

AVADA Group Limited

ACN 648 988 783

ASX Code: AVD

Appendix 4E for the full year ended 30 June 2024

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 30/06/2024 \$'000	Consolidated Year ended 30/06/2023 \$'000
Revenue from ordinary activities	15.6%	204,537	177,002
Profit/(Loss) from ordinary activities after tax attributable to members	126.8%	1,511	(5,630)
Profit/(Loss) for the year attributable to members	126.8%	1,511	(5,630)

The unaudited preliminary results above for AVADA Group Limited ("the Company") and its subsidiaries ("the Group") reflect organic growth from existing businesses and the results from the acquisition of:

- On 23 October 2023, the Company, through its subsidiary STA Traffic Management No.2 Pty Ltd, acquired the business and all assets of STA Traffic Management Pty Ltd.

In addition, adjustments were made to the contingent consideration purchase price of two acquisitions and included in the unaudited preliminary financial results a:

- A gain of \$4,648,763 in relation to the acquisition of Wilsons TM Limited for the year ended 30 June 2024; and
- A loss of \$47,225 in relation to the acquisition of STA Traffic Management Pty Ltd for the year ended 30 June 2024.

Dividend details

The Company is not proposing to pay a dividend for the year ended 30 June 2024.

EXPLANATION OF KEY INFORMATION

Composition of the consolidated financial statements

The unaudited preliminary consolidated statement of profit or loss and other comprehensive income, preliminary consolidated statement of financial position, preliminary consolidated statement of changes in equity and the preliminary consolidated statement of cash flows for the year ended 30 June 2024 include the full year results of the Company and its operating subsidiaries, except STA Traffic Management No.2 Pty Ltd which has results from 23 October 2023. The comparative period results include the results of the Company and its subsidiaries for the 12 months ended 30 June 2023, excluding STA Traffic Management No.2 Pty Ltd.

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

Name	Date of gain of control	Loss for the year ended 30 June 2024 attributable to the Group from acquisitions \$'000
STA Traffic Management Pty Ltd ¹	23 October 2023	365

¹ The Company, through its subsidiary STA Traffic Management No. 2 Pty Ltd, acquired the business and assets of STA Traffic Management Pty Ltd.

Net tangible assets per share

	30/06/2024	30/06/2023
Net tangible assets / (liabilities) per share ¹	<u>(\$0.07)</u>	<u>(\$0.23)</u>

¹ Right-of-use assets and lease liabilities have been included in the Net tangible assets per share calculation.

The Appendix 4E Preliminary Financial Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Financial Report. The Financial Report is currently being audited.

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Preliminary financial report for the year ended
30 June 2024

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Commentary on results

Principal activities

The Group's principal activities during the year ended 30 June 2024 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 and commercial operators.

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 and planning 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. During the financial year ended 30 June 2024, the Company's subsidiaries maintained independent branding, leveraging their existing client relationships and goodwill while being supported by the Company's resources and governance frameworks. The Company made a strategic announcement on 28 June 2024 reflecting a change in operation service delivery of its subsidiary companies.

Dividends

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

Review of operations

The profit for the year for the Group after providing for income tax amounted to \$1,511,000 (2023: loss \$5,630,000).

The statutory profit includes other gains of \$4,602,000 which resulted from a decrease to the fair value of the contingent consideration financial liability upon the acquisition of subsidiary companies; impairment of intangible assets of \$3,631,000 in relation to the brands recognised upon the acquisitions of subsidiary companies and as a result of the change in their operational service delivery as set out in the strategic announcement on 28 June 2024.

Review of operations (cont'd)

The Company completed the acquisition of the business and assets of STA Traffic Management Pty Ltd (STA Traffic) in October 2023 and integrated both STA Traffic and its New Zealand acquisition Wilsons TM Limited (Wilsons TM) during the financial year. Both acquisitions had challenges. STA Traffic operates with a non-unionised workforce with its client-based project work influenced by union activity requiring unionised labour working on projects. Wilsons TM struggled to perform against expectations, in large part driven by the economic drivers affecting Government funding to the South Island in New Zealand. To mitigate the reduction in revenue, overhead reduction strategies were implemented.

During the financial year business functions were expanded to increase capability and support the growth ambitions of the Group. This included the implementation of a state management support structure along with functional support to drive performance and accountability of the existing operations to support the future growth strategy of the Group.

The Group was also impacted by a range of negative external factors including project delays and cancellations due to unstable weather, union activity and internal resource management and utilisation issues affecting service delivery and performance standards. In response to this, a comprehensive operational review was undertaken to build efficiency initiatives and to re-balance the revenue and operational cost base to respond to market conditions, ensuring sufficient capacity and capability to deliver on strategic growth objectives. The results of the review were announced on 28 June 2024 with the redefining of the operating strategy, structure and branding to further strengthen the competitive advantages of the Company's national scale and position. The review identified that a new operating structure under a single brand, AVADA Traffic would deliver a more consistent client experience alongside operating efficiencies. The current operating strategy which was based on independent businesses trading under multiple brands with centralised corporate services was found to be the optimal structure during the IPO and initial consolidation phase but was no longer the most efficient model to operate under on a national scale.

The integration would provide a national platform integrating traffic controllers, vehicles and depots operating under the single operating company, AVADA Traffic Pty Ltd. The brands being consolidated included Construct Traffic, CTM, Linemark Traffic Control, A2O Traffic Solutions, Verifact Traffic, D&D Group, The Traffic Marshal, Platinum Traffic Services, Traffic Management People and STA Traffic. Integration of the operations of the Group's businesses and consolidated corporate functions will be completed by 1 October 2024.

The Group's IT strategy is well implemented consolidating the operating systems to a single platform with improved the cyber security and data analytics to provide improved information and insights to the business. These initiatives will continue into FY25 with the implementation of new payroll and financial management systems.

Outlook

The Group continues to deliver industry best practice and public accountability standards for safety, governance and reporting across its operations. The governance framework provides a platform to drive performance and the evaluation of future acquisition and diversification opportunities which provides synergies to the operations and in line with the strategic direction of the Group.

Organic growth opportunities remain the focus for the 2025 financial year, along with continued cost efficiencies and margin improvement. Significant improvement has been achieved over the past two years with further refinement expected from the restructure.

Maintenance projects and the pipeline for civil services work remains strong, given the recurring maintenance requirements of essential infrastructure and government funding of new projects. Each year infrastructure projects are either brought forward or delayed depending on Government funding and priorities. The Company through its client relationships is well positioned to adjust to these adjustments.

The low unemployment rate continues to present challenges to the Group (and across all operators in the traffic management and civil construction sectors). The Company is working to strengthen its employee value proposition to recruit, retain and develop traffic controllers and support its client service delivery standards.

Weather will always remain a challenge with variability across Eastern Australian and the South Island of New Zealand. Operational teams have learned to adjust to these conditions and look for opportunities which come from these challenges.

Financial position and Impairment

The net asset position of the Group increased from \$46,458,000 as at 30 June 2023 to \$54,468,000 as at 30 June 2024.

The Group acquired the business and the assets of STA Traffic Management Pty Ltd, including property plant and equipment of \$4,347,000, and goodwill and intangible assets of \$4,577,000. This is offset by financial liabilities related to funding the acquisition.

The carrying amount of goodwill and intangible assets with indefinite useful lives are tested annually for impairment. As part of the restructure announced on 28 June 2024, the Directors have reassessed its Cash Generating Unit's ("CGU's") as part of assessing impairment in accordance with AASB 136 *Impairment of Assets*. The Directors have determined it appropriate to define and test a CGU at the State level rather than at the individual business unit level. This change reduces the number of CGU's being tested from seven to four. The Directors, in reflecting on the trading performance, gross margins achieved and the strong infrastructure and maintenance pipeline have assessed the goodwill and intangible assets to be recoverable for all four CGUs.

As part of the restructure, the Directors deemed it appropriate to write off the carrying value of Brands, of \$3,631,000 at 30 June 2024.

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 (\$'000)
STA Traffic Management No.2 Pty Ltd	\$5,971

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 and contingent consideration.

