AVADA Group Limited

ACN 648 988 783

ASX Code: AVD

Appendix 4D for the half-year ended 31 December 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET:

There is no previous corresponding period as AVADA Group Limited ("the Company") was incorporated on 25 March 2021 and was listed on the Australian Securities Exchange on 17 December 2021.

	Consolidated Half-year ended 31/12/21 $'000
Revenue from ordinary activities	2,937
Profit/(loss) from ordinary activities after tax attributable to members	(6,813)
Profit/(loss) for the period attributable to members	(6,813)

The Company acquired five subsidiaries on the 15th of December 2021 (together "the Group"). The results incorporate 16 days of trading from the date of acquisition in respect of the subsidiaries. The parent acts as a holding company (providing corporate services to the Group) with trading for the six months ended 31 December 2021 including costs associated with the corporate services and costs associated with the acquisitions of the subsidiaries and the listing of the Company on the Australian Securities Exchange.

Dividend details

The Company is not proposing to pay dividends in respect of the half-year ended 31 December 2021.

EXPLANATION OF KEY INFORMATION

Composition of the condensed consolidated financial statements

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 31 December 2021 includes the results of the Company for the six months ended 31 December 2021 and the results of the operating subsidiaries for the number of days from the date they were acquired (being 16 days).

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

Name	**Date of gain of control**	**Profit/(loss) (for the Half-year ended 31 December 2021) attributable to the Group from acquisition $'000**
Verifact Traffic Pty Ltd and its subsidiaries	15 December 2021	$(85)
A2O Pty Ltd and its subsidiary	15 December 2021	$(57)
Platinum Traffic Services Pty Ltd	15 December 2021	$(13)
D&D Services (Australia) Pty Ltd and its subsidiary	15 December 2021	$(54)
The Traffic Marshal Pty Ltd	15 December 2021	$(33)

Net tangible assets per share

	31/12/21	**30/06/21**
Net tangible assets per share	$(0.04)[1]	$(240)

[1] Right of use assets and liabilities have been included in the Net tangible assets per share calculation

Review report

The independent auditor's review report is attached to the financial report for the half-year ended 31 December 2021. The independent auditor's review report does not contain any modified opinion, emphasis of matter or other matter.

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Financial report for the half-year ended 31 December 2021

CONTENTS

Directors' report 2
Auditor's independence declaration 5
Independent auditor's review report 6
Directors' declaration 8
Condensed consolidated statement of profit or loss and other comprehensive income 9
Condensed consolidated statement of financial position 10
Condensed consolidated statement of changes in equity 11
Condensed consolidated statement of cash flows 12
Notes to the condensed consolidated financial statements 13

Directors' report

The directors of AVADA Group Limited submit herewith the financial report of AVADA Group Limited and its subsidiaries (the Group) for the half-year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company who held office during or since the end of the half-year are:

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

[1] Elected Chair on 9 November 2021
[2] Elected Chair on 25 March 2021 and resigned on 9 November 2021

Principal activities

The Company's principal activities during the six months ended 31 December 2021 was that of a holding company. As at 15 December 2021, the Company acquired five subsidiaries. After the acquisition of the subsidiaries, the Group's principal activities were the provision of integrated traffic management services with operations throughout Queensland and New South Wales, delivering services to major public and private sector clients.

Integrated traffic management services include the provision of plans and permits, traffic control, equipment hire, 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.

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

Review of operations
Loss for the period for the Group after providing for income tax (net loss after tax or NPAT) amounted to $6.8m.

The statutory loss includes $7.1m of costs incurred by the Company in undertaking the acquisitions of the subsidiaries and listing on the Australian Securities Exchange on 17 December 2021 (including $3.5m of share-based payments to advisors and key management personnel).

Traffic management services revenue is earned based on the volume (typically hours) of traffic controller, vehicles and other equipment billed to clients at agreed rates. The last two weeks of each calendar year reflects a seasonally low trading period for the Group given the Christmas and New Year shutdown in the civil services sector.

Outlook

The current level and pipeline for civil services work remains strong given the recurring maintenance requirements of essential infrastructure and government funding of new infrastructure projects, particularly in the response to the COVID-19 pandemic. Significant weather events in November 2021 and December 2021 resulted in the deferral of some civil services work planned for these months. Some project work has also been deferred in New South Wales from November and December as clients manage COVID-19 protocols. This has provided a positive outlook for the second half of the financial year with strong demand expected from underlying activity, and as a result of the deferred work.

Impact of COVID-19 pandemic on operations

The outbreak of COVID-19 and the subsequent quarantine measures, compounded by travel and trade restrictions imposed by Australia and other countries during the six months period has caused disruption to businesses and economic activity. Given the essential nature of traffic control in supporting civil services, and taking account of the year-end shutdown post the acquisition of the subsidiaries, the COVID-19 pandemic has had a negligible impact on the Group's operations and results for the six months ending 31 December 2021. As restrictions continue to ease, workforce planning and management may result in temporary disruption from maintenance and project work being deferred in response to workforce availability (principally impacting client workforces). Such deferrals are considered temporary and not a permanent loss of revenue.

The Group did not receive any pandemic-related financial assistance from the Federal or State governments during the six months ended 31 December 2021.

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

Changes in the state of affairs

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

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

(collectively the "Group").

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

There were no other significant changes in the state of affairs of the Group during the financial period.

Subsequent events

At the date of this this report, Queensland is experiencing severe flooding across various parts of the state. Whilst management are still assessing the impact of the floods, the Group has not experienced any significant physical damage to assets as at the date of this report, and management do not anticipate a significant impact on the business and operations at this stage.

There has not been any other matter or circumstance occurring subsequent to the end of the half-year ended 31 December 2021 that has 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 years.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year report.

Rounding off amounts

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

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

On behalf of the Directors

Lance Hockridge
Chairman

Brisbane, 28 February 2022

Deloitte.

