideration is payable on the acquisition of Verifact Traffic Pty Ltd and its subsidiaries.

The measurement period for the contingent consideration ended on 22 December 2022. At 30 June 2023, the contingent consideration was revalued based on actual monthly trading to 31 December 2022 resulting in a remeasurement loss of \$1.8m and a liability of \$3.0m.

28. Issues of equity securities

| | Year ended 30/06/2023 | |
|---|-----------------------|---------------|
| | No. of shares | \$'000 |
| Ordinary shares | | |
| Balance at beginning of the year | 73,268,358 | 51,160 |
| | <u>73,268,358</u> | <u>51,160</u> |
| | | |
| | Year ended 30/06/2022 | |
| | No. of shares | \$'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 | 20,594,942 | 20,595 |
| | <u>73,268,358</u> | <u>51,160</u> |

Terms and conditions of contributed equity

Ordinary shares

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.

29. Reserves

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--------------------------------------|------------------------------------|------------------------------------|
| Share-based payments reserve | 3,700 | 3,700 |
| Acquisition reserve | 10,175 | 10,175 |
| Foreign currency translation reserve | 3 | - |
| | <u>13,878</u> | <u>13,875</u> |

Movement in each class of reserve

| | Year ended 30/06/2023 \$'000 | | |
|--|------------------------------------|------------------------|---|
| | Share based payments reserve | Acquisition reserve | Foreign Currency Translation Reserve |
| At 1 July 2022 | 3,700 | 10,175 | - |
| Exchange differences on translation of foreign operations | - | - | 3 |
| At 30 June 2023 | <u>3,700</u> | <u>10,175</u> | <u>3</u> |

| | Year ended 30/06/2022 \$'000 | | |
|---|------------------------------------|------------------------|---|
| | Share based payments reserve | Acquisition reserve | Foreign Currency Translation Reserve |
| At 1 July 2021 | 150 | - | - |
| Share based payments fair value recognised in profit or loss | 3,550 | - | - |
| Additions from acquisitions of subsidiaries | - | 10,175 | - |
| At 30 June 2022 | <u>3,700</u> | <u>10,175</u> | <u>-</u> |

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 prior 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.

29. Reserves (cont'd)

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in foreign currency translation reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

30. Dividends

Details of dividends

No final or interim fully franked or unfranked dividend was paid during the year ended 30 June 2023 (2022: NIL).

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 \$8.0m. The balance includes adjustments made for franking credits arising from the payment of estimated provision for 2022 income tax.

31. Acquisition of subsidiaries

Details of acquisitions

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

- (a) Pursuant to an agreement signed by the Company on 20 June 2022, the Company agreed to acquire the business and 100% of the net assets of Construct Traffic Pty Ltd ("Construct Traffic") effective 26 August 2022 by way of a cash payment. 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. At acquisition, management performed an Earn-Out Consideration assessment and considered the probability of an Earn-Out Consideration payment being remote, hence no contingent consideration has been recognised at the end of the year.
- (b) Pursuant to an agreement signed by the Company on 15 April 2023, the Company agreed to acquire 100% of the shares of Wilsons TM Limited (New Zealand) ("Wilsons TM") effective 5 May 2023 by way of a cash payment. The agreement contains a retention payment and "Earn-Out" component based on trading performance for the 12 months and 24 months post completion of the acquisition subject to certain performance hurdles being met (refer Note 27).

Consideration transferred

| | Construct Traffic \$'000 | Wilsons TM \$'000 | Total \$'000 |
|--|--------------------------------|----------------------|-----------------|
| Cash consideration | 17,976 | 9,088 | 27,064 |
| Retention consideration ¹ | - | 3,193 | 3,193 |
| Contingent consideration ¹ | - | 2,760 | 2,760 |
| Total consideration transferred | 17,976 | 15,041 | 33,017 |

¹ Refer Note 27 for details of retention and contingent consideration.