Changes in the state of affairs

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

On 23 October 2023, the Company, through its subsidiary STA Traffic Management No.2 Pty Ltd, acquired the business and all assets of STA Traffic Management Pty Ltd.

On 28 June 2024, the Company announced a complete restructure and strategic review of its operations. The restructure entails a shift from operating as a "House of Brands" where the Group was trading under multiple brands, to a "Branded House" where the Group operates under a single "AVADA Traffic" brand. The restructure will result in the Group's individual subsidiary brands becoming redundant and a number of operational positions becoming redundant. Consequently, the Group has recognised an impairment of \$3,631m to the value of its subsidiaries brands and a restructuring provision of \$1,492m.

AVADA Group Limited

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.

Events after the reporting year

Extension of Commonwealth Bank Facilities

The Company has renewed its Term Facility and Working Capital Loan out to 25 August 2026.

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 on organic growth opportunities and margin improvement through improved resource utilisation and cost management.

Organisational Restructure

The organisational restructure announced on 28 June 2024, will be rolled out with implementation undertaken during the first quarter of FY25. The changes will:

- Optimize deployment of resources across the network of local projects and national clients
- Continue to deliver industry best practice and public company standards for safety, governance and reporting across all operations
- Strengthen the Group's employee value proposition to recruit, retain and develop traffic controllers and drive improved client service standards
- Reduce complexity and capitalise on economies of scale to drive service innovations and realise efficiencies

The Group will seek to grow its procurement savings with the consolidation of the trading businesses under a single brand.

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:

AVADA Group Limited

- Contraction in market size;
- Cyclical nature of services;
- Industrial relations issues;
- Reliance upon systems and technology;
- Severe weather patterns;
- Labour shortages and dependences
- Ability to raise capital and funds; and
- Inflationary pressures.

Contraction in market size – a reduction in the amount of capital investment in infrastructure and construction projects within Australia and New Zealand may impact the size of the market requiring traffic management services which may affect the Group's revenue growth opportunities. To mitigate this risk the Group's business development and operations teams work closely with existing and potential clients to build relationship and the opportunity to tender for new works. The Group works to build a diversify client base to broaden pipeline opportunities in the projects, utilities, government and maintenance sectors.

Cyclical nature of services – traffic control is a service industry where day to day clients are affected by a range of factors which may reduce the requirement for resources. This impacts the Group's revenue opportunities and may lead to inefficiencies in its resource allocation which affect gross profit margins. To mitigate disruptions and timing of the services the Group regularly communicates with its clients to understand their priorities and needs ensuring resources are available for deployment or moved to other opportunities.

Industrial relations – industrial relations disruptions may affect the timing of clients' projects and the opportunity to tender for works. This may impact revenue growth opportunities and client relationships. The Group has several mitigation strategies to minimise the impacts, both working with clients to understand their project requirements, ensuring employees meet the industrial instruments pay rules and seeking non-unionised projects.

Reliance on systems and technology – a cyber event has the potential to disrupt the Group's ability to access its systems and provide efficient service delivery to its customers. The Group mitigates this risk by maintaining and regularly updating its suite of information technology security measures to restrict access to the Group operating systems, including multi-factor authentication, firewalls, phishing software, offsite and cloud hosted solutions. The Group regularly provides cyber awareness training, testing and educating the workforce.

Weather – adverse weather events will affect the timing of client works, either delaying, deferring or cancelling works. The delay or cancellation of works has the potential to transfer works to other providers affecting both revenue and profitability. While works may be halted, the Group uses its relationships with their clients to divert resources to other opportunities to minimise the financial impacts.

Labour shortages – traffic control is a service industry requiring qualified staff to undertake the works. A tight labour market impacts the Group's ability to attract qualified traffic controllers and the ability for the Group to service its client's needs. A lack of service to clients may lead to a loss of work and revenue impacting the profitability of the Group. The Group minimises this risk with an employee reward, recognition and retention program to recognise and reward its people. This program is used to attract and hold talent within the Group.

Ability to raise capital and funds – raising capital is important to the Group future acquisition strategy. The inability to raise funds will slow the Group's growth opportunities. The Group works closely with its financiers, brokers and investors providing confidence in the Group's performance capabilities and keeping all stakeholders updated on performance and future opportunities to grow.

Inflationary pressures – while the Group seeks to pass through cost increases, there are time when it is not possible to do so. Rising input costs impact the Group's profit opportunity with lower margins being achieved. To mitigate the downside, the Group negotiates annual price rise clauses in its client contracts, tied to Fairwork and CPI rate increases.

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.

Preliminary consolidated statement of profit or loss and other comprehensive income

for the full year ended 30 June 2024

		Consolidated Year ended 30/06/2024 \$'000	Consolidated Year ended 30/06/2023 \$'000
	Note		
Revenue	6	204,537	177,002
Other income		365	295
Other gains/(losses)	7	4,610	(2,090)
Depreciation and amortisation expense		(11,317)	(10,355)
Direct equipment hire and consumables		(22,928)	(20,492)
Direct wages and salaries		(134,089)	(119,723)
Non-direct wages and salaries		(19,813)	(13,755)
Administration expenses	8	(6,493)	(6,129)
Impairment of intangible assets	9	-	(3,194)
Write off of intangible assets	9	(3,631)	-
Other expenses	10	(6,897)	(4,871)
Finance costs	11	(3,831)	(2,613)
Profit/(loss) before income tax		513	(5,925)
Income tax benefit	12	998	295
Profit/(loss) for the year		1,511	(5,630)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(56)	3
Other comprehensive income for the year, net of tax		(56)	3
Total comprehensive profit/(loss) for the year		1,455	(5,627)
		1,455	(5,627)
Profit/(loss) per share			
Basic (cents per share)	13	2	(8)
Diluted (cents per share)	13	2	(8)

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

Preliminary consolidated statement of financial position

as at 30 June 2024

		Consolidated Year ended 30/06/2024 \$'000	Consolidated Year ended 30/06/2023 \$'000
	Note		
Assets			
<i>Current assets</i>			
Cash and cash equivalents	14	8,500	10,834
Trade and other receivables	15	30,498	26,714
Current tax assets	16	-	377
Other current assets	17	1,118	895
<i>Total current assets</i>		40,116	38,820
<i>Non-current assets</i>			
Property, plant and equipment	18	25,066	23,519
Right-of-use assets	19	5,931	4,500
Goodwill	20	38,643	36,533
Other intangible assets	21	21,577	26,652
Other non-current assets	19	133	168
<i>Total non-current assets</i>		91,350	91,372
Total assets		131,466	130,192
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	23	17,793	18,303
Lease liabilities	24	1,696	1,079
Borrowings	25	3,835	2,980
Current tax liabilities	16	1,002	72
Provisions	26	4,035	2,702
Other financial liabilities	27	1,729	6,968
<i>Total current liabilities</i>		30,090	32,104
<i>Non-current liabilities</i>			
Lease liabilities	24	4,697	3,731
Borrowings	25	37,603	38,871
Deferred tax liabilities	22	4,166	6,555
Provisions	26	299	429
Other financial liabilities	27	143	2,044
<i>Total non-current liabilities</i>		46,908	51,630
Total liabilities		76,998	83,734
Net Assets		54,468	46,458
Equity			
Share capital	28	57,715	51,160
Reserves	29	13,822	13,878
Accumulated losses		(17,069)	(18,580)
Total equity		54,468	46,458

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

Preliminary consolidated statement of changes in equity

for the full year ended 30 June 2024

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 2023		51,160	3,700	10,175	3	(18,580)	46,458
Profit for the year		-	-	-	-	1,511	1,511
Other comprehensive income for the year		-	-	-	(56)	-	(56)
Total comprehensive income for the year		51,160	3,700	10,175	(56)	1,511	1,455
Issue of share capital	28	7,000	-	-	-	-	7,000
Share issue costs	28	(445)	-	-	-	-	(445)
Total transactions with owners		6,555					6,555
Balance as at 30 June 2024		57,715	3,700	10,175	(53)	(17,069)	54,468