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The Board of Directors
AVADA Group Limited
c/o Kern Group
Level 22 / 300 Queen Street
Brisbane
Queensland, 4000
Australia

28 February 2022

Dear Board Members

Auditor's Independence Declaration to AVADA Group Limited

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

As lead audit partner for the review of the half-year financial report of AVADA Group Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

(ii) Any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JStrydom

Jacques Strydom
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the Members of AVADA Group Limited

Conclusion

We have reviewed the half-year financial report of AVADA Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8 to 49.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jacques Strydom
Partner
Chartered Accountants

Brisbane, 28 February 2022

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Saeed Seedat
Partner
Chartered Accountants

Brisbane, 28 February 2022

Directors' declaration

The directors declare that:

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

(b) in the directors' opinion, the attached half-year report and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors

Lance Hockridge
Chairman

Brisbane, 28 February 2022

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2021

	Note	Consolidated Half-year ended 31/12/21[1] $'000
Revenue	6	2,937
Other income		12
Depreciation and amortisation expense		(374)
Direct equipment hire and consumables		(317)
Direct wages and salaries		(2,074)
Non-direct wages and salaries		(815)
Administration expenses	7	(7,274)
Other expenses		(203)
Finance costs	8	(21)
Profit/(loss) before income tax		(8,129)
Income tax (expense) / benefit	9	1,316
Profit/(loss) for the period		(6,813)
Other comprehensive income, net of tax		-
Total comprehensive income/(loss) for the period		(6,813)
Profit/(loss) attributable to:		
Owners of the parent		(6,813)
		(6,813)
Total comprehensive income/(loss) attributable to:		
Owners of the parent		(6,813)
		(6,813)
Earnings/(loss) per share		
Basic (cents per share)	10	(28)
Diluted (cents per share)	10	(28)

[1] The Company was incorporated on 25 March 2021 and, therefore, there is no comparative financial information.

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

Condensed consolidated statement of financial position

as at 31 December 2021

	Note	Consolidated Half-year ended 31/12/21 $'000	Consolidated Period ended 30/06/21 $'000
Assets			
Current assets			
Cash and cash equivalents		2,156	192
Trade and other receivables	11	13,794	7
Current tax assets		49	-
Other current assets		1,759	8
Total current assets		17,758	207
Non-current assets			
Property, plant and equipment	12	12,469	-
Right-of-use assets	13	4,225	-
Goodwill	14	41,178	-
Other intangible assets	15	19,718	-
Other non-current assets		123	-
Total non-current assets		77,713	-
Total assets		95,471	207
Liabilities			
Current liabilities			
Trade and other payables	16	10,313	107
Lease liabilities	17	1,027	-
Borrowings	18	9	360
Provisions	19	2,808	4
Total current liabilities		14,157	471
Non-current liabilities			
Lease liabilities	17	3,259	-
Borrowings	18	6,250	-
Deferred tax liabilities	9	3,571	-
Other financial liabilities	20	10,275	-
Provisions	19	166	-
Total non-current liabilities		23,512	-
Total liabilities		37,678	471
Net Assets		57,793	(264)
Equity			
Share capital	21	51,146	1
Reserves	22	13,875	150
Retained earnings/(accumulated losses)		(7,228)	(415)
Total equity		57,793	(264)

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

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2021

Consolidated	Note	Share capital $'000	Share-based payments reserve $'000	Acquisition reserve $'000	Retained earnings $'000	**Total equity $'000**
Balance as at 1 July 2021		1	150	-	(415)	(264)
Profit/(loss) for the period		-	-	-	(6,813)	(6,813)
Other comprehensive income for period		-	-	-	-	-
Total comprehensive income/ (loss) for the period		-	-	-	(6,813)	(6,813)
Issue of share capital	21	32,543	-	-	-	32,543
Share issue costs	21	(1,993)	-	-	-	(1,993)
Shares issued as consideration in business combinations	21/22	20,595	-	10,175	-	30,770
Share-based payments	25	-	3,550	-	-	3,550
Total transactions with owners		51,145	3,550	10,175	-	64,870
Balance as at 31 December 2021*		51,146	3,700	10,175	(7,228)	57,793

* The Company was incorporated on 25 March 2021 and therefore there is no comparative financial information.

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

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2021

	Note	Consolidated Half-year ended 31/12/21* $'000
Cash flows from operating activities		
Receipts from customers (including GST)		6,095
Payments to suppliers and employees (including GST)		(7,896)
Interest paid		(9)
Income taxes paid		(126)
Net cash (outflow)/inflow from operating activities	24	(1,936)
Cash flows from investing activities		
Purchases of property, plant and equipment	12	(23)
Proceeds from sale of property, plant and equipment		8
Acquisition of subsidiaries (net of cash acquired)	23	(30,419)
Net cash (outflow)/inflow from investing activities		(30,434)
Cash flows from financing activities		
Proceeds from borrowings		6,520
Repayments of borrowings		(351)
Repayment of lease liabilities		(8)
Proceeds on issue of shares (net of transaction costs)	24	28,173
Net cash (outflow)/inflow from financing activities	24	34,334
Net increase/(decrease) in cash and cash equivalents		1,964
Cash and cash equivalents at beginning of the period		192
Cash and cash equivalents at the end of the period		2,156

* The Company was incorporated on 25 March 2021 and therefore there is no comparative financial information.

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

Notes to the condensed consolidated financial statements

1. General information

AVADA Group Limited ("the Company") is 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 condensed consolidated financial statements of the Company for the six months ended 31 December 2021 comprises the Company and its subsidiaries (together referred to as "the Group").

Statement of compliance

The Group is a for-profit entity for financial reporting purposes in accordance with Australian Accounting Standards.

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Rounding off amounts

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

Going concern

The Group has incurred a loss after tax of $6.8m and used net cash in operating activities of $1.9m for the half-year ended 31 December 2021. This was a result of:

- Costs incurred in respect of the acquisition of the subsidiaries and listing on the Australian Securities Exchange; and
- Operating results of the subsidiaries being reflected only from 16 December 2021.

