

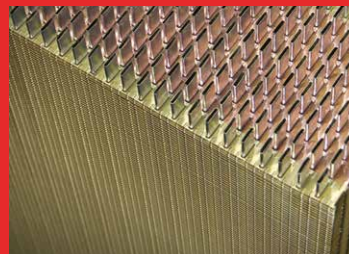
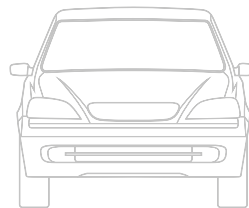
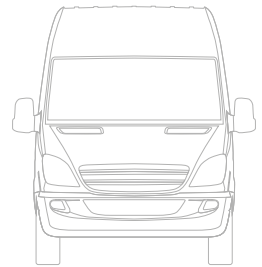
Adrad Holdings Limited

ACN 121 033 396

Prospectus

For the offer of approximately 14.7 million Shares to be issued or transferred at a price of \$1.50 per Share to raise \$22 million (before costs) (**Offer**).

For the offer of approximately 16.7 million Shares to be issued to the Convertible Noteholders on conversion of their Convertible Notes (**Convertible Noteholder Offer**).



Joint Lead Managers and Underwriters



Corporate Adviser



Legal Adviser



Important information

Prospectus

This Prospectus is issued by Adrad Holdings Limited ACN 121 033 396 (**Company**) and Adrad Holdings IPO SaleCo Ltd ACN 661 437 501 (**SaleCo**).

This replacement Prospectus is dated 26 August 2022 (**Prospectus Date**) and was lodged with ASIC on that date. It replaces the original Prospectus which was lodged with ASIC on 17 August 2022 (**Original Prospectus Date**). No Shares will be issued or transferred on the basis of this Prospectus later than 13 months after the Original Prospectus Date.

The Company applied to ASX within seven days of the Original Prospectus Date for admission of the Company to the Official List and for quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Except as required by law, and only to the extent so required, neither the Company, SaleCo nor any other person warrants or guarantees the future performance of the Company, the repayment of capital by the Company, or the payment of a return on the Shares.

No person is authorised to give any information or to make any representation in connection with the Offer or the Convertible Noteholder Offer which is not included in this Prospectus. Any information or representation not included in this Prospectus may not be relied on as having been authorised by the Company, SaleCo, their respective directors, or any other person involved in the preparation of the Prospectus or the making of the Offer or the Convertible Noteholder Offer. In making any investment decision you should rely only on the information in this Prospectus.

Replacement Prospectus

This document is a replacement Prospectus which replaces the Prospectus lodged on 17 August 2022. The material differences between the original Prospectus and this replacement Prospectus are as follows:

- changes to the cover page, Sections 1 and 2 to remove stock photographs not related to the Company's business specifically, or to include captions to clarify that the images relate to the Company's business or products;
- changes to the order of presentation of certain financial information in Section 4 to improve its useability;
- the replacement of the Independent Limited Assurance Report and Financial Services Guide at Section 5;
- minor drafting changes to Sections 1.4, 6.1 and 10.6 to include additional information or explanation; and
- ancillary amendments to reflect the fact that this document is a replacement Prospectus.

Conditional Offer

The Offer under this Prospectus is conditional upon ASX providing the Company with a list of conditions which, once satisfied, will result in the Company's Admission.

If any of these conditions are not satisfied then the Offer will not proceed, no Shares will be allotted or transferred pursuant to this Prospectus and the Company will repay all Application Monies received under the Offer, without interest, in accordance with the Corporations Act.

The Convertible Noteholder Offer is also conditional upon ASX providing the Company with a list of conditions which, once satisfied, will result in the Company's Admission.

If any of these conditions are not satisfied then the Convertible Noteholder Offer will not proceed, no Conversion Shares will be issued pursuant to this Prospectus and the Convertible Notes will not convert but will remain on foot, subject to the terms and conditions of the Convertible Note Deed Poll.

Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in the Prospectus. In such circumstances, any Application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Form, at the Company's website at www.adradholdings.com.au/investors.

Electronic Prospectus and Application Form

This Prospectus will generally be made available in electronic form by being posted on the Company's website at www.adradholdings.com.au/investors. A hard copy of the Prospectus and the Application Form is available free of charge to any person in Australia by calling the Company's Offer Information Line on 1800 430 896 (within Australia) or +61 3 9415 4036 (outside Australia) between 8.30am and 5.00pm (AEST) Monday to Friday (business days only) during the Offer Period.

Applications

Applications for Shares under this Prospectus may only be made during the Offer Period on the Application Form included in, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from www.adradholdings.com.au/investors, together with an electronic copy of this Prospectus.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its hard copy form or the complete and unaltered electronic copy of this Prospectus. Refer to Sections 8 and 10 for further information.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

To the extent permitted by law, each of the Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Company's Offer Information Line, by a broker or otherwise.

Selling restrictions in foreign jurisdictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify this Prospectus, the Shares, the Offer or the Convertible Noteholder Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

In particular, this Prospectus may not be released or distributed in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States or to any person acting for the account or benefit of a person in the United States unless the Shares have been registered under the U.S. Securities Act or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

Not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation and particular needs (including financial and tax issues) of any prospective investor. You should seek professional investment advice before applying for Shares under this Prospectus.

Consider risks of investment

It is important that you read this Prospectus carefully and in full before deciding whether or not to invest in the Company. There are risks associated with an investment in the Company. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the Company's business, financial condition and results of operations. Some of the key risk factors that should be considered by prospective investors are set out in Sections 1.4 and 6 of this Prospectus. You should consider these factors carefully in light of your investment objectives, financial situation and particular needs (including financial and taxation issues). There may be risk factors in addition to these that should be considered in light of your personal circumstances. If you have any queries in connection with this Prospectus or in relation to an investment in the Company, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether or not to invest in the Shares.

Disclosing entity

If admitted to the Official List, the Company will be a disclosing entity for the purposes of the Corporations Act and, as such, will be subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

Disclaimer

Except as required by law, and only to the extent so required, neither the Company, SaleCo, the Joint Lead Managers nor any other person warrants or guarantees the future performance of the Company, the repayment of capital by the Company, or the payment of a return on the Shares.

No person is authorised to give any information or to make any representation in connection with the Offer or the Convertible Noteholder Offer which is not included in this Prospectus.

Each Joint Lead Manager has acted as lead manager and underwriter to the Offer and has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by it or by any of its affiliates,

directors, officers, employees, agents or advisers. To the maximum extent permitted by law, each Joint Lead Manager and each of its affiliates, directors, officers, employees, agents and advisers expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and address and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

This disclaimer does not purport to disclaim any warranties or liability which cannot be disclaimed by law.

Statements of past performance

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

Financial information

Section 4 of this Prospectus sets out in detail the Financial Information of the Company. The basis of preparation of the Financial Information is set out in Section 4.2.

The Company's financial year end is 30 June. All references to FY19, FY20 and FY21 appearing in this Prospectus are to the financial years ended 30 June 2019, 30 June 2020, and 30 June 2021, respectively, unless otherwise indicated.

The Historical Financial Information is presented on both an actual and pro forma basis and, unless specifically stated, has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (AASB), which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board.

The Financial Information is presented in abbreviated form. It does not include all of the presentation and disclosures required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

Financial amounts

All financial amounts contained in this Prospectus are expressed in Australian dollars (indicated by A\$ or AUD). If any amount has been converted from another currency to Australian dollars, the conversion rate used has been stated. All financial amounts are rounded to the nearest \$'000 (thousand)

unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward looking statements

This Prospectus contains forward looking statements which may be identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may", and other similar words that involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of the Company, industry growth or other trend projections are or may be forward-looking statements.

Any forward looking statements are subject to various known and unknown risk factors that could cause the Company's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company or its Directors and management. Forward looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Sections 1.4 and 6 and other information in this Prospectus.

The Company, SaleCo, their respective directors and the Joint Lead Managers cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except to the extent required by law.

This Prospectus, including the Industry Overview in Section 2, includes attributed statements from books, journals and comparable publications that are not specific to, and have no connection with, the Company. The authors of these books, journals and comparable publications have not provided their consent for these statements to be included in this Prospectus. The Company and SaleCo are relying upon ASIC Corporations (Consents to Statements) Instrument 2016/72 for the inclusion of these statements in this Prospectus without such consent having been obtained.

Important information continued

No cooling off rights

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

Photographs and diagrams

Photographs and diagrams used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets or products shown in them are, or on Completion will be, owned, sold or supplied by the Company. Maps and diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Documents available on website

Any references to documents included on the Company's website at www.adradholdings.com.au are provided for convenience only, and none of the documents or other information available on these websites or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and time

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meanings given in the glossary of this Prospectus at Section 11. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Privacy

By completing an Application Form, you are providing personal information to the Company and SaleCo through the Share Registry, which is contracted by the Company to manage Applications. The Company and SaleCo, and the Share Registry on their behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a Shareholder, providing facilities and services that you need or request and carrying out various administrative functions. Access to the information collected may be provided to the Company and SaleCo's agents and service providers and to ASX, ASIC and other regulatory bodies or as otherwise authorised under the *Privacy Act 1988* (Cth) (as applicable). If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the

Share register of the Company. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

The Company and Share Registry may disclose your personal information from time to time to inform you about other products and services offered by the Company which they consider may be of interest to you. Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. Agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared include those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Share register;
- the Joint Lead Managers in order to assess your Application;
- brokers for the purpose of providing their services;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Information contained in the Company's Share register is also used to facilitate corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and for compliance with legal and regulatory requirements.

An Applicant has a right to access, correct and update his or her personal information held by or on behalf of the Company and SaleCo, subject to certain exemptions under law.

A reasonable fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory at Section 12 of this Prospectus. The Company will aim to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

By submitting an Application, you agree that the Company, SaleCo and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer or the Convertible Noteholder Offer (as applicable).

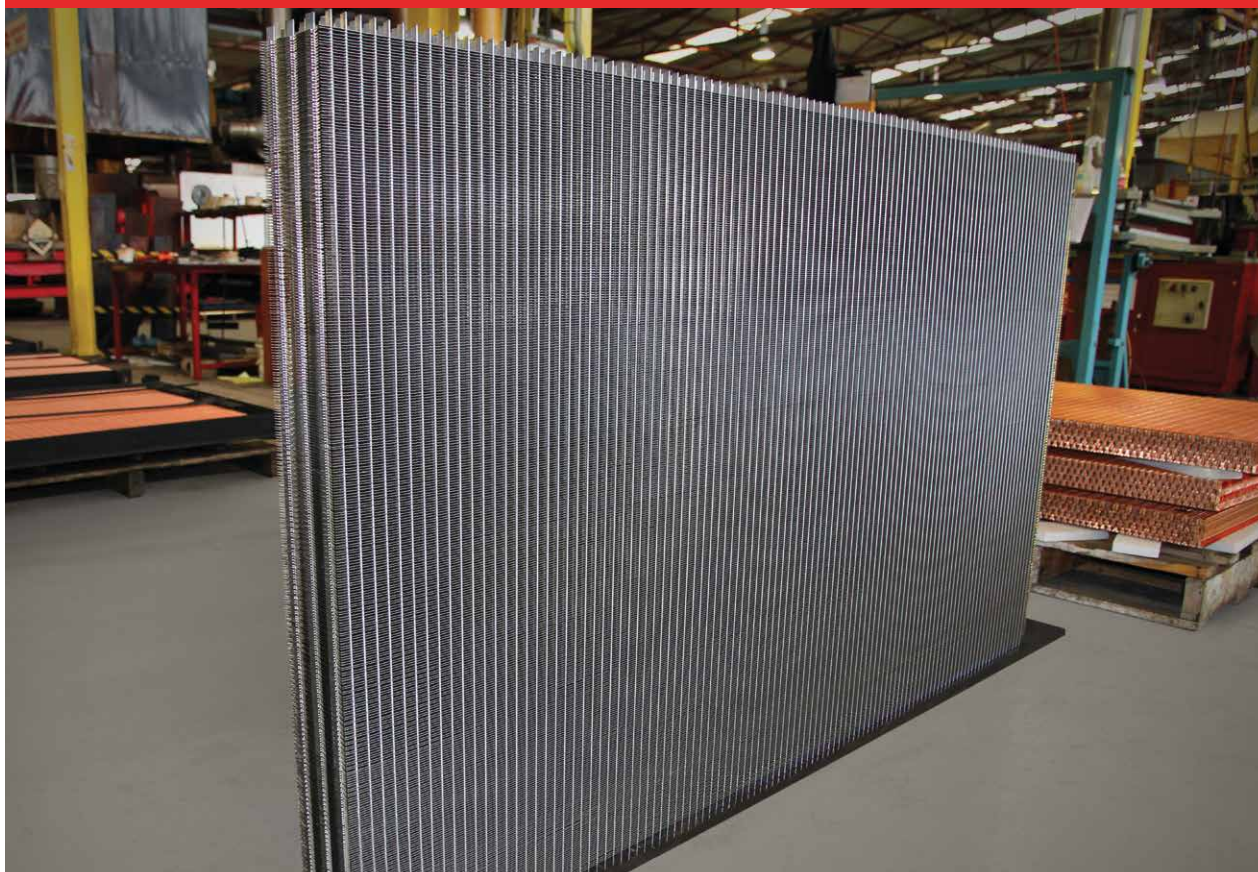
Questions

If you have any questions about this Prospectus or how to apply for Shares, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser. Instructions on how to apply for Shares are set out in Section 8.7 and on the Application Form. Alternatively, please contact the Company's Offer Information Line on 1800 430 896 (within Australia) or +61 3 9415 4036 (outside Australia) between 8.30am and 5.00pm (AEST) Monday to Friday (business days only) during the Offer Period.

This document is important and should be read in its entirety before making any investment decision.

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Adrad manufactured radiator core.

Key Offer Information

Important Dates	
Prospectus lodgement date	17 August 2022
Offer period open	25 August 2022
Offer period close	15 September 2022
Expected date for settlement of Shares	23 September 2022
Expected date for issue and transfer of Shares	26 September 2022
Expected date for dispatch of holding statements	27 September 2022
Expected date of quotation of Shares on ASX	30 September 2022

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEST. The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period, to accept late Applications (either generally or in particular cases), or to cancel or withdraw the Offer, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the issue or transfer of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus via a hard copy or online.

Instructions on how to apply for Shares are set out in Sections 1.8 and 8.7 to 8.11 of this Prospectus and on the back of the Application Form. Applications under the Offer must be for at least 1,334 Shares.

Questions

If you have any questions in relation to the Offer, please contact the Adrad Offer Information Line on 1800 430 896 (within Australia) or +61 3 9415 4036 (outside Australia) between 8.30am and 5.00pm (AEST), Monday to Friday.

If you are unclear in relation to any matter relating to the Offer or are uncertain as to whether Shares in Adrad are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

Key Offer Statistics	
Offer Price	\$1.50 per Share
Total proceeds from the Offer, comprising:	\$22 million
Total proceeds from the issue of Shares by the Company under the Offer	\$15 million
Total proceeds from the sale of Shares by SaleCo under the Offer ¹	\$7 million
Total number of Shares available under the Offer, comprising:	14,666,667
Total number of Shares to be issued by the Company under the Offer	10,000,000
Total number of Shares to be sold by SaleCo under the Offer	4,666,667
Number of Shares on issue as at the Prospectus Date	53,986,781
Conversion Shares to be issued under Convertible Noteholder Offer ²	16,666,704
Total number of Shares on issue at Completion of the Offer ³	80,653,485
Market capitalisation at the Offer Price ⁴	\$121.0 million
Pro forma net cash (debt) (as at 31 December 2021) (exclusive of lease liabilities and provisions) ⁵	\$20.8 million
Pro forma net cash (debt) (as at 31 December 2021) (inclusive of lease liabilities and provisions) ⁶	\$(21.1 million)
Enterprise Value at the Offer Price ⁷	\$99.9 million
Enterprise Value/pro forma FY22F EBITDA ⁸	6.1 x
Offer Price/pro forma FY22F NPAT ⁹ per Share	12.0 x
Number of Performance Rights and Options on issue after Completion of the Offer ¹⁰	213,333 Performance Rights and 403,268 Options

Refer to Section 10.4 for further details regarding the capital structure of the Company.

- For further information in relation to the offer of Shares by SaleCo, refer to Section 10.5.
- Refer to Section 8.11 for details of the Convertible Noteholder Offer and Section 9.2 for a summary of the terms of the Convertible Note Deed Poll.
- Calculated as the aggregate of the Existing Shares, New Shares and Conversion Shares less the Sale Shares.
- Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue on Completion of the Offer.
- Represents pro forma net cash (debt) as at 31 December 2021 exclusive of lease liabilities and provisions. For more information see Section 4.8.
- Represents pro forma net cash (debt) as at 31 December 2021 inclusive of lease liabilities and provisions. For more information see Section 4.8.
- Enterprise value calculated as the sum of market capitalisation of the Company at the Offer Price less Pro forma net cash (debt) (as at 31 December 2021) exclusive of lease liabilities and provisions, as contained in the Pro Forma Historical Indebtedness as at 31 December 2021 (see Section 4.8 for further details).
- The pro forma FY22F EBITDA of \$16.3 million is set out in Section 4.7.6.
- The pro forma FY22F NPAT of \$10.1 million is set out in Section 4.3.2.
- Details regarding the terms of the Performance Rights and Options are described in Sections 7.6.1 and 10.11.

Letter from the Chair

17 August 2022



Dear Investor,

On behalf of the Board, it is my pleasure to invite you to become a Shareholder of Adrad Holdings Limited (**Adrad**), an Australian company specialising in the design and manufacture of innovative heat transfer solutions for industrial applications and an importer and distributor of automotive products for the aftermarket in Australia and New Zealand.

Since our establishment in 1985 by Gary and Karen Washington, Adrad has expanded from being a local supplier of quality radiator parts to specialist repair workshops, into a significant importer and distributor of complete radiators, primarily for the passenger vehicle aftermarket segment as well as a designer and manufacturer of industrial original equipment (**OE**) solutions. Today, Adrad operates two major segments with 496 employees across 8 main sites and 16 warehouse locations in Australia, New Zealand and Thailand.

Adrad's experienced senior management team has delivered significant revenue growth over the last two years in what has been a challenging operating environment. Our goal is to continue to grow both operating segments, further leverage our strong track record in Australia and New Zealand and the competitive advantages gained through our Thailand facilities.

In the Aftermarket segment, Adrad established an online channel directly targeting mechanical workshops in 2019 which, together with an expanding portfolio of aftermarket automotive parts, has seen the business rapidly expand its customer base. Continued investment in product range, marketing and distribution footprint underpins Adrad's aftermarket growth strategy into 2023 and beyond.

With our second purpose-built manufacturing facility recently completed in Thailand, we see significant opportunities to leverage our strong credentials in power generation engine cooling to expand Adrad's OE offering into neighbouring Southeast Asian markets including Vietnam, the Philippines and Cambodia. With continued investment into heavy-duty aluminium production capabilities in Thailand and ongoing product R&D, we are positioned to be at the forefront of technological change and continue to grow our international customer base.

In late 2021, Adrad raised \$20 million in pre-IPO funding from institutional investors via the issue of Convertible Notes. Those Convertible Notes will be converted to Shares on Admission.

Post-Admission, Adrad will be term debt-free with strong cash flows to continue to fund future organic growth.

The Offer will raise \$22 million through the issue of 10 million New Shares and the sale of approximately 4.7 million Existing Shares at an Offer Price of \$1.50. The new money raised will principally be used to expand production capabilities, provide working capital to grow product range and distribution footprint, as well as pay costs of the Offer. On Completion of the Offer, new investors in Adrad are expected to hold approximately 18.2% of the Shares on issue. The balance will be held by the Existing Shareholder, an entity associated with Adrad's founders Mr and Mrs Washington,¹¹ which will own 61.2%, and the Convertible Noteholders whose Convertible Notes will convert to Shares, which will collectively own 20.7% post-Admission.

Approximately 63.0 million Shares, equal to 78.1% of the Shares on issue at Completion of the Offer, held by the Existing Shareholder and certain Convertible Noteholders will be subject to voluntary escrow arrangements from Completion of the Offer.

This Prospectus contains detailed information about the Offer, the industry in which Adrad and its businesses operate, its growth strategy, and its financial and operating performance.

Key risks associated with an investment in Adrad are set out in Section 6 and include the effect of increased competition, reliance on key customers, disruption to business operations from internal and external factors including COVID-19, supply chain issues in relation to imported raw materials for manufacturing and products for resale and the recruitment and retention of key employees.

It is important that you read this Prospectus in its entirety before deciding whether to invest in Adrad.

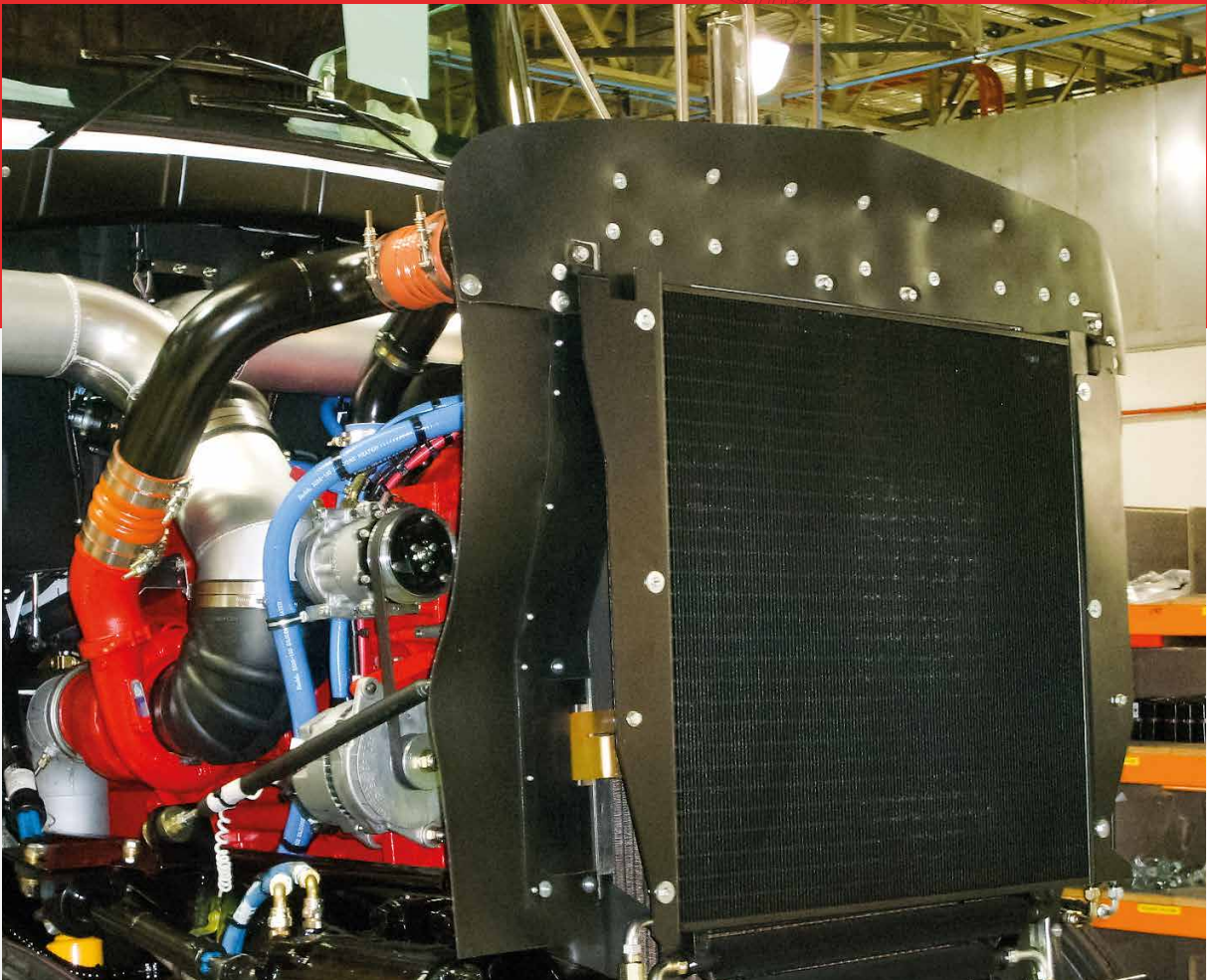
On behalf of the Board and senior executive management team, I look forward to welcoming you as a Shareholder.

Yours sincerely,

Glenn Davis
Chair

¹¹. Adcore Holdings Pty Ltd as trustee for the Gary Washington Family Trust.

1. Investment Overview



Air Radiators (Lara, VIC) has supplied Kenworth Australia with original equipment radiators for over 45 years.