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

Preliminary consolidated statement of changes in equity (cont'd)

for the full year ended 30 June 2024

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

Preliminary consolidated statement of cash flows

for the full year ended 30 June 2024

		Consolidated Year ended 30/06/2024 \$'000	Consolidated Year ended 30/06/2023 \$'000
	Note		
Cash flows from operating activities			
Receipts from customers (including GST)		222,402	188,788
Payments to suppliers and employees (including GST)		(211,918)	(180,627)
Interest and other finance costs paid		(3,083)	(1,929)
Interest received		84	13
Income taxes paid		(780)	(1,287)
Net cash inflow/(outflow) from operating activities	32	<u>6,705</u>	<u>4,958</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	18	(3,679)	(1,542)
Proceeds from sale of property, plant and equipment		547	604
Payment of contingent consideration	27	(3,006)	-
Acquisition of business and subsidiary (net of cash acquired)	31	(7,603)	(25,838)
Net cash outflow from investing activities		<u>(13,741)</u>	<u>(26,776)</u>
Cash flows from financing activities			
Proceeds from borrowings	32	7,795	30,388
Repayment of borrowings	32	(7,021)	(5,517)
Repayment of related party borrowings		-	(1,250)
Proceeds from asset finance borrowings	32	1,592	10,859
Repayments of asset finance borrowings	32	(2,698)	(1,417)
Proceeds from issue of shares (net of transaction costs)	28	6,555	-
Repayment of lease liabilities	32	(1,360)	(1,162)
Net cash inflow from financing activities		<u>4,863</u>	<u>31,901</u>
Net increase in cash and cash equivalents		(2,173)	10,083
Cash and cash equivalents at the beginning of the year		10,834	550
Effects of foreign exchange rate changes		(161)	201
Cash and cash equivalents at the end of the Year	32	<u>8,500</u>	<u>10,834</u>

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

Notes to the preliminary 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 preliminary consolidated financial statements of the Company for the year ended 30 June 2024 comprise the Company and its subsidiaries (together referred to as "the Group").

(a) Statement of compliance

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

Compliance with Australian Accounting Standards ensures that the preliminary 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 preliminary financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

(b) Presentation currency and rounding

These preliminary financial statements are presented in Australian Dollars (\$) which is the Company's functional currency.

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

(c) Basis of preparation

The preliminary 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 preliminary 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 preliminary consolidated financial statements incorporate the preliminary financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 30 June 2024. 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. Revenue is recognised on completion of the service with customer payment term generally 30 days from end of month or per contract terms.

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 preliminary 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 preliminary 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 preliminary 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 preliminary 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 preliminary statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the preliminary 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 provisions in its preliminary 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) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a 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.

(n) 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.

(o) 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.

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

(p) Foreign currencies

In preparing the preliminary financial statements of the Group, 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.

For the purpose of presenting preliminary 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 preliminary 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	Nature of the change and expected impact
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	Limits the recognition of gain or loss arising from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture to the extent of the unrelated investors' interest in that associate or joint venture. Similar limitations apply to remeasurements of retained interests in former subsidiaries. These amendments may impact the Group's preliminary consolidated financial statements in future periods should such transactions arise
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027	This Standard will not change the recognition and measurement of items in the preliminary financial statements, but will affect presentation and disclosure in the preliminary financial statements, including introducing new categories and subtotals in the statement of profit or loss, requiring the disclosure of management - defined performance measures, and changing the grouping of information in the preliminary financial statements.

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 preliminary 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 preliminary 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 which was fully impaired for the 2024 financial year due to the restructuring of the Group. The useful life of the customer contracts is recognised at acquisition and are amortised with its useful life of between 4 to 10 years.

The recoverable amount of goodwill and customer contracts are 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 generate independent cash flows at the operating level. As part of the restructure announced on 28 June 2024, the Directors have assessed a Cash Generating Unit ("CGU") used in impairment testing as a state/segment as this has been determined to be the lowest level at which goodwill is internally monitored. This represents a departure from the prior year with the impact of this departure on impairment testing outcomes detailed in note 20.

(b) Accounting for the acquisition of businesses

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

- STA Traffic Management Pty Ltd – 23 October 2023

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

Purchase price considerations

In relation to the acquisition of STA Traffic Management Pty Ltd, the Group engaged independent third party experts to measure the fair value of the contingent consideration based on the information and forecasts available at the acquisition date in accordance with the terms of the Business Sale Agreement dated 22 August 2023. Based on this assessment, fair value of \$715,002 was attributed to the contingent consideration in the purchase price consideration. In addition, fair value of \$723,151 was attributed to the retention consideration in the purchase price consideration.

The purchase price considerations are detailed in Note 31.

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

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

Measurement of the assets acquired and liabilities assumed

STA Traffic Management Pty Ltd was accounted for as an individual acquisition with the assets and liabilities of the acquired entities included in the preliminary 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 \$4,032,000 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 engaged an independent expert to assist with identifying and valuing the intangible assets associated with the acquisition of STA Traffic Management Pty Ltd. Intangible assets of \$2,440,000 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.

In determining the contingent consideration payable for the STA Traffic Management Pty Ltd acquisition, significant accounting judgements have been considered. Estimated EBITDA values using historical data have been used with estimated probabilities of achieving these EBITDA targets and discounting applied to come up with an estimate of the net present value of the contingent consideration payable. Refer to Note 31 for details.

(c) Calculation of loss allowances

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Avada Group provision for doubtful debt is the estimate of the loss arising on recovery from trade debtors. It is based on the difference between the contractual cash flows due and those that the Avada Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(d) Restructuring Provision

On the 28 June 2024, Avada Group announced a complete restructure and strategic review of its operations, moving from a House of Brands to a Branded House Strategy operating as Avada Traffic. As a part of this restructure, a restructuring provision of \$1,491,735 has been recognised in the preliminary financial statement based on an estimate of expected costs after seeking quotes and estimates from suppliers and consultants for the execution of the restructure plan.

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 2024:

	Year ended 30/06/2024					
	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	104,195	45,505	42,548	12,289	-	204,537
Inter-segment sales/(purchases)	1,615	0	166	0	(1,781)	0
Total revenue	105,810	45,505	42,714	12,289	(1,781)	204,537
Other income	168	37	77	-	83	365
Other gains/(losses)	10	(16)	15	4,649	(48)	4,610
Wages and Salaries	(73,085)	(32,768)	(31,086)	(7,898)	(9,065)	(153,902)
Direct equipment hire and consumables	(12,216)	(5,859)	(3,018)	(1,835)	-	(22,928)
Administration and other expenses	(6,199)	(3,219)	(2,425)	(984)	(563)	(13,390)
Impairment of intangible assets	(1,080)	(443)	(1,668)	(440)	-	(3,631)
EBITDA	13,408	3,237	4,609	5,781	(11,374)	15,661
Depreciation and amortisation expense	(4,885)	(1,964)	(2,331)	(1,263)	(874)	(11,317)
EBIT	8,523	1,273	2,278	4,518	(12,248)	4,344
Finance costs	(260)	(82)	(64)	(723)	(2,702)	(3,831)
Profit/(loss) before income tax	8,263	1,191	2,214	3,795	(14,950)	513
Income tax (expense) / benefit	(2,103)	(331)	(543)	127	3,848	998
Profit/(loss) after tax for the year	6,160	860	1,671	3,922	(11,102)	1,511

5. Operating segments (cont'd)

	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
Inter-segment sales/(purchases)	-	-	-	-	-	-
Total revenue	100,071	48,270	26,472	2,189	-	177,002
Other income	194	63	30	-	8	295
Wages and Salaries	(73,902)	(35,588)	(19,447)	(1,229)	(3,312)	(133,478)
Direct equipment hire and consumables	(11,767)	(6,090)	(2,330)	(305)	-	(20,492)
Administration and other expenses	(3,366)	(1,381)	(1,076)	(1,136)	(6,131)	(13,090)
Impairment of intangible assets	-	(3,194)	-	-	-	(3,194)
EBITDA	11,230	2,080	3,649	(481)	(9,435)	7,043
Depreciation and amortisation expense	(5,403)	(3,339)	(1,343)	(173)	(97)	(10,355)
EBIT	5,827	(1,259)	2,306	(654)	(9,532)	(3,312)
Finance costs	(310)	(106)	(39)	(66)	(2,092)	(2,613)
Profit/(loss) before income tax	5,517	(1,365)	2,267	(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	(1,065)	1,537	(780)	(9,015)	(5,630)