At the reporting date, the Group had an excess of current assets compared with current liabilities of $3.6m.

The directors have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. Summary of significant accounting policies

As this is the first financial report issued since the listing, the principal accounting policies adopted in the preparation of these condensed consolidated financial statements are set out below.

The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

(a) Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 31 December 2021. Control is achieved when the Company:

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

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

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

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

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable Australian Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 Financial Instruments ("AASB 9") when applicable.

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.

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

(b) Business combinations

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Disclosure of Interest in Other Entities ("AASB 112") and AASB 119 Employee Benefits ("AASB 119") respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 Share-based Payments ("AASB 2") at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations ("AASB 5") are measured in accordance with that Standard.

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

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

(c) Goodwill

Goodwill is initially recognised and measured as set out above.

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

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)

(d) Revenue recognition

The Group recognises revenue from the following major sources:

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

Traffic management services

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

Equipment hire

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

Plans and permits

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

(e) Financial instruments

Recognition, measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables which are initially measured at the transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset or substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

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

(e) Financial instruments (cont'd)

Amortised cost and effective interest method (cont'd)

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

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

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

Financial liabilities measured subsequently at amortised cost:

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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

(f) Income tax

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

Tax consolidation

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

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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

(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Class of fixed asset	Method	Useful life
Motor vehicles	Diminishing value	7 – 12 years
Plant and equipment	Diminishing value	1 – 12 years
Office furniture and equipment	Diminishing value	1 – 12 years
Right of use assets	Straight line	Term of lease

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

Property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(h) Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in Note 15. 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.

(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. 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.

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.

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

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

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. Any increase in excess of this amount is treated as a revaluation increase.

(j) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

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

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

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

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

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

(j) Leases (cont'd)

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

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

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

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

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

(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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment or approved by the Board as part of a short-term incentive arrangement in the period of service and the amount can be reliably measured.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(m) Share-based payments

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25.

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

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

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

(n) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Make good provisions

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

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

(o) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of AVADA Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3. Adoption of new and revised Australian Accounting Standards

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

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

In the current half-year, the Group has applied the amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the Board) in the below table, that are effective for the Group's annual reporting period that began on 1 July 2021.

There were no new and revised Standards and amendments thereof and Interpretations effective for the current year that were relevant to the Group for the half-year ended 31 December 2021.

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

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

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 condensed consolidated financial statements.

Accounting for the Acquisition of Businesses

The Group completed the acquisitions of:

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

on the 15th of December 2021.

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

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

Identifying the acquirer

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

Purchase price considerations

As detailed in Note 23, the purchase price consideration included cash, the issuing of shares and contingent consideration.

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

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

Accounting for the Acquisition of Businesses (cont'd)

Purchase price considerations (cont'd)

The difference between the consideration paid by the vendors for 521 shares in the Company prior to IPO and the fair value of the shares at the date of listing of the Company, being the date at which control was obtained over the subsidiaries, of $10.2m was assessed by the directors as being consideration for the acquisitions. Refer to Note 23.

Two of the acquired businesses have contingent consideration payable on achieving specified levels of earnings 12 months post completion of the transaction date. If the required earnings thresholds are met, an amount will be due and payable in January 2023 as a combination of cash and equity. The fair value of the contingent consideration of $10.3m was estimated by calculating the present value of the future expected EBITDA. The internal rate of return ("IRR") of 17.85% was used to discount the contingent consideration.

Significant judgements are involved in assessing the future EBITDA of the acquired businesses, including growth rates applied for revenue and gross margin. The assessment of the discount rate required judgement, with the IRR determined as the appropriate discount rate given the contingent nature of the liability. See Notes 20 and 23.

Measurement of the assets acquired and liabilities assumed

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

In respect of fixed assets acquired (in particular motor vehicles) a preliminary assessment was undertaken of fair value with reference to publicly available third-party data bases. This assessment required judgement to consider the valuation methodology and valuation range, taking account of the operational considerations and usage of the fleet.

The directors engaged an independent expert to assist with identifying the previously unidentified intangible assets, such as Customer lists and Brands. See Note 15.

For all other assets acquired and liabilities assumed, no acquisition adjustments have been made and the book value of these assets and liabilities has been determined as the provisional fair values at 31 December 2021.

Given the close proximity of the acquisitions to the half-year end, the acquisition accounting is provisional. A thorough assessment will be performed in measuring the fair value of the assets acquired and liabilities assumed prior to the finalisation of the acquisition accounting.

Share-based payments

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

The directors determined that shares issued to the advisors and key management personnel are attributable to advisory and related services provided to the Company and, accordingly, are share-based payments. As detailed in Note 25, a share-based payment expense was recorded in respect of these shares.

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

- determining that the valuation date of the share-based payments as 14 July 2021;
- a valuation of the Group at the valuation date, including forecast profitability and valuation multiples which assessed the fair value of the shares to be issued to be 9,648,853 shares at $1 per share; and

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

Share-based payments (cont'd)

- determining the fair value of the share-based payments, by performing a probability assessment of the success or failure of the successful listing of the Company on the ASX. The probability adjusted fair value of the share-based payment was $3.5m and is based on the director's best estimate at the valuation date.

Impairment testing of goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.

Determining whether goodwill is impaired requires judgement, including the initial allocation of goodwill to CGUs and a combination of judgement and assumptions to assess indicators of impairment.

In assessing whether there are any indicators of impairment, the directors have been required to make judgements, including for asset values or changes in market values, changes in the market in which the consolidated entity operates, any deterioration in asset performance and consideration of actual performance compared to budget. Additionally, consideration was given to market capitalisation exceeding net assets at 31 December 2021.

It is the directors view, that there are no external or internal sources of information which would be indicative of an impairment indicator at 31 December 2021. See Note 14.

Leases

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

5. Operating segments

Identification of reportable operating segments

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

The Group's reportable segments under AASB 8 Segment Reporting ("AASB 8") are as follows:

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

The Group offers integrated traffic management services including planning and permit, traffic control, equipment hire, event management and incident response. The Group's client portfolio includes government clients at state and local council levels, federally funded contractors and major contractors in the utilities, infrastructure, construction and other industrial sectors.