31. Acquisition of subsidiaries (cont'd)

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:

| Assets | Note | Construct Traffic \$'000 | Wilsons TM ¹ \$'000 | Total \$'000 |
|--------------------------------------|------|--------------------------------|-----------------------------------|-----------------|
| Current assets | | | | |
| Cash and cash equivalents | | - | 856 | 856 |
| Trade and other receivables | | - | 1,697 | 1,697 |
| Total current assets | | - | 2,553 | 2,553 |
| Non-current assets | | | | |
| Property, plant and equipment | 18 | 5,697 | 4,240 | 9,937 |
| Right-of-use assets | 19 | 782 | 834 | 1,616 |
| Other intangible assets | 21 | 7,279 | 4,699 | 11,978 |
| Total non-current assets | | 13,758 | 9,773 | 23,531 |
| Total assets | | 13,758 | 12,326 | 26,084 |
| Current liabilities | | | | |
| Trade and other payables | | - | 1,311 | 1,311 |
| Lease liabilities | | 61 | 90 | 151 |
| Current tax liabilities | | - | 236 | 236 |
| Provisions | | 109 | 134 | 243 |
| Total current liabilities | | 170 | 1,771 | 1,941 |
| Non-current liabilities | | | | |
| Lease liabilities | | 721 | 744 | 1,465 |
| Provisions | | 33 | - | 33 |
| Deferred tax liabilities | | 2,141 | 1,278 | 3,419 |
| Total non-current liabilities | | 2,895 | 2,022 | 4,917 |
| Total liabilities | | 3,065 | 3,793 | 6,858 |
| Net assets | | 10,693 | 8,533 | 19,226 |

¹ The initial accounting for the acquisition of Wilsons TM has been provisionally determined at the end of the financial year, taking into consideration market valuations of equipment, tax calculations along with the determination of the consideration paid and the fair value of the identifiable assets acquired and liabilities assumed. The acquisition accounting is provisional at 30 June 2023 primarily due to the proximity of the acquisition to year end and therefore, management is finalising its assessment of key assumptions and inputs used in determining some fair values. The final formal assessment is required to be performed within 12 months from the date of acquisition and will reflect the value of completion adjustments which have not been formalised at 30 June 2023.

31. Acquisition of subsidiaries (cont'd)

| | Construct Traffic \$'000 | Wilsons TM \$'000 | Total \$'000 |
|---|---|------------------------------|-------------------------|
| Goodwill arising on acquisition | | | |
| Purchase price consideration | 17,976 | 15,041 | 33,017 |
| Less: Total of identifiable net assets acquired | (10,693) | (8,533) | (19,226) |
| Goodwill arising on acquisition | 7,283 | 6,508 | 13,791 |

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

| | Construct Traffic \$'000 | Wilsons TM \$'000 | Total \$'000 |
|--|---|------------------------------|-------------------------|
| Cash consideration | 17,976 | 9,088 | 27,064 |
| Net Working Capital Adjustment | - | (370) | (370) |
| Less: cash and cash equivalents acquired | - | (856) | (856) |
| | 17,976 | 7,862 | 25,838 |

Impact of the acquisitions on the results of the Group

The revenue of the Group attributable to the subsidiaries acquired in FY23 is \$28.7m. The transaction cost incurred by the Company in respect to current year acquisitions was \$1.5m.

As a reference point, had the acquisition of the two new subsidiaries been effected at 1 July 2022, the unaudited "pro-forma" revenue of the combined Group on a yearly basis from continuing operations for the year ended 30 June 2023 would have been \$189.9m.

32. Notes to the cash flow statement

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

| | Note | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|---|------|------------------------------------|------------------------------------|
| Loss for the year | | (5,630) | (12,535) |
| Adjustments for: | | | |
| Depreciation and amortisation | | 10,355 | 4,706 |
| Equity-settled share-based payment | | - | 3,550 |
| Movement in expected credit loss | | (71) | (19) |
| Loss on sale of fixed assets | | 21 | 74 |
| Loss on remeasurement of leases | | 109 | - |
| Loss on remeasurement of contingent liability | | 1,960 | (9,065) |
| Impairment of goodwill and other intangibles | 9 | 3,194 | 14,957 |
| Movements in working capital: | | | |
| (Increase)/decrease in Trade and other receivables | | (6,681) | (306) |
| (Increase)/decrease in Other assets | | (351) | 999 |
| (Increase)/decrease in Deferred tax liabilities | | (2,319) | (1,425) |
| Increase/(decrease) in Trade and other payables | | 3,782 | (76) |
| Increase/(decrease) in Current tax payable | | 737 | (1,370) |
| Increase/(decrease) in Other liabilities | | (148) | (440) |
| Net cash generated from / (used in) operating activities | | 4,958 | (950) |