1. Investment Overview

1.1 Introduction

Topic	Summary	For more information
Who is the Company?	<p>Adrad Holdings Limited is an Australian-based business specialising in the design and manufacture of innovative heat transfer solutions for OE customers globally and the manufacture, importation and distribution of automotive parts for the aftermarket in Australia and New Zealand.</p> <p>Adrad was founded in 1985 by Gary and Karen Washington with a focus on delivering reliable and efficient heat transfer solutions to the aftermarket segment that meet the needs of its customers across a broad range of industries including automotive, transport, mining, construction, agriculture and energy.</p> <p>Adrad has an established network of branches, workshops and manufacturing facilities across 8 main sites and 16 warehouses in Australia, New Zealand and Thailand.</p> <p>Adrad is headquartered in Beverley, South Australia and has approximately 500 employees.</p>	Sections 3.1 & 3.2
What does the Company do?	<p>Adrad is involved in the design and manufacture of heat exchangers for both mobile and stationary applications, along with the importation and distribution of heat exchangers and other automotive parts for the aftermarket in Australia and New Zealand.</p> <p>Adrad operates across two main segments under one management team:</p> <ul style="list-style-type: none"> • Aftermarket – Australian manufacturer, importer and distributor of radiators and other heat exchange products for the Australian automotive and industrial aftermarket. • Original Equipment (OE) – Designer and manufacturer of OEM industrial radiator and cooling systems. 	Section 3

1.2. Key features of the Company's business model

Topic	Summary	For more information
<p>What is the Company's business model and how does it generate revenue?</p>	<p>Adrad's business model caters for:</p> <ul style="list-style-type: none"> • Aftermarket – An Australia and New Zealand wide network of sales/warehouse and manufacturing facilities supplying aftermarket radiators and other heat exchange and automotive products to mechanical workshops, radiator repairers, crash repairers and wholesalers. • OE – Vertically integrated design and manufacture of industrial radiator and cooling solutions to original equipment customers from its facilities based in Australia and Thailand. <p>Adrad generates revenue in the Aftermarket segment through the sale of automotive and industrial heat exchange products to customers via both franchise and non-franchise customer groups. These Aftermarket products are manufactured or sourced from both OE and quality accredited aftermarket partners.</p> <p>Adrad generates revenue in the OE segment by designing and manufacturing low volume, high value heat transfer solutions in partnership with its customers which are engineered to meet its customers' exact needs.</p>	<p>Sections 3.1, 3.4.2 (Aftermarket business model) & 3.5.3 (OE business model)</p>
<p>Who uses the Company's goods/services?</p>	<p>Customers for the Aftermarket segment include specialist radiator repairers, trade mechanics, auto electricians, crash repairers and wholesalers.</p> <p>In the OE segment, Adrad's customers include some of the largest global Original Equipment Manufacturers (OEMs) of products requiring engine cooling systems meeting a wide variety of conditions. Major customers include Kenworth Australia, Caterpillar, Cummins South Pacific and Terex Cranes.</p>	<p>Sections 3.4.4 (Aftermarket customers) & 3.5.5 (OE customers)</p>
<p>What is the Company's business strategy and growth opportunities?</p>	<p>Adrad has a growth strategy across both the Aftermarket and OE segments that will continue to be refined. It will invest on an ongoing basis in its distribution footprint and capabilities in Australia and has recently established a second manufacturing facility in Thailand to produce product for the Southeast Asia region focusing on power generation cooling applications.</p> <p>Its growth strategies consist of the following:</p> <ul style="list-style-type: none"> • Aftermarket – expand channels to market to the broader trade in Australia, increase range of aftermarket products and enhance channels to market for industrial products. • OE – manufacturing investment to provide capacity to scale, establish OE segment in Southeast Asia, develop product range to increase penetration and investigate the prospect of medium-term expansion into potential high-growth new markets. 	<p>Section 3.7</p>

1. Investment Overview continued

Topic	Summary	For more information
What are the significant dependencies to the Company's business model and growth opportunities?	<p>The key dependencies underpinning Adrad's business model are the ability to:</p> <ul style="list-style-type: none"> retain customers through meeting their requirements and effective management of customer relationships; continue to source product for resale and raw materials from suppliers; expand distribution footprint in Australia; expand manufacturing capacity and capability in Thailand; and both recruit and retain employees. 	Section 3.7
What is the proposed use of funds to be raised under the Offer?	<p>Funds raised under the Offer will be utilised by Adrad to:</p> <ul style="list-style-type: none"> purchase additional manufacturing plant and equipment to support the growth and expansion plans for the Thailand and Australian operations; expand the existing manufacturing facility owned by the Company in Thailand; purchase additional plant and equipment to support the growth and expansion plans for the Australian Aftermarket segment; provide working capital to support the growth in operations across the Group; and fund its share of the transaction costs associated with the Offer. <p>The Offer also provides Adrad's founders (who hold their interest via the Existing Shareholder) with an opportunity to realise part of their investment in Adrad. Therefore, part of the funds raised under the Offer will go towards payment to the Existing Shareholder for those Existing Shares sold into the Offer (net of the Existing Shareholder's share of transaction costs).</p>	Section 8.5

1.3. Key features of the Company's industry

Topic	Summary	For more information
What market or industry does the Company operate in?	<p>The Aftermarket segment operates in the automotive aftermarket parts industry as well as sourcing and manufacturing heat exchangers for heavy vehicles and stationary engines in Australia and New Zealand.</p> <p>The OE segment operates in the global engine cooling industry with both mobile (on-highway and off-highway) and stationary (industrial and power and energy generation) applications.</p> <p>The applications are typically for very high horsepower engines associated with heavy truck haulage, dump trucks and excavators used in mining, underground mining loaders, rail and power generation.</p>	Section 2

Topic	Summary	For more information
Who does the Company compete with?	<p>In the Aftermarket segment competitors include a number of automotive parts suppliers. The automotive aftermarket is a competitive market; however, it is also an attractive market as the majority of products supplied by Adrad are non-discretionary, recurring purchase products associated with vehicle repairs and servicing.</p> <p>In the OE segment competitors are largely global. The OE heat exchanger market is fragmented, with a number of players spread across diverse market applications. Focussing on the “engine” cooling sector, Australia is serviced by local and international manufacturers who sell and distribute their products either directly or through agency representatives.</p>	Sections 2.2.4 (Aftermarket competitors) & 2.3.4 (OE competitors)

1.4. Key risks and key advantages

Investors should be aware that applying for Shares in the Company involves a number of risks. The risk factors summarised below are some of the key risks but not an exhaustive list of all of the risks associated with the Company or an investment in Shares.

Further details on the risks summarised below and other key risks are included in Section 6. These risks, and other general risks applicable to all investments in listed securities, may affect the value of the Shares in the future. Investors should review all of these risks carefully before making an investment decision.

Key Risk	Summary	For more information
Competition risk	<p>Both the Aftermarket and OE segments operate in a competitive market and may experience reduced revenue, earnings and market share as a result of competitor activity. Competition risks to each segment include:</p> <p>Aftermarket:</p> <ul style="list-style-type: none"> Existing and new competitors adopting more aggressive marketing campaigns, price discounting or greatly enhanced customer service levels. Competitor consolidation providing increased scale and bargaining power. Manufacturers selling products directly to workshops, bypassing distributors such as Adrad. <p>OE:</p> <ul style="list-style-type: none"> New technologies developed by domestic and international competitors that reduce the cost of traditional products. Acceleration in the transition to renewable energy technologies that enables global competitors to gain access to the Company’s customers. Costs of manufacture in Australia accelerating at a faster pace than cost increases encountered by international competitors. 	Section 6.1.1

1. Investment Overview continued

Key Risk	Summary	For more information
Customer risk	<p>Aftermarket: This segment relies on repeat orders from automotive workshop customers in Australia and New Zealand. Other than workshops within the Natrad franchise network, these customers are not contracted and may switch to different distributors. This ability to change distributors provides Aftermarket customers with bargaining power, which could result in a decrease in the prices Adrad can charge for its Aftermarket products.</p> <p>OE: This segment operates primarily on a purchase order basis with its customers, rather than via long-term supply arrangements. A significant proportion of the OE business is therefore project-based. Historically there has been a high level of repeat business with OE customers; however, there is no guarantee that these customers will engage Adrad for future OE work.</p>	Section 6.1.2
Disruption to business operations	<p>Adrad and its customers are exposed to a range of operational risks including loss or damage to operating assets and equipment, prolonged equipment failures or breakdowns, human error, accidents, information system failures, external services failure, industrial action or disputes, inclement weather, natural disasters, wars, terrorist attacks and other disasters.</p> <p>While Adrad endeavours to take appropriate action to mitigate these operational risks and insure against them, Adrad cannot control the risks to which its customers are exposed, nor can it completely remove all possible risks relating to its own business.</p>	Section 6.1.3
Supplier relationships	<p>Aftermarket: This segment relies on a wide range of automotive parts with established domestic and global suppliers. Any increase in pricing from suppliers or a damaged relationship with a supplier may result in an increase in the price which Adrad pays for parts, or a reduction in Adrad's ability to source parts.</p> <p>OE: If the nature of domestic and international supplier relationships in Adrad's OE segment changes, this could impact the Company's ability to source raw materials and other parts required for its manufacturing processes. Any increase in the cost of raw materials to Adrad could impact Adrad's ability to supply its customers profitably.</p>	Section 6.1.4
Technological change	<p>The transition to a lower-carbon economy will result in changes leading to greater take-up of electric vehicles, hybrid vehicles and hydrogen fuel cell vehicles.</p> <p>Whilst these vehicles will all continue to require heat exchangers and other parts, this transition could have a negative impact on the financial performance of Adrad.</p>	Section 6.1.7

Key Risk	Summary	For more information
Liquidity	<p>Adrad expects approximately 78.1% of its Shares to be subject to voluntary escrow for various periods of time from Admission, as summarised in Section 8.13. This creates a liquidity risk, as a large portion of issued capital may not be freely tradable for a period of time. The ability of an investor in the Company to sell their Shares on the ASX will depend on the turnover or liquidity of the Shares at the time of sale. Therefore, investors may not be able to sell their Shares at the time, in the volumes or at the price they desire.</p> <p>In addition, following Completion of the Offer, the Existing Shareholder will have an interest in 61.2% of the Shares, allowing the Existing Shareholder to continue to exert significant influence over matters relating to Adrad including the election of Directors and control transactions such as takeovers or schemes of arrangement.¹² This concentration of ownership may also affect the liquidity of the market for Shares on the ASX.</p>	Section 6.1.10
Liability risk	<p>The design, manufacture and supply of goods and the provision of services by Adrad carries with it a risk of liability for losses arising from the provision of defective goods or services, environmental damage, personal injury or property damage and indirect or consequential losses suffered by third parties. The Company's insurance and contractual arrangements may not adequately protect it against such liabilities.</p>	Section 6.1.21
Impact of COVID-19	<p>COVID-19 and other pandemics that may occur can be disruptive not only to Adrad directly but also to Adrad's customers and suppliers. These disruptions can include employee absenteeism, supply chain limitations, increased freight and logistics costs and reduced use of motor vehicles which individually or collectively may adversely affect the Company's financial performance.</p>	Section 6.1.23
Other key risks	<p>The above risks are a summary of some of the key risks associated with an investment in Adrad. They are not an exhaustive list of all the key risks that may affect Adrad or that may be associated with an investment in the Shares. A number of other key risks are included in Section 6, including additional Adrad-specific risks and general risks associated with investing in the Shares. Investors should review all of these carefully before making an investment decision.</p>	Section 6

12. Depending on its terms, a takeover may transfer control of an entity once shareholders with more than 50% of the share capital of the entity accept the takeover offer. In respect of a scheme of arrangement, the threshold for voting to approve the scheme is 75% of votes cast. This means that a shareholder with more than 25% of votes can block a vote to approve a scheme of arrangement.

1. Investment Overview continued

Below is a summary of the key advantages of an investment in the Company. More detailed information regarding the industry and markets in which the Company operates and the Company's history, structure and strategy can be found in Sections 2 and 3.

Key Advantage	Summary	For more information
Designer of heat transfer technologies	<ul style="list-style-type: none"> Integrated designer, manufacturer, importer and distributor of heat exchange products servicing its core Aftermarket and OE segments. One of the most extensive ranges of copper/brass, aluminium and steel heat exchangers in Australia and New Zealand. Nationwide network of franchised repair stores and workshops (Natrad). 	Sections 2 & 3, in particular Section 3.3.1 (Company highlights)
Track record	<ul style="list-style-type: none"> Extensive experience supplying heat transfer solutions to the aftermarket in Australia. Significant industrial credentials. Trusted brand with quality, reliability and response times as a point of difference. 	
Growth opportunities	<ul style="list-style-type: none"> Growth in the Aftermarket segment via direct targeting of mechanical workshops supported by recent investments in digital platforms and infrastructure. Innovative new products and technologies supporting growth opportunities into key new international markets. 	
Extensive product range	<ul style="list-style-type: none"> Stocks over 1,500 dedicated models of complete radiators and components, distributed via 16 warehouse facilities throughout Australia and New Zealand. Capability to provide customers with the products when needed. 	
Design and manufacturing capabilities	<ul style="list-style-type: none"> Design and engineering team developing products across on-highway, off-highway, rail and stationary applications. Network of eight manufacturing locations including purpose-built facilities in Thailand providing low cost manufacturing support. 	
High quality and diverse customer base	<ul style="list-style-type: none"> Blue chip customer base consisting of some of the largest global OEMs of products requiring engine cooling systems. Long-term partnerships, including global equipment manufacturers such as Caterpillar, Kenworth Australia and Hitachi. Aftermarket segment sells through its own franchise network in addition to selling directly to over 7,000 independent repairers. 	
Strong financial track record	<ul style="list-style-type: none"> Strong revenue growth across FY21 and FY22F. Ability to leverage Thailand manufacturing facilities to increase margins. 	

1.5. Key financials and dividend policy

Topic	Summary	For more information																																																																																				
How does the Company expect to fund its operations?	The Company intends to fund its operations by a combination of funds generated from profitable trading and funds raised in the Offer.																																																																																					
What is the Company's pro forma historical financial performance?	<table border="1"> <thead> <tr> <th rowspan="2">AS\$'000</th> <th colspan="3">Pro Forma Historical Performance</th> <th>Pro Forma Forecast Performance</th> </tr> <tr> <th>FY19</th> <th>FY20</th> <th>FY21</th> <th>FY22F</th> </tr> </thead> <tbody> <tr> <td>Sales revenue</td> <td>94,694</td> <td>91,600</td> <td>112,444</td> <td>134,495</td> </tr> <tr> <td>Cost of sales</td> <td>(61,858)</td> <td>(61,603)</td> <td>(71,947)</td> <td>(86,362)</td> </tr> <tr> <td>Gross Profit</td> <td>32,836</td> <td>29,996</td> <td>40,497</td> <td>48,132</td> </tr> <tr> <td>Other income</td> <td>501</td> <td>1,330</td> <td>1,082</td> <td>13</td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Distribution expenses</td> <td>(1,575)</td> <td>(2,064)</td> <td>(2,486)</td> <td>(2,728)</td> </tr> <tr> <td>Selling expenses</td> <td>(15,232)</td> <td>(15,018)</td> <td>(13,069)</td> <td>(18,784)</td> </tr> <tr> <td>Administration expenses</td> <td>(10,061)</td> <td>(9,773)</td> <td>(9,003)</td> <td>(10,302)</td> </tr> <tr> <td>EBITDA</td> <td>6,469</td> <td>4,472</td> <td>17,020</td> <td>16,331</td> </tr> <tr> <td>Depreciation/Amortisation</td> <td>(1,474)</td> <td>(1,644)</td> <td>(1,761)</td> <td>(1,738)</td> </tr> <tr> <td>EBIT</td> <td>4,994</td> <td>2,828</td> <td>15,259</td> <td>14,593</td> </tr> <tr> <td>Finance Cost</td> <td>(1,030)</td> <td>(1,020)</td> <td>(744)</td> <td>(543)</td> </tr> <tr> <td>NPBT</td> <td>3,964</td> <td>1,807</td> <td>14,515</td> <td>14,050</td> </tr> <tr> <td>Income Tax</td> <td>(274)</td> <td>(840)</td> <td>(3,595)</td> <td>(3,934)</td> </tr> <tr> <td>NPAT</td> <td>3,691</td> <td>968</td> <td>10,920</td> <td>10,115</td> </tr> </tbody> </table>	AS\$'000	Pro Forma Historical Performance			Pro Forma Forecast Performance	FY19	FY20	FY21	FY22F	Sales revenue	94,694	91,600	112,444	134,495	Cost of sales	(61,858)	(61,603)	(71,947)	(86,362)	Gross Profit	32,836	29,996	40,497	48,132	Other income	501	1,330	1,082	13	Expenses					Distribution expenses	(1,575)	(2,064)	(2,486)	(2,728)	Selling expenses	(15,232)	(15,018)	(13,069)	(18,784)	Administration expenses	(10,061)	(9,773)	(9,003)	(10,302)	EBITDA	6,469	4,472	17,020	16,331	Depreciation/Amortisation	(1,474)	(1,644)	(1,761)	(1,738)	EBIT	4,994	2,828	15,259	14,593	Finance Cost	(1,030)	(1,020)	(744)	(543)	NPBT	3,964	1,807	14,515	14,050	Income Tax	(274)	(840)	(3,595)	(3,934)	NPAT	3,691	968	10,920	10,115	Section 4.3.2
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1. Investment Overview continued

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Are there any forecasts of future earnings?	The Company is providing a forecast of earnings for the period 1 January 2022 to 30 June 2022.	Section 4.3																																																																																									
What is the Company's dividend policy?	The Directors intend to target a payout ratio of between 30% and 40% of net profit after tax (NPAT). It is intended that future dividends will be franked to the maximum extent possible (having regard to the level of Adrad's available franking credits at the time of the future dividend payment). No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking on any such dividend.	Section 4.10																																																																																									

Topic	Summary	For more information	
What will the Company's capital structure be on Admission?	The capital structure of the Company following Admission is summarised in the table below:	Section 10.4	
	Securities		Number
	Shares		
	Shares on issue as at the Prospectus Date		53,986,781
	Shares to be issued under the Offer		10,000,000
	Shares to be issued on conversion of the Convertible Notes		16,666,704
	Total Shares on issue at Admission		80,653,485
	Convertible Notes		
	Convertible Notes on issue as at the Prospectus Date		20,000,000
	Convertible Notes to be converted to Conversion Shares prior to Admission		20,000,000
	Total Convertible Notes on issue at Admission		Nil
	Options		
	Options on issue as at the Prospectus Date		Nil
	Options to be issued to Adelaide Equity Partners Ltd prior to Admission		403,268
	Total Options on issue at Admission		403,268
Performance Rights			
Initial Performance Rights on issue as at the Prospectus Date	213,333		
Performance Rights to be issued under the Offer	Nil		
Total Performance Rights on issue at Admission	213,333		

1.6. Directors and key management

Topic	Summary	For more information
Who are the Directors and what is their experience?	<p>At Admission, the Board will comprise three Directors. The Directors have been selected for their extensive experience and expertise, and together they bring a variety of skills, knowledge and experience to the Board.</p> <p>Glenn Davis <i>Chair and Independent Non-Executive Director</i></p> <p>Mr Davis was appointed as Chair of the Company on 17 January 2022. Mr Davis is a lawyer with more than 30 years' experience advising public and private entities throughout Australia on a full range of corporate and business law issues, including capital raisings, listings, mergers by acquisition and schemes of arrangement, ASIC, ASX and legislative compliance, capital reductions and other securities issues and transactions.</p> <p>Mr Davis' expertise and experience now sees him in the role of director on a number of public and private companies. He is the Chair of ASX-listed Beach Energy Limited (ASX:BPT), having served on its board since 2007 and as Chair since 2012.</p>	Section 7.1

1. Investment Overview continued

Topic	Summary	For more information
<p>Who are the Directors and what is their experience? continued</p>	<p>Gary Washington <i>Executive Director</i></p> <p>Mr Washington and his wife, Karen Washington, founded Adrad in 1985. Mr Washington was Chair of the Company from its establishment until the appointment of Mr Davis to the role in January 2022. Mr Washington has successfully led significant growth in the Company's business since its establishment, both organically and by way of acquisition, including the acquisition of the Natra group of companies in 2006.</p> <p>Mr Washington has over 50 years' experience in the industrial and automotive heat exchange industries and in manufacturing in Australia.</p> <p>In addition to his role as a Director on the Board, Mr Washington also acts in an executive capacity. Please see Section 7.5.1 for details of Mr Washington's executive employment arrangements.</p> <p>Donald McGurk <i>Independent Non-Executive Director</i></p> <p>Mr McGurk joined the Board on 23 March 2022. Mr McGurk is the former Managing Director and Chief Executive Officer of ASX-listed Codan Limited (ASX:CDA), having held that position from 2010 until his retirement in March 2022. Codan Limited is a global electronic solutions company developing technology solutions such as metal detection, tactical and critical communication solutions for government, military, public safety, non-government organisations and consumer markets internationally.</p> <p>Mr McGurk has an extensive background in change management applied to manufacturing operations and has held senior manufacturing management positions in several industries.</p> <p>Mr McGurk is also a non-executive director of Aerometrex Limited (ASX:AMX) (appointed 3 March 2022).</p>	Section 7.1
<p>Who are the key management of the Company?</p>	<p>In addition to the Executive Director, Mr Washington, the key management team consists of:</p> <ul style="list-style-type: none"> • Don Cormack, Chief Executive Officer; • Chris Newman, Chief Financial Officer and Company Secretary; • Kevin (Jamie) Baensch, General Manager – Air Radiators Pty Ltd; and • Branko Stojakovic, General Manager – Air Radiators Industrial Pty Ltd. 	Section 7.2

1.7. Significant interests of key people and related party transactions

Topic	Summary	For more information								
What benefits and interests are payable to Directors and what interest in Shares do they hold?	<p>As at the Prospectus Date, the Directors are entitled to receive annual remuneration as follows:</p> <table border="1"> <thead> <tr> <th>Director</th> <th>Annual Remuneration</th> </tr> </thead> <tbody> <tr> <td>Glenn Stuart Davis</td> <td>\$150,000 for his role as Non-Executive Director and Chair of the Board.</td> </tr> <tr> <td>Gary David Washington</td> <td>\$90,000, comprising his remuneration as Executive Director under his employment agreement with the Company.</td> </tr> <tr> <td>Donald McGurk</td> <td>\$90,000 for his role as Non-Executive Director.</td> </tr> </tbody> </table>	Director	Annual Remuneration	Glenn Stuart Davis	\$150,000 for his role as Non-Executive Director and Chair of the Board.	Gary David Washington	\$90,000, comprising his remuneration as Executive Director under his employment agreement with the Company.	Donald McGurk	\$90,000 for his role as Non-Executive Director.	Section 7.4
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	Gary David Washington	\$90,000, comprising his remuneration as Executive Director under his employment agreement with the Company.								
	Donald McGurk	\$90,000 for his role as Non-Executive Director.								
<p>On Admission, the Directors will have the following interests in Shares:</p> <table border="1"> <thead> <tr> <th>Director</th> <th>Proposed percentage interest in Shares at Admission</th> </tr> </thead> <tbody> <tr> <td>Glenn Stuart Davis</td> <td>0%</td> </tr> <tr> <td>Gary David Washington</td> <td>61.2%</td> </tr> <tr> <td>Donald McGurk</td> <td>0%</td> </tr> </tbody> </table>	Director	Proposed percentage interest in Shares at Admission	Glenn Stuart Davis	0%	Gary David Washington	61.2%	Donald McGurk	0%		
Director	Proposed percentage interest in Shares at Admission									
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Gary David Washington	61.2%									
Donald McGurk	0%									
<p>What benefits are being paid to the key management team and what interest in Shares do they hold?</p>	<p>Details in relation to the remuneration of the key management team and their ability to participate in the Company's performance rights plan are set out in Sections 7.5 and 7.6.1.</p> <p>As at the Prospectus Date, none of the key management team holds any Shares.</p>	Sections 7.5 & 7.6.1								
<p>Who are the existing shareholders and are they retaining any interest?</p>	<p>The Existing Shareholder is currently the sole Shareholder of the Company. The Existing Shareholder will sell a portion of its Existing Shares as part of the Offer, via the SaleCo structure (see Section 1.8 below). At Admission, the Existing Shareholder will hold a total of 49,320,114 Existing Shares, representing 61.2% of the total Shares on issue at that time.</p> <p>The Existing Shareholder has entered into a voluntary escrow arrangement in relation to all of its remaining Shares held at Admission, under which its Shares will be escrowed for various periods from Admission (see Section 8.13).</p>	Sections 10.6 & 8.13								

1. Investment Overview continued

Topic	Summary	For more information
<p>Who will be the substantial shareholders of the Company upon Admission?</p>	<p>Upon Admission, the Existing Shareholder will be a substantial shareholder as it will retain a relevant interest in 5% or more of the Shares on issue as at Completion.</p> <p>Certain New Shareholders may also acquire a relevant interest in 5% or more of the Shares on issue as at Completion and become substantial shareholders of the Company. Such New Shareholders will need to disclose their substantial shareholding to the Company in accordance with the Corporations Act.</p> <p>As explained in Section 8.13.3, as a result of the voluntary escrow arrangements to be entered into by the Company, at Admission the Company will have a relevant interest in approximately 63.0 million Escrowed Shares, and will be a substantial shareholder. The Company will have an obligation to issue an initial substantial shareholder notice, and to issue further notices regarding changes in its substantial shareholding as the Escrowed Shares are progressively released from escrow.</p>	<p>Sections 10.6 & 8.13.3</p>
<p>Will any Shares be subject to restrictions on disposal following Admission?</p>	<p>The Company intends to enter into voluntary escrow arrangements under which it is estimated that approximately 63.0 million Shares will be subject to voluntary escrow for various periods of time, as summarised in Section 8.13. These arrangements will cover approximately 78.1% of the Company's issued capital. During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner. The Company will announce to ASX full details (quantity and duration) of the Shares held in escrow prior to the Shares commencing trading on ASX.</p> <p>No mandatory escrow will be imposed on any Shares under the ASX Listing Rules.</p>	<p>Section 8.13</p>
<p>What contracts with related parties is the Company a party to?</p>	<p>The following related party arrangements are in existence as at the Prospectus Date:</p> <ul style="list-style-type: none"> • Letters of appointment with each of Adrad's Non-Executive Directors, and legal fees paid to DMAW Lawyers Pty Ltd, of which Mr Davis is a principal (refer to Section 7.4.3 for details). • Deeds of indemnity, access and insurance with each of its Directors (refer to Section 10.7 for details). • Mr Washington's employment agreement in relation to his appointment as Executive Director (refer to Section 7.5.1 for details). • Employment agreement with Mrs Karen Washington in relation to her appointment as Co-Founder Relationship Manager (refer to Section 7.5.6 for details). • Supply arrangements with Harrop Engineering Australia Pty Ltd ACN 134 196 080 (Harrop Engineering). Harrop Engineering is a related party of the Company as it is 100% owned by the Existing Shareholder and its directors are Mr and Mrs Washington (refer to Section 10.8 for details). • Various leases with Harlaxton Pty Ltd ACN 058 185 760 (Harlaxton) and Arlyngton Pty Ltd ACN 058 716 573 (Arlyngton), both of which are related parties of the Company as they are controlled by Mr and Mrs Washington, who are directors and only shareholders of each entity (refer to Section 10.9 for details). 	<p>Sections 7.4.3, 7.4.4, 7.5.1, 7.5.6, 10.7, 10.8 & 10.9</p>