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 30/06/2024					
	QLD Traffic Management \$'000	NSW Traffic Management \$'000	VIC Traffic Management \$'000	NZ Traffic Management \$'000	Unallocated \$'000	Total \$'000
Current assets	15,676	9,905	10,726	1,907	1,902	40,116
Non-current asset	39,748	10,083	26,129	14,220	1,170	91,350
Total assets	55,424	19,988	36,855	16,127	3,072	131,466
Current liabilities	14,953	5,571	5,504	3,605	457	30,090
Non-current liabilities	5,722	1,409	1,377	7,236	31,164	46,908
Total liabilities	20,675	6,980	6,881	10,841	31,621	76,998
Net assets/(liabilities)	34,749	13,008	29,974	5,286	(28,549)	54,468

5. Operating segments (cont'd)

	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

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 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
External revenue by location and customer type		
Queensland		
Government (incl. councils)	62,965	60,468
Non-Government	41,230	39,603
	104,195	100,071
New South Wales		
Government (incl. councils)	15,444	15,806
Non-Government	30,061	32,464
	45,505	48,270
Victoria		
Government (incl. councils)	3,831	8,470
Non-Government	38,717	18,002
	42,548	26,472
New Zealand		
Government (incl. councils)	612	42
Non-Government	11,677	2,147
	12,289	2,189
	204,537	177,002

6. Revenue (cont'd)

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
External revenue by service line		
Traffic management services	201,464	173,722
Plans and permits	3,073	3,280
	<u>204,537</u>	<u>177,002</u>
External revenue by timing of revenue		
Services transferred over time	201,455	173,643
Services transferred at a point in time	3,082	3,359
	<u>204,537</u>	<u>177,002</u>

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

7. Other gains/(losses)

		Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Gain/(loss) on movement in Contingent Consideration	34	4,602	(1,960)
Gain on Disposal of Assets		8	(130)
		<u>4,610</u>	<u>(2,090)</u>

8. Administration expenses

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Professional fees	4,211	3,383
Acquisition related costs - STA	224	-
Acquisition related costs - Construct Traffic	-	688
Acquisition related costs - Wilsons TM	-	780
Acquisition related costs - Abandoned acquisitions	975	698
Rent and other occupancy expenses	976	491
Other administration expenses	107	89
	<u>6,493</u>	<u>6,129</u>

9. Impairment of intangible assets

	Note	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Impairment of goodwill	20	-	961
Write off other intangibles	21	3,631	-
Impairment of other intangibles	21	-	2,233
		<u>3,631</u>	<u>3,194</u>

For the year ended 30 June 2024, brands have been written off due to the restructure from house of brands to a branded house.

10. Other expenses

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Other corporate costs	2,205	1,625
Insurance	1,021	1,116
Restructure provision	1,492	-
Other expenses	49	558
Technology expenses	1,210	852
Membership fees	557	329
Travel & accommodation	363	391
	6,897	4,871

11. Finance costs

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Bank charges on bank overdrafts and loans	749	684
Interest on bank overdrafts and loans	2,833	1,724
Interest on lease liabilities	249	205
	3,831	2,613

12. Income tax benefit

Income tax benefit comprises current and deferred tax. Current and deferred tax is recognised in the Preliminary 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 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
<i>Current Income Tax</i>		
Current income tax charge	(2,246)	(2,171)
Adjustment in respect of current income tax of the previous years	(56)	-
<i>Deferred income tax</i>		
Relating to the origination and reversal of temporary differences	3,265	2,429
Prior year under / over provision true-up	35	37
	<u>998</u>	<u>295</u>

Numerical reconciliation between tax benefit and pre-tax accounting profit

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Accounting profit/ (loss) before tax	513	(5,925)
Prima facie tax benefit on loss before income tax at 30%	(154)	1,778
Non-deductible expenses	(40)	(22)
Impairment of goodwill	-	(288)
Non-deductible acquisition costs	(196)	(604)
Non-assessable gain / (loss) on movement in contingent consideration	1,388	(585)
Prior year under / over provision true-up	(21)	37
Effect of different tax rates of subsidiaries operating in other jurisdictions	21	(14)
Other	-	(7)
Income tax benefit	<u>998</u>	<u>295</u>

13. Profit/(loss) per share

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Profit/(loss) for the purposes of basic and diluted earnings per share being net loss attributable to owners of the Company	2,332	(5,630)
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic (loss) per share	82,800,496	73,268,358
Basic earnings per share (cents)	2	(8)
Diluted earnings per share (cents)	2	(8)

14. Cash and cash equivalents

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Cash at bank	8,500	10,834
	<u>8,500</u>	<u>10,834</u>

15. Trade and other receivables

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Trade receivables	29,590	26,132
Accrued income	971	512
Other receivables	43	78
Less: expected credit loss	(106)	(8)
	<u>30,498</u>	<u>26,714</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 in 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

15. Trade and other receivables (cont'd)

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 \$98,000 in relation to expected credit losses for the full year ended 30 June 2024. The ageing of trade receivables and allowance for expected credit losses provided for above are as follows:

Year ended 30 June 2024	Expected credit rate loss	Carrying amount \$'000	Allowance for expected credit loss \$'000
Current	0%	23,756	-
30+ days overdue	0%	3,678	-
60+ days overdue	0%	697	-
90+ days overdue	0.4%	1,459	106
Total trade receivables		29,590	106

Year ended 30 June 2023	Expected credit rate loss	Carrying amount \$'000	Allowance for expected credit loss \$'000
Current	0.1%	18,800	-
30+ days overdue	0.3%	6,179	-
60+ days overdue	3.8%	758	-
90+ days overdue	2.9%	395	8
Total trade receivables		26,132	8

16. Current tax assets and liabilities

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Current		
Current tax assets	-	377
Current tax liabilities	1,002	(72)
	1,002	305

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 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Current		
Prepayments	1,118	895
	<u>1,118</u>	<u>895</u>
Non-Current		
Investment in joint venture ¹	12	2
Security deposits	121	166
	<u>133</u>	<u>168</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 purpose of holding an interest in the joint venture. The Group's share of loss in the joint venture for the year is \$12,074. The principal place of business of the joint venture operation is in Australia.

18. Property, plant and equipment

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Traffic control equipment		
Traffic control equipment - at cost	3,788	3,081
Less accumulated depreciation	(1,771)	(925)
	<u>2,017</u>	<u>2,156</u>
Motor vehicles		
Motor vehicles - at cost	33,633	27,640
Less accumulated depreciation	(11,092)	(6,553)
	<u>22,541</u>	<u>21,087</u>
Office equipment		
Office equipment - at cost	660	400
Less accumulated depreciation	(274)	(131)
	<u>386</u>	<u>269</u>
Leasehold improvements		
Leasehold improvements - at cost	140	9
Less accumulated depreciation	(18)	(2)
	<u>122</u>	<u>7</u>
Total property, plant and equipment	<u>25,066</u>	<u>23,519</u>

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

Movements in carrying amounts

		Year ended 30/06/2024				
		\$'000				
	Note	Traffic control equipment	Motor Vehicles	Office Equipment	Leasehold improvements	Total
Cost						
At 1 July 2023		3,081	27,640	400	9	31,130
Additions from acquisitions of subsidiaries	31	270	4,032	45	-	4,347
Additions		455	2,880	213	131	3,679
Disposals		(14)	(906)	-	-	(920)
Exchange differences		(4)	(13)	2	-	(15)
At 30 June 2024		3,788	33,633	660	140	38,221
Depreciation						
At 1 July 2023		925	6,553	131	2	7,611
Charge for the year		859	4,917	143	16	5,935
Disposals		(10)	(374)	-	-	(384)
Exchange differences		(3)	(4)	-	-	(7)
At 30 June 2024		1,771	11,092	274	18	13,155
Carrying amount						
At 30 June 2024		2,017	22,541	386	122	25,066

		Year ended 30/06/2023				
		\$'000				
		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		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 period		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

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

Assets pledged as security

During the year, the Group drew down an additional \$1.2m from asset finance facilities (2023: \$10.9m) to fund motor vehicles and plant and equipment. The amounts drawn down from these facilities are secured against specific assets.