32. Notes to the cash flow statement (cont'd)

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.

| | 1 July 2022 \$'000 | Financing cash flows ¹ \$'000 | Non-cash changes Acquisition of subsidiaries \$'000 | New lease commitment s\$'000 | Remeasurements \$'000 | 30 June 2023 \$'000 |
|--|--------------------------|--|--|------------------------------------|--------------------------|---------------------------|
| Related entity loans acquired on acquisition | 1,250 | (1,250) | - | - | - | - |
| Bank loan | 5,000 | 24,871 | - | - | - | 29,871 |
| Chattel mortgage | 2,538 | 9,442 | - | - | - | 11,980 |
| Lease liabilities | 4,232 | (1,162) | 1,616 | 1,578 | (1,454) | 4,810 |
| Contingent consideration ² | 1,210 | - | 5,953 | - | 1,849 | 9,012 |
| Total liabilities from financing activities | 14,230 | 31,901 | 7,569 | 1,578 | 395 | 55,673 |

| | 1 July 2021 \$'000 | Financing cash flows ¹ \$'000 | Non-cash changes Acquisition of subsidiaries \$'000 | New lease commitments \$'000 | Remeasurements \$'000 | 30 June 2022 \$'000 |
|--|--------------------------|--|--|------------------------------------|--------------------------|---------------------------|
| Seed loans | 360 | 1,169 | (1,529) | - | - | - |
| 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 ² | - | - | 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.

Reconciliation of cash

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|----------------|------------------------------------|------------------------------------|
| Cash | 10,834 | 2,751 |
| Bank overdraft | - | (2,201) |
| | 10,834 | 550 |

33. Share-based payments

The following share-based payments were recognised through profit or loss during the full year ended 30 June 2023:

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'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 |
| | - | 3,550 |

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.

34. Key management personnel

| | Note | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|------------------------------|------|------------------------------------|------------------------------------|
| Short-term employee benefits | | 1,077 | 740 |
| Post-employment benefits | | 96 | 72 |
| Long-term benefits | | 34 | (1) |
| Share-based payments | 33 | - | 3,550 |
| | | 1,207 | 4,361 |

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.

Long-term benefits

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

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

Discretionary bonuses of \$0.03m (2022: \$0.03m) were granted during the year ended 30 June 2023.

Share-based payments

No shares were issued to employees or Directors during the current year.

As disclosed in the remuneration report, a portion of shares issued in financial year ended 30 June 2022 to directors as share-based payments which are subject to escrow have been extended until 4 September 2024. No vesting conditions are attached to the shares.

35. 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 30/06/2023 \$'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|--|------------------------------------|----------------------|--|---------------------------------|--|
| Retention liability as described in Note 27 | Liabilities (FVTPL) - \$3,219 | Level 3 | Present Value of expected future cash outflow (see (ii) below) | Forecast EBITDA | Liability capped. An increase in the forecast profits used in isolation would result in no movement in the fair value |
| Contingent consideration in a business combination | Liabilities (FVTPL) - \$2,786 | Level 3 | Present Value of expected future cash outflow (see (ii) below) | Forecast EBITDA | An increase in the forecast revenues and profits used in isolation would result in a significant increase in the fair value (see (i) below.) |
| (iii) Contingent consideration in a business combination | Liabilities (FVTPL) - \$3,007 | N/A | N/A | N/A | N/A |

- (i) A 5% increase/decrease in the forecast EBITDA while holding all other variables constant would increase/decrease the carrying amount of the contingent consideration by \$1.1m (\$0.5m in year one and \$0.6m in year two respectively).
- (ii) On acquisition of the business combination on 5 May 2023, the retention and contingent consideration was initially measured at net present value of the expected future cash outflow, using an IRR of 17.5%.
- (iii) Liability held at fair value, being the amount expected to be paid and considered to be approximate to fair value.

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

36. 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 five per cent higher/lower and all other variables were held constant, the Group's loss for the full year ended 30 June 2023 would decrease/increase by \$1.24m. 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.