Topic	Summary	For more information
What fees are payable to the Joint Lead Managers?	The fees payable to the Joint Lead Managers are outlined in Section 9.1.	Section 9.1
What interests will the Joint Lead Managers have in Shares upon Admission?	The Joint Lead Managers will not hold any Shares in Adrad on Admission.	Sections 9.1 & 10.6

1.8. Overview of the Offer

Topic	Summary	For more information
Who are the issuers of this Prospectus?	Adrad Holdings Limited ACN 121 033 396 (Company). Adrad Holdings IPO SaleCo Ltd ACN 661 437 501 (SaleCo).	Section 8.1
What is the Offer?	This Prospectus relates to an initial public offer of up to 14,666,667 Shares, comprising the sale of 4,666,667 Sale Shares by SaleCo and the issue of 10,000,000 New Shares by the Company. The Shares being offered will represent approximately 18.2% of the total Shares on issue following Admission. The Offer is expected to raise approximately \$22 million in total, with approximately \$7 million raised by the sale of Sale Shares by SaleCo and approximately \$15 million raised by the issue of New Shares by the Company.	Section 8.1
What is SaleCo?	SaleCo is a special purpose vehicle which has been established to enable the Existing Shareholder to sell Existing Shares into the Offer.	Sections 8.2 & 10.5
Who is the Existing Shareholder?	The Existing Shareholder is Adcore Holdings Pty Ltd as trustee for The Gary Washington Family Trust. Gary and Karen Washington, the founders of Adrad, are the directors and shareholders of the Existing Shareholder. Mr Washington is also the Executive Director of the Company.	
What is the Offer Price?	The price payable under the Offer is \$1.50 per Share.	Section 8.1

1. Investment Overview continued

Topic	Summary	For more information																																				
What is the structure of the Offer?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> (a) the Institutional Offer, which consists of an offer to Institutional Investors in Australia and New Zealand to apply for Shares; (b) the Priority Offer, which is open to investors who have a registered address in Australia and who have received a priority invitation to participate in the Offer from the Company; and (c) the Broker Offer, which is open to Australian resident retail clients of Brokers who receive a firm allocation of Shares from the Joint Lead Managers. <p>No general public offer of Shares will be made under the Offer.</p>	Section 8.6																																				
What is the Convertible Noteholder Offer?	The Prospectus includes an offer of 16,666,704 Shares to the Convertible Noteholders upon conversion of the Convertible Notes under the Convertible Note Deed Poll (the material terms of which are summarised in Section 9.2).	Section 8.11																																				
Why is the Offer being conducted?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> (a) provide the Existing Shareholder with the ability to partially realise the value of its holding in the Company; (b) provide funding to implement the business model, objectives and growth strategy of the Company as stated in Section 1.2 above; and (c) satisfy Chapters 1 and 2 of the ASX Listing Rules to facilitate the Company's application for Admission. 	Section 8.4																																				
What is the proposed use of proceeds raised under the Offer?	<p>The sources and uses of the proceeds raised from the Offer are set out below:</p> <table border="1"> <thead> <tr> <th>Sources of funds</th> <th>A\$</th> <th>% of funds</th> </tr> </thead> <tbody> <tr> <td>Proceeds from issue of New Shares</td> <td>15 million</td> <td>68.2%</td> </tr> <tr> <td>Proceeds from sell down of Sale Shares</td> <td>7 million</td> <td>31.8%</td> </tr> <tr> <td>Total sources</td> <td>22 million</td> <td>100%</td> </tr> <tr> <th>Use of funds</th> <th>A\$</th> <th>% of funds</th> </tr> <tr> <td>Purchase of plant & equipment – Thailand & Australia (OE)</td> <td>5.3 million</td> <td>24.10%</td> </tr> <tr> <td>Expansion of Thailand manufacturing facility</td> <td>1.0 million</td> <td>4.55%</td> </tr> <tr> <td>Purchase of plant & equipment – Australia (Aftermarket)</td> <td>2.0 million</td> <td>9.10%</td> </tr> <tr> <td>Working Capital</td> <td>4.3 million</td> <td>19.55%</td> </tr> <tr> <td>Costs of the Offer</td> <td>3.6 million</td> <td>16.36%</td> </tr> <tr> <td>Payment to Existing Shareholder (net of share of costs)</td> <td>5.8 million</td> <td>26.36%</td> </tr> <tr> <td>Total uses</td> <td>22 million</td> <td>100%</td> </tr> </tbody> </table>	Sources of funds	A\$	% of funds	Proceeds from issue of New Shares	15 million	68.2%	Proceeds from sell down of Sale Shares	7 million	31.8%	Total sources	22 million	100%	Use of funds	A\$	% of funds	Purchase of plant & equipment – Thailand & Australia (OE)	5.3 million	24.10%	Expansion of Thailand manufacturing facility	1.0 million	4.55%	Purchase of plant & equipment – Australia (Aftermarket)	2.0 million	9.10%	Working Capital	4.3 million	19.55%	Costs of the Offer	3.6 million	16.36%	Payment to Existing Shareholder (net of share of costs)	5.8 million	26.36%	Total uses	22 million	100%	Section 8.5
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Topic	Summary	For more information
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Joint Lead Managers.	Section 9.1
Who are the Joint Lead Managers?	The Joint Lead Managers are Bell Potter Securities Limited (ACN 006 390 772 AFSL 243480) and Morgans Corporate Limited (ACN 010 539 607 AFSL 235407).	Section 9.1
Will the Shares be quoted on ASX?	The Company applied for Admission and quotation of the Shares on ASX under the code 'AHL' within seven days of the Original Prospectus Date. Admission is conditional on ASX approving the application for Admission and quotation. If approval is not given within three months after the Original Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 8.15
What is the allocation policy?	<p>The allocation of Shares between the Broker Offer, Priority Offer and the Institutional Offer will be determined by the Joint Lead Managers with the agreement of the Company.</p> <p>The allocation of Shares among Applications in the Institutional Offer will be determined by the Joint Lead Managers with the agreement of the Company.</p> <p>In relation to the Broker Offer, the allocation of Shares to Brokers will be determined by the Joint Lead Managers with the agreement of the Company, with those Brokers to decide how they allocate their allocation of Shares among their eligible retail clients.</p> <p>The Company will determine the allocation of Shares within the Priority Offer after consultation with the Joint Lead Managers.</p> <p>No assurance can be given that any Applicant under the Offer will be allocated all or any Shares applied for. The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.</p>	Sections 8.7, 8.9.5, 8.8.4 & 8.10.2
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.	Section 8.7
What are the tax implications of investing in the Shares?	Refer to Section 10.13 and note that it is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.	Section 10.13

1. Investment Overview continued

Topic	Summary	For more information
How can I apply?	<p>The process for applying for Shares is set out in Sections 8.8.2 (Broker Offer) and 8.9.2 (Priority Offer).</p> <p>Applicants under the Broker Offer should contact their Broker for instructions on how to complete the Application Form accompanying this Prospectus. The Joint Lead Managers may seek to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided.</p> <p>If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation to apply.</p> <p>Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors by the Joint Lead Managers.</p> <p>An Application may not be withdrawn after it is submitted unless the Applicant is permitted to withdraw the Application in accordance with the Corporations Act.</p>	Sections 8.8.2 & 8.9.2
What is the minimum and maximum Application size?	<p>The minimum Application size is \$2,001 worth of Shares (1,334 Shares). Payment for the Shares must be made in full at the Offer Price, being \$1.50 per Share.</p> <p>The Joint Lead Managers and the Company reserve the right to reject any Application or to allocate a lesser number of Shares than applied for.</p> <p>There is no maximum value of Shares that may be applied for under the Offer.</p>	Sections 8.8.2 & 8.9.3
When will I receive confirmation that my Application has been successful and when can I sell my Shares?	<p>Confirmations of successful Applications in the form of holding statements are expected to be dispatched by standard post on or around 27 September 2022. The expected date of quotation of Shares is 30 September 2022.</p> <p>After quotation, Shareholders and other investors may buy or sell Shares at the prevailing market price. There may or may not be a liquid market for Shares and Shares may trade above or below the Offer Price.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p>	Section 8.7

Topic	Summary	For more information
Can the Offer be withdrawn?	<p>Yes. The Company and SaleCo reserve the right not to proceed with the Offer at any time before the issue or transfer of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 8.12
Where can I find out more information about this Prospectus or the Offer?	<p>All enquiries in relation to this Prospectus should be directed to the Company's Offer Information Line on 1800 430 896 (within Australia) and +61 3 9415 4036 (outside Australia) from 8.30am to 5.00pm (AEST) on Monday to Friday during the Offer Period.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional advice from your stock broker, solicitor, accountant, financial adviser or other independent and qualified professional adviser before deciding whether to invest.</p>	Section 8.7

2.

Industry Overview



Air Radiators Industrial (Gillman, SA) manufactures large radiators to cool diesel and gas engines in power generation stations.

2. Industry Overview

2.1. Introduction

Adrad specialises in the design and manufacture of innovative heat transfer solutions for both mobile and stationary industrial applications, along with the importation and distribution of heat transfer solutions and other automotive parts for the aftermarket in Australia and New Zealand, and for OE customers globally.

Founded in 1985, Adrad services a well-established customer base in a large global addressable market. Adrad's business model caters for:

- Vertically integrated design and manufacture of industrial radiator and cooling solutions to original equipment customers from its facilities based in Australia and Thailand; and
- An Australia and New Zealand-wide network of sales/warehouse facilities supplying aftermarket radiator and other heat exchange products to mechanical workshops, radiator repairers and crash repairers.

Adrad operates across two defined industries:

- **Aftermarket** – the Australian and New Zealand automotive and industrial aftermarket; and
- **Original Equipment (OE)** – the design and manufacture of innovative heat transfer solutions for industrial applications.

Heat exchangers are commonly used to facilitate the transfer of thermal energy from one medium to another. They can vary significantly in size and design depending on the application in use, the amount of heat to be transferred and the substance to be cooled.

Typical examples of heat exchangers in mobile and stationary applications include radiators, intercoolers, oil coolers, heaters and condensers to remove the heat generated by internal combustion engines (ICE), compressors, drive transmissions, and chemical reactions (batteries and fuel cells).

2.2. Aftermarket overview

Automotive aftermarket parts are used in the service and repair of passenger, light commercial, articulated trucks, light rigid and heavy rigid vehicle categories.

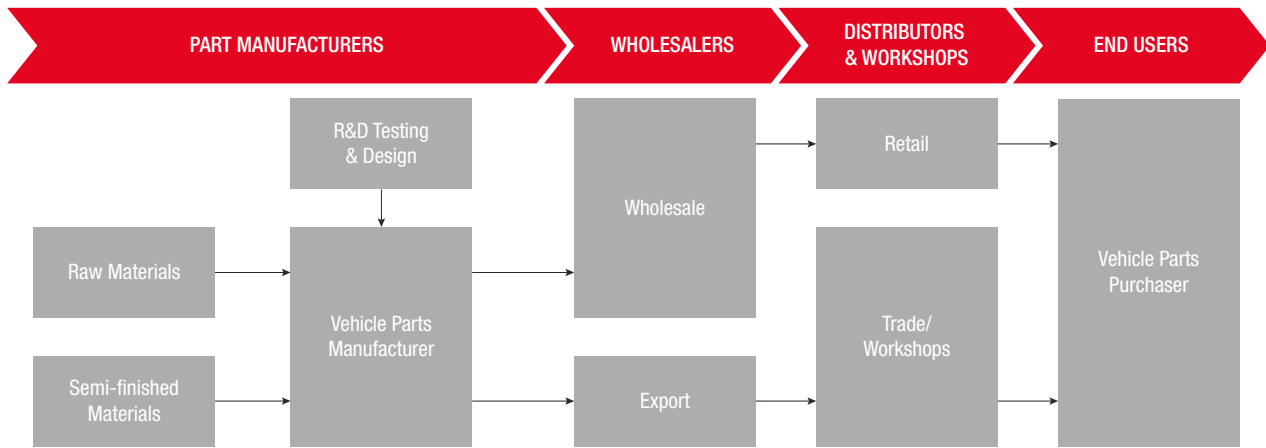
The aftermarket automotive parts value chain involves a number of participants including:

- **Part manufacturers** – manufacture parts for new vehicles and the ongoing repair of existing vehicles. The majority of these parts are manufactured offshore and imported into Australia and New Zealand for the aftermarket by wholesalers and distributors.
- **Wholesalers** – procure all types of automotive parts, genuine and non-genuine branded automotive parts and accessories from both original equipment manufacturers (**OEMs**) and non-OEM manufacturers.
- **Distributors** – purchase parts from wholesalers and part manufacturers for distribution to mechanical workshops, crash repairers and vehicle owners directly for aftermarket repair and maintenance.
- **Workshops** – repair and maintain vehicles on behalf of vehicle owners using parts and components purchased from parts manufacturers and distributors. Workshops include independently owned, chain and OEM dealer workshops and automotive specialists such as radiator and air-conditioner workshops.

These aftermarket industry participants operate in various aspects of the Australian and New Zealand aftermarket automotive parts value chain, which is summarised in the diagram below.

2. Industry Overview continued

Figure 1: The Australian and New Zealand aftermarket automotive value chain



Utilising its manufacturing facilities and network of sales/warehouse locations, Adrad operates a vertically integrated aftermarket business with capabilities through each key segment of the aftermarket value chain, from the manufacture and import of parts through to the distribution of parts to mechanical and specialist automotive workshops across Australia and New Zealand.

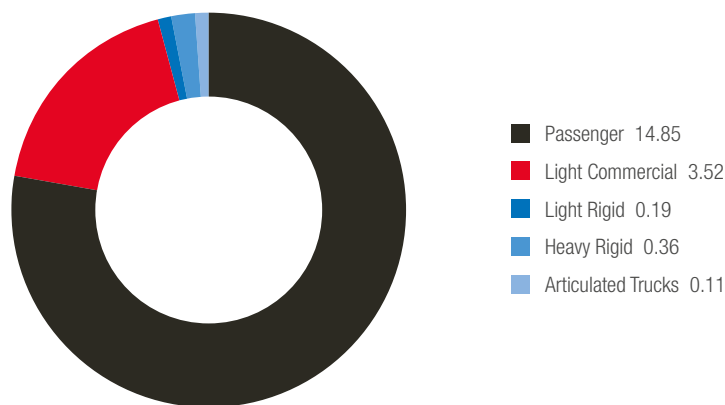
Adrad’s product range caters to the Australian vehicle market, suiting applications in passenger and light vehicles through to heavy vehicles such as on-road trucks and off-road trucks.

2.2.1. Australian and New Zealand vehicle market

2.2.1.1. Australian registered vehicles

As at 2021, there were over 19 million vehicles registered in Australia, an increase of 1.7% from the previous year.¹³ Registered vehicles in Australia comprised mostly of passenger and light commercial vehicles, which accounted for approximately 14.9 million and 3.5 million respectively.¹⁴

Figure 2: Australian Vehicles on Register 2021 (Million)¹⁵



13. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

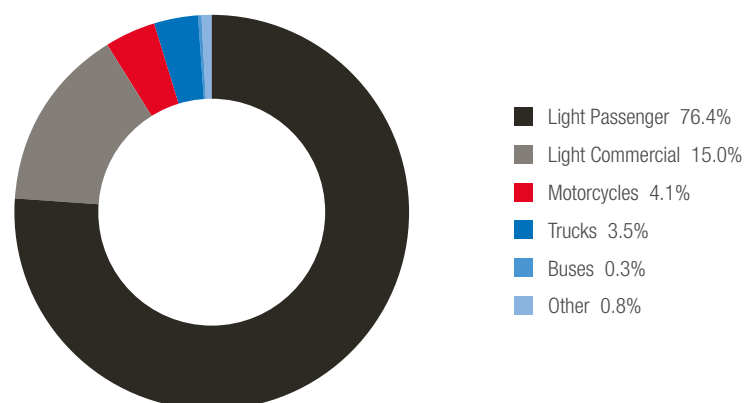
14. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

15. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

2.2.1.2. New Zealand registered vehicles

In 2020, New Zealand's motor vehicle fleet totalled 4.4 million vehicles, an increase of 1.1% on the previous year. Of the existing vehicle fleet, approximately 90% are light vehicles – cars, vans, utilities, four-wheel-drives, sports utility vehicles (SUV's), small buses and motor caravans (camper vans).¹⁶

Figure 3: New Zealand Vehicle Fleet 2019¹⁷



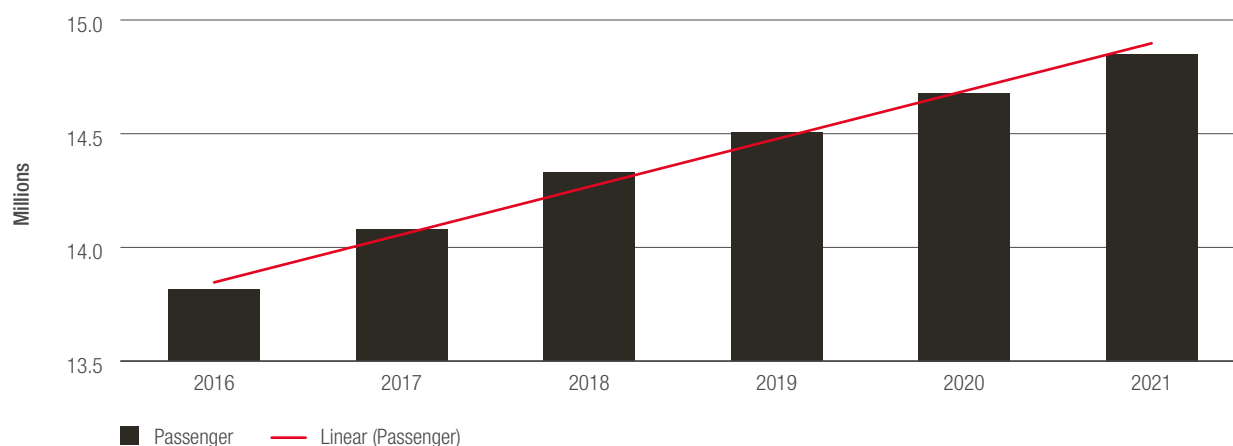
2.2.1.3. Growth in registered vehicles

Vehicle growth in both the Australian and New Zealand markets continues to expand in line with population growth and with the number of vehicles per capita. Adrad is well positioned to continue to grow via an expanding market together with increasing its share of the market through new customers and a broadening range of automotive products.

Regarding New Zealand, over the last two decades, the growth rate in vehicle registrations in New Zealand has remained relatively constant at approximately 2.1% year on year growth,¹⁸ a trend that Adrad management expect to continue into the future.

Regarding Australia, from 2016-2018, the yearly growth rate for Australian passenger vehicle registrations was 1.9% and 1.8%. During the three years up to 2021, the rate of growth has been steady at 1.2% per annum.

Figure 4: Australian registered passenger vehicles¹⁹



16. Annual Fleet Statistics 2020 – New Zealand Government (Dec 2021).

17. Number of Motor Vehicles – Environmental Health Intelligence NZ (March 2021).

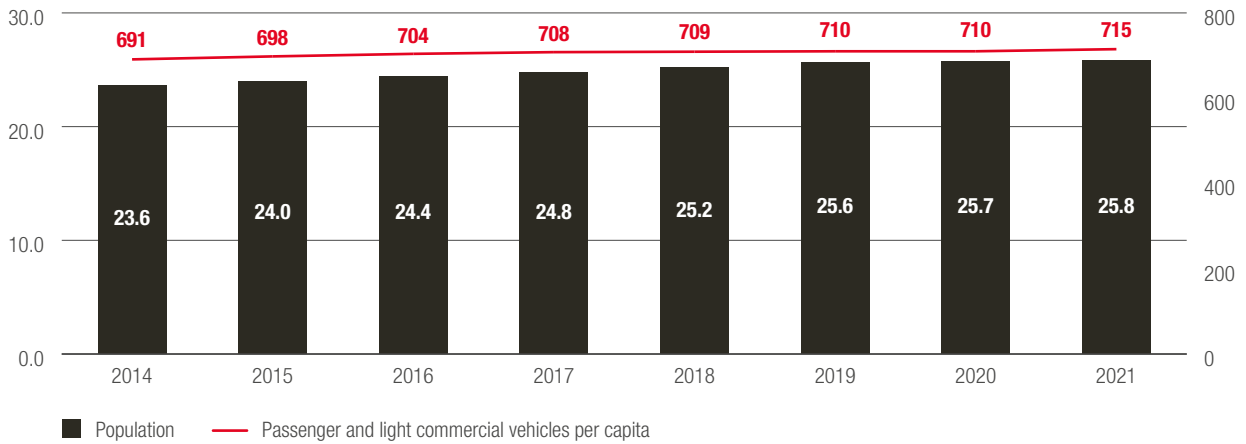
18. Te Manatu Waka the Ministry of Transport – Annual fleet statistics 2020.

19. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

2. Industry Overview continued

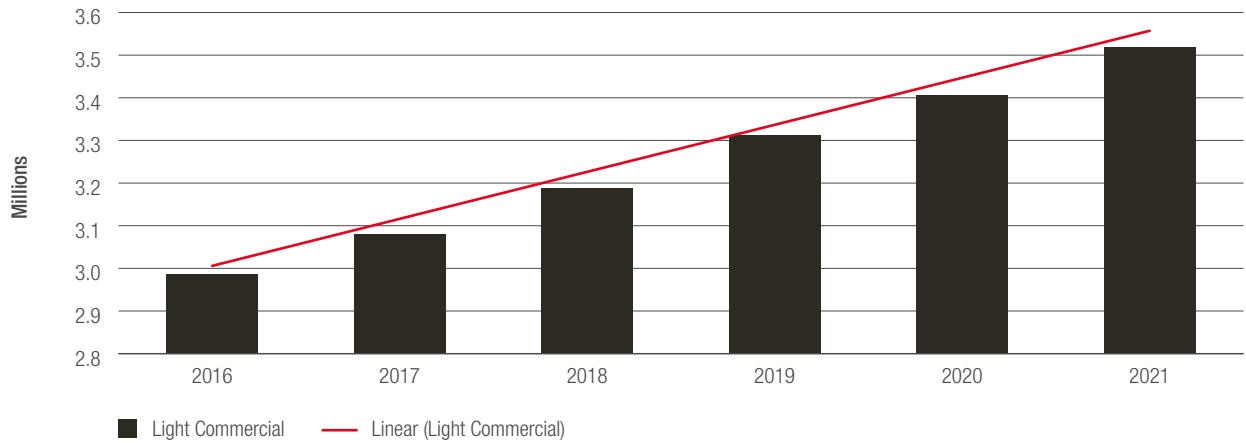
The number of passenger and light commercial vehicles in Australia also expanded in line with population growth in the period from 2014 to 2021:

Figure 5: Australia – Passenger and light commercial vehicles per 1000 capita²⁰



From 2016 to 2021, Australia’s light commercial vehicle registrations have been growing at between 2.8% and 4.0% each year:

Figure 6: Australian registered commercial vehicles²¹

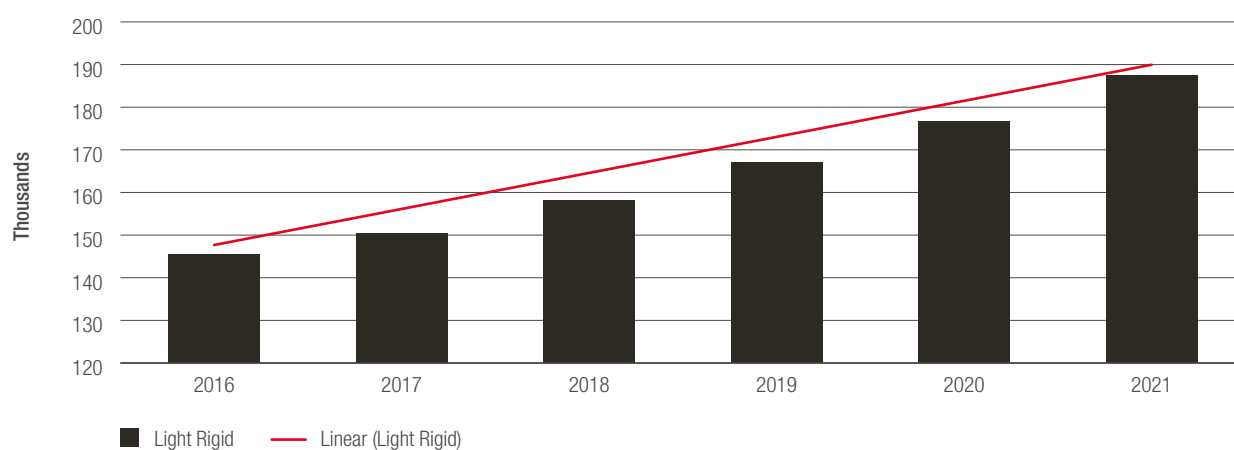


20. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021, 2019, 2017, 2015.

21. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

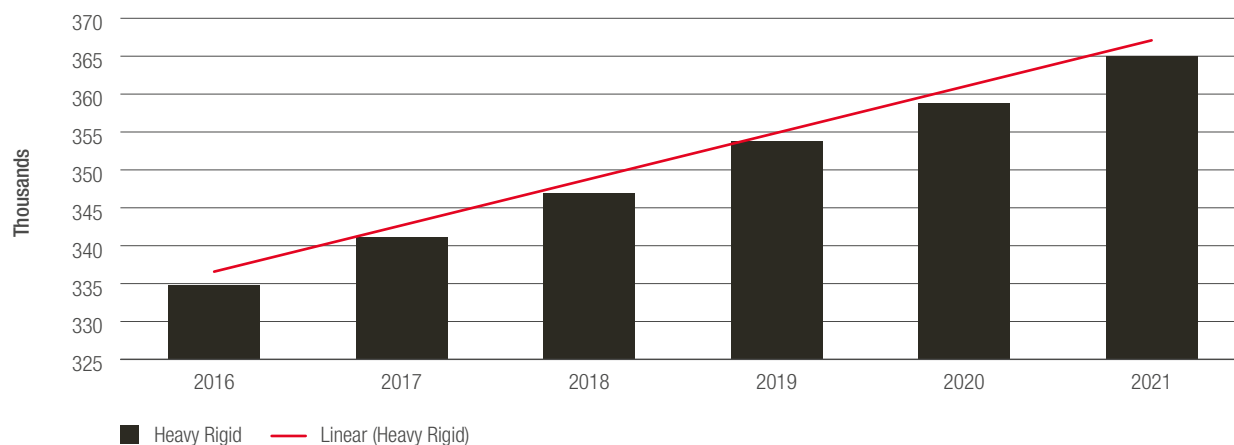
Australia's light rigid vehicle registrations have been growing at an increasing rate. Growth of 6.0% was achieved from 2020 to 2021, up from 3.4% during 2016 to 2017:

Figure 7: Australian registered light rigid vehicles²²



Australia's rigid heavy vehicle registrations have grown consistently between 1.4% and 2.0% per annum over the past six years:

Figure 8: Australian registered heavy rigid vehicles²³



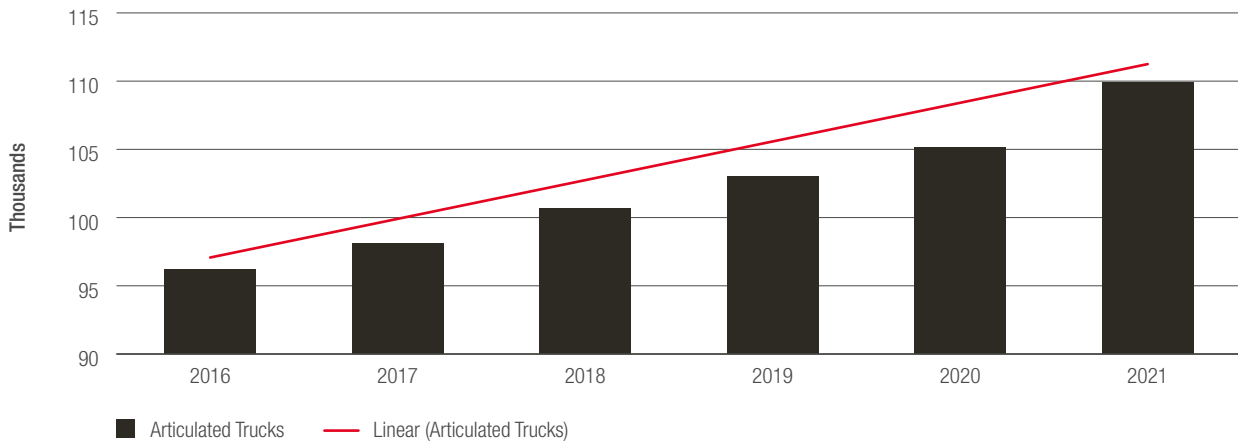
22. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

23. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

2. Industry Overview continued

The rate of growth for articulated truck registrations was between 2.0% and 2.6% per annum from 2016 to 2020. From 2020 to 2021, the growth rate rose to 4.6%:

Figure 9: Australian registered articulated trucks²⁴



2.2.1.4. Increasing vehicle age in Australia

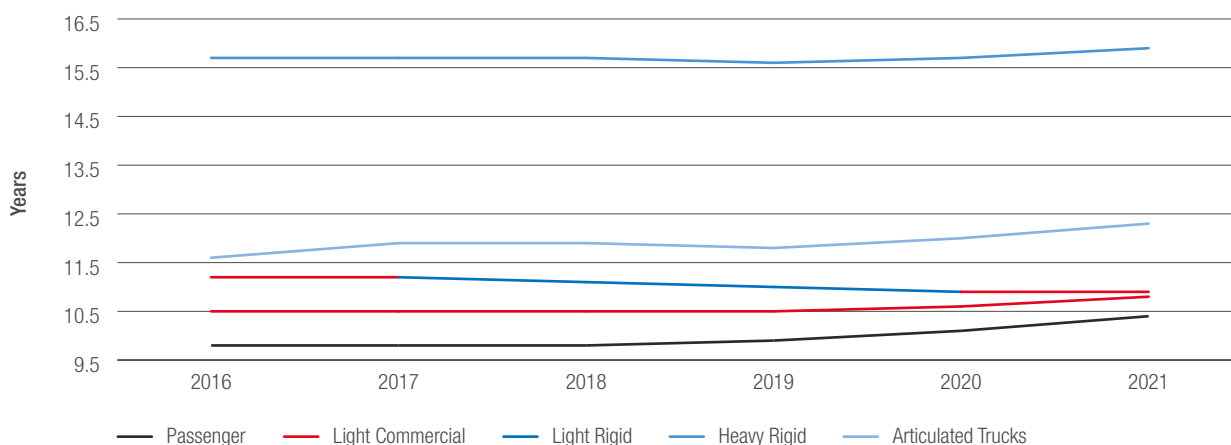
In 2021, the average age of registered vehicles across Australia increased to 10.6 years, up from 10.1 years in 2016. The average age of vehicles is driven by a combination of factors including:

- Availability of new vehicle stock;
- Affordability of new vehicles which is impacted by supplier costs and exchange rates, as the great majority of new vehicles sold in Australia are imported;
- Consumer sentiment impacted by economic and other factors; and
- Ease and cost of repairing vehicles to operational condition.

The need for aftermarket heat exchange products and other vehicle maintenance parts increases with vehicle age. Average vehicle age tends to increase in challenging economic conditions, as vehicle owners retain existing vehicles for longer (rather than purchasing new), which increases the demand for aftermarket products utilised in vehicle repairs and maintenance.

Since 2021, there has been a shortage of new vehicle stock in Australia arising from disruptions to global supply chains resulting from the impact of COVID-19 on component manufacturers and logistics providers. As a consequence, vehicle owners by necessity have been retaining and repairing existing vehicles for longer, driving the demonstrated increase in average vehicle age in Australia.

24. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

Figure 10: Estimated average age of vehicles in Australia²⁵

2.2.2. Aftermarket products and accessories

The Australian and New Zealand automotive aftermarket encompasses replacement parts, accessories, vehicle modification and performance enhancement products for passenger, light and heavy vehicles.

Aftermarket parts can be divided into two main groups:

- Non-discretionary aftermarket parts are necessary to replace failed or damaged components in order to maintain the vehicle's normal operating condition. These include a wide variety of engine, drivetrain, electrical and trim parts made to meet original equipment specifications.
- Discretionary aftermarket parts are optional replacements of standard components or additional accessories that personalise the vehicle to the owner's particular performance or cosmetic preferences. These can include high performance engine parts, non-OEM wheels, window tinting, bull bars and car audio systems.

Adrad's supply into the automotive aftermarket focuses on non-discretionary aftermarket parts and is broadly grouped into the following categories:

- **Automotive** – heat exchangers for passenger and light commercial vehicles.
- **Heavy vehicle** – high value and some custom-made heat exchangers for heavy vehicles.
- **Parts** – other automotive products (such as brakes, filters, electrical, etc.).
- **Air-conditioning** – compressors, condensers, evaporators and other air-conditioning parts.

Refer to Section 3.4 for more detail on Adrad's Aftermarket products.

2.2.3. Distribution landscape

In Australia and New Zealand, vehicle repairs and maintenance services are generally provided by mechanical/specialist automotive workshops or vehicle owners purchasing parts and accessories to service their own vehicles.

As such, trade and retail distributors operate to provide parts and accessories to these end markets.

2.2.3.1. Trade distributors

Trade distributors supply and deliver parts and accessories to mechanical and repair workshops. The supply is frequent, often multiple times on a daily basis, to meet the requirements of the workshop to complete a same-day service for vehicle owners. To meet the demands of workshops, trade distributors typically carry large amounts of stock and are often closely located to workshops.

25. Australian Bureau of Statistics Motor Vehicle Census, Australia 2021.

2. Industry Overview continued

2.2.3.2. Retail distributors

Retail distributors operate retail stores to sell direct to vehicle owners who attend and purchase products themselves in store. Inventory is typically held in-store and the stores are commonly located in prominent retail/shopping precincts. Typically, customers who purchase from these stores undertake their own vehicle repairs, maintenance and modifications. Unlike trade distributors, retail distributors typically provide a full product suite of parts and accessories rather than focussing on just parts for service and repairs.

2.2.3.3. Workshops

Within Australia and New Zealand, the workshop market consists of:

- Independent and chain workshops;
- OEM dealer workshops; and
- Other automotive specialists.

OEM dealer workshops typically service newer vehicles, as the vehicle manufacturers encourage vehicle owners to service their vehicles at an OEM dealer workshop during the new vehicle warranty period. For this reason, independent and chain workshops typically service older vehicles outside of manufacturer warranty periods.

Other automotive specialists include automotive electrical, radiator and air-conditioner workshops, service stations, transport companies and professionals in adjacent industries that use motor parts (e.g. marine mechanics, industrial-specific products). These customers typically purchase the required parts, tools and consumables from distributors in-store or have them delivered.

As OEM dealer workshops tend to source their parts direct from vehicle manufacturers to service newer vehicles, Adrad focuses its aftermarket distribution and sales to independent and chain workshops, as well as other automotive specialists.

2.2.3.4. Growing demand for trade distribution

Over time it is expected that a greater proportion of vehicles will be serviced by chain and independent workshops. This is expected to drive growth in demand for parts and accessories from trade distributors compared to retail distributors.

Factors driving growth of trade distribution include:

- **Vehicle intricacy** – vehicle servicing and maintenance is becoming more complex as newer vehicles contain more electronic components than older vehicles, which rely on simpler mechanical components. As a result, vehicle owners increasingly need to utilise the services of workshops which have the specialist tools and software required for proper servicing.
- **Ease and cost** – effectiveness of replacement – increased intricacy of parts is continually reducing the ability for workshops to undertake repairs in a timely or cost-effective manner. As such, the take-up of replacement parts as an alternative to repairs will continue to increase.
- **Age demographic and skill set** – vehicle owners undertaking their own repairs and maintenance is skewed towards an older age demographic, with younger motorists having limited experience to undertake their own vehicle maintenance and repairs. The growing number of vehicles being serviced by independent and chain workshops supports demand growth for automotive aftermarket parts and accessories.

2.2.3.5. Channels to customers

Changing channels to automotive market – radiators

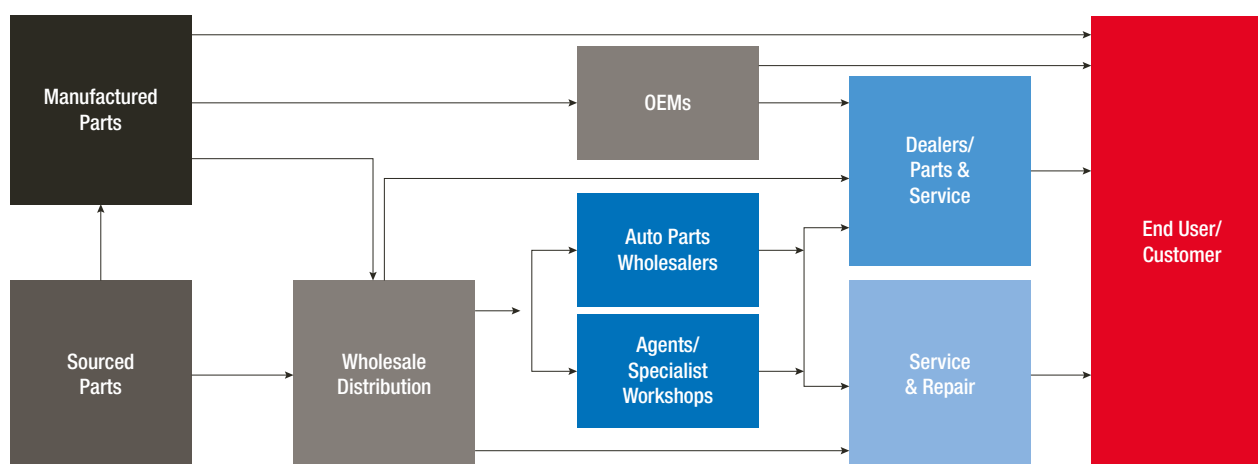
During the 1980s, car manufacturers shifted from using copper fin with brass tube and tank radiators to aluminium radiators with plastic tanks in order to save both cost and weight. Copper/brass radiators are sealed with solder, where small leaks can be easily repaired and the brass tanks removed to replace the radiator core. For aluminium/plastic radiators, the brazed core cannot be easily repaired and so any leaks generally require the whole radiator to be replaced. The reduction in demand for automotive radiator repairs has led to a decline in the number of specialist automotive radiator repair shops over time. Many trucks and heavy vehicles, however, continue to utilise radiators manufactured from copper/brass where radiator repairs continue to provide a cost-effective solution.

As the automotive radiator market has shifted from radiator repairs to complete radiator replacement, specialist automotive radiator workshops have evolved into general mechanical workshops. With this shift in focus, the expectation from distributors is to provide a broader range of automotive service and replacement parts.

Maintaining channels for large radiators

While the automotive aftermarket has shifted in favour of complete radiator replacements, as noted above, larger radiators (for trucks or other heavy equipment applications) are generally constructed using copper/brass materials and remain more cost-effective to repair rather than completely replace. As such, specialist large radiator repairers have not experienced the same changes as the automotive radiator market.

Figure 11: Aftermarket channels to customers



2.2.4. Competition

A variety of businesses compete in the aftermarket sector, particularly in relation to the broader range of automotive products. These include retail stores such as Super Cheap Auto and wholesale suppliers such as Burson Auto Parts, Cooldrive and Repco. Adrad has evolved from being a national supplier of cooling products and is leveraging off this foundation to provide a widening range of automotive products. Adrad's competitive advantages in the aftermarket segment are described in Section 3.4.8.

Company	No. Stores	Trade	Retail	Ownership Model	Geographic Presence
Adrad	19	YES		Corporate	Australia and New Zealand
Natrad	46	YES	YES	Mixed	Australia
Burson (Bapcor)	204	YES		Corporate	Australia, New Zealand & Thailand
autObar (Bapcor)	135		YES	Mixed	Australia
Autopro (Bapcor)	101		YES	Mixed	All states except Tasmania
Veale Auto Parts	17	YES		Corporate	Western Australia only
Sterling Parts	5	YES		Corporate	All states except Northern Territory, Western Australia, ACT and Tasmania
Cooldrive	39	YES		Corporate	Australia and New Zealand
Napa Auto Parts (GPC APAC)	58	YES		Corporate	Australia and New Zealand
Repco (GPC APAC)	400+	YES	YES	Corporate	Australia and New Zealand
Auto One	54	YES	YES	Franchise	All states except Northern Territory
Auto Parts Group	5	YES	YES	Corporate	All states except Northern Territory, ACT and Tasmania
Supercheap Auto (Super Retail Group)	329		YES	Corporate	Australia and New Zealand

2. Industry Overview continued

2.2.5. Industry trends and growth drivers

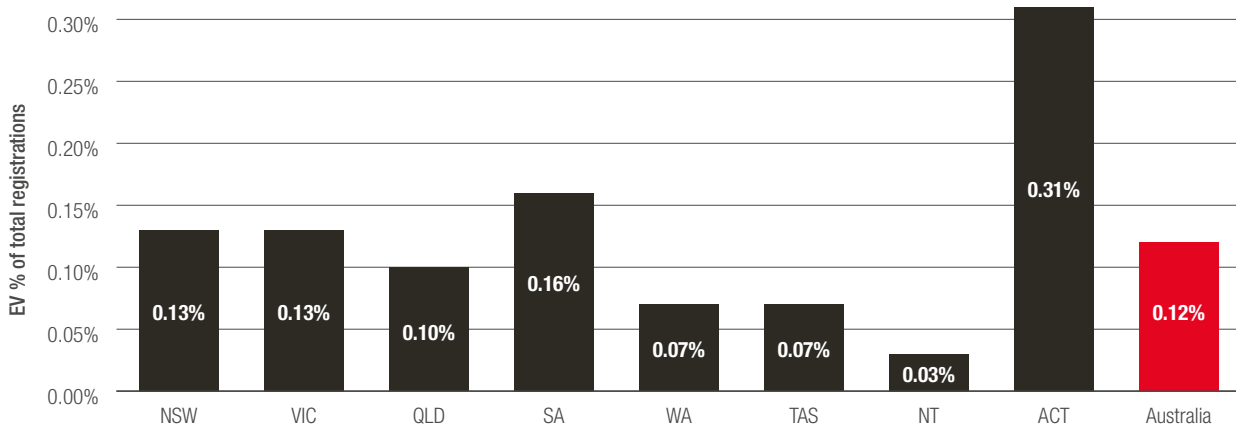
Ongoing industry trends and growth drivers relating to the aftermarket include:

- continued growth in the vehicle population in Australia and New Zealand, leading to increased demand for aftermarket products for use in the servicing and repair of those vehicles;
- the transition of specialist automotive radiator workshops into general mechanical workshops, giving suppliers the opportunity to expand their product offering to other aftermarket automotive products;
- the evolution of heat exchange technology to favour aluminium/plastic radiators and the resultant preference for replacement over repair, increasing demand for complete radiators;
- the global shift to e-commerce platforms providing an opportunity for suppliers to reduce costs and expand reach and to optimise the customers' experience across all customer channels; and
- the electrification of motor vehicles.

In relation to the electrification of motor vehicles, while this is a growing trend, battery electric vehicles (BEVs) are not expected to comprise a significant proportion of the Australian registered vehicle population for many years. Despite recent growth, as at December 2020, only 0.12% of Australia's light vehicle fleet was electric (refer to Figure 12).²⁶

BEVs will continue to require service parts (heaters, condensers, evaporators, compressors and oil coolers for transmissions), all of which are traditional products supplied by Adrad. Adrad intends to provide specialty heat exchange products for batteries and electronics in the future.

Figure 12: BEVs as a proportion of light vehicle fleet²⁷



Source: NTC.

2.3. Original Equipment (OE) overview

The demand for heat exchangers for engines arises from global engine and vehicle manufacturers. Adrad's Original Equipment (OE) segment trades under the Air Radiators brand. Air Radiators is an international, tier-1 business with manufacturing facilities in Australia and Thailand supplying mobile and stationary heat transfer systems to global manufacturers of engines and vehicles.

26. Electric Vehicle Council (Australia) State of Electric Vehicles (August 2021).

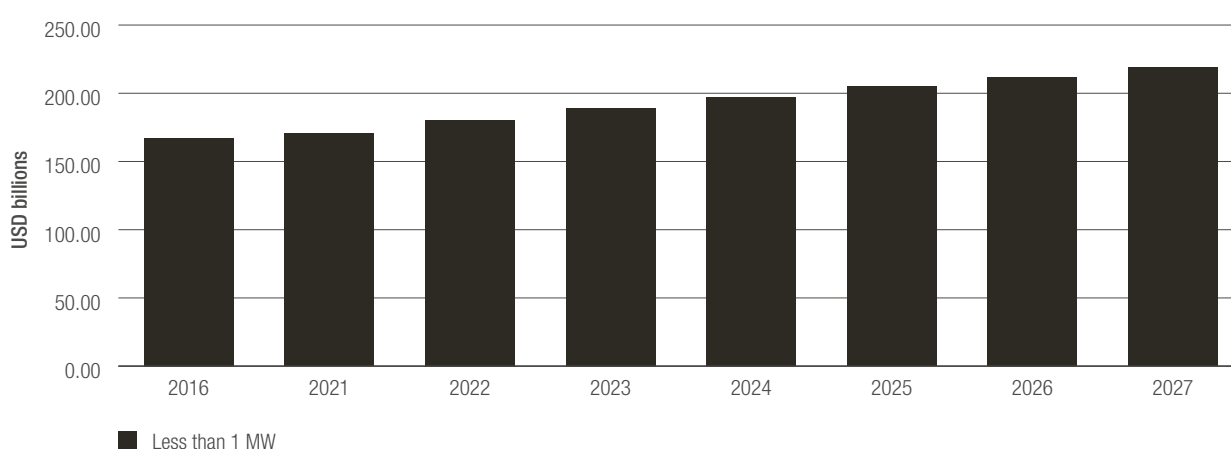
27. Electric Vehicle Council (Australia) State of Electric Vehicles (August 2021), page 6.

2.3.1. Market size and growth

The global diesel engine market is expected to reach US\$238.7bn by 2027, growing at a compound annual growth rate (CAGR) of 3.9% between 2022 and 2027.²⁸ Growth is expected to be driven by rising energy demands from infrastructure growth and the manufacturing industry.

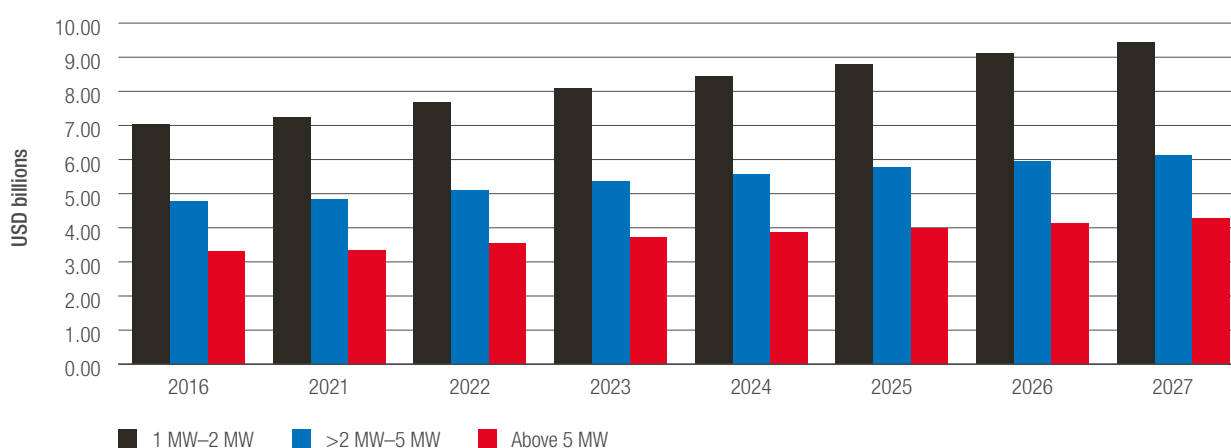
The below 1MW (1000kW) in engine power segment is expected to comprise the majority of the global diesel engine market (refer to Figure 13 below). This market includes automotive, light and heavy-duty trucks, construction, military, rail and industrial sectors.

Figure 13: Global Diesel Engine Market – Below 1MW²⁹



The above 1MW in engine power segment is expected to continue growing through to 2027, as demonstrated in Figure 14 below. This market encompasses both the mining and power generation sectors. Despite a push towards clean energy, industrial activities performed by these sectors currently can only be met through diesel and gas engines due to their high energy density.