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

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

Kiwibank holds a general security over the assets of AVADA New Zealand Limited against the borrowing facilities provided.

Refer to Note 25 for details of facilities

19. Right-of-use assets

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Buildings		
Buildings – right-of-use assets	6,419	3,684
Less accumulated depreciation	(1,353)	(426)
	<u>5,066</u>	<u>3,258</u>
Motor vehicles		
Motor vehicles - right-of-use assets	1,811	1,801
Less accumulated depreciation	(951)	(567)
	<u>860</u>	<u>1,234</u>
Office equipment		
Property - right-of-use assets	10	10
Less accumulated depreciation	(5)	(2)
	<u>5</u>	<u>8</u>
Total Right-of-use assets	<u>5,931</u>	<u>4,500</u>

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

Movements in carrying amounts

Note	Year ended 30/06/2024 \$'000			
	Buildings	Motor Vehicles	Office equipment	Total
At 1 July 2023	3,258	1,234	8	4,500
Remeasurement of lease term	11	-	-	11
Additions	2,947	10	-	2,957
Disposals	(26)	-	-	(26)
Depreciation charge	(1,122)	(384)	(3)	(1,509)
Exchange differences	(2)	-	-	(2)
At 30 June 2024	5,066	860	5	5,931

	Year ended 30/06/2023 \$'000			
	Buildings	Motor Vehicles	Office equipment	Total
At 1 July 2022	2,533	1,616	-	4,149
Additions from acquisitions of subsidiaries	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

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 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Depreciation expense on right-of-use asset	1,509	1,259
Interest expense on lease liabilities	249	205

Total cash outflow for leases amount to \$1,359,000 (2023: \$1.4m).

20. Goodwill

	Note	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Movement - Goodwill			
Balance at beginning of year		36,533	23,824
Amounts recognised from business combinations occurring during the year	31	2,136	13,791
Exchange differences		(26)	(121)
Impairment of goodwill	9	-	(961)
Balance at end of the year		<u>38,643</u>	<u>36,533</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. In the previous reporting period, CGUs were identified as the individual operating entities which were acquired by the Group during the IPO and subsequently, as these operated as independent business units and represented the lowest level at which goodwill was internally monitored. In the current financial year, the Group conducted an operational review which resulted in the Group operating under a new national operating structure under a single brand. This operational change effective from 28 June 2024 constitutes a reorganisation of the Group's reporting structure which has changed the composition of cash-generating units to which goodwill has been allocated. Consequently, the Group has reallocated goodwill to a state level which now represents the lowest level at which goodwill is now monitored for internal management purposes.

Allocation of goodwill

Below we have presented the allocation of goodwill to the identified individual operating entities prior to the reorganisation and reallocation.

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'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
STA Traffic Management (STA)	2,136	-
Construct Traffic (CT)	7,283	7,283
Wilsons TM	6,361	6,387
	<u>38,643</u>	<u>36,533</u>

20. Goodwill (cont'd)

The table below represents how Goodwill has been reallocated to the new CGUs:

Operating Entity	Queensland \$'000	New South Wales \$'000	Victoria \$'000	New Zealand \$'000
Verifact Traffic Control (VTC)	13,861	-	-	-
Arid to Oasis Traffic Solutions (A2O)	5,570	-	-	-
D&D Traffic Management (D&D)	-	3,432	-	-
Construct Traffic (CT)	-	-	7,283	-
STA Traffic Management (STA)	-	-	3,070	-
Wilsons TM	-	-	-	6,361
Total allocated to State	19,431	3,432	10,353	6,361

	Year ended 30/06/2024 \$'000
Queensland	19,431
New South Wales	3,432
Victoria	10,353
New Zealand	6,361
	<u>39,577</u>

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 2024, all of the Group's CGUs were tested for impairment in accordance with AASB 136 *Impairment of Assets*.

The DCF models adopted by the Directors utilise cash flow forecasts derived from the FY25 budgets approved by the Board, with a 3.6% and 4% growth rate applied to Australia and New Zealand CGU's respectively from years two to five. 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 give consideration to available sources of information to the Group (both internal and external).

20. Goodwill (cont'd)

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 13% (2023: 11.6%) was applied to the cash flows for its Australian based entities and a post-tax discount rate of 12.8% was applied to the cash flow for its New Zealand based entities 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.

	QLD	NSW	VIC	NZ
Revenue Growth Yr 1	4.68%	10.03%	18.43% ¹	5.1%

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

¹ STA Traffic Management No.2 Pty Ltd was only operational for 9 months in the 2024 financial year resulting in a relatively larger year 1 growth rate.

Impairment testing outcomes

For the QLD, NSW, VIC and NZ 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 VIC and NZ CGUs. The sensitivity analysis for these CGUs is presented below.

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 Group CGUs at 30 June 2024.

	Reasonable possible change	QLD (\$'000)	NSW (\$'000)	VIC (\$'000)	NZ (\$'000)
Change in post-tax discount rate¹	increased by 5.0%	nil	nil	nil	nil
Change in revenue growth rate Y1¹	decreased by 5.0%	nil	nil	nil	nil
Change in revenue growth rate Y2-Y5¹	decreased by 5.0%	nil	nil	774	785
Change in gross profit margin %¹	decreased by 5.0%	10,914	1,426	7,306	974

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 2024	QLD	NSW	VIC	NZ
Headroom (\$'000)	28,102	19,558	10,767	3,067
Increase in discount rate ²	17.4%	28.4%	9.9%	8.10%
Decrease in revenue growth rate Y1 ²	17.1%	20.7%	13.4%	12.1%
Decrease in revenue growth rate Y2-Y5 ²	6.1%	7.4%	4.7%	4.2%
Decrease in gross profit margin % ²	3.7%	4.7%	3.0%	4.1%

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

21. Other intangible assets

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Customer lists		
Customer lists - at cost	33,412	31,437
Less accumulated amortisation	(9,215)	(5,346)
Less accumulated impairment	(2,620)	(2,620)
	<u>21,577</u>	<u>23,471</u>
Brands		
Brands - at cost	3,847	3,397
Less accumulated impairment	(216)	(216)
Less write off	(3,631)	-
	<u>-</u>	<u>3,181</u>
Total Other intangible assets	<u>21,577</u>	<u>26,652</u>

Allocation of brands

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

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Queensland	-	1,080
New South Wales	-	443
Victoria	-	1,220
New Zealand	-	438
	<u>-¹</u>	<u>3,181</u>

¹ On 28 June 2024, the Company announced a restructure and strategic review of its operations, moving from a House of Brands to a Branded House Strategy operating as AVADA Traffic. This restructure will result in the simplification of the operating structure with a number of operational positions becoming redundant as part of the transition along with the trading brands of each existing business. In recognition of this, the value of Brands have been written off as at 30 June 2024 and reflected the reported preliminary financial results.