5. Operating segments (cont'd)

Identification of reportable operating segments (cont'd)

The following is an analysis of the Group's revenue and results by reportable operating segment for the half-year ended 31 December 2021:

	Revenue	Segment Profit/(loss)
	Half-year ended	Half-year ended
	31/12/21	31/12/21
	$'000	$'000
Queensland Traffic Management	1,984	(141)
New South Wales Traffic Management	953	(142)
	2,937	(283)
Administrative and other expenses		(7,839)
Finance costs		(7)
Profit/(loss) before tax		(8,129)
Income tax (expense)/benefit		1,316
Profit/(loss) after tax		(6,813)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year. 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, and income tax expense. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

The Company was incorporated on 25 March 2021 and, as such, there is no comparative financial information.

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

	Segment assets	Segment liabilities
	Half-year ended	Half-year ended
	31/12/21	31/12/21
	$'000	$'000
Queensland Traffic Management	26,053	16,310
New South Wales Traffic Management	13,715	6,414
Total segment assets and liabilities	39,768	22,724
Unallocated assets and liabilities	55,703	14,954
Consolidated assets and liabilities	95,471	37,678

5. Operating segments (cont'd)

Identification of reportable operating segments (cont'd)

	Segment assets period ended 30/06/21 $'000	Segment liabilities period ended 30/06/21 $'000
Queensland Traffic Management	-	-
New South Wales Traffic Management	-	-
Total segment assets and liabilities	-	-
Unallocated assets and liabilities	207	471
Consolidated assets and liabilities	207	471

The operating subsidiaries were acquired on 15 December 2021. There are no comparatives for segment assets or liabilities as no such segments were in existence prior to the acquisition of the operating subsidiaries.

Information about major customers

Included in revenues arising from Queensland Traffic Management are revenues of approximately $0.5m which arose from sales to the Group's largest customer. No other single customers contributed 10 per cent or more to the Group's revenue for the six months ended 31 December 2021.

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

	Half-year ended 31/12/21 $'000
External revenue by geography and customer type	
Queensland	
Government (incl. councils)	1,154
Non-Government	830
	1,984
External revenue by geography and customer type	
New South Wales	
Government (incl. councils)	424
Non-Government	529
	953
	2,937
External revenue by timing of revenue	
Services transferred over time	2,834
Services transferred at a point in time	103
	2,937

7. Administrative expenses

	Half-year ended 31/12/21 $'000
Professional fees	127
IPO listing costs	3,659
Acquisition related costs – share-based payments	3,450
Rent and other occupancy expenses	14
Other administrative expenses	24
	7,274

A total of $6.5m of listing and transaction costs have been excluded from the consideration transferred upon acquisition of subsidiaries. $3.7m has been recognised as an expense in profit or loss during the half-year within the administrative expenses and $2.8m ($2.0m net of tax – refer Note 21) was offset against equity.

8. Finance costs

	Half-year ended 31/12/21 $'000
Bank charges on bank overdrafts and loans	7
Interest on bank overdrafts and loans	9
Interest on lease liabilities	5
	21
Finance costs recognised in profit or loss	21

9. Income tax (expense)/benefit

The major components of income tax are:

	Half-year ended 31/12/21 $'000
Current Income Tax	
Current income tax charge	-
Adjustment in respect of current income tax of the previous years	58
Adjustment made to calculated income tax benefit to reflect forecast full year effective tax rate	-
Deferred income tax	
Relating to the origination and reversal of temporary differences	1,258
Recognition of previously unrecognised losses	-
Adjustment in respect of deferred income tax of the previous years	-
Derecognition of deductible temporary differences	-
	1,316

9. Income tax (expense)/benefit (cont'd)

Numerical reconciliation between tax expense and pre-tax accounting profit

	Half-year ended 31/12/21 $'000s
Accounting profit/(loss) from continuing operations before tax	(8,129)
Prima facie tax (expense)/benefit on profit/(loss) before income tax at 30%	2,439
Non-deductible expenses	(1,181)
Temporary differences not recognised	-
Tax effect of previously unrecognised tax losses	-
Adjustment in respect of the previous year	58
Income tax benefit/(expense)	1,316

Non-deductible items of $4.1m have been considered as a separate expense stream in calculating the income tax benefit for the period ended 31 December 2021. Management believes that it is probable that deferred tax assets of $1.3m recognised on tax losses incurred during the first half of the financial year will be utilised during the second half of the financial year and beyond.

Amounts recognised directly in equity

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

	Half-year ended 31/12/21 $'000s
Current tax: Amortisation of IPO listing costs	-
Deferred tax: Recognition and amortisation of IPO listing costs	854
	854

Amounts recognised in Profit/(Loss)

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

	Half-year ended 31/12/2021 $'000s
Net balances as at 1 July 2021	-
Prior year adjustments	58
Acquisition related	(5,728)
Recognised in profit or loss	1,245
Net deferred tax assets/(liabilities) recognised in profit/(loss)	(4,425)
Deferred tax assets[1]	2,932
Deferred tax liabilities	(7,357)
	(4,425)

[1] Excludes deferred tax assets recognised directly in equity (refer above).

10. Earnings/(loss) per share

	Half-year ended 31/12/21 $'000
Earnings/(loss)	
Earnings/(loss) for the purposes of basic and diluted earnings per share being net profit/(loss) attributable to owners of the Company	(6,813)
Number of shares	
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	24,165,661
Basic earnings per share (cents)	(28)
Diluted earnings per share (cents)[1]	(28)

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

11. Trade and other receivables

	Half-year ended 31/12/21 $'000	Period ended 30/06/21 $'000
Trade receivables	13,220	7
Accrued income	653	-
Less: Expected credit losses	(79)	-
	13,794	7

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

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

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

Allowance for expected credit losses

The consolidated entity has recognised a loss of $0.1m in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2021.