36. Financial risk management (cont'd)

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 | 1 month to 1 year | 1-2 years | 2-5 years | 5+ years | Total | Carrying value |
|----------------------------------|--|----------------------|----------------------|-----------|-----------|----------|--------|-------------------|
| 30 June 2023 | % | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | - | 14,247 | 3,981 | - | - | - | 18,228 | 18,228 |
| Trade payables – related parties | - | 64 | 11 | - | - | - | 75 | 75 |
| Bank loan | 5.25 | 131 | 1,444 | 1,444 | 32,276 | - | 35,295 | 29,871 |
| Lease liabilities | 3.63 | 95 | 1,161 | 1,186 | 2,194 | 765 | 5,401 | 4,810 |
| Equipment finance | 6.88 | 347 | 2,698 | 3,046 | 7,981 | - | 14,072 | 11,980 |
| Contingent consideration | - | - | 7,661 | 2,402 | - | - | 10,063 | 9,012 |
| Provisions | - | 273 | 2,429 | 108 | 228 | 93 | 3,131 | 3,131 |
| | | 15,157 | 19,385 | 8,186 | 42,679 | 858 | 86,265 | 77,107 |

| | Weighted average effective interest rate | Less than 1 month | 1 month to 1 year | 1-2 years | 2-5 years | 5+ years | Total | Carrying value |
|-----------------------------------|--|----------------------|----------------------|-----------|-----------|----------|--------|-------------------|
| 30 June 2022 | % | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 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 | 6.62 | 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.

36. Financial risk management (cont'd)

Liquidity risk (cont'd)

Financing facilities

The Group has access to financing facilities as described below, of which \$5.3m was 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 30/06/2023 | | | | | | | |
|---------------------------------------|---------------|----------------------|---------------------------|---------------------------|----------------|-----------------|--------------|
| \$'000 | | | | | | | |
| Facility | Term Facility | Working Capital Loan | Asset Finance (Tranche 1) | Asset Finance (Tranche 2) | Bank Overdraft | Bank Guarantees | Credit Cards |
| Commonwealth bank of Australia | | | | | | | |
| Amount used | 9,500 | 16,671 | 5,000 | 4,275 | - | 239 | 106 |
| Amount unused | - | 829 | - | 725 | 2,500 | 11 | 144 |
| | 9,500 | 17,500 | 5,000 | 5,000 | 2,500 | 250 | 250 |
| Kiwibank | | | | | | | |
| Amount used | 3,949 | - | 2,908 | - | - | - | - |
| Amount unused | 51 | - | 492 | - | 1,000 | - | 50 |
| | 4,000 | - | 3,400 | - | 1,000 | - | 50 |

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

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.

37. 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 34.

Other related parties

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

Joint venture accounted for under the equity method

The Group has a 49% interest in Bilingarra Indigenous Services Pty Ltd. The interest in the joint venture is accounted for under the equity method of accounting. Refer to Note 17 for details of the joint venture.

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:

| Related party | Purpose | Year ended 30/06/2023 | |
|------------------------------------|--------------------------|---|---|
| | | Transactions with related parties \$'000 | Amounts owed to related parties \$'000 |
| Courtney Petersen (Black) | Advisory Services | 115 | - |
| FNQ Traffic Hire Pty Ltd | Equipment hire | 483 | 56 |
| James Bowe Family Trust | Rent | 62 | 4 |
| Lead Training Pty Ltd | Training services | 179 | - |
| Maddison Stockton | Gross wages | 27 | - |
| Midmarlar Pty Ltd | Rent | 27 | - |
| Midmarlar c/o LJ Hooker | Rent | 152 | - |
| Rodeca Pty Ltd | Rent | 45 | 4 |
| The Bowe Family Trust | Rent | 131 | 11 |
| Traffic & Access Solutions Pty Ltd | Administration services | 2 | - |
| Trafmar Holdings Pty Ltd | Rent | 71 | - |
| Verifact Pty Ltd | Insurance | 615 | - |
| Verifact Pty Ltd | Working capital credit | 46 | - |
| Verifact Pty Ltd | Contingent Consideration | 3,007 | 3,007 |

During the year ended 30 June 2023, the Group has repaid the loan liability amounted to \$1.25m to Verifact Investigation Pty Ltd.