Figure 14: Global Diesel Engine Market – Above 1MW³⁰



28. IMARC Report – Diesel Engine Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2022-2027.

29. IMARC Report – Diesel Engine Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2022-2027.

30. IMARC Report – Diesel Engine Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2022-2027.

2. Industry Overview continued

2.3.2. OE end markets

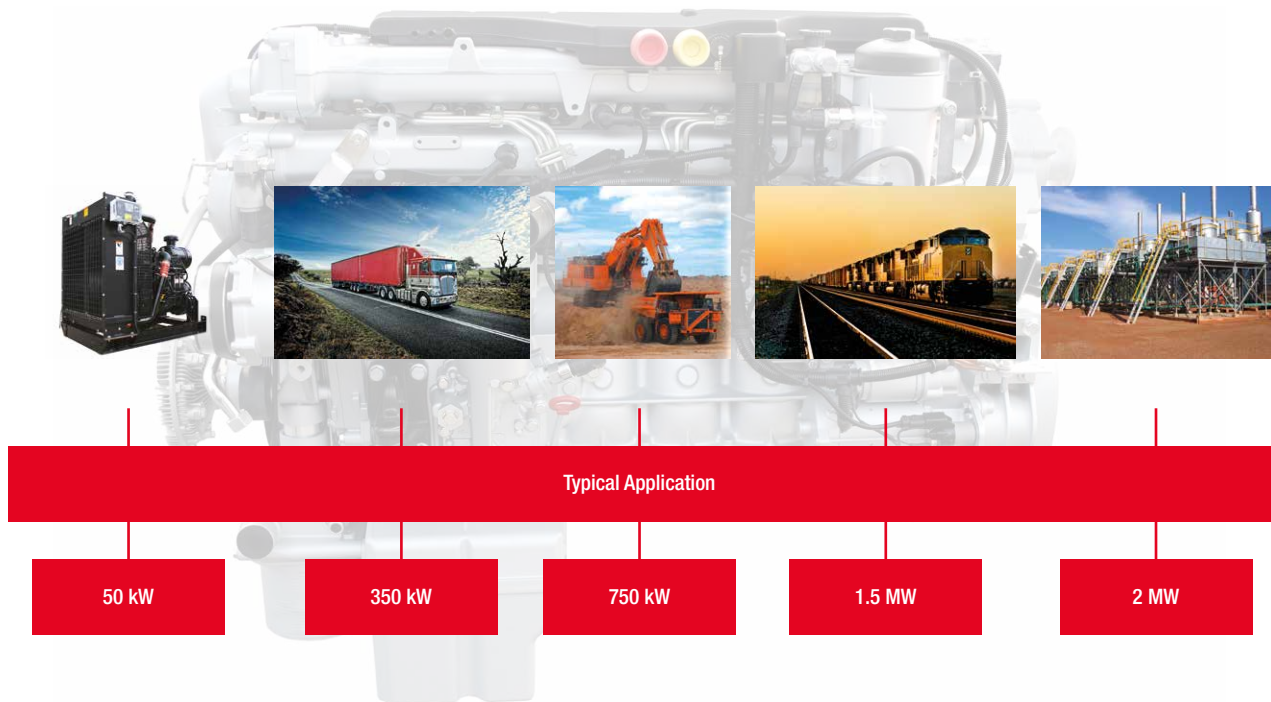
The OE segment for heat transfer systems can be defined as:

Mobile:

- On Highway: Trucks
- Off Highway: Construction, Mining and Rail

Stationary:

- Industrial: below 1MW in engine power – principally stand-by generators, and specialty equipment such as industrial pump-sets and Power Take-off units
- Power and Energy Generation: above 1MW in engine power – principally remote power generation stations utilising diesel, gas and increasingly in recent times, biomass and biogas as a fuel source



The above images are for illustrative purposes only.

2.3.2.1. On-highway (Trucks)

Heat transfer systems have evolved from the simple radiator to now encompass systems utilising up to six different heat exchangers:

- Engine jacket water;
- Air-to-air cooling (charged air);
- Air conditioning condensers; and
- Transmission oil, power steering and fuel cooling.

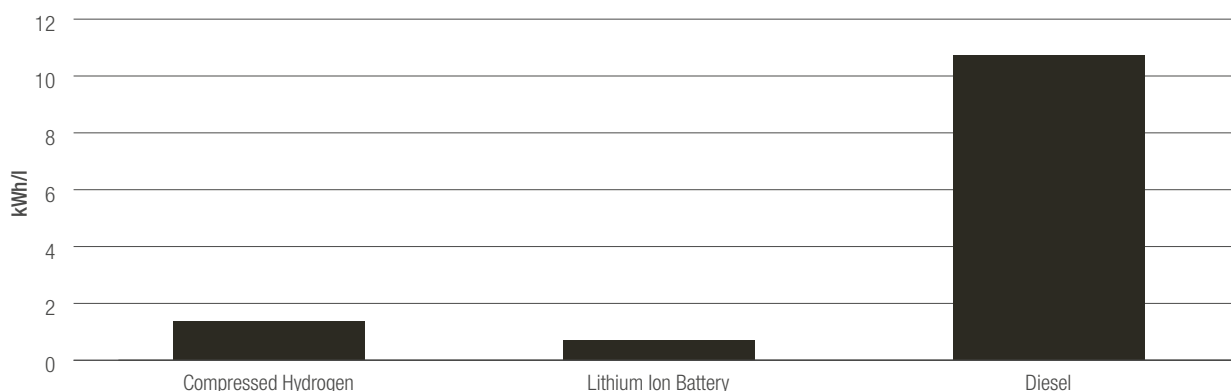
In Australia, the truck market is serviced by major global truck manufacturers. Notwithstanding, only Paccar and Kenworth design and manufacture large horsepower heavy duty trucks suitable for prolonged operation under Australian conditions. The domestic truck market mirrors the developments and trends of the international truck market, albeit truck volumes are generally lower.

Internationally, the truck market operates in a similar manner to the automotive industry, whereby high volumes of heat transfer systems are supplied by a small number of heat exchanger manufacturers with the capability to meet the significant daily volume requirements.

In both markets, the most common power source for on-highway vehicles remains diesel engines. While the merits of alternate energy power sources continue to be tested and developed, it is expected that diesel engines will continue to dominate the market over the short to medium-term due to their high volumetric density, being the amount of energy that can be contained within a given volume.

Figure 15 shows that the discrepancy in volumetric energy density between the three main competing fuel sources – diesel, compressed hydrogen and lithium ion batteries – is still very heavily in favour of diesel.

Figure 15: Volumetric Energy Density



2.3.2.2. Off-highway (Construction and Mining)

The Australian market's requirement for construction and mining equipment is satisfied by global mining equipment providers including:

- **Construction** – Volvo, John Deere, Terex Cranes, Caterpillar, Komatsu, Hitachi, Liebherr.
- **Mining** – Caterpillar, Komatsu, Hitachi, Liebherr, Belaz.

The construction equipment sector (infrastructure – roads, airports, tunnels, etc.) demands a significantly greater volume of equipment than the mining sector. Similar to the truck and automotive industries, high-volume, low-margin manufacturing methods have been adopted to meet demand.

The mining equipment sector (above ground and below ground mining) share the same cooling system requirements, with many different heat exchangers utilised to meet the requirements of engine cooling, hydraulic operation, and operator comfort.

To meet the heavy duty operational requirements, heavier gauge material and more complex manufacturing processes are employed, with cooling systems measuring over 3m x 3m and weighing more than two tonnes.

The electrification of, and adoption of battery technologies as, energy sources within the off-highway segment continues to become more prevalent. Currently, electric catenary systems (similar to suburban rail networks) are being trialled in above ground mining applications and battery electric systems are being trialled in both underground and above ground applications. However, while significant progress towards adoption is being made, the superior volumetric power density of traditional diesel energy sources ensures demand for traditional heat exchange products remains high.

2. Industry Overview continued

2.3.2.3. Off-highway (Rail)

The rail industry globally has seen a significant increase in the demand for localised content including design, manufacturing, and maintenance as a result of recently implemented policies. These government-driven initiatives have resulted in consolidation across major rail vehicle manufacturers both domestically and internationally, with Australia now home to the world's three largest manufacturers (CAF, Alstom and CRRC).

The Australian market follows global trends and, in particular, has mandated the adoption of local content and providers in the manufacture of new trains. Historically, a minimum of 50% local content has been demanded, though in recent local projects winning bidders have increased this figure to approximately 60%.

Generally, Australia depends on rail transport, with extensive rail networks through metropolitan cities and linking to regional areas. However, despite the emphasis on local content, locomotives are typically imported from major manufacturers in India, China and the United States of America.

In conjunction with international manufacturers, a number of domestic companies are employed to maintain focus on track infrastructure and maintenance, with many specialised pieces of track equipment manufactured locally.

Internationally, the market is similar to the domestic Australian market, though is significantly larger in scale, with the heaviest concentration in Europe.

2.3.2.4. Stationary (Industrial)

A significant proportion of the industrial sector is dominated by pre-packaged generator sets for use in temporary standby and prime applications. The market is dominated by global OEMs such as Caterpillar, Cummins, Kohler and smaller to medium manufacturers across Europe and Asia.

Generator demand in Australia is met through importation of pre-packaged units, with the shortfall and specialty equipment needs serviced by locally established global OEMs and other niche local manufacturers. The nature of the applications requiring generators or speciality equipment is such that they will continue to rely on diesel as the prime fuel for the mid to long-term.

Domestic and international demand is expected to grow strongly (refer to Figure 13 – Global Diesel Engine Market – Below 1MW) with 3.9% CAGR forecast from 2022 to 2027.



Third party skid mounted generator with Adrad cooling package.



Adrad designed and manufactured cooling module for mobile drill rig.

2.3.2.5. Stationary (Power and Energy Generation)

The Australian power and energy generation market, similar to other countries, is undergoing significant change with the drive to replace traditional coal powered power stations with renewables. Whilst this continues to evolve, the users of remote diesel and gas fired power stations still require customised solutions which may include a combination of renewables supported by traditional energy sources due to their distance and remoteness from existing power grids.

A typical mine power station generally comprises anywhere from 10 to 20 engines (diesel or gas fuelled) to provide 15 to 30 MW (in comparison, a typical Australian home consumes on average 15kW or 0.015 MW – approximately 1,000 times less). With a number of new mining projects under development, the overall power generation system now typically includes a combination of diesel/gas fired engines, solar and/or wind and battery storage. As such, it is expected that diesel/gas engines will continue to be utilised in conjunction with renewables as the mid to long-term solution for remote power stations. This combined system for power generation is also employed around the world for developing countries that lack the infrastructure for centralised power distribution, and remote island nations.

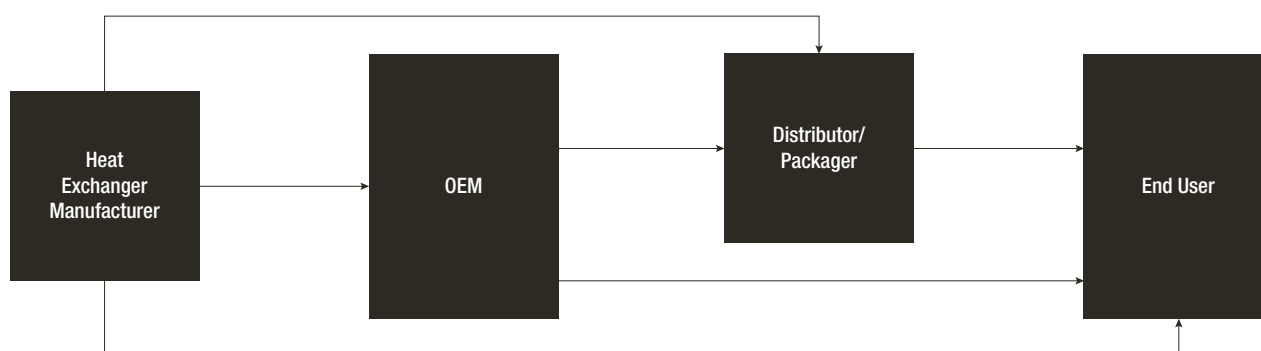
Another developing application heavily dependent on large power generation installations is the need for backup power for data centres. As we – consumers and generators of digital data – keep turning towards the Internet of Things (IoT), the data storage requirement keeps climbing exponentially. This in turn drives the need for larger and greater numbers of data centres all over the globe which drives the need for more backup power generation. Diesel/gas engines allow the developers of data centres to situate their facilities in urbanised areas to utilise grid power for operations and minimise the space required for backup power installation.



Customer projects incorporating Adrad products, for illustrative purposes.

2.3.3. Channels to market

The OE segment has well-defined channels to market, with opportunities to service the OE market prominent at all stages of the supply chain. Each stage requires a direct approach and deep customer engagement and marketing. This multi-level engagement at all stages of the supply chain drives demand through OEM top down to end user driving demand back up the channel to drive change at OEM level.



2. Industry Overview continued

2.3.4. Competition

The OE heat exchanger market is fragmented, with a number of players spread across diverse market applications. Focussing on the “engine” cooling sector, Australia is serviced by local and international manufacturers who sell and distribute their products either directly or through agency representatives.

This representation model is replicated across different regions and countries, with only the competitors changing from region to region. Not unique to the heat transfer market, the landscape with competitors is constantly changing with acquisitions and new start-ups that have formed from the divestment of manufacturing plants by the larger global OE manufacturers

Figure 16: OE competitors

Company	Manufacture		Sales in Australia		Markets	Heat Exchanger Products
	Australia	Multi National	Direct	Agency		
Air Radiators (Adrad)	x	x	x		All	Copper/Brass and Aluminium
L & M Radiator Inc	x	x	x		Construction & Mining	Copper/Brass and Aluminium
PWR Advanced Cooling Technology	x	x	x		On Highway, Defence	Aluminium
RAAL Complete Cooling Solutions		x		x	On & Off Highway, Defence	Aluminium
AKG Group		x		x	On & Off Highway, Defence, Construction & Mining	Aluminium
MAHLE Group		x		x	On Highway	Aluminium
Modine Manufacturing		x		x	On & Off Highway	Aluminium
Nissens Automotive		x		x	Industrial	Aluminium
Wabtec Corporation		x		x	All	Copper/Brass and Aluminium
API Heat Transfer ThermaSys Corporation		x		x	All	Copper/Brass and Aluminium
Gunter (A-Heat Allied Heat Exchange Technologies AG)		x		x	Power Generation	Copper/Brass and Aluminium

2.3.5. Industry trend and growth drivers

Positive industry trends and ongoing growth drivers in the OE market include:

2.3.5.1. Shift in demand to aluminium heat exchangers

Aluminium alloy use in heat exchanger applications has increased steadily over the last 30 years, transitioning from traditional copper/brass heat exchangers, due to weight and cost savings, increased performance, corrosion resistance and a less labour-intensive manufacturing process. Continued investment in R&D and increasing manufacturing locations enables global OEMs to expand their business into growth regions that have been slower to transition away from the traditional heat exchangers.

Figure 17: Copper/Brass Heat Exchanger

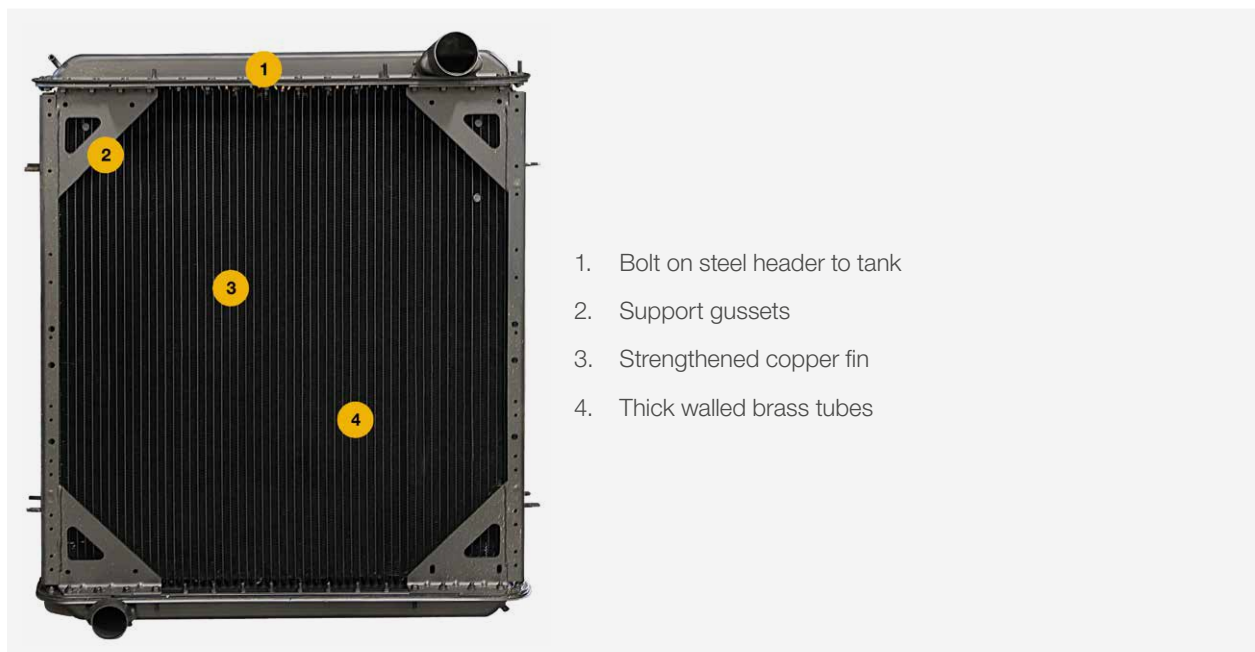
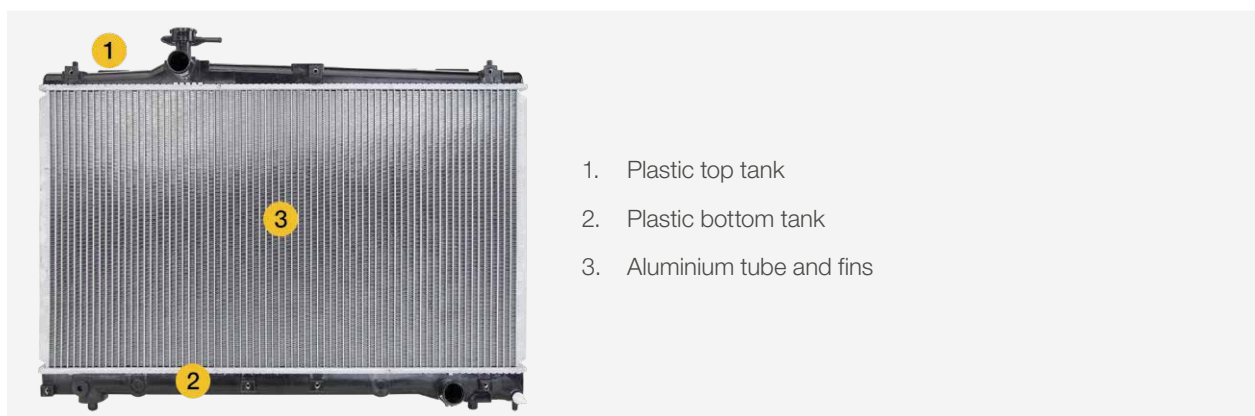


Figure 18: Aluminium Radiator



2.3.5.2. Government push for manufacturing sovereignty

Governments globally are increasingly mandating the use of localised supply and manufacture for major projects. Larger manufacturers of industrialised heat exchanger products are well positioned to satisfy this requirement for government projects due to being able to meet the supply of large-scale orders.

2. Industry Overview continued

2.3.5.3. Swing towards BEV and Hydrogen powered industrial vehicles

Across each of the OE end markets discussed in Section 2.3.2, significant investment has been made into cleaner and more energy efficient power systems, such as electric or hydrogen fuelled systems. As alternative power systems become more prevalent, the heating and cooling requirements of these systems will also continue to evolve.

Internal combustion engines (ICE) designed to run on hydrogen fuel are not that dissimilar to those that run on diesel and natural gas. The way that fuel is introduced into the engine may vary to allow for the different ignition properties of hydrogen, but the engine has a cylinder block, crank, heads, pistons, flywheel, etc. They generate heat, so a radiator is still needed to remove excess heat.

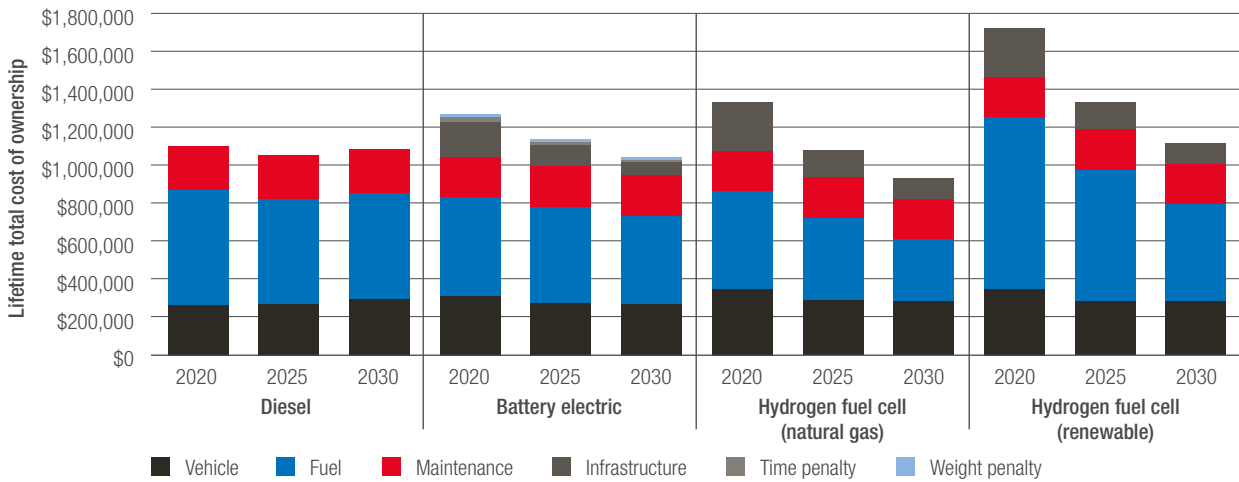
Unlike ICE systems, the BEV system requires cooling for the electric and electronic systems, to maintain the battery at optimum operating conditions. To minimise battery degradation and shortened life span, both heating and cooling circuits are required.

Construction and mining companies, along with truck manufacturers globally, are focusing on minimising carbon emissions over the next 15 years to align with the global target of achieving net-zero emissions by 2050. With investment in BEVs and hydrogen fuel technology continuing to reduce the cost of ownership, owners and operators are expected to achieve net-zero emissions without price penalties within the next decade.

Ongoing investment in R&D and engagement between manufacturers and suppliers is surging forward to develop new heating and/or cooling solutions for these new technologies.

The figure below identifies that, whilst the total cost of the vehicle, fuel, maintenance and infrastructure setup for diesel remains constant over the next decade, green source – battery and hydrogen fuel cell systems – power costs are steadily reducing to near parity. This transition to total cost of ownership parity will see the uptake in green power increase and ultimately diminish the dependence on fossil fuel driven equipment.

Figure 19: Total cost of ownership – diesel, battery electric, hydrogen fuel cell³¹

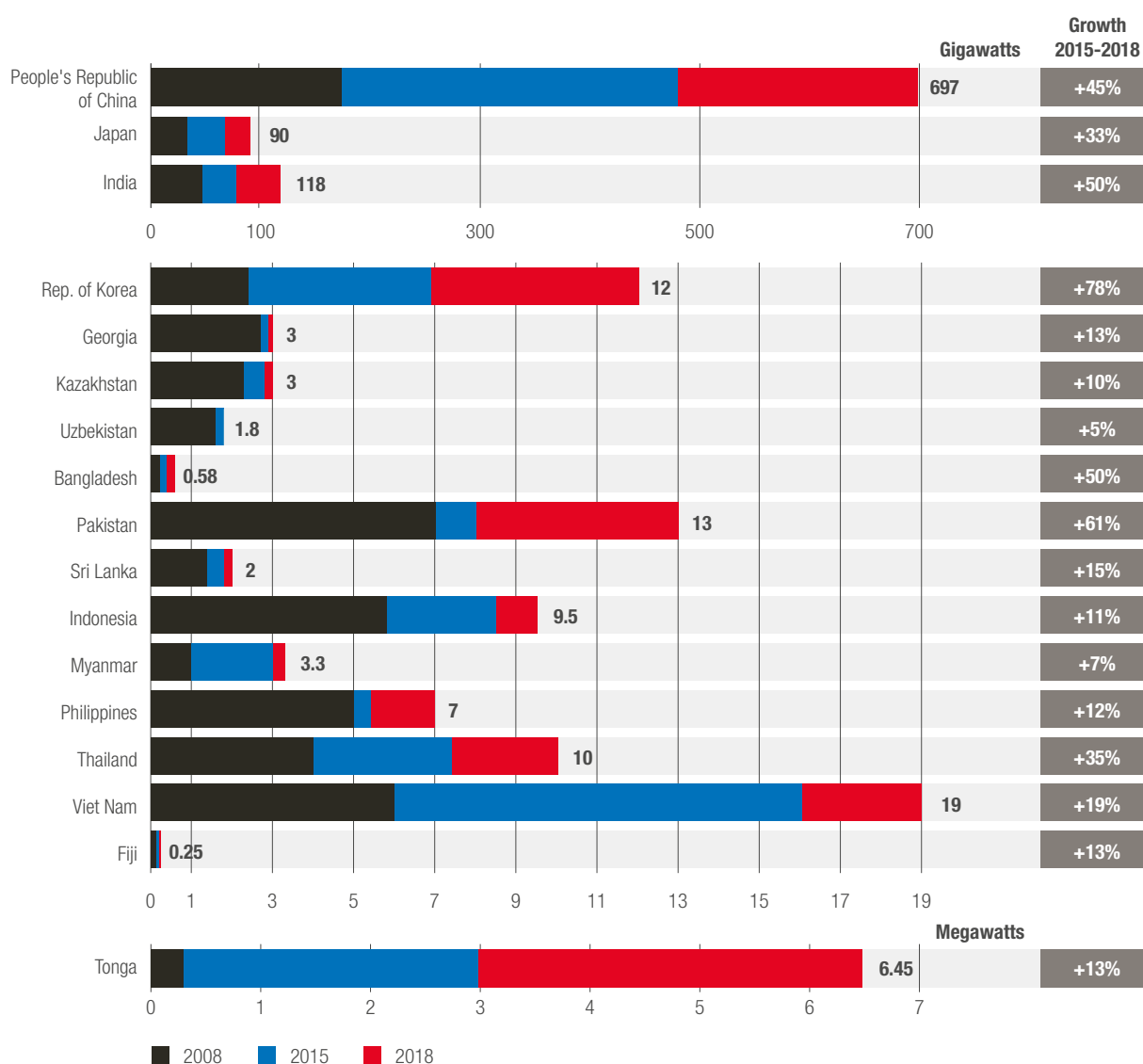


31. International Council of Clean Transportation, White Paper: *Estimating the Infrastructure Needs and Costs for the Launch of Zero-Emission Trucks*, August 2019, Figure 8.