11. Trade and other receivables (cont'd)

Allowance for expected credit losses (cont'd)

The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit rate loss	Carrying amount	Allowance for expected credit loss
	Half-year ended	Half-year ended	Half-year ended
	31/12/21	31/12/21	31/12/21
		$'000	$'000
Current	0.2%	8,909	16
30+ days overdue	0.7%	3,717	25
60+ days overdue [1]	7.6%	1,026	30
90+ months overdue[1]	5.8%	221	8
Consolidated assets and liabilities		13,873	79

[1] Calculation of expected credit losses has been adjusted to reflect subsequent receipts given seasonal impacts on debtor recoverability.

12. Property, plant and equipment

	Note	Half-year ended 31/12/2021 $'000s			
		Plant and equipment	Motor Vehicles	Office Equipment	Total
Cost					
At 1 July 2021		-	-	-	-
Additions from acquisitions of subsidiaries	23	1,211	11,219	151	12,581
Additions		15	-	8	23
Disposals		(7)	-	-	(7)
At 31 December 2021		1,219	11,219	159	12,597
Depreciation					
At 1 July 2021		-	-	-	-
Charge for the period		16	111	5	132
Disposals		(4)	-	-	(4)
At 31 December 2021		12	111	5	128
Carrying amount					
At 31 December 2021		1,207	11,108	154	12,469

13. Right-of-use assets

	Note	Half-year ended 31/12/21 $'000
Cost		
At 1 July 2021		-
Additions from acquisitions of subsidiaries	23	4,278
Disposals		-
At 31 December 2021		4,278
Depreciation		
At 1 July 2021		-
Charge for the period		53
Disposals		-
At 31 December 2021		53
Carrying amount		-
At 31 December 2021		4,225

The Group leases several assets including buildings and plant. The average lease term is 8 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 17.

14. Goodwill

	Note	Half-year ended 31/12/21 $'000
Gross carrying amount		
Balance at beginning of the period		-
Amounts recognised from business combinations occurring during the period	23	41,178
Balance at end of the period		41,178

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. There are no indicators of impairment as at 31 December 2021.

15. Other intangible assets

	Note	Half-year ended 31/12/21 $'000 Customer lists	Brands	Total
Cost				
At 1 July 2021		-	-	-
Additions from acquisitions of subsidiaries	23	17,945	1,962	19,907
At 31 December 2021		17,945	1,962	19,907
Amortisation				
At 1 July 2021		-	-	-
Charge for the year		172	17	189
At 31 December 2021		172	17	189
Carrying amount				
At 31 December 2021		17,773	1,945	19,718

The customer lists and brands are amortised over their useful lives ranging between 4 years to 5 years depending on the underlying contract or relationship.

16. Trade and other payables

	Half-year ended 31/12/21 $'000	Period ended 30/06/21 $'000
Trade payables	2,979	101
Accrued expenses	2,040	-
GST payable	2,041	-
Employee related payables	2,000	6
Other payables	1,253	-
	10,313	107

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

17. Leases

Maturity analysis

	Half-year ended 31/12/21 $'000
Year 1	1,102
Year 2	754
Year 3	569
Year 4	587
Year 5	523
Onwards	1,301
Less unearned interest	(550)
	4,286
Analysed as:	
Current	1,027
Non-current	3,259
	4,286

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.

18. Borrowings

	Half-year ended 31/12/21 $'000	Period ended 30/06/21 $'000
Current		
Unsecured		
Related parties[1]	9	360
	9	360
Non-current		
Unsecured		
Related parties[1]	1,250	-
Secured		
Bank loan (term facility)	5,000	-
	6,250	-
Total borrowings	6,259	360

[1] Acquired on acquisition of subsidiaries

18. Borrowings (cont'd)

Description of the Banking facilities

The Group has its banking facilities with the Commonwealth Bank of Australia in respect of the provision of a term facility, an asset finance facility and a working capital facility. The Group's financing arrangements in place as at 31 December 2021 are set out below.

Facility	Facility Limit $'000	Drawn Amount as at 31 December 2021 $'000	Term
Term Facility	5,000	5,000	Three years
Asset Finance Facility	5,000	–	Annually reviewed and renewed
Overdraft Facility	4,750	741	Annually reviewed and renewed
Bank Guarantees	250	80	Annually reviewed and renewed
Corporate Credit Cards	200	–	Annually reviewed and renewed

The key terms of the banking facilities are:

- The term facility can be used for financing of acquisitions and earn-out payments. Interest is payable monthly with principal payable at maturity. Interest is charged at 1.60% above the base rate (referencing 90 day BBSY rate). The facility has an establishment fee of 0.75% of the facility limit and a line fee of 1.6%. Security is provided in the form of a first ranking general security interest from each obligor in respect of each of their present and after acquired property.
- The asset finance facility can be used to fund motor vehicle acquisitions or leases. Interest and principal is payable on a per contract basis. Additionally, the facility has an establishment fee of 0.75% of the facility limit payable at financial close. The term is reviewed annually. Security is provided over each asset acquired under the facility.
- The overdraft facility can be used to fund working capital. Interest is charged quarterly at the lenders Overdraft Index Rate minus a margin of 3.68%. The facility has an establishment fee of 0.75% of the facility limit payable at financial close and a line fee of 0.75%. The term is reviewed annually. Security is provided in the form of a first ranking general security interest from each obligor in respect of each of their present and after acquired property.

Bank covenants

There were no breaches of loan covenants during the half-year ended 31 December 2021.