21. Other intangible assets (cont'd)

Movements in carrying amounts

		Year ended 30 June 2024		
		\$'000		
	Note	Customer lists	Brands	Total
At 1 July 2023		23,471	3,181	26,652
Additions from acquisition of subsidiary	31	1,992	448	2,440
Exchange differences		(17)	2	(15)
Amortisation for the year		(3,869)	-	(3,869)
Impairment loss for the year	9	-	(3,631)	(3,631)
At 30 June 2024		21,577	-	21,577

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

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 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 30/06/2024			
\$'000			
	Assets	Liabilities	Net Assets / (Liabilities)
Property, plant and equipment	-	(1,484)	(1,484)
ROU assets / Lease liabilities	138	-	138
Other intangible assets	-	(6,400)	(6,400)
Employee provisions	840	-	840
Payables and accruals	1,896	-	1,896
Business acquisition related costs	882	-	882
Borrowing costs	32	-	32
Other	-	(70)	(70)
	3,829	(7,995)	(4,166)

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)

22. Deferred tax assets and liabilities (cont'd)

Movement in temporary differences during the year

Year ended 30 June 2024					
	Net Opening balance	Acquired	Recognise d in Equity	Recogni sed in profit or loss	Net DTL
Property, plant and equipment	(2,161)	-	-	677	(1,484)
ROU assets / Lease liabilities	93	-	-	45	138
Other intangible assets	(7,904)	(732)	-	2,236	(6,400)
Employee provisions	926	36	-	(122)	840
Payables and accruals	1,293	-	-	603	1,896
Business acquisition related costs	1,131	-	(170)	(79)	882
Borrowing costs	56	-	-	24	32
Other	11	-	-	(81)	70
	(6,555)	(696)	(170)	3,255	(4,166)

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)

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 \$937,615 relating to the Group's New Zealand operations which cannot be offset against deferred tax assets and liabilities of the Group's Australian operations.

23. Trade and other payables

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Trade payables	3,937	4,069
Accrued expenses	4,402	4,021
GST payable	3,354	3,737
Employee related payables	5,323	4,401
Other payables	777	2,075
	17,793	18,303

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 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Year 1	1,978	1,256
Year 2	1,985	1,186
Year 3	1,460	1,126
Year 4	870	732
Year 5	342	336
Onwards	613	765
	7,248	5,401

Undiscounted lease liabilities analysed as:

Current	1,978	1,256
Non-current	5,270	4,145
	7,248	5,401

Discounted lease liabilities analysed as:

Current	1,696	1,079
Non-current	4,697	3,731
	6,393	4,810

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 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
<u>Current</u>		
<u>Secured</u>		
Bank loans	1,290	677
Equipment finance	2,545	2,303
	<u>3,835</u>	<u>2,980</u>
<u>Non-Current</u>		
<u>Secured</u>		
Bank loans (term facility / working capital loan)	29,313	29,194
Equipment finance	8,290	9,677
	<u>37,603</u>	<u>38,871</u>
Total borrowings	<u>41,438</u>	<u>41,851</u>

Description of the Banking facilities

The Group has its banking facilities with 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 2024 are set out below.

Year ended 30 June 2024

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 2026
Working Capital Loan ²	AUD	17,500	-	17,500	25 August 2026
Asset Finance Facility ³	AUD	5,000	1,107	3,916	Variable ⁴ 23 August 2027
Asset Finance Facility ³	AUD	3,257	961	2,296	
Overdraft Facility ³	AUD	2,500	-	-	
Bank Guarantees ³	AUD	546	-	546	Variable ⁵
Corporate Credit Cards ³	AUD	250	67	-	
<u>Kiwibank (New Zealand)</u>					
Term Facility ⁶	NZD	4,000	746	2,527	5 May 2028
Asset Finance Facility ⁶	NZD	3,400	521	2,270	5 May 2028
Overdraft Facility ⁶	NZD	1,000	-	-	5 May 2028
Corporate Credit Cards ⁶	NZD	50	25	-	5 May 2028

² The term facility and working capital loan have a three-year term. The maturity date was extended post 30 June 2024 to 25 August 2026.

³ The undrawn portion of the facility is annually reviewed and renewed in July each year. The maturity date was extended post 30 June 2024 to 25 August 2026.

⁴ The drawn amount are comprised of asset financing arrangements with maturity dates to 27 June 2029.

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 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.

The key terms of the banking facilities are:

Commonwealth Bank of Australia

- The term facility can be used for financing acquisitions and earn-out payments. Interest is payable monthly with principal payable at maturity. Interest is charged at 1.60% above the base rate (referencing 90-day BBSY rate). The facility has an establishment fee of 0.75% of the facility limit and a line fee of 1.6%. Security is provided in the form of a first ranking general security interest from each obligor in respect of each of their present and after acquired property.
- The asset finance facility can be used to fund motor vehicle acquisitions or leases. Interest and principal is payable on a per contract basis. Additionally, the 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 facility can be used to fund working capital and for funding the acquisition of any other Permitted Acquisition as agreed by the Lender from time to time. The facility has a line fee of 1.4% and interest is charged monthly. Drawdown and repayment is subject to monthly assessment of Total Eligible Receivables as defined in the facility agreement. The term is renewable every 3 years.

25. Borrowings (cont'd)

Bank covenants

The Group was compliant with its loan covenants at 30 June 2024.

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 2.25 times.

Kiwibank (New Zealand)

- The term facility can be used for financing of acquisitions and earn-out 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.
- 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 2024. Security is provided over each asset acquired under the facility.

Bank covenants

The Group passed the covenants requirements for Kiwibank as at 30 June 2024. The following criteria were used in assessing the covenants requirements:

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 – Waived for the period 1 July 2024 to 31 December 2024 and not less than 1.0 times from 1 January 2025 up to 30 June 2025 and thereafter not less than 1.5 times; and
- Equity ratio – not less than 30% (Tested annually on the 30th June 2024)

26. Provisions

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
<u>Current</u>		
Annual leave	2,425	2,504
Long service leave	86	166
Make good provision	32	32
Restructuring provision cost	1,492	-
	<u>4,035</u>	<u>2,702</u>
<u>Non-Current</u>		
Long service leave	299	429
	<u>299</u>	<u>429</u>
Total provisions	<u>4,334</u>	<u>3,131</u>

Movements in provisions

	Year ended 30/06/2024 \$'000		
	Employee benefits	Other	Total
At 1 July 2023	3,099	32	3,131
Additions from acquisitions of subsidiaries	120	-	120
Charges to profit or loss	2,700	1,492	4,192
Amounts used during the period	(3,109)	-	(3,109)
At 30 June 2024	<u>2,810</u>	<u>1,524</u>	<u>4,334</u>

	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	<u>3,099</u>	<u>32</u>	<u>3,131</u>

In recognition of the restructure announced on 28 June 2024 a provision of \$1.492m has been provided for the cost to implement the restructure.

27. Other financial liabilities

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
<u>Current</u>		
Fixed retention – Wilsons TM	1,178	1,073
Contingent retention – Wilsons TM	-	2,146
Contingent consideration – Wilsons TM	-	742
Contingent consideration – Verifact Traffic Control	-	3,007
Contingent consideration – STA Traffic Management	551	-
	1,729	6,968
<u>Non-Current</u>		
Contingent consideration – Wilsons TM	143	2,044
	143	2,044
Total other financial liabilities	1,872	9,012

Wilsons TM

Retention and contingent consideration were 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 NZD \$1,372,150 with a net present value of AUD \$1,177,776 at 30 June 2024 was payable shortly after 12 months from the acquisition completion date.

Under the contingent consideration arrangement, an amount of NZD \$216,058 with a net present value of AUD \$143,217 at 30 June 2024 has been estimated to be payable 13 months from year end. The contingent consideration payable has been determined by using a predetermined earn-out multiple that have been applied to the surplus of a predetermined EBITDA threshold with a probability factor applied.

A gain of \$4,648,763 has been recognised in the current financial year as a result of a reduction in the estimated consideration payable.

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

STA Traffic Management

Contingent retention and contingent consideration is payable on the acquisition of STA Traffic Management Pty Ltd. At acquisition, both contingent retention and contingent consideration have been discounted using a post-tax IRR of 16.5% which was determined to be STA Traffic Management Pty Ltd weighted average cost of capital (WACC).

Under the contingent retention arrangement, retention maybe payable after 12 months of trading. The value of retention payable is determined by using a predetermined earn-out multiple that is applied to the surplus of a predetermined EBITDA threshold to a maximum amount of \$884,000.