37. Related party balances or transactions (cont'd)**Trading transactions (cont'd)**

| Related party | Purpose | Year ended 30/06/2022 | |
|------------------------------------|---|--|--|
| | | Transactions with related parties \$'000 | Amounts owed to related parties \$'000 |
| Kern Group | Advisory Services | 950 | - |
| Kern Group | 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 | 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 ¹ | 441 | - |
| Hockridge Family Super Fund | Seed loan ¹ | 445 | - |
| Bowe Development Pty Ltd | Seed loan ¹ | 141 | - |
| The Crowley Family Super Fund | Seed loan ¹ | 188 | - |
| D&D Traffic Management Pty Ltd | Seed loan ¹ | 211 | - |

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

38. 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. As at 30 June 2023, the Company had issued \$0.24m (2022: \$0.11m) in bank guarantees. 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 2023.

39. Remuneration of auditors

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Deloitte | | |
| Audit or review of financial reports | 659 | 338 |
| Audit or review of financial reports – other entities pre-acquisition ¹ | - | 735 |
| Total audit services | 659 | 1,073 |
| Financial and Tax Due Diligence | 138 | - |
| Investigating Accountants Report | - | 485 |
| Total non-audit services | 138 | 485 |
| Total amount payable to auditor | 797 | 1,558 |

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.

40. 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 Australian subsidiaries have formed 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 results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, but 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.

40. Parent entity information (cont'd)

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Statement of financial position | | |
| Assets | | |
| Current assets | 8,158 | 1,193 |
| Non-current assets | 83,929 | 64,732 |
| Total assets | 92,087 | 65,925 |
| Liabilities | | |
| Current liabilities | 6,854 | 5,163 |
| Non-current liabilities | 46,149 | 9,287 |
| Total liabilities | 53,003 | 14,450 |
| Net assets | 39,084 | 51,475 |
| Equity | | |
| Share Capital | 51,160 | 51,160 |
| Share-based payments reserve | 3,700 | 3,700 |
| Acquisition reserve | 10,175 | 10,175 |
| Accumulated losses | (25,951) | (13,560) |
| Total Equity | 39,084 | 51,475 |
| Loss for the year | (12,391) | (13,144) |
| Total comprehensive Loss for the year | (12,391) | (13,144) |

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 30/06/2023 % | Year ended 30/06/2022 % |
| A20 Pty Ltd | Australia | 100% | 100% |
| Arid to Oasis Traffic Solutions Pty Ltd | Australia | 100% | 100% |
| Customised Traffic Management No. 2 Pty Ltd | Australia | 100% | 100% |
| D&D Services (Australia) Pty Ltd | Australia | 100% | 100% |
| D&D Traffic Management Pty Ltd | Australia | 100% | 100% |
| Linemark Traffic Control Pty Ltd | Australia | 100% | 100% |
| Platinum Traffic Services Pty Ltd | Australia | 100% | 100% |
| The Traffic Marshal Pty Ltd | Australia | 100% | 100% |
| Traffic Management People No. 2 Pty Ltd | Australia | 100% | 100% |
| Verifact Traffic Pty Ltd | Australia | 100% | 100% |
| Construct Traffic No. 2 Pty Ltd | Australia | 100% | - |
| AVADA IS QLD No.1 Pty Ltd | Australia | 100% | - |
| Plans and Permits Australia Pty Ltd | Australia | 100% | - |
| AVADA New Zealand Limited | New Zealand | 100% | - |
| Wilsons TM Limited (New Zealand) | New Zealand | 100% | - |

41. Subsidiaries and controlled entities (cont'd)

Deed of cross guarantee

On 16 June 2023 AVADA Group Limited and Verifact Traffic Pty Ltd became parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, Verifact Traffic Pty Ltd has been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by AVADA Group Limited, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2023 of the closed group consisting of AVADA Group Limited and Verifact Traffic Pty Ltd.