2.3.5.4. Clean energy supply options

Population growth and strong industrialisation in developing economies has increased the demand for reliable and consistent sources of power generation to ensure uninterrupted and efficient operations. In Asia and the Pacific region these energy requirements are largely being met by biomass and biogas investment. This is highlighted in the figure below with average growth at 28% across the Asia Pacific countries.

Figure 20: Renewable power generation capacity – Asia Pacific Countries³²



32. REN21, 2019. Asia and the Pacific Renewable Energy Status Report (Paris: REN21 Secretariat. Figure 5.

3. Company Overview



Specialty stepped-core performance alloy radiator manufactured by Adrad (Beverley, SA).

3. Company Overview

3.1. Introduction

Adrad is an Australian-based business specialising in the design and manufacture of innovative heat transfer solutions for industrial applications, and the manufacture, importation and distribution of automotive parts for the aftermarket in Australia and New Zealand and for OE customers globally.

Adrad has grown organically and through strategic acquisitions to become a significant supplier of heat transfer products for engine cooling in Australia.

Adrad's operating entities integrate to form two major segments servicing all aspects of the engine cooling market:

- **Aftermarket** – Australian manufacturer, importer and distributor of radiators and other heat exchange products for the Australian and New Zealand automotive and industrial aftermarket, and
- **Original Equipment (OE)** – designer and manufacturer of OEM industrial radiator and cooling systems across a broad range of market sectors.

Figure 21: Key brands



With an extensive track record of experience, and trusted brands with quality, reliability and response times as a point of difference, Adrad has established a high quality and diverse customer base with long-term relationships including large global OEMs such as Caterpillar, Kenworth Australia, Cummins and Hitachi.

3.2. Company history

Adrad was founded in 1985 by Gary and Karen Washington with a focus on delivering reliable and efficient heat transfer solutions to the aftermarket segment that meet the needs of its customers across a broad range of industries, including automotive, transport, mining, construction, agriculture and energy.

Since its inception, Adrad has developed a reputation for supplying locally manufactured quality radiator parts to specialist repair workshops in Australia and New Zealand at competitive prices. Over the years, the business moved into the importation and distribution of complete radiators, primarily for the passenger vehicle aftermarket segment. Strategic acquisitions added OE manufacturing capabilities and engineering skills to Adrad as well as a more diverse customer base. With the support of shared resources and a team of dedicated long-term employees, the business grew stronger.

In 2006, Adrad acquired Natra Group Limited, a major manufacturer and distributor of radiators in Australia – subsidiaries included Air Radiators, Air Radiators Industrial, K & J Thermal Products in Australia and National Radiators in New Zealand. Natra Group Limited had been created following a management buyout of Natra, National Radiators and Air Radiators from Austrim Nylex in 2003. Natra, the oldest company of the Group, was founded in 1922 and until 1975 was the sole manufacturer and supplier of OE radiators to Australian automotive manufacturers including Ford, Holden, Chrysler and Nissan.

3. Company Overview continued

Air Radiators was established in 1974 to manufacture stationary radiators for the industrial market and began supplying radiators to Kenworth Australia around 1976. Air Radiators grew and became a major supplier of radiators for underground mining vehicle applications, rail passenger trains, power generation applications, military applications and engine OEMs. Air Radiators has remained at the forefront of innovation excellence through an ongoing focus on product development and quality manufacturing.

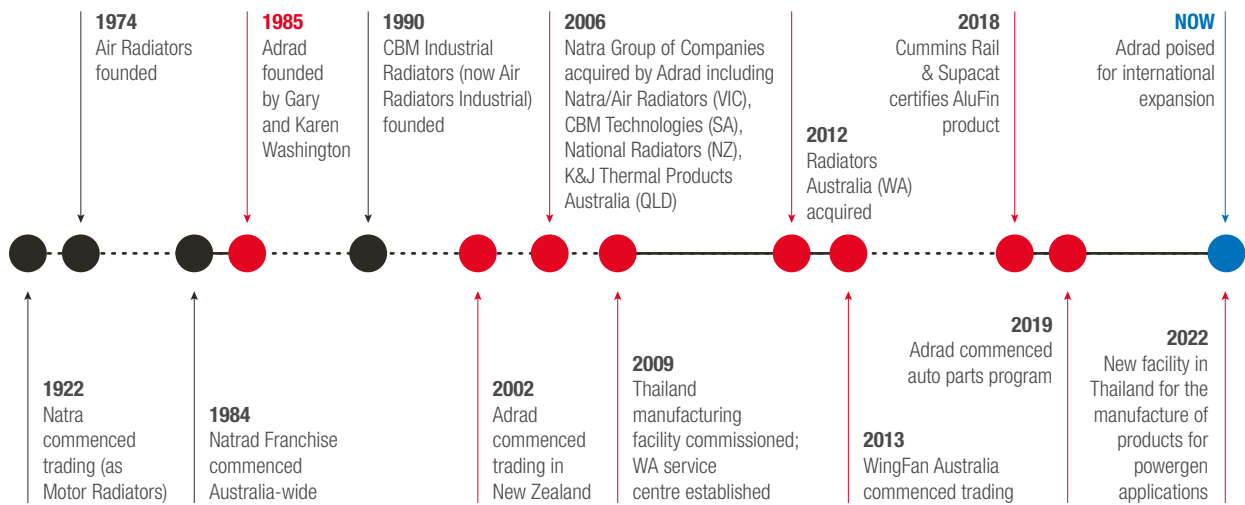
In 2009, Adrad constructed a manufacturing facility in Thailand, capable of producing both aluminium and copper/brass heat exchangers to support the growth of the Australian based business. Adrad also established a major radiator service centre in Perth to support the expanding mining sector as well as customers in Western Australia to whom product is supplied by Air Radiators.

More recently, organic growth has led to the development of innovative new products for the OE segment and the expansion of channels to market and product range for the aftermarket.

The businesses in Australia and Thailand have continued to grow and in more recent years the Aftermarket business has developed a range of additional automotive products which it sources globally for distribution to both wholesale and trade customers within Australia and New Zealand.

Figure 22: Adrad timeline

Founded in 1985, Adrad has grown to become the largest supplier of heat transfer products for engine cooling in Australia



3.3. Business overview

Adrad operates across two main segments under one management team:

Aftermarket	OE
<ul style="list-style-type: none"> • Australian manufacturer, importer and distributor of radiators and other heat exchange products for the Australian automotive and industrial aftermarket. • Offers an extensive product range of manufactured copper/brass and aluminium heat exchangers, imported automotive and industrial heat exchangers and other automotive products suiting applications from passenger and commercial vehicles through to large heavy duty heat exchangers for mining dump trucks and rail locomotives. • Stocks over 1,500 dedicated models of complete radiators and holds an extensive range of components, distributed via 16 warehouse facilities throughout Australia and New Zealand. • Products are manufactured or sourced from both OE and quality accredited aftermarket partners. • Broad customer base consisting of radiator repairers, trade mechanics, auto electricians, crash repairers and wholesalers. • Significant growth opportunity via online channel – directly targeting a broad range of mechanical workshops leveraging the Natrad Trade Online (NTO) online system and the development of new industrial products. • 227 employees across Australia and New Zealand. 	<ul style="list-style-type: none"> • Designer and manufacturer of OEM industrial radiator and cooling systems. • Operates a low-volume, high-value solutions-based model providing engineered engine cooling for both stationary and mobile applications. • Vertically integrated solutions supplier from design through to manufacturing. • Each product is specifically designed to suit the customer's application and verified to Australian and international design standards before being manufactured in-house using a range of materials including copper, aluminium, steel and stainless steel. • Customer base comprises large, global OEMs of products requiring engine cooling, with some enduring partnerships in excess of 40 years. • Significant R&D capabilities providing validated thermal performance with in-house wind tunnel testing along with pressure, cycle, noise and vibration test facilities. • Lean and flexible manufacturing principles ranging from one-off projects to full just-in-time (JIT) capabilities. • Innovative products including Alu Fin and Pin Fin. • 269 employees across Australia and Thailand with sales generated across Australia, New Zealand, Southeast Asia, Europe, Pacific Islands and the United States of America.

3. Company Overview continued

3.3.1. Company highlights

Designer of heat transfer technologies	<ul style="list-style-type: none"> • Integrated designer, manufacturer, importer and distributor of heat exchange products servicing its core Aftermarket and OE segments. • One of the most extensive ranges of copper/brass, aluminium and steel heat exchangers in Australia and New Zealand. • Significant position in key markets in which Adrad operates. • Nationwide network of franchised repair stores and workshops (Natrads). • Innovative products including Alu Fin and Pin Fin.
Extensive track record	<ul style="list-style-type: none"> • Starting with the Natra group of companies, over 100 years' experience supplying heat transfer solutions in Australia has seen Adrad grow to becoming a major supplier of heat exchangers to the aftermarket in Australia and New Zealand. • Significant industrial credentials supported by a trusted brand with quality, reliability and response times as a point of difference.
Significant growth opportunities in a large addressable	<ul style="list-style-type: none"> • Growth in the Aftermarket segment via direct targeting of mechanical workshops supported by recent investments in digital platforms and infrastructure. • Innovative new products and technologies supporting growth opportunities into key new international markets.
Extensive product range	<ul style="list-style-type: none"> • Stocks over 1,500 dedicated models of complete radiators and an extensive range of components, distributed via 16 warehouse facilities throughout Australia and New Zealand. • Capability to provide customers with the products when needed.
Design and manufacturing capabilities	<ul style="list-style-type: none"> • Design and engineering team developing products across on-highway, off-highway, rail and stationary applications. • Network of eight manufacturing locations including purpose-built facilities in Thailand providing low cost manufacturing support. • Adoption of lean and flexible manufacturing principles ranging from one-off projects to full just-in-time capability.
High quality and diverse customer base	<ul style="list-style-type: none"> • Blue chip customer base consisting of some of the largest global OEMs of products requiring engine cooling systems. • Long-term partnerships, with some in excess of 40 years, including global equipment manufacturers such as Caterpillar, Kenworth Australia and Hitachi. • Broad industrial capabilities servicing customers across energy, transport, mining, construction, defence, rail and oil & gas. • Aftermarket business sells through its own franchise network in addition to directly selling to over 7,000 independent repairers.
Strong financial track record	<ul style="list-style-type: none"> • Strong revenue growth across FY21 and FY22F. • Ability to leverage Thailand manufacturing facilities to increase margins.
International expansion strategy	<ul style="list-style-type: none"> • Strong market position in Australia and New Zealand, combined with established relationships with tier-1 customers, provides a solid foundation for growth into new international markets. • Opportunities to further expand operations in Southeast Asia and elsewhere.

3.4. Aftermarket

3.4.1. Overview

Adrad, in both Australia and New Zealand, provides a comprehensive range of radiators for applications ranging from passenger vehicles to locomotives and ultra-heavy dump trucks as well as agricultural and construction equipment. In addition to the primary manufacturing site at Beverley, South Australia, Adrad has satellite manufacturing facilities on the Gold Coast, Queensland and at Bayswater, Western Australia to provide urgent turnaround of radiator needs to assist commercial vehicles getting back into operation quickly.

More recently, Adrad has expanded its range of auto parts to support the demand from mechanical and air-conditioning workshops. Adrad has an extensive branch and distribution network that allows for rapid delivery of parts to fulfil customer orders. Adrad has developed online ordering facilities to locate matching parts and accept customer orders.

The Aftermarket segment is focused on identifying and servicing core customer requirements including the need for:

- quality parts;
- timely delivery;
- value for money; and
- a broad range of parts provided by a “one-stop shop”,

by providing:

- a comprehensive range of heat exchanger products;
- knowledgeable staff to assist customers;
- ease of doing business supported by an online platform;
- an expanding range of other automotive products to meet the demands for a “one stop shop”; and
- value for money via effective purchasing and regular pricing review processes.

Adrad Aftermarket products are distributed in Australia and New Zealand through the following channels:

- Natrad franchised workshops;
- Direct to mechanical and specialty workshops;
- Adrad Experts (co-operative of specialist workshops);
- NZ Agents (New Zealand); and
- Wholesalers.

Adrad has a nationwide Australian network of over 40 franchised repair workshops (Natrad) and sells through a network of over 7,000 independent repairers.

3. Company Overview continued

Franchise customer groups:



Commencing in 1984, this Australian workshop group consists of specialist radiator repairers. A number of these workshops are also members of the other Natrad groups.



The Natrad HDS group was created in 2012 to help promote those Natrad workshops servicing on-highway transport, industrial, mining and other heavy vehicle cooling requirements.



Launched in 2017, Natrad AutoCare workshops provide vehicle servicing and mechanical repairs.

Non-Franchise customer groups:



The Adrad Radiator Experts group consists of specialist radiator repairers around Australia who operate their workshops under this national brand utilising a co-operative model.



The Adrad National Radiators NZ group of agents consists of radiator repairers across New Zealand. The agents have used the Adrad branding since 2006.

3.4.2. Business model

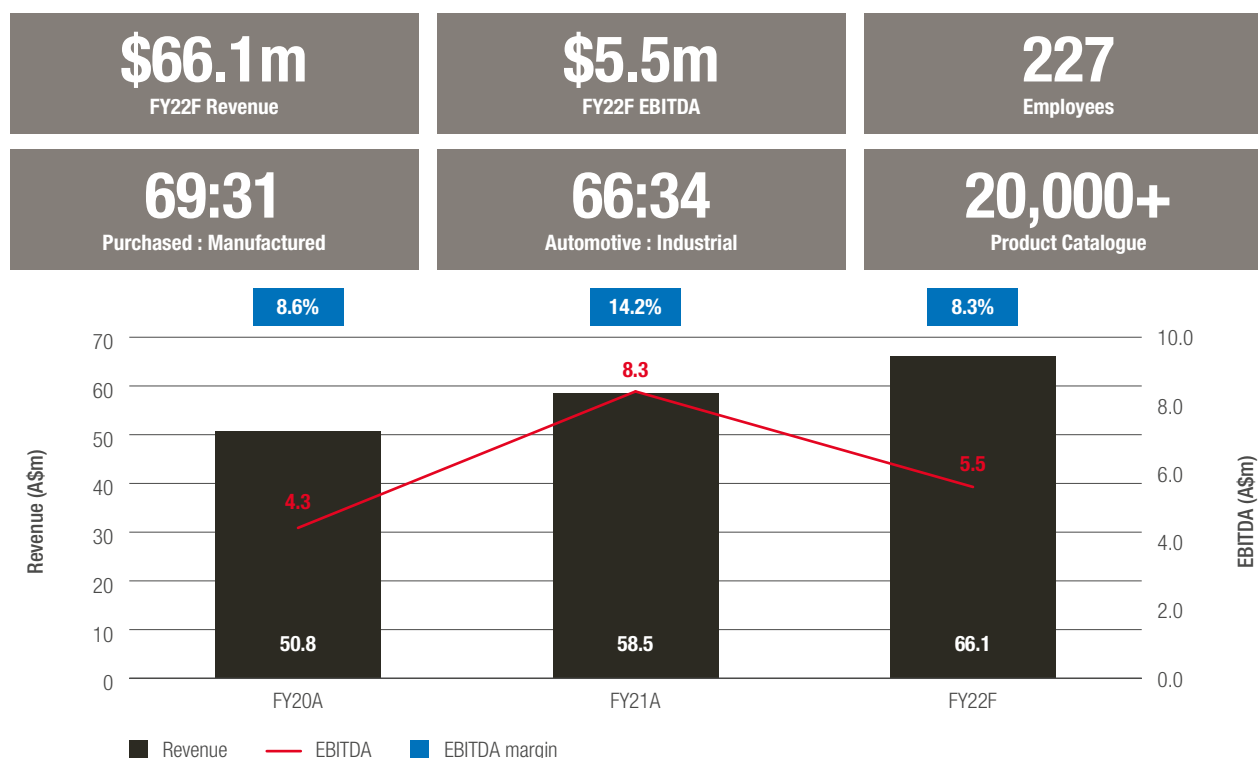
Adrad generates revenue in the Aftermarket segment through the sale of automotive and industrial heat exchange products to customers via both the franchise and non-franchise customer groups. Relationships with many of these customers are long standing, and repeat business is a key feature of the Aftermarket business model. Products are manufactured or sourced from both OE and quality accredited aftermarket partners.

Approximately two-thirds of products supplied by Adrad are sourced from third parties with the balance manufactured in Australia by Adrad. High volume automotive products are sourced from a variety of global suppliers with whom Adrad works to ensure product quality exceeds Adrad's customers' expectations. Many of the low volume and/or high-cost products are Adrad manufactured and typically made to order at the nearest Adrad manufacturing facility in Australia or New Zealand.

In addition to stock part numbered product, Adrad also manufactures many radiators daily that are custom build 'non-part number' products. These are produced to meet requested design specifications or to match a physical sample supplied by the customer.

Adrad has continually invested in developing its Aftermarket product range and currently stocks over 1,500 dedicated models of complete radiators and an extensive range of components. Quality assurance with ISO9001 accreditation is maintained at manufacturing and distribution locations across Australia.

Figure 23: Aftermarket segment pro forma revenue and EBITDA



3.4.3. Products

Adrad's national distribution network carries one of the most extensive ranges of radiator and air conditioning products in Australia and New Zealand – from components to cores, to complete assemblies.

The table below provides an overview of the automotive and industrial Aftermarket products supplied by Adrad:

Table 1: Adrad Aftermarket Products

Product Category	Example of products	Key Brands
Air Conditioning	Compressors, Condensers, Evaporators, Receiver Driers, Oils & Dyes, TV Valves, Blower Motors, Pressure Switches, O-Rings, Caps, Heaters, Fittings, Refrigerant, Tools	Adair, Ariazone, CPS, Delphi, Denso, Javac, Koyoair, Mahle, Sanden, Valeo
Engine Cooling	Complete Radiators, Radiator Cores, Radiator Tanks, Hoses, Clamps, Thermostats, Thermostat Housings, Belts, Fans and Impellers, Fan Clutches, Heater Valves, Radiator Caps, Water Pumps, Intercoolers, Oil Coolers, EGR Coolers, EGR Valves	Adair, Adrad, Air Radiators, Delphi, Denso, Diawa, Flexxaire, GMB, KC Auto, Koyorad, Mackay, Mahle, NPW, Optibelt, Setrab, Tridon, Tru Cool, Valeo
Parts & Accessories	Wipers, Gas Struts, Manifolds, Housings, Rocker Covers	Adrad, Air Radiators, KC Auto, Valeo, Tridon
Coolant & Fluid	Additives, Coolant, Brake Fluid, Lubricants, Sealers, Compressor Oil	Adrad, Mintex, Ariazone, Cyclo, Holts

3. Company Overview continued

Product Category	Example of products	Key Brands
Brakes	Brake Pads, Brake Shoes, Discs, Drums, Wear Indicators	Mintex, Nisshinbo
Electrical	Fans, Starter Motors, Alternators, Ignition, Globes, Lights, Sensors, Switches, Charger/Starters	Adair, Air Radiators, Denso, Maradyne, Spal, Tridon, Valeo, Noco
Filters	Oil Filters, Air Filters, Fuel Filters, Cabin Filters	Adair, Fram, Tridon, Valeo
Cleaning Products	Cleaners, Solvents, Gloves	Adrad, Cyclo, Holts, Simple Green, Motovac, TGC
Tools	A/C Charging Stations, Hand Tools, Gauge Sets, Testers, Lamps	Ariazone, Javac, Adair, Adrad, CPS, Johnson, Famous Toledo, Tridon, Scangrip

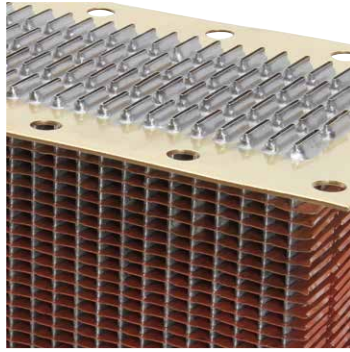
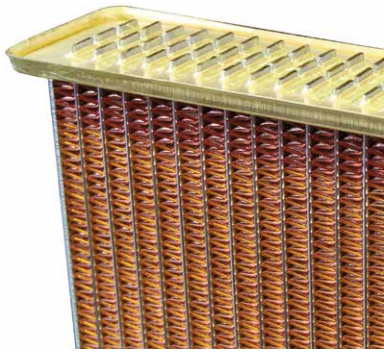


Figure 24: Aftermarket Parts Range – Engine Cooling, Air Conditioning, Service Parts, Electrical & Brakes



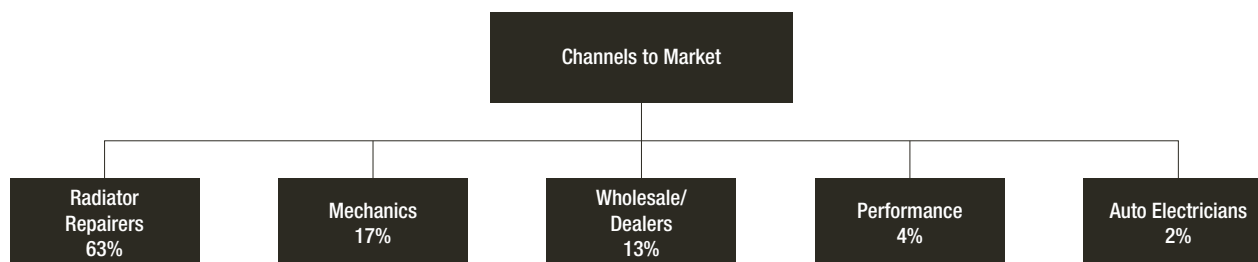
3.4.4. Customers

The Aftermarket customer base consists of specialist radiator repairers, trade mechanics, auto electricians, crash repairers and wholesalers.

Whilst the largest established customer segment is specialist radiator repairers, sales to automotive mechanical workshops are experiencing significant growth. As explained in Section 2.2.3.4, this shift is due to a number of factors, including the transition to aluminium/plastic radiators in the automotive segment, where complete replacement, rather than specialised repair, is preferred. However, the majority of radiator sales for heavy vehicles are likely to remain through specialist radiator repair workshops. As explained in Section 2.2.3.5, these repairs typically involve the existing radiator being dismantled and a new radiator core being installed to make the refurbishment cost-effective for the end user.

Adrad is gaining Aftermarket market share by increasing the number of Natrad Trade Online (NTO) customers. This is a result of Adrad's strategy to develop a sales channel directed at mechanical workshops, involving establishing accounts from a pool of over 20,000 mechanics in Australia. Adrad does this as a Preferred Supplier to Capricorn, a member based organisation providing services to support businesses in the automotive industry. Capricorn provides credit for its members' purchases from Preferred Suppliers. As at the Prospectus Date, approximately 7,000 mechanics have an Adrad account via Capricorn. Adrad has a Preferred Trade Supplier Agreement with Capricorn.

Figure 25: Adrad Aftermarket sales channel



3. Company Overview continued

3.4.5. Suppliers

Adrad has long-standing relationships with a diverse range of over 60 wholesale and part suppliers across the world. The top 10 suppliers of sourced part numbers in the Aftermarket segment accounted for approximately 46% of the Aftermarket cost of goods sold in FY21.

Having a large customer base, with the ability to leverage a developed logistics system, means that Adrad is a reliable partner for these suppliers.

The majority of Adrad’s supply relationships in the Aftermarket segment are on a purchase order basis, with no long-term or fixed commitments. This allows Adrad the flexibility to change suppliers from time to time based on best price, quality and supply terms. The majority of Adrad’s key supplier relationships have been maintained over many years.

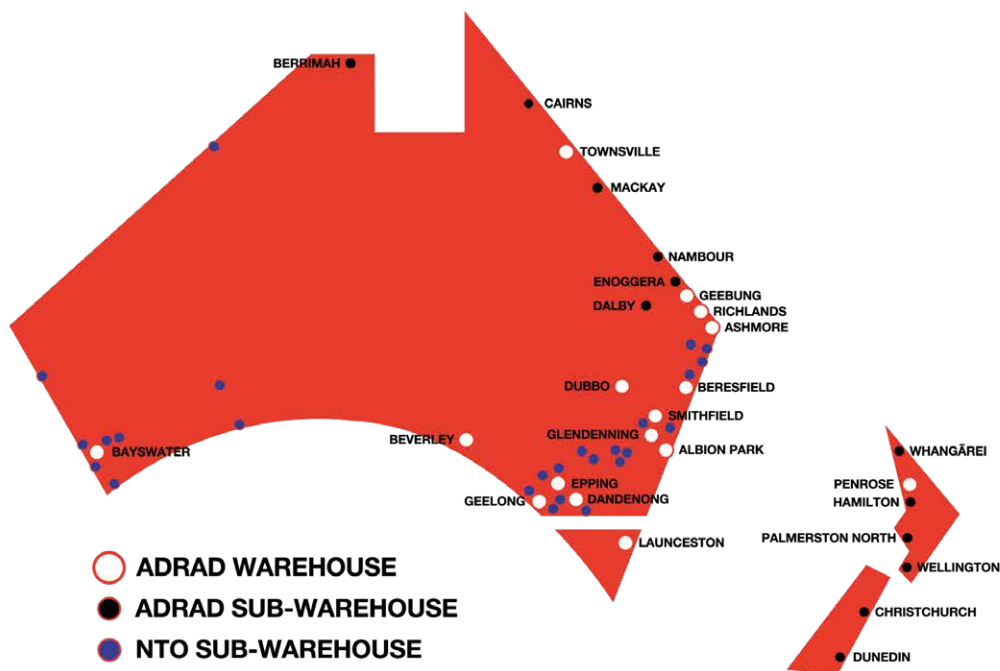
3.4.6. Distribution

Aftermarket customers are currently serviced from 16 distribution warehouses across Australia and New Zealand. The number of distribution warehouses continues to increase to meet expanding product ranges and improve geographical coverage so as to ensure close proximity to customers.