Under the contingent consideration arrangement, consideration may be payable after 12 months of trading if a second higher predetermined EBITDA threshold is met. The value of contingent consideration payable is determined using a predetermined Earn-Out multiple that is be applied to the surplus of this second higher predetermined EBITDA. There is no cap in respect of the contingent consideration.

27. Other financial liabilities (cont'd)

At the acquisition date, probabilities of achieving EBITDA targets were applied to both contingent retention and contingent consideration. Estimated earn-out payables of \$530,000 and \$96,000 with net present values of \$468,000 and \$83,000 respectively we derived as depicted in note 31.

A loss of \$47,225 has been recognised in the preliminary financial statements resulting from an increase in the fair value of consideration payable.

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

28. Issues of equity securities

	Year ended 30/06/2024	
	No. of shares	\$'000
Ordinary shares		
Balance at beginning of the year	73,268,358	51,160
Shares issues	11,666,667	7,000
Transaction costs arising on share issues	-	(445)
	<u>84,935,025</u>	<u>57,715</u>
	Year ended 30/06/2023	
	No. of shares	\$'000
Ordinary shares		
Balance at beginning of the period	<u>73,268,358</u>	<u>51,160</u>
	<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 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Share-based payments reserve	3,700	3,700
Acquisition reserve	10,175	10,175
Foreign currency translation reserve	(51)	3
	<u>13,824</u>	<u>13,878</u>

Movement in each class of reserve

	Year ended 30/06/2024 \$'000		
	Share based payments reserve	Acquisition reserve	Foreign Currency Translation Reserve
At 1 July 2023	3,700	10,175	3
Exchange differences on translation of foreign operations	-	-	(54)
At 30 June 2024	<u>3,700</u>	<u>10,175</u>	<u>(51)</u>

	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>

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. A portion of these shares remain in escrow as at 30 June 2024.

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 2024 (2023: 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 \$8,720,348. (2023 \$8,407,791)

31. Acquisition of subsidiaries

Details of acquisitions

During the year, the Company was a party to a business combination:

Pursuant to an agreement signed by the Company on 23 October 2023, the Company agreed to acquire the business and net assets of STA Traffic Management Pty Ltd effective 23 October 2023 by way of a cash payment. The agreement also contained an “earn-out” component based on trading performance for the 12-months post completion of the acquisition subject to certain performance hurdles being met.

Consideration transferred

	STA Traffic Management Pty Ltd \$'000
Cash consideration	7,603
Contingent retention consideration ¹	289
Contingent consideration ¹	215
Total consideration transferred	8,107

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:

		Year ended 30/06/2024
Assets	Note	\$'000
Current assets		
Cash and cash equivalents		-
Total current assets		-
Non-current assets		
Property, plant and equipment	18	4,347
Other intangible assets	21	2,440
Total non-current assets		6,787
Total assets		6,787
Current liabilities		
Trade and other payables		-
Provisions	26	71
Total current liabilities		71
Non-current liabilities		
Provisions	26	49
Deferred tax liabilities		696
Total non-current liabilities		745
Total liabilities		816
Net assets		5,971

The initial accounting for the acquisition has been provisionally determined at the end of the year. At the date of completion of the year-end preliminary financial report, the necessary market valuations and related tax calculations along with the determination of the consideration paid and the fair value of the identifiable assets acquired and liabilities assumed has been formalised. The Company has performed a final assessment to finalise the necessary market valuations and other calculations along with the fair value of the plant and equipment, associated deferred tax liabilities, as well as intangible assets and goodwill.

31. Acquisition of subsidiaries (cont'd)

	Note	Total \$'000
Goodwill arising on acquisition		
Purchase price consideration		8,107
Less: Total of identifiable net assets acquired		<u>(5,971)</u>
Goodwill arising on acquisition		<u>2,136</u>

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

	Total \$'000
Cash consideration	<u>7,603</u>
	<u>7,603</u>

Impact of the acquisitions on the results of the Group

Included in the profit before tax for year-ended 30 June 2024 is \$521,618 attributable to STA Traffic Management Pty Ltd. Revenue for the year-ended 30 June 2024 includes \$15,261,649 in respect to STA Traffic Management Pty Ltd.

Had the acquisition of STA Traffic Management Pty Ltd been effected at 1 July 2023, the revenue of the Group for the 12 months ended 30 June 2024 would have been \$20,067,000 and the profit before tax for the year would have been \$555,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on a yearly basis and to provide a reference point for comparison in future year-ended.

32. Notes to the statement of cash flows

Reconciliation of profit/(loss) for the year to net cash flows from operating activities

	Note	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Profit/(loss) for the year		1,511	(5,630)
Adjustments for:			
Depreciation and amortisation		11,317	10,355
Equity-settled share-based payment		-	-
Movement in expected credit loss		98	(71)
Movement in foreign exchange		33	-
(Gains)/loss on sale of fixed assets		(8)	21
Loss on remeasurement of leases		-	109
(Gains)/loss on remeasurement of contingent liability		(4,602)	1,960
Impairment of goodwill and other intangibles	9	3,631	3,194
Movements in working capital:			
(Increase)/decrease in Trade and other receivables		(3,882)	(6,681)
(Increase)/decrease in Other assets		(188)	(351)
(Increase)/decrease in Deferred tax liabilities		(3,085)	(2,319)
Increase/(decrease) in Trade and other payables		(511)	3,782
Increase/(decrease) in Current tax payable		1,308	737
Increase/(decrease) in Other liabilities		1,083	(148)
Net cash generated from / (used in) operating activities		6,705	4,958

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.

	Non-cash changes					30 June 2024 \$'000
	1 July 2023 \$'000	Financing & Investing cash flows ¹ \$'000	Acquisition of subsidiaries \$'000	New lease commitments \$'000	Remeasurements \$'000	
Bank loan	29,871	774	-	-	(42)	30,603
Chattel mortgage	11,980	(1,106)	-	-	(39)	10,835
Lease liabilities	4,810	(1,360)	-	2,957	(14)	6,393
Contingent consideration ²	9,012	(3,006)	1,438	-	(5,459)	1,985
Total liabilities from financing activities	55,673	(4,698)	1,438	2,957	(5,554)	49,816

	Non-cash changes					30 June 2023 \$'000
	1 July 2022 \$'000	Financing & Investing cash flows ¹ \$'000	Acquisition of subsidiaries \$'000	New lease commitments \$'000	Remeasurements \$'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 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 and repayment for contingent consideration.

² Refer to note 27 for further details.

33. Key management personnel

	Year ended 30/06/2024	Year ended 30/06/2023
Short-term employee benefits	1,341,573	1,116,687
Post-employment benefits	121,477	96,344
Long-term benefits	1,033	37,455
Termination Pay	257,992	-
	<u>1,722,075</u>	<u>1,250,486</u>

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

The STI Program was tested at the end of the financial year ended 30 June 2024, with a portion eligible for payment. This amount is \$66,219 (2023: nil).

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.

34. Fair value of financial instruments

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

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

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

Financial liabilities	Fair value as at 30/06/2024 \$'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) - \$1,178	Level 3	Present Value of expected future cash outflow	Forecast EBITDA	The measurement period for this liability has now lapsed hence no further movement in the fair value.
Contingent consideration in a business combination	Liabilities (FVTPL) - \$468	Level 3	Present Value of expected future cash outflow	Forecast EBITDA	Liability capped at \$884,000. An increase in the forecast profits used in isolation would result in movement in the fair value.
Contingent consideration in a business combination	Liabilities (FVTPL) - \$83	Level 3	Present Value of expected future cash outflow	Forecast EBITDA	An increase in the forecast profits used in isolation would result in movement in the fair value.
Retention liability as described in Note 27	Liabilities (FVTPL) - \$143	Level 3	Present Value of expected future cash outflow	Forecast EBITDA	Liability capped at \$3.8m. An increase in the forecast profits used in isolation would result in movement in the fair value.