Loans received and repaid

Funds were received during the half-year from the following borrowings:

- The Company received $1.5m in additional seed funding from shareholders. This was fully repaid prior to 31 December 2021.
- The Group received $5.0m from the Commonwealth Bank as a Term Loan.
- The Group drew down $0.7m from the Overdraft Facility from the Commonwealth Bank

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

19. Provisions

	Half-year ended 31/12/21 $'000	Period ended 30/06/21 $'000
Current		
Annual leave	2,363	4
Long service leave	445	-
	2,808	4
Non-current		
Long service leave	166	-
	166	-

20. Other financial liabilities

	Note	Half-year ended 31/12/21 $'000
Current		
Contingent consideration		-
Non-current		
Contingent consideration	23	10,275

Contingent consideration is payable on the acquisition of Verifact Traffic Pty Ltd and its subsidiaries and D&D Services Pty Ltd and its subsidiary. Under the earn-out arrangement, an EBITDA threshold must be achieved before any contingent consideration is payable. Contingent consideration has been estimated based on forecast monthly trading for the 12 months ended 15 December 2022. Based on the forecast methodology, contingent consideration has been estimated to be $12.1m with a net present value of $10.3m (discounted at IRR of 17.85%). Contingent consideration in respect of D&D Services Pty Ltd is capped at $1.7m. There is no cap in respect of the earn-out for Verifact Traffic Pty Ltd. The contingent consideration is not payable until 2023.

21. Issues of equity securities

	Note	Half-year ended 31/12/21 No. of shares	$'000
Ordinary shares			
Balance at beginning of the period		1,100	1
Share split (1,100 shares converted to 19,880,807 shares)		19,879,707	-
Shares issued at IPO		30,000,000	30,000
Subscribed shares issued to repay seed loans		1,528,696	1,529
Other subscribed shares issued		1,013,913	1,014
Shares issued to management/directors		250,000	-
Transaction costs arising on share issues		-	(1,993)
Shares issued as consideration in business combinations	23	20,594,942	20,595
		73,268,358	51,146

21. Issues of equity securities (cont'd)

Terms and conditions of contributed equity

Ordinary shares

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

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of surplus assets in proportion to the number of shares held. Each Shareholder present has one vote and, on a poll, one vote for each fully paid Share held, and for each partly paid Share, a fraction of a vote equivalent to the proportion to which the Share has been paid up. Voting may be in person or by proxy, attorney or representative.

22. Reserves

	Note	Half-year ended 31/12/21 $'000	Period ended 30/06/21 $'000
Share-based payment reserve		3,700	150
Acquisition reserve[1]	23	10,175	-
		13,875	150

[1] The acquisition reserve arose as a result of the acquisition of subsidiaries during the period and comprises the difference between the consideration the vendors paid for 521 shares in the Company prior to IPO and the fair value of the shares at the date of listing of the Company. This date is the date at which control was obtained over the subsidiaries.

23. Acquisition of subsidiaries

Details of acquisitions

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

(a) Pursuant to an agreement signed by the Company on 8 June 2021, the Company agreed to acquire 100% of the shares of Verifact Traffic Pty Ltd and its subsidiaries ("Verifact Traffic") effective 15 December 2021 by way of a cash payment and an issue of shares. The agreement also contains an "earn out" component based on trading performance for the 12 months post completion of the acquisition subject to certain performance hurdles being met (refer Note 20).

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

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

(d) Pursuant to an agreement signed by the Company on 16 July 2021, the Company agreed to acquire 100% of the shares of D&D Services (Australia) Pty Ltd and its subsidiary ("D&D Traffic Management") effective 15 December 2021 by way of a cash payment and an issue of shares. The agreement also contains an "earn out" component based on trading performance for the 12 months post completion of the acquisition subject to certain performance hurdles being met (refer Note 20).

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

23. Acquisition of subsidiaries (cont'd)

Consideration transferred

Acquisition	Vendor Founder Shares value uplift[1] No of shares	Vendor Founder Shares value uplift[1] $'000s	Shares issued to settle No of shares	Shares issued to settle $'000s	Cash paid $'000s	Contingent[2] consideration $'000s	Total $'000s
Verifact Traffic Pty Ltd and its subsidiaries	6,777,548	6,777	14,159,254	14,159	7,948	8,871	37,755
A2O Pty Ltd and its subsidiary	1,138,628	1,139	1,882,586	1,883	9,191	-	12,213
Platinum Traffic Services Pty Ltd	-	-	753,871	754	3,015	-	3,769
D&D Services (Australia) Pty Ltd and its subsidiary	2,259,183	2,259	2,209,925	2,210	8,840	1,404	14,713
The Traffic Marshal Pty Ltd	-	-	1,589,306	1,589	3,708	-	5,297
	10,175,359	10,175	20,594,942	20,595	32,702	10,275	73,747

[1] The increase in the value of the Vendor Founder Shares on the date of the acquisition of businesses was assessed as being consideration for the acquisitions.
[2] Refer Note 20 for details of the contingent consideration.

As at 31 December 2021, completion adjustments are to be finalised. The value of the completion adjustments will be reflected as an increase to consideration and goodwill once finalised.

Assets acquired and liabilities assumed at the date of acquisition

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

	Verifact Traffic $'000	Arid to Oasis Traffic Solutions $'000	Platinum Traffic Services $'000	D&D Traffic Management $'000	The Traffic Marshal $'000	Total $'000
Assets						
Current assets						
Cash and cash equivalents	344	266	56	352	1,264	2,282
Trade and other receivables[1]	6,602	3,223	2,519	3,941	396	16,681
Current tax assets	-	158	-	-	-	158
Other current assets	602	98	357	438	93	1,588
Total current assets	7,548	3,745	2,932	4,731	1,753	20,709
Non-current assets						
Property, plant and equipment	6,309	2,387	1,384	2,261	240	12,581
Right-of-use assets	720	1,579	21	1,836	122	4,278
Other intangible assets	10,710	3,145	1,155	2,150	2,747	19,907
Other assets	29	-	72	20	-	121
Total non-current assets	17,768	7,111	2,632	6,267	3,109	36,887
Total assets	25,316	10,856	5,564	10,998	4,862	57,596

23. Acquisition of subsidiaries (cont'd)

Assets acquired and liabilities assumed at the date of acquisition (cont'd)

Liabilities						
Current liabilities						
Trade and other payables	5,187	1,138	1,524	2,018	297	10,164
Lease liabilities	191	367	22	561	122	1,263
Current tax liabilities	17	-	96	93	44	250
Employee related provisions	2,234	110	117	662	103	3,226
Total current liabilities	7,629	1,615	1,759	3,334	566	14,903
Non-current liabilities						
Lease liabilities	528	1,227	-	1,272	-	3,027
Borrowings	1,250	-	-	-	-	1,250
Provisions	38	16	58	-	7	119
Deferred tax liabilities	2,718	1,491	224	508	787	5,728
Total non-current liabilities	4,534	2,734	282	1,780	794	10,124
Total liabilities	12,163	4,349	2,041	5,114	1,360	25,027
Net Assets	13,153	6,507	3,523	5,884	3,502	32,569

[1] Recoverability has been assessed and is not materially different to the assessment for half-year ended 31 December 2021. Refer to Note 11.