Other than the Natrad franchise network, Adrad’s customer relationships in the Aftermarket segment are typically on a purchase order basis, with no long-term or fixed commitments. Contracting on a purchase order basis allows Adrad to retain the flexibility to adjust its selling prices in line with changes to the landed costs of raw materials and sourced products so as to maintain desirable margins.

The Natrad franchise network is a key distribution channel for Adrad, accounting for approximately 25% of Aftermarket product sales. One of the benefits of the Natrad franchise network is that it secures long-term customers for Aftermarket products. As at the Prospectus Date, there are 39 Natrad franchisees, many of whom have been members of the Natrad franchise network for over 10 years. All current Natrad franchisees recently renewed their franchise arrangements for 5-year terms, commencing on 1 July 2022, thereby securing this distribution channel for Adrad.

Figure 26: Adrad Aftermarket distribution warehouse locations



3.4.6.1. Changing channels to market

For a number of years, traditional specialist automotive radiator repair workshops have been evolving into general mechanical workshops as the automotive radiator market has shifted from product repairs to replacement. This has resulted in a shift in channels to market for Adrad towards automotive mechanical workshops which now undertake much of the automotive radiator replacement work.

Adrad has benefited from the expanding channels to market, as demand for automotive products (in addition to radiators) from general mechanical workshops has resulted in the expansion of its automotive product range.

3.4.7. Sales strategy

Adrad's experienced employees provide a high level of customer service through the availability of product and after sales support. Adrad has implemented a number of key initiatives aimed at further driving sales growth including:

- advertising through trade media (print and online);
- direct promotions to existing customers;
- sourcing and developing quality products commensurate with Adrad's reputation;
- growing the number of mechanical and air-conditioning workshop customers trading with Adrad;
- enhancing the online selling platforms in Australia and New Zealand to improve customer experience and engagement; and
- growing the range of automotive products to meet the broader needs of these workshops for vehicle servicing.

3.4.8. Aftermarket competitive advantages

Brand and reputation	<ul style="list-style-type: none"> • Positioned as a prominent supplier of heat exchangers to the Australian and New Zealand aftermarkets with a wide range of products supported by local manufacturing capability • Adrad is a trusted brand in Australia recognised by motorists across automotive and industrial markets
Demonstrated quality and reliability	<ul style="list-style-type: none"> • Reputation established over 37 years for supplying quality, value-for-money automotive products and after sales support processes
Product range and manufacturing capability	<ul style="list-style-type: none"> • Broad range of heat exchangers in Australia and New Zealand coupled with local manufacturing capabilities for heavy duty commercial and industrial heat exchangers in both copper/brass and aluminium
Stock management and pricing systems	<ul style="list-style-type: none"> • Continued investment in systems and processes has ensured Adrad remains agile • Efficient processes in place for regular pricing adjustments on over 20,000 SKUs coupled with an innovative and responsive inventory management process
Online sales channels	<ul style="list-style-type: none"> • Significant growth opportunity via directly targeting a broad range of mechanical workshops leveraging Adrad's NTO online system • Currently servicing over 7,000 customers – with the potential for further growth

3. Company Overview continued

3.5. Original Equipment (OE)

3.5.1. Overview

Adrad OE is a vertically integrated designer and manufacturer of OEM industrial radiator and cooling solutions for high end applications.

The segment operates a low-volume, high-value solutions-based model where engineered engine cooling for stationary and mobile heat exchangers are designed to specific customer requirements and verified to Australian and international design standards using a range of materials including copper, aluminium, steel and stainless steel.

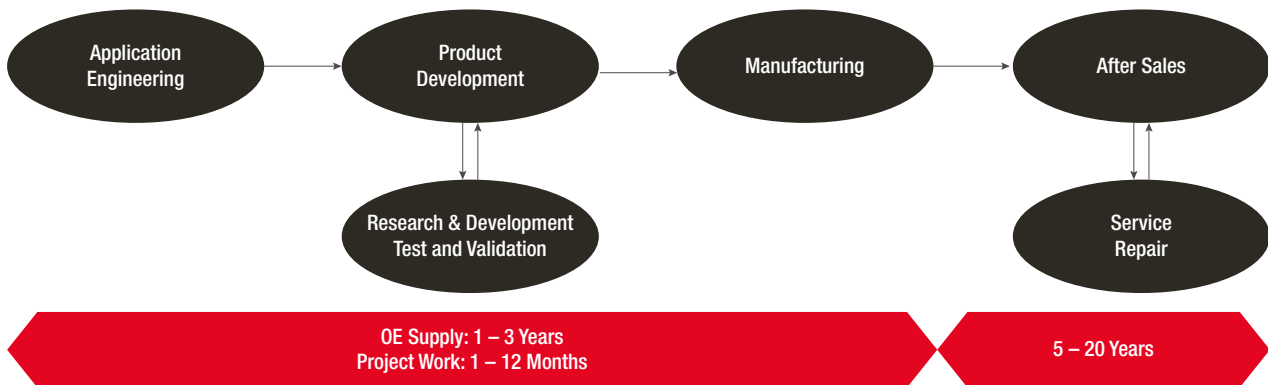
Adrad OE adopts lean and flexible manufacturing principles ranging from one-off projects to full just-in-time capabilities in-house in Australia and Thailand.

The business has significant R&D capabilities providing validated thermal performance with in-house wind tunnel, pressure, noise and vibration testing facilities.

Adrad OE prides itself on delivering innovative products to customers comprising large global OEMs. There are currently over 260 OE employees across Australia and Thailand with sales generated in Australia, New Zealand, South East Asia, Europe, Pacific Islands and the United States of America.

The business process can be summarised as follows:

Figure 27: OE project lifecycle






These key individual stages work in unison to deliver the required product to the customer’s exacting needs.

Application engineering	<ul style="list-style-type: none"> • Process begins with customer consultation to identify and understand bespoke requirements and needs • Each product is designed to suit customer's specific application • Thermal solutions derived using both commercially available and proprietary in-house developed thermal software programs utilising results derived from wind tunnel testing of core product
Product development (engineering design)	<ul style="list-style-type: none"> • Designs verified with Computational Fluid Dynamics (CFD) and Finite Element Analysis (FEA) software before commencing production • Products meet Australian and international design standards • Extensive testing capabilities to validate products
Manufacturing	<ul style="list-style-type: none"> • In-house heat exchanger manufactured in copper, aluminium and other materials • Flexibility in fabrication materials – copper, aluminium, steel, and stainless steel
Aftersales	<ul style="list-style-type: none"> • Adrad has many long-term employees who actively support growth and innovation • A strong customer service ethic, coupled with quality assurance, warranty and marketing support provide a key competitive advantage

3.5.2. OE segments

Adrad's OE segment is serviced by three business units utilising vertical integration in the development and manufacture of heat transfer solutions for defined market segments.

Air Radiators (ARL) 	<ul style="list-style-type: none"> • ARL is located in Lara, Victoria and operates a 7,170m² facility with over 120 employees • Primarily involved in the fabrication, core build and assembly of heat transfer and thermal management systems for mobile and non-power generation stationary applications
Air Radiators Industrial (ARI) 	<ul style="list-style-type: none"> • ARI is located in Adelaide and operates a 4,000m² facility with over 45 employees • Primarily involved in the production of stationary heat exchange products used in remote power generators, data centres and back-up power supply units
Air Radiators Thailand (ART) 	<ul style="list-style-type: none"> • ART is located in Rayong Thailand and operates two manufacturing and assembly facilities with over 100 employees • Involved in the production of heat exchange products for Thailand and other Southeast Asian customers while also supplementing the production needs of ARL and more recently ARI

3. Company Overview continued

3.5.3. Business model

The Adrad OE business develops and manufactures heat transfer solutions in partnership with its customers and seeks to offer high value, reliable and efficient heat transfer solutions engineered to meet its customers' exact needs.

Formal contracts are generally limited to documenting pricing arrangements, service levels, delivery requirements and warranty processes. There is significant ongoing and repeat business built on high levels of integration within customer supply chains, trust, reliability and quality. Many of these supply arrangements are built on strong customer relationships that have been in place for decades.

These long-term relationships have developed through the sharing of information between the engineering and design teams at Adrad and the OE supplier to address the end customer's wants and needs. This knowledge sharing aids the development of new products and positions both the OE supplier and end customer with a competitive advantage by reducing product development time and adjusting production capacity to address the needs of the market.

Air Radiators (ARL)

Air Radiators, situated at Lara, Victoria, provides an end-to-end service to customers from the design through to after-sales support. Customers operate across a broad range of industries including transport, mining, construction, agriculture, energy and defence.

Air Radiators Industrial (ARI)

Operations are primarily project-based and have a high element of customisation, dependent on the customer's specific requirements which can lead to variability in the size and design of the appropriate heat exchangers.

Larger projects enable ARI to capitalise on economies of scale, driven by fixed input costs and repeatable tasks.

Air Radiators Thailand (ART)

The Thailand facilities are involved in the production of heat exchange products for global customers based in Asia.

ART is also involved in the production of aluminium heat exchangers for Air Radiators Lara, with future production expected to increase.

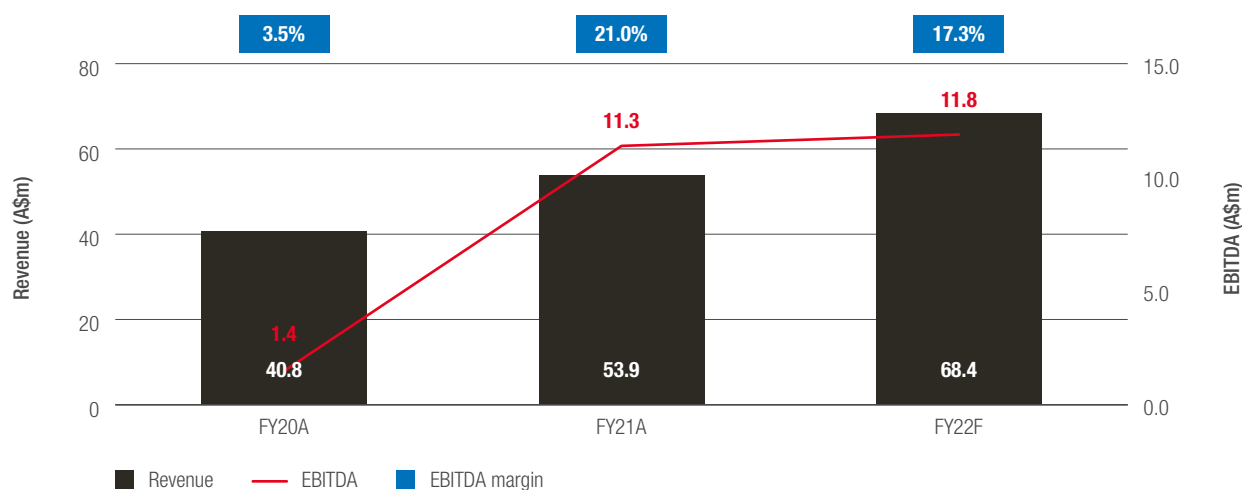
To ensure commercial competitiveness, Adrad OE utilises the inherent capabilities of each of its manufacturing plants in Australia and Thailand to manufacture its customers' products so as to achieve the best outcome in price, quality and delivery times for customers.

The manufacturing flexibility and agility allows for the manufacturing of products to meet customer deadlines and commercial requirements either in one single location or manufactured in multiple locations.

In particular, the capability to manufacture in Thailand is resulting in new opportunities with global OEMs which were not previously available to Adrad OE, whilst improving profitability and maintaining existing customer relationships. For example, Australia has seen a continued reduction in locally manufactured mining equipment, with the last major manufacturer Caterpillar Underground Mining departing Australia (Burnie, Tasmania) in 2015 for new purpose-built manufacturing facilities in Thailand. Adrad OE's manufacturing capability in Thailand allowed it to retain the OE supply contract with Caterpillar Underground Mining by offering cost savings across manufacturing, reduced inventory stock holdings and maintaining engineering support in Australia through ARL and ARI.

The chart below summarises the financial performance for the OE segment over the past three years. FY20 was significantly impacted by COVID-19 and the significant interruptions to supply chains and employee absenteeism that followed. Whilst the impact of COVID-19 remains an issue, financial performance has stabilised and improved. The power generation segment in Australia has been a strong contributor to financial performance over the past two years along with a strong contribution from the Thailand operations.

Figure 28: OE segment pro forma revenue and EBITDA



3.5.4. Products

Adrad's broad product portfolio (Figure 29) and inherent quality in design and manufacturing enables the business to develop more complex vehicle engine heat transfer solutions compared to traditional radiators utilising in-house developed technologies. Adrad products meet Quality Certification to ISO9001.

3. Company Overview continued

Figure 29: Heat Transfer Matrix by Market Sectors

Market Sector		Heat Transfer Matrix ----- Head Load Circuit	Ultra Fused	Pin Fin	Ultra Seal	Alu Fin	Coil Fin	Bar & Plate	Fan Systems
On Highway	JW								Axial Fans, Fully reversible Fans, Mixed Flow Fans, VSD control, electric and hydraulic drives
	CAC								
	Oil								
	Fuel								
Off Highway	Rail	JW							
		CAC							
		Oil							
		Fuel							
	Mining	JW							
		CAC							
		Oil							
		Fuel							
	Defence	JW							
		CAC							
		Oil							
		Fuel							
Power Generation	JW/HT								
	CAC/LT								
	Oil								
	Fuel								
Oil & Gas									
BEV									
H Fuel Cell									

Definitions	
JW	Jacket Water cooling (radiator)
CAC	Charged Air Cooler (intercooler/turbo charger cooler)
HT	High Temperature circuit cooler
LT	Low Temperature circuit cooler
Oil	Oil cooler
Fuel	Fuel cooler
BEV	Battery Electric Vehicle
H Fuel Cell	Hydrogen Engine and Hydrogen Fuel Cell (Hydrogen generation)

Depending on the market segment, the final heat transfer package can be as simple as a single heat transfer matrix or multiple heat transfer matrices in more complex engine cooling applications. For example:






Simple Oil/Hydraulic Cooler
1 single heat transfer matrix








Complex Powertrain Cooler
3 – 5 heat transfer matrices

As engines have advanced and customer equipment has become more complex, many engine heat transfer packages now comprise a combination of different heat exchangers from the above mentioned product list. Adrad utilises its international relationships with other OEM heat exchanger manufacturers to combine other heat transfer matrices for the required solution.

Heat Transfer Matrices	Description		Manufacturing Locations
Copper	<p>Ultra-Fused</p> <p>Copper fins with brass tube welded to brass phosphorous bronze header plate.</p> <p>Improved distribution of mechanical stresses from solder fillet support.</p> <p>Up to 20 times stronger than conventional soft soldered designs.</p>		<ul style="list-style-type: none"> • Victoria (Lara) • South Australia (Beverley) • Thailand (Rayong)
	<p>Soldered</p> <p>Copper fin with brass tube soldered to brass, phosphorous bronze header plate.</p>		<ul style="list-style-type: none"> • South Australia (Beverley) • Queensland (Molendinar) • Western Australia (Bayswater) • Auckland (NZ)
	<p>Coil Fin</p> <p>Copper tube with aluminium fin mechanically fixed and tube ends brazed to common round header tube.</p>		<ul style="list-style-type: none"> • South Australia (Gillman) • Thailand (Rayong)

3. Company Overview continued

Heat Transfer Matrices	Description		Manufacturing Locations
	<p>Pin Fin^{RT}</p> <p>Round copper tube with helically wound copper wire mechanically bonded to the base tube via solder.</p> <p>Tube material can be substituted with steel, stainless steel, brass and other.</p> <p>Tube ends are brazed to header box or round tube.</p>		<ul style="list-style-type: none"> • Victoria (Lara) • Thailand (Rayong)
Copper	<p>Pin Fin^{FT} (Product trials starting Q4 2022)</p> <p>Flattened copper tube with helically wound copper wire. Individual tube ends are attached to header box by use of flexible rubber grommet.</p> <p>Redefined Pin Fin technology provides flexibility and performance in the harshest environments.</p> <p>Innovative heat transfer technology with individual oval tubes and grommated joints.</p>		<ul style="list-style-type: none"> • Victoria (Lara) • Thailand (Rayong)
	<p>Ultra Seal</p> <p>Aluminium tube matrix connected to header box with flexible silicon grommets for intercooler or Charged Air Coolers (CAC) applications.</p> <p>Conventional brazed Charge Air Coolers are prone to failures in tubes, joints, headers & manifolds.</p>		<ul style="list-style-type: none"> • Thailand (Rayong)
Aluminium	<p>Alu Fin</p> <p>Individual aluminium tubes attached to header box by use of flexible rubber grommet for water cooling applications.</p>		<ul style="list-style-type: none"> • Thailand (Rayong)
	<p>Aluminium HD</p> <p>New product under development.</p>		<ul style="list-style-type: none"> • Thailand (Rayong)
	<p>Bar & Plate</p> <p>Individual bar and plate multi-layered between aluminium fin.</p>		<ul style="list-style-type: none"> • Thailand (Rayong)

3.5.5. Customers

Adrad's OE segment has a blue chip customer base consisting of some of the largest global OEMs of products requiring engine cooling systems meeting a wide variety of conditions. These OEMs have stringent requirements across quality and cost competitiveness and Adrad's enduring partnerships (in excess of 40 years with some of these OEMs) is a testament to the quality of the manufacturing achieved and its cost competitiveness.

Air Radiators

- ARL has historically had a high level of revenue concentration, with the top 10 customers generating approximately 80% of revenues in FY21.
- Major customers include Kenworth Australia (heat exchange packages for new trucks as well as the supply of replacement parts), Cummins South Pacific and Terex Cranes.
- Kenworth Australia and ARL have maintained a long-standing relationship since around 1976 with ARL integrated into the Kenworth Australia supply chain. Kenworth Australia (via its parent entity, Paccar Australia Pty Ltd) and ARL are currently parties to a long-term supply agreement under which ARL is the exclusive supplier of heat exchangers to Kenworth Australia's truck manufacturing operation. The current exclusive supply agreement is in place until at least September 2024. ARL works very closely with Kenworth Australia to ensure OE products are manufactured and supplied to keep pace with Kenworth Australia's current build timing. The close working relationship and exclusive supply arrangements assist both parties to safeguard the sales and supply of key products in each of their businesses.

Air Radiators Industrial

- Due to the higher proportion of project-based revenue, ARI revenue will fluctuate between reporting periods.
- Typical customers are providers of remote power generators, data centres and back-up power supply units.

Air Radiators Thailand

- ART has a high level of revenue concentration, with 100% of ART's external revenues generated from nine customers in the past three reporting periods.
- Asian customers include Caterpillar and Hitachi, which make up the majority of the ART revenue. ART has maintained a relationship with Caterpillar since 2015 when they first began production of the heat exchange model for Caterpillar and production for Hitachi began in 2020.
- Caterpillar is ART's largest customer. Sales are generated across the Caterpillar Underground and Caterpillar Singapore divisions.

With many of Adrad OE customers there are no formal fixed-term contracts. Supply of products is centred on product models for the duration of their model cycle around terms of trade, pricing, quality and warranty – there are no guarantees of volume.

Adrad employs a Business Development and Sales team to both prospect for new business and manage existing customers. Sales are generated through ongoing supply arrangements with OEMs and build-to-order projects for end users.

For example:

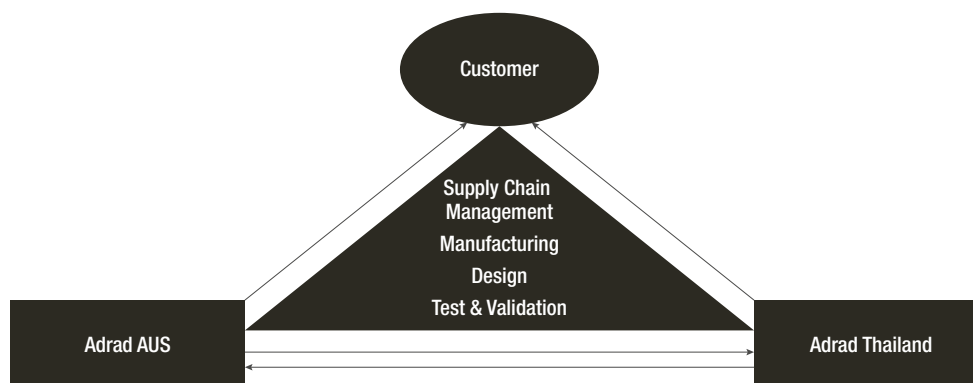
- Kenworth Australia, Hitachi and Caterpillar sell through dealer/distribution networks,
- Terex and Cummins sell direct to end users, and
- Energy Power Systems Australia and MTU with build-to-order project work.

3. Company Overview continued

3.5.6. Sales strategy

Strategy	Initiative
Increase market share with Engine OEMs	Leverage the Company's reputation and strong credentials in power generation engine cooling established through many years of design and manufacture of this style of product for OEMs such as Cummins, Caterpillar and MTU in Australia.
Improve customer value	Eliminate duplication and waste by evolving vertical integration across internal multi-manufacturing site supply chains and end customers (as highlighted below in Figure 30: Adrad OE supply chain).
Increase R&D spend	Continue the development of new innovative products at Adrad's Lara, Victoria facility.
Expand sourced product portfolio	Increase the buy/sell product range for the industrial segment.
Exhibit at international tradeshow	Re-establish trade show exhibition program post COVID-19 to engage with existing and potential customers and showcase new products.
Capture OE Service Market in Australia	Establish a National Service Program for OE customers across Australia.
Expand on OE value-add proposition	Encompass packaging of cooling system, engine, pipework and ancillary equipment.
Leverage success with new Alu Fin product	Approach international Defence Primes with success in Australian defence vehicles.
Reduce cost of manufacturing	Further development of in-house metal fabrication capabilities (new equipment) and capacity in the new Thailand facility.
Position Adrad as an alternative to China-based suppliers of Aluminium product ranges	Develop capability in Thailand facility to manufacture high quality aluminium heat exchangers.
Aggressively market Power Generation Cooling packages in Southeast Asia	Complete the development of second factory in Thailand to provide manufacturing capability of stationary heat exchangers.

Figure 30: Adrad OE supply chain

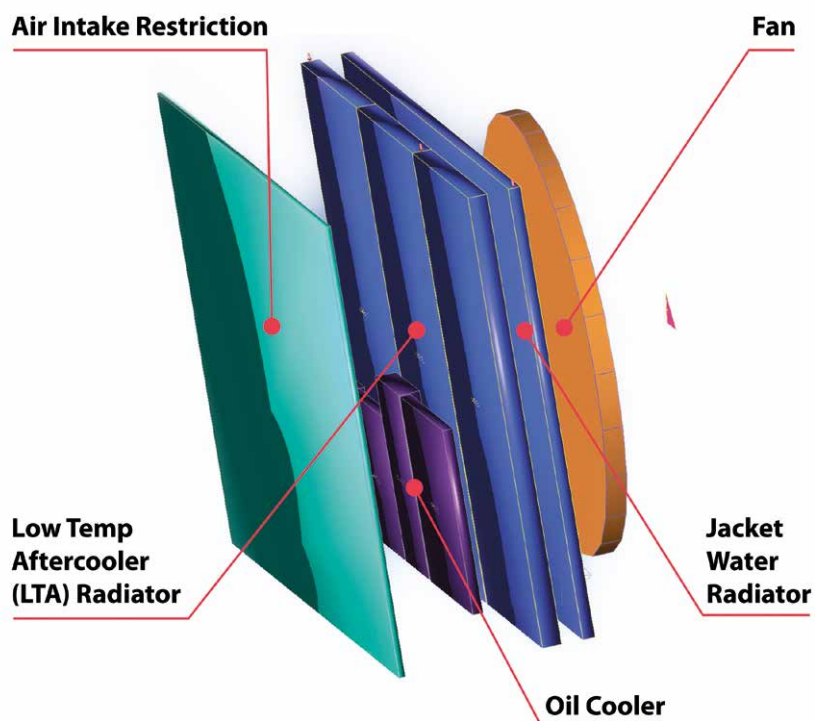


3.5.7. Research and development

Applications & projects engineering

Adrad is responsible for the preliminary design of new projects covering thermal modelling and preliminary design concepts. The thermal design is carried out on proprietary thermal software (data derived empirically through in-house wind tunnel testing) and commercial thermal management simulation software.

Model of vehicle cooling system



Each OE project is managed through a structured stage gate process – from initial review to customer handover post-delivery.