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

34. Fair value of financial instruments (cont'd)

Movement in fair value of financial instruments

Year ended 30 June 2024	Note	STA Traffic Management No.2 Pty Ltd \$'000	Wilsons TM \$'000	Verifact Traffic Pty Ltd \$'000	Total \$'000
Opening balance		-	6,005	3,007	9,012
Total (gains) or losses:					
- In profit or loss	7	47	(4,649)	-	(4,602)
Acquisitions		504	-	-	504
Foreign Exchange Loss/(Gain)		-	(35)	-	(35)
Disposals/Settlements		-	-	(3,007)	(3,007)
Closing balance		551	1,321	-	1,872

35. Financial risk management

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit and Risk Management Committee ("ARMC") 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 ARMC.

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 and all other variables were held constant, the Group's profit for the full year ended 30 June 2024 would decrease by \$1,576,413. 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.

35. 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
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2024								
Trade and other payables	-	14,540	3,253	-	-	-	17,793	17,793
Bank loan	5.86	550	2,367	27,983	1,466	-	32,366	30,603
Lease liabilities	7.19	159	1,819	1,985	2,672	613	7,248	6,393
Equipment finance	4.16	349	2,904	3,195	5,907	-	12,355	10,835
Contingent consideration		1,256	884	-	-	-	2,140	1,985
Provisions		86	2,511	62	143	40	2,842	2,842
		16,940	13,738	33,225	10,188	653	74,744	70,451

	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
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2023								
Trade and other payables	-	14,247	3,981	-	-	-	18,228	18,228
Trade payables – related parties ¹	-	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

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

35. Financial risk management (cont'd)

Liquidity risk (cont'd)

Financing facilities

The Group has access to financing facilities as described below, of which \$4,818,000 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 30/06/2024							
\$'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	17,500	5,000	3,257	-	546	67
Amount unused	-	-	-	-	2,500	-	183
	9,500	17,500	5,000	3,257	2,500	546	250
Kiwibank (NZD)							
Amount used	3,273	-	2,791	-	-	-	27
Amount unused	727	-	609	-	1,000	-	23
	4,000	-	3,400	-	1,000	-	50
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 (NZD)							
Amount used	3,949	-	2,908	-	-	-	-
Amount unused	51	-	492	-	1,000	-	50
	4,000	-	3,400	-	1,000	-	50

35. Financial risk management (cont'd)

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.

36. Related party balances or transactions

The Company's main related parties are as follows:

Entities exercising control over the Group

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

Key management personnel

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

Other related parties

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

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:

36. Related party balances or transactions (cont'd)

			Year ended 30/06/2024	
Related party	Purpose	Relationship	Transactions with related parties	Amounts owed to related parties
Midmarlar c/o Bromley Real Estate	Rent	Controlled by a Director	220,646	-
			Year ended 30/06/2023	
Related party	Purpose	Relationship	Transactions with related parties	Amounts owed to related parties
Courtney Petersen (Black)	Advisory Services	Director	126,921	-
Midmarlar Pty Ltd	Rent	Controlled by a Director	26,904	-
Midmarlar c/o LJ Hooker	Rent	Controlled by a Director	152,432	-
Verifact Pty Ltd	Insurance	Controlled by a Director	615,341	-
Verifact Pty Ltd	Working capital credit	Controlled by a Director	46,262	-
Verifact Pty Ltd	Contingent Consideration	Controlled by a Director	3,007,000	3,007,000

37. Remuneration of auditors

	Year ended 30/06/2024	Year ended 30/06/2023
Deloitte		
Audit or review of financial reports	563,089	659,000
Total Deloitte audit services	563,089	659,000
BDO		
Audit or review of financial reports	208,116	-
Total Deloitte audit services	208,116	-
Total audit services	771,205	659,000
Deloitte		
Financial and Tax Due Diligence	151,422	138,000
Total Deloitte non-audit services	151,422	138,000
Total amount payable to auditor	151,422	797,000

38. Parent entity information

The preliminary financial information for the parent entity, AVADA Group Limited, has been prepared on the same basis as the preliminary 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 preliminary 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 the 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.

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Preliminary statement of financial position		
Assets		
Current assets	9,216	8,158
Non-current assets	93,140	83,929
Total assets	<u>102,356</u>	<u>92,087</u>
Liabilities		
Current liabilities	7,753	6,854
Non-current liabilities	57,311	46,149
Total liabilities	<u>65,064</u>	<u>53,003</u>
Net assets	<u>37,292</u>	<u>39,084</u>
Equity		
Share Capital	57,714	51,160
Share-based payments reserve	3,700	3,700
Acquisition reserve	10,175	10,175
Accumulated losses	(34,297)	(25,951)
Total Equity	<u>37,292</u>	<u>39,084</u>
Loss for the year	<u>(8,346)</u>	<u>(12,391)</u>
Total comprehensive Loss for the year	<u>(8,346)</u>	<u>(12,391)</u>

39. Subsidiaries and controlled entities

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

Name of entity	Country of incorporation	Equity holding	
		Year ended 30/06/2024 %	Year ended 30/06/2023 %
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%	100%
AVADA IS QLD No.1 Pty Ltd	Australia	100%	100%
Plans and Permits Australia Pty Ltd	Australia	100%	100%
STA Traffic Management No.2 Pty Ltd	Australia	100%	100%
AVADA Traffic Pty Ltd	Australia	100%	100%
AVADA Logistics Pty Ltd	Australia	100%	100%
AVADA New Zealand Limited	New Zealand	100%	100%
Wilsons TM Limited (New Zealand)	New Zealand	100%	100%

39. 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 companies above 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 preliminary consolidated statement of profit or loss and other comprehensive income of the closed group consisting of AVADA Group Limited and Verifact Traffic Pty Ltd.

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Revenue	52,708	53,367
Other income	218	29
Other gains/(losses)	5,217	1,772
Depreciation and amortisation expense	(3,243)	(3,127)
Direct equipment hire and consumables	(8,056)	(6,649)
Direct wages and salaries	(34,297)	(36,919)
Non-direct wages and salaries	(10,886)	(6,479)
Administration expenses	(4,489)	(4,627)
Impairment of intangible assets	(843)	(3,374)
Other expenses	(2,897)	(4,521)
Finance costs	(2,860)	(2,276)
Loss before income tax	(9,428)	(12,804)
Income tax benefit	2,955	1,943
Loss for the year	(6,473)	(10,861)
Other comprehensive income, net of tax	-	-
Total comprehensive loss for the year	(6,473)	(10,861)

39. Subsidiaries and controlled entities (cont'd)

Set out below is a preliminary consolidated statement of financial position at 30 June 2024 for the closed group consisting of AVADA Group Limited and Verifact Traffic Pty Ltd.

	Year ended 30/06/2024 \$'000	Year ended 30/06/2023 \$'000
Assets		
Current assets		
Cash and cash equivalents	2,581	5,565
Trade and other receivables	6,535	4,728
Current tax assets	5,748	3,791
Other current assets	410	5,153
Total current assets	15,274	19,237
Non-current assets		
Property, plant and equipment	4,988	4,833
Right-of-use-assets	2,575	785
Investments in subsidiaries	57,851	46,613
Goodwill	14,270	14,270
Other intangible assets	7,229	9,693
Other non-current assets	6	39
Total non-current assets	86,919	76,233
Total assets	102,193	95,470
Liabilities		
Current liabilities		
Trade and other payables	6,688	6,240
Lease liabilities	705	243
Borrowings	2,368	1,810
Provisions	3,396	1,679
Other financial liabilities	807	3,007
Total current liabilities	13,964	12,979
Non-current liabilities		
Lease liabilities	2,054	617
Borrowings	47,160	41,693
Deferred tax liabilities	141	1,387
Provisions	137	139
Total non-current liabilities	49,492	43,836
Total liabilities	63,456	56,815
Net Assets	38,737	38,655
Equity		
Share capital	57,715	51,160
Reserves	13,875	13,875
Accumulated losses	(32,853)	(26,380)
Total equity	38,737	38,655

40. Events Occurring after the reporting date

Extension of Commonwealth Bank Facilities

The Company has renewed its Term Facility and Working Capital Loan out to 25 August 2026.

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.