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--|------------------------------------|------------------------------------|
| Revenue | 53,367 | 28,274 |
| Other income | 29 | 9,137 |
| Depreciation and amortisation expense | (3,127) | (1,711) |
| Direct equipment hire and consumables | (6,649) | (3,464) |
| Direct wages and salaries | (36,919) | (20,837) |
| Non-direct wages and salaries | (6,479) | (2,916) |
| Administration expenses | (4,627) | (8,185) |
| Impairment of intangible assets | (3,374) | (16,131) |
| Other expenses | (2,749) | (692) |
| Finance costs | (2,276) | (340) |
| Loss before income tax | (12,804) | (16,865) |
| Income tax benefit | 1,943 | 1,764 |
| Loss for the year | (10,861) | (15,101) |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive loss for the year | (10,861) | (15,101) |
| Loss attributable to: | | |
| Owners of the parent | (10,861) | (15,101) |
| | (10,861) | (15,101) |
| Total comprehensive loss attributable to: | | |
| Owners of the parent | (10,861) | (15,101) |
| | (10,861) | (15,101) |

41. Subsidiaries and controlled entities (cont'd)

Set out below is a consolidated statement of financial position at 30 June 2023 for the closed group consisting of AVADA Group Limited and Verifact Traffic Pty Ltd.

| | Year ended 30/06/2023 \$'000 | Year ended 30/06/2022 \$'000 |
|--------------------------------------|------------------------------------|------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 5,565 | 264 |
| Trade and other receivables | 4,728 | 4,292 |
| Current tax assets | 3,791 | 1,640 |
| Other current assets | 5,153 | 348 |
| Total current assets | 19,237 | 6,544 |
| Non-current assets | | |
| Property, plant and equipment | 4,833 | 5,717 |
| Right-of-use-assets | 785 | 538 |
| Investments in subsidiaries | 46,613 | 32,011 |
| Goodwill | 14,270 | 14,270 |
| Other intangible assets | 9,693 | 11,314 |
| Other non-current assets | 39 | 20 |
| Total non-current assets | 76,233 | 63,870 |
| Total assets | 95,470 | 70,414 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 6,240 | 6,219 |
| Lease liabilities | 243 | 135 |
| Borrowings | 1,810 | 3,944 |
| Provisions | 1,679 | 1,700 |
| Other financial liabilities | 3,007 | 1,210 |
| Total current liabilities | 12,979 | 13,208 |
| Non-current liabilities | | |
| Lease liabilities | 617 | 419 |
| Borrowings | 41,693 | 5,310 |
| Deferred tax liabilities | 1,387 | 1,788 |
| Provisions | 139 | 173 |
| Total non-current liabilities | 43,836 | 7,690 |
| Total liabilities | 56,815 | 20,898 |
| Net Assets | 38,655 | 49,516 |
| Equity | | |
| Share capital | 51,160 | 51,160 |
| Reserves | 13,875 | 13,875 |
| Accumulated losses | (26,380) | (15,519) |
| Total equity | 38,655 | 49,516 |

42. Events Occurring after the reporting date

STA Traffic Management acquisition

On 24 August 2023, the Company entered a binding agreement to acquire the net assets of STA Traffic Management Pty Ltd ("STA Traffic"). The acquisition consideration of \$8.5 million represents an EBITDA multiple of 3.0 times FY23 unaudited EBITDA. The acquisition includes:

- A cash payment on completion of \$7.65 million, subject to adjustment for employee entitlements
- Depending on the normalised EBITDA results of the business at the end of the Earn-Out Period (being the first 12 full months following completion), STA may also be entitled to:
 - a Retention Payment up to a maximum amount of \$850,000, subject to achieving pre-agreed targets, to be paid in cash; and
 - an Earn-Out Consideration totalling three times the normalised EBITDA of the acquired business to the extent it exceeds the Minimum Earn-Out Threshold, to be paid in cash.

Additional equity funding

On 24 August 2023, the Group announced a non-underwritten capital raising to raise approximately \$7 million by issuing up to 11,666,667 shares, comprising:

- An institutional placement of 9,454,667 shares at \$0.60 per New Share raising \$5,672,800 allotted on 30 August 2023; and
- A further placement 2,212,000 shares at \$0.60 per New Share raising \$1,327,200 of which 2,100,000 shares (valued at \$1,260,000) to Directors (or entities associated with them) are conditional and subject to shareholder approval at an Extraordinary General Meeting planned for on or around 29 September 2023.

Funds from the capital raises will be used to partially fund the acquisition of STA Traffic.

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.