The initial accounting for all acquisitions has only been provisionally determined at the end of the half-year. At the date of finalisation of this half-year 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 not been finalised. The preliminary purchase price accounting undertaken included a preliminary valuation of the vehicle fleet. The Company will perform 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 and goodwill. The final assessment is required to be performed within 12 months from the date of acquisition and will reflect the value of completion adjustments which have not been finalised at 31 December 2021.

Goodwill arising on acquisition

	Verifact Traffic	**Arid to Oasis Traffic Solutions**	**Platinum Traffic Services**	**D&D Traffic Management**	**The Traffic Marshal**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Consideration transferred	37,754	12,213	3,769	14,713	5,298	73,747
Less: Total of identifiable net assets acquired	(13,153)	(6,507)	(3,523)	(5,884)	(3,502)	(32,569)
Goodwill arising on acquisition	24,601	5,706	246	8,829	1,796	41,178

23. Acquisition of subsidiaries (cont'd)

Goodwill arising on acquisition (cont'd)

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.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	Verifact Traffic	Arid to Oasis Traffic Solutions	Platinum Traffic Services	D&D Traffic Management	The Traffic Marshal	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Consideration paid in cash	7,947	9,191	3,015	8,840	3,708	32,701
Less: cash and cash equivalent balances acquired	(344)	(266)	(56)	(352)	(1,264)	(2,282)
	7,603	8,925	2,959	8,488	2,444	30,419

Impact of acquisition on the results of the Group

The profit/(loss) for the half-year is primarily in respect of the subsidiaries acquired.

Had the acquisition of the subsidiaries been effected at 1 July 2021, the revenue of the Group from continuing operations for the six months ended 31 December 2021 would have been $66.7m, and the loss for the half-year from continuing operations would have been $4.0m (including transaction costs of $6.9m incurred by the Company, $1.1m of transaction related costs and other significant items incurred by the subsidiaries and $2.2m of amortisation of intangibles). The directors of the Group consider these unaudited 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a half-yearly basis and to provide a reference point for comparison in future half-years.

In determining the pro-forma revenue and profit of the Group had the subsidiaries been acquired at the beginning of the current half-year, the directors have:

- Calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination. The fair values of the fixed assets acquired are consistent with the carrying amounts recognised in the pre-acquisition financial statements based on the preliminary valuation and purchase price allocation exercise undertaken.

Details of the Group's material subsidiaries

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

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

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

24. Notes to the cash flow statement

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

	Consolidated Half-year ended 31/12/21 $'000
Profit/(loss) for the year	(6,813)
Adjustments for:	
Depreciation and amortisation	374
Equity-settled share-based payment	3,550
Bad and doubtful debts	61
Non-cash interest expense	5
(Profit)/Loss on sale of fixed assets	(5)
Movements in working capital:	
Increase/(decrease) in Trade and other receivables	2,894
Increase/(decrease) in Other assets	(163)
Increase/(decrease) in Deferred tax liability	(1,364)
Increase/(decrease) in Trade and other payables	42
Increase/(decrease) in Current tax payable	(141)
Increase/(decrease) in Other liabilities	(376)
Net cash (used in)/from operating activities	(1,936)

Changes in liabilities arising from financing activities

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

			Non-cash changes	
	1 July 2021	Financing cash flows[1]	Acquisition of subsidiaries	31 December 2021
	$'000	$'000	$'000	$'000
Seed loans	360	1,169	(1,529)[2]	-
Related party loans acquired on acquisition	-	-	1,259	1,259
Bank loan	-	5,000	-	5,000
Lease liabilities	-	(8)	4,294	4,286
Share capital	1	28,173	22,972	51,146
Contingent consideration[3]	-	-	10,275	10,275
Total liabilities from financing activities	361	34,334	37,271	71,966

[1] The cash flows from bank loans, loans from related parties and other borrowings make up the net amount proceeds from borrowings and repayments of borrowings in the cash flow statement.
[2] Refer to Note 21 for further details
[3] Refer Note 20 for further details

25. Share-based payments

The following share-based payments were recognised through profit or loss during the half-year ended 31 December 2021:

	$'000s
Share based payments issued in respect of advisory services provided to the Company[1]	3,450
Grant of shares to Non-Executive Directors	100
	3,550

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

26. Key management personnel

	Half-year ended 31/12/21 $'000	Period ended 30/06/21 $'000
Short-term employee benefits	280	19
Post-employment benefits	26	2
Long-term benefits	-	-
Share-based payments	3,550	150
	3,856	171

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

Short-term employee benefits
These amounts include salaries, fees, cash bonuses and fringe benefits paid to Key Management Personnel including executive and non-executive directors.

Post-employment benefits
These amounts include the cost of superannuation contributions made during the year.

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

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

No cash bonuses were granted during the half-year ended 31 December 2021.

Share-based payments

The following share-based payments have been issued to KMP during the half-year ended 31 December 2021:

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

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

27. 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 31/12/21 $'000s	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration in a business combination	Liabilities – $10,275	Level 3	Net Present Value of expected future cash outflow	IRR of 17.85% determined (Refer to Note 20)	An increase in the discount rate used in isolation would result in a decrease in the fair value. (See (i) below.)
				Forecast revenues and profits.	An increase in the forecast revenues and profits used in isolation would result in a significant increase in the fair value. (See (ii) below.)

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

(i) A 3% increase/decrease in the discount rate used while holding all other variables constant would decrease/increase the carrying amount of the contingent consideration by $0.3m;
(ii) A 3% increase/decrease in the forecast revenues and profits while holding all other variables constant would increase/decrease the carrying amount of the contingent consideration by $0.8m respectively.

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

28. Financial risk management

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

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

Interest rate risk

The Group's main exposure to interest rate risk is long-term borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial asset or financial liability will change as a result of changes in market interest rates. The Group is exposed to interest rate risk through its Banking Facilities, which include floating rate facilities. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

28. Financial risk management (cont'd)

Interest rate risk (cont'd)

Interest rate risk management

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

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

Interest rate sensitivity analysis

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

If interest rates had been one per cent higher/lower and all other variables were held constant, the Group's profit for the half-year ended 31 December 2021 would decrease/increase by $5,000. 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.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group expects to pay, with the exception of lease liabilities which are based on discounted cash flows. The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

29. Financial risk management (cont'd)

Liquidity risk (cont'd)

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
31 December 2021	**%**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	-	6,371	3,942	-	-	-	10,313	10,313
Related parties	-	9	-	1,250	-	-	1,259	1,259
Bank loan	2.25	-	-	-	5,000	-	5,000	5,000
Lease liabilities	2.20	66	961	672	1,523	1,064	4,286	4,286
Contingent consideration	-	-	-	10,275	-	-	10,275	10,275
Provisions	-	140	1,264	1,123	281	166	2,974	2,974
Deferred tax liabilities	-	-	-	893	2,321	357	3,571	3,571
	2.23	6,586	6,167	14,213	9,125	1,587	37,678	37,678

Financing facilities

The Group has access to financing facilities as described below, of which $9.4m were unused at the reporting date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

			Half-year ended 31/12/2021 $'000s		
Facility	**Market Rate Loan**	**Bank Overdraft**	**Asset Finance**	**Credit Cards**	**Bank Guarantees**
Amount used	5,000	741	-	-	80
Amount unused	-	4,009	5,000	200	170
	5,000	4,750	5,000	200	250

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.

28. Financial risk management (cont'd)

Credit risk (cont'd)

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.

29. Related party balances or 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.

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

Related party	**Purpose**	**Half-year ended 31/12/21 $'000**	**Half-year ended 31/12/21 Amounts owed to related parties $'000**
Kern Group[1]	Advisory Services	950	-
Kern Group[1]	Office rent	15	3
Midmarlar Pty Ltd	Rent	6	-
Masbro Unit Trust	Rent	3	-
FNQ Traffic Hire Pty Ltd	Equipment hire	5	5
Lead Training Pty Ltd	Training services	27	27
Traffic & Access Solutions Pty Ltd	Software Licencing	-	-
Verifact Investigations Pty Ltd	Liability assumed on acquisition	-	1,250
Roy Pearl	Liability assumed on acquisition	-	9

[1] Defined as a Related Party as the entity was controlled by a person who was a Director during the reporting period but not at 31 December 2021.

At 30 June 2021 the Company had borrowed $0.3m in seed loans from related parties. During the half-year ended 31 December 2021, the Company borrowed an additional $1.5m in seed loans from the related parties. Seed loans were repaid in full prior to 31 December 2021. The related parties (being directors of the Company during the period or their related entities) were B Woods Super Fund Pty Ltd as trustee for B Woods Superannuation Fund, Bowe Developments Pty Ltd, Crowley Superannuation Pty Ltd as trustee for Crowley Superannuation Fund, D&D Traffic Management Pty Ltd, Hockridge Estate Pty Ltd as trustee for Hockridge Family Trust and Hockridge Superannuation Fund Pty Ltd as trustee for The Hockridge Family Superannuation Fund.

The businesses acquired (refer to Note 23) were previously controlled by directors or directors who have resigned during the period and who received cash and share consideration from the Company. The related parties are James Anthony Bowe who received cash and shares on the acquisition of A2O Pty Ltd, Daniel James Crowley who received cash and shares on the acquisition of Verifact Traffic Pty Ltd and Rob Cazzolli who received cash and shares on the acquisition of D&D Services (Australia) Pty Limited.

Remuneration of key management personnel
Details of remuneration of key management personnel are set out in Note 26.

30. Contingent assets and contingent liabilities

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

The Group had no contingent assets or other contingent liabilities as at 31 December 2021.

At 31 December 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $1.4m.

31. Remuneration of auditors

	Half-year ended 31/12/21 $'000
Deloitte	
Audit or review of financial reports	150
Audit or review of financial reports – other entities pre-acquisition[1]	609
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	-
Total audit services	**759**
Investigating Accountants Report	435
Total non-audit services	**435**
Total amount payable to auditor	**1,194**

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

32. Impact of COVID-19

The outbreak of COVID-19 and the subsequent quarantine measures, compounded by travel and trade restrictions imposed by Australia and other countries during the six months period has caused disruption to businesses and economic activity. Given the essential nature of traffic control in supporting civil services, and taking account of the year-end shutdown post the acquisition of the subsidiaries, the COVID-19 pandemic has had a negligible impact on the Group's operations and results for the six months ending 31 December 2021. As restrictions continue to ease, workforce planning and management may result in temporary disruption from maintenance and project work being deferred in response to workforce availability (principally impacting client workforces). Such deferrals are considered temporary and not a permanent loss of revenue.

The Group did not receive any pandemic-related financial assistance from the Federal or State governments during the six months ended 31 December 2021.

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

33. Subsequent events

At the date of this this report, Queensland is experiencing severe flooding across various parts of the state. Whilst management are still assessing the impact of the floods, the Group has not experienced any significant physical damage to assets as at the date of this report, and management do not anticipate a significant impact on the business and operations at this stage.

No other matter or circumstances 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.