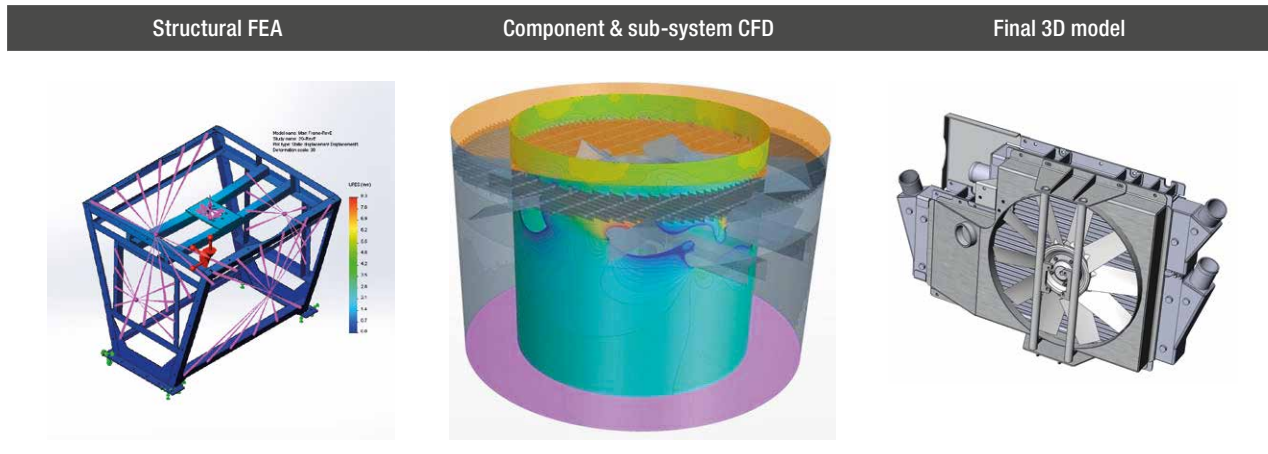
3. Company Overview continued

Product development

The preliminary designs and test results from the applications and project engineering and R&D teams are then passed on to the product development team to develop 3D models that go into the manufacturing process.

Adrad’s highly qualified team of engineers have extensive experience with Computer Aided Design (CAD) modelling software, Finite Element Analysis (FEA) and computational fluid dynamics (CFD) for both internal and customer applications.

With the majority of the customer base being OEMs, the utilisation of the Design Verification Plan and Report (DVP&R) process assures product reliability meets the customer’s objectives.



Testing and quality control

Adrad embraces continuous improvement and has invested heavily to bolster its in-house R&D capabilities, covering new test equipment and sophisticated modelling software.

Adrad minimises its customers’ risk of product failure through a range of tests. Adrad utilises its in-house testing facility and third-party NATA accredited test providers for design validation and product testing. This testing ensures the products are meeting all industry specifications and standards.

Adrad’s R&D capabilities provide validated thermal performance with in-house wind tunnel testing along with pressure, cycle, noise and vibration test facilities.

Table 2: Key Adrad test equipment**Wind tunnel**

The wind tunnel allows for water to air heat transfer testing and is used to develop new heat transfer surfaces. With over 30 years' of data, the information is utilised extensively by our Applications Engineers to design cooling packages.

Thermal chamber

With a temperature range of -40°C to 150°C , the thermal chamber is used to simulate extreme temperature environments by testing thermal cycles, heat shock, heat aging and low temperature durability.

Radiator Core Durability Rig

This rig performs the test of mechanical deflection of the core header plate to simulate the stresses of thermal cycling more rapidly on the tube-to-header joints.

Salt Spray Chamber

Testing to standard ASTM B117, the salt spray chamber allows for corrosion testing of coatings and different heat exchanger materials.

Adrad's broad manufacturing capability and technical knowledge with heat transfer matrices provides customers peace-of-mind with the knowledge that Adrad can tailor a system that incorporates all the heat load circuits into one single heat transfer package to meet their requirements.

3. Company Overview continued

3.5.8. OE competitive advantages

Longstanding relationships with local industry knowledge	<ul style="list-style-type: none"> • Adrad is well established in Australia and New Zealand. The business has forged strong relationships with many long-term customers and provided personalised support over many years. • Adrad OE has built a reputation for engineering capability, manufacturing quality and sales support which would take considerable time for new entrants to match. • Extensive knowledge of the local industry has been accumulated over many years. When changes to adopt new technology occur, customers seek support from established reliable operators.
Vertically integrated solutions	<ul style="list-style-type: none"> • Adrad guarantees a solution to its customers, not just components. • Vertically integrated capabilities in-house from design through to manufacturing. • 269 staff across 3 manufacturing sites: Victoria, South Australia and Thailand.
Best in class technology and IP	<ul style="list-style-type: none"> • Significant wealth of knowledge, systems and processes to efficiently develop and manufacture tailored heat transfer solutions for the most challenging of operating conditions. • Significant R&D capabilities providing validated thermal performance with in-house wind tunnel testing along with pressure, cycle, noise and vibration test facilities.
Innovative new products	<ul style="list-style-type: none"> • Award winning innovative new products including individual tube technology fixed flexibly using rubber grommets. • Alu Fin and Pin Fin.
Global capabilities	<ul style="list-style-type: none"> • Low-cost, reliable manufacturing base in Thailand, providing local support across Australia and Thailand. • Lean, flexible and multi-speed manufacturing principles capable of providing from one-off projects to full JIT capability.

3.6. Facilities

Adrad has approximately 500 employees across eight main sites and 16 warehouse locations.

The integrated industrial and automotive heat exchange business has an established network of branches, workshops and manufacturing facilities supplying customers across Australia, New Zealand and into Southeast Asia. Adrad's major facilities are located in Beverley, South Australia (including corporate head office), Gillman, South Australia and in Lara, Victoria. Adrad also has operations in New Zealand (Auckland) and major manufacturing facilities in Thailand (Rayong).

Other than its original manufacturing facility in Thailand, which is owned by a subsidiary of the Company, Adrad leases each of these sites. A number of these leases are with related parties of Adrad, as described further in Section 10.9. The balance of these leases are fixed term lease arrangements with third parties on standard commercial terms.

3.6.1. Australia and New Zealand

3.6.1.1. Adrad Head Office, National Distribution Centre and Manufacturing – Beverley, SA

Date operations started at the facility	1993, new office and warehouse facilities established in 2004.
Primary purposes of the facility	Head Office, National Distribution Centre, Research & Development, Design and Manufacture.
Product focus of the facility	<p>Aftermarket cooling systems for both mobile and stationary:</p> <ul style="list-style-type: none"> • diesel and gas engines; and • oil and gas applications. <p>Manufacturing copper and aluminium automotive and industrial heat exchangers.</p>
Size, operational capacity and growth of the facility	17,772m ² combined national distribution centre, office and factory facilities.



3. Company Overview continued

3.6.1.2. Air Radiators Office and Manufacturing Facility – Lara, VIC

Date operations started at the facility	1989
Primary purposes of the facility	Research & Development, Design and Manufacture.
Product focus of the facility	<p>Cooling systems for both mobile and stationary:</p> <ul style="list-style-type: none"> • diesel and gas engines; • oil and gas applications; • battery electric vehicles; and • hydrogen fuel cells. <p>The Group’s air movement requirements are manufactured in this facility.</p> <p>ARL is also the Australian distributor for WingFan and is a sales representative of Flexxaire.</p>
Size, operational capacity and growth of the facility	7,170m ² manufacturing facility with additional land area for future development.
Competitive/operational advantages of the facility	Speed – all functional areas (sales, engineering and manufacturing) of operation under the one roof. Ensures customer requirements are at the forefront of every action.



3.6.1.3. Adrad Gold Coast Branch and Manufacturing Facility – Molendinar, QLD

Date operations started at the facility	2014
Primary purposes of the facility	Manufacture, Branch Office and Warehouse.
Product focus of the facility	Copper automotive and industrial radiator core manufacturing for urgent customer needs.
Size, operational capacity and growth of the facility	980m ²
Competitive/operational advantages of the facility	Turnaround time – located on the eastern seaboard to service urgent customer requirements in Queensland and New South Wales.



3. Company Overview continued

3.6.1.4. Air Radiators Industrial Manufacturing Facility – Gillman, SA

Date operations started at the facility	2013
Primary purposes of the facility	Design and Manufacture.
Product focus of the facility	Cooling systems (Radiators and Dry Coolers) for stationary diesel and gas engines and process cooling applications.
Size, operational capacity and growth of the facility	4,303m ² manufacturing facility with additional land area for future development.
Competitive/operational advantages of the facility	Factory space purposely set up with large capacity Gantry Cranes, factory access for semi-trailer loading/unloading, large outside hard stand areas for storage and testing, and high capacity power supply.



3.6.1.5. Adrad Branch Office and Manufacturing – Bayswater, WA

Date operations started at the facility	2012
Primary purposes of the facility	Manufacture, Branch Office and Warehouse.
Product focus of the facility	Aftermarket automotive and industrial replacement service parts and the manufacture of copper automotive and industrial radiator cores for urgent customer requirements.
Size, operational capacity and growth of the facility	2,269m ²
Competitive/operational advantages of the facility	Turnaround time – located to service urgent customer requirements in Western Australia.

To service the large mining industry in Western Australia, Air Radiators has a dedicated service and repair facility.



3. Company Overview continued

3.6.1.6. Air Radiators Repair Service Facility – Forrestfield, WA

Date operations started at the facility	2011
Primary purposes of the facility	Service and Repair Workshop.
Product focus of the facility	Service and repair of radiators and other cooling system components for mining and industrial applications.
Size, operational capacity and growth of the facility	800m ² workshop with new facility under development for occupancy early 2023.
Competitive/operational advantages of the facility	Capability and capacity to carry out service and repairs with short lead-times minimising critical downtime for key on highway and off highway mining customers.



3.6.1.7. Auckland, New Zealand

Date operations started at the facility	1988
Primary purposes of the facility	Design, Manufacture and National Distribution Centre.
Product focus of the facility	Copper automotive and industrial radiator core manufacturing. Specialty products include authentic vintage radiator cores (cellular and hexagon style).
Size, operational capacity and growth of the facility	2,290m ²



3.6.2. Thailand

The purpose-built facility in Thailand manufactures key industrial products and solutions for its major customers Caterpillar and Hitachi. Adrad has recently established a second manufacturing facility in Thailand to support ongoing growth initiatives.

Thailand is an ideal location for manufacturing due to:

- the ability for foreign operators to own land and buildings in Thailand and operate businesses without the need for a Thai national to act as a joint venture partner or other restrictions;
- ready access to raw materials and consumables used in the manufacturing processes; and
- Thailand generally presenting a low cost structure for manufacturers.

Thailand is an open industrialised economy with a supportive government and provides access to a number of fast growing countries in the Southeast Asia region including Vietnam, the Philippines and Cambodia.

3.6.2.1. Operational strategy

Strategic initiatives planned for the Thailand operations include:

- expand production capacity and expand the base of local customers;
- develop capability to manufacture specialty heat exchangers for the power generation sector in the Southeast Asia region utilising existing knowledge and designs; and
- improve supply chain and logistics with key purchasing activities primarily comprising raw materials (copper fin, brass tube and steel).



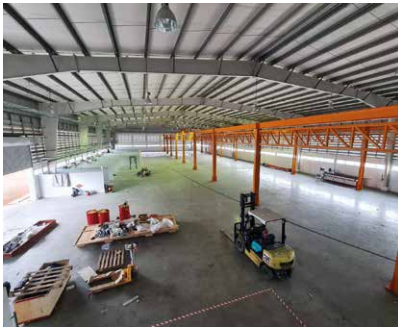
3. Company Overview continued

3.6.2.2. Facilities

Adrad operates two facilities located in Amata City Rayong, Industrial Estate on the eastern seaboard of Thailand. With the establishment of Adrad's second manufacturing facility in Thailand, Adrad is well positioned to develop sales in the Southeast Asia region, noting that strong interest and enquiries have been received from potential customers in Vietnam and the Philippines. Increased production capacity and capability in its Thailand plants will also allow Adrad to undertake more production of product in Thailand for the Australian market.

The below table summarises the key elements of the Thailand manufacturing capability.

Table 3: Thai Manufacturing Facilities

Facility 1 (Existing)	
<ul style="list-style-type: none"> • Manufacture of copper/brass and aluminium cores, complete radiators and charged air coolers, metal fabrication and assembly for Caterpillar and Hitachi mining equipment. • 16,796m² site over two separate plots, 3,846m² factory. • Designed to complement the capability of the Lara facility in Victoria. • The property (owned by ART) comprises a developed functioning factory and adjacent land allowing for future factory expansion. 	
Facility 2 (New)	
<ul style="list-style-type: none"> • Located ~20 minutes from Adrad's existing factory in the same industrial estate. • 2,400m² factory. • The plant is designed to replicate the capabilities of the Gillman facility in South Australia. • The site will be used for 2 key purposes: <ul style="list-style-type: none"> – Manufacture of coil fin heat exchangers for power gen applications primarily for the Southeast Asian market – immediate focus on biogas projects underway in the region suited to Adrad's product offering; and – Expand and improve fabrication capability and capacity. 	 

Adrad is set to capitalise on its investment in Thailand through increased sales revenue and sales ratio mix from overseas OEMs and end-users as a result of the improved cost competitiveness associated with the Thailand manufacturing facilities along with an increased focus on new products.

3.7. Growth strategy

Adrad has a growth strategy across both the Aftermarket and OE segments that will continue to be refined. Adrad will invest on an ongoing basis in its distribution footprint and capabilities in Australia and has recently established a second manufacturing facility in Thailand to produce product for the Southeast Asia region focusing on power generation cooling applications.

3.7.1. Aftermarket

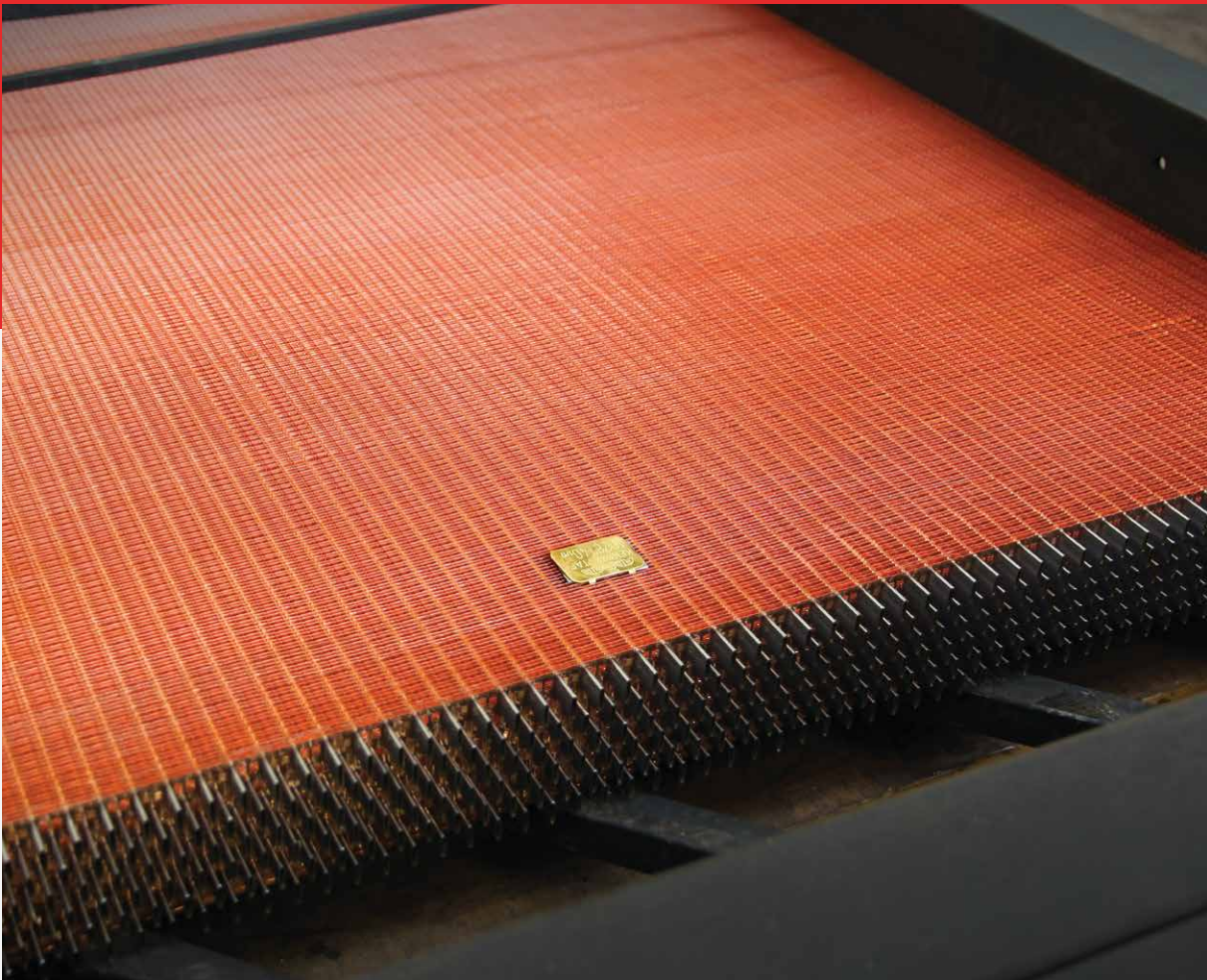
Expand channels to market to the broader trade in Australia	<ul style="list-style-type: none"> • Increase customer base in direct-to-mechanics channel utilising Adrad's Natrad Trade Online sales platform. • Increase distribution footprint by establishing new sales/warehouse facilities to support growth.
Increase range of aftermarket products	<ul style="list-style-type: none"> • Increased customer demand for Adrad to provide other automotive products outside of radiators (as a single supplier). • Highly credentialed team capable of driving a growing distribution platform. • Increase focus on air conditioning products.
Enhance channels to market for industrial products	<ul style="list-style-type: none"> • Increase Adrad's market share in the aftermarket supply of industrial products. • Expand business development initiatives directly to the end users of industrial products where maintenance work is conducted in-house.

3.7.2. Original Equipment (OE)

Manufacturing investment to provide capacity to scale	<ul style="list-style-type: none"> • Further develop Thailand capability to support the power generation sector with local manufacturing. • Create heavy duty aluminium production capabilities. • Acquire high volume production equipment for Alu Fin. • Replicate coil manufacturing capability in Thailand. • Increase steel fabrication capability to enable a shift in production from Australia to Thailand to benefit from the lower cost of production.
Establish OE segment in SE Asia	<ul style="list-style-type: none"> • Position as an alternative to other sourced products within the region. • Expand from Thailand into neighbouring markets including Vietnam, the Philippines and Cambodia. • Leverage strong credentials in power generation engine cooling.
Develop product range to increase penetration	<ul style="list-style-type: none"> • Increase buy/sell product range for the industrial segment. • Ongoing product R&D.
Medium-term expansion into new markets	<ul style="list-style-type: none"> • Leverage Adrad's performance record with key customers and unique products to investigate the prospect of medium-term expansion into potential high-growth new markets.

4.

Financial Information



Adrad radiator core ready for baking where the copper fin and brass tubes will be fused together (Beverley, SA).

4. Financial Information

4.1. Introduction

The financial information for Adrad contained in this Section 4 includes:

- historical consolidated financial information for the financial years ended 30 June 2019 (FY19), 30 June 2020 (FY20), 30 June 2021 (FY21), the six months ended 31 December 2020 (H1 FY21), and the six months ended 31 December 2021 (H1 FY22); and
- forecast consolidated financial information for the financial year ending 30 June 2022 (FY22F).

Table 4: Overview of Adrad's Financial Information

	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	<ul style="list-style-type: none"> • Statutory Historical Financial Information includes the: <ul style="list-style-type: none"> – statutory historical consolidated statements of profit and loss and other comprehensive income for FY19, FY20, FY21 and H1 FY22 (Statutory Historical Income Statement); – statutory consolidated statements of cash flow for FY19, FY20, FY21 and H1 FY22 (Statutory Historical Cash Flows); and – statutory historical consolidated statement of financial position as at 31 December 2021 (Statutory Historical Statement of Financial Position). 	<ul style="list-style-type: none"> • Pro Forma Historical Financial Information includes the: <ul style="list-style-type: none"> – pro forma historical consolidated statements of profit or loss and other comprehensive income for FY19, FY20, FY21, H1 FY21 and H1 FY22 (Pro Forma Historical Income Statement); – pro forma historical consolidated statements of cash flow for FY19, FY20, FY21 and H1 FY22 (Pro Forma Historical Cash Flows); and – pro forma historical consolidated statement of financial position as at 31 December 2021 (Pro Forma Historical Statement of Financial Position).
Forecast Financial Information	<ul style="list-style-type: none"> • Statutory Forecast Financial Information includes the: <ul style="list-style-type: none"> – statutory forecast consolidated statements of profit or loss and other comprehensive income for FY22F (Statutory Forecast Income Statement) 	<ul style="list-style-type: none"> • Pro forma Forecast Financial Information includes the: <ul style="list-style-type: none"> – Pro forma forecast consolidated statements of profit or loss and other comprehensive income for FY22F. (Pro Forma Forecast Income Statement)

The Historical Financial Information and the Forecast Financial Information defined above together form the **Financial Information**.

Adrad operates on a 30 June financial year end basis, and the Financial Information in this Section 4 has been presented on this basis.

This Section 4 also includes the Pro Forma Historical Income Statement of H1 FY21. Adrad did not report on a half year basis and therefore no Statutory Financial Information is presented for the H1 FY21 period. The Statutory Historical Results and the Statutory Historical Cash Flows for H1 FY22 has been presented as this is a statutory (half year) period which Adrad will be reporting on.

4. Financial Information continued

In addition, this Section 4 summarises:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- a summary of Adrad's key operating and financial metrics (see Section 4.3);
- the pro forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, and reconciliations to the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information, respectively (see Sections 4.3 to 4.5);
- the Directors' best estimate of general and specific assumptions underlying the Forecast Financial Information (see Sections 4.6);
- Management discussion and analysis of the Pro Forma Historical and Forecast Financial Information (see Section 4.7);
- Adrad's indebtedness (see Section 4.8);
- an analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.9);
- Adrad's dividend policy (see Section 4.10); and
- a summary of Adrad's key accounting policies (see Section 4.11).

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

All amounts disclosed in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand dollar. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

4.2. Basis of preparation and presentation of the Financial Information

4.2.1. Overview

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

The Financial Information included in this Prospectus is intended to provide potential investors with information to assist them in understanding the underlying historical financial performance, cash flow and financial position of Adrad.

The Statutory Historical Financial Information and Statutory Forecast Financial Information have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The significant accounting policies adopted in the preparation of the Financial Information are set out in Section 4.11 and have been consistently applied throughout the financial periods presented in this Prospectus unless stated otherwise.

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

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information have been prepared in accordance with the recognition and measurement principles contained in AAS, other than that they include adjustments that have been prepared in a manner consistent with AAS that reflects:

- i. the exclusion of certain transactions that occurred or are forecast to occur in the relevant periods; and
- ii. the impact of certain transactions as if they occurred on or before 1 January 2022 in the Pro Forma Historical Financial Information and in the Pro Forma Forecast Financial Information.

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

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

The information in this Section 4 should also be read in conjunction with the management discussion and analysis in Section 4.7 and the general and specific assumptions and commentary underlying the Forecast Financial Information in Section 4.6.

4.2.2. Preparation of Historical Financial Information

The Financial Information has been presented on both a statutory and pro forma basis.

The Statutory Historical Financial Information for FY19, FY20 and FY21 have been extracted from the consolidated special purpose financial statements for Adrad. The Statutory Historical Financial Information for H1 FY22 has been extracted from management accounts for Adrad. The financial statements referred to above for the financial year ended FY19, FY20 and FY21 were audited by Grant Thornton Audit Pty Ltd in accordance with the AAS. Grant Thornton Audit Pty Ltd issued unmodified audit opinions and review conclusions in respect of these financial statements and the comparative periods within.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. It has been derived from the Statutory Historical Financial Information to illustrate the revenues, net profit after tax (NPAT), assets, liabilities and cash flows of the Company adjusted for certain pro forma adjustments described below.

The pro forma adjustments in respect of the income statements and cash flows are as described in Section 4.3.2 (Pro forma Historical and Forecast Results) and Section 4.4.1 (Pro forma and Statutory Historical Cash Flows) of this Prospectus. In particular, pro forma adjustments have been made to reflect the following:

- removal of one-off staff redundancy expenses;
- removal of profit on sale of subsidiary shares;
- the addition of profit gained on sales made at arm's length with a divested entity;
- removal of dividends received from subsidiaries;
- removal of abnormal costs and revenues;
- removal of debt forgiveness expense;
- removal of pre-IPO restructuring costs;
- removal of Offer transaction costs;
- the incremental costs associated with being a publicly listed company including Board and governance costs, incremental audit, tax, legal and compliance related costs and ASX listing fees;
- removal of JobKeeper related subsidies; and
- the tax impact of the above adjustments (as applicable).

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

The Pro Forma Historical Statement of Financial Position is derived from the management accounts and is adjusted to reflect:

- the impact of the Offer, including costs directly attributable to the Offer offset against share capital (with the remainder expensed in retained earnings);
- the impact of the Convertible Note issue; and
- the tax impacts of the above adjustments (as applicable).

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

4. Financial Information continued

4.2.3. Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis (where applicable) and has been prepared solely for inclusion in this Prospectus.

The basis of preparation and presentation of the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information is consistent with the basis of preparation and presentation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, respectively.

The Statutory Forecast Financial information for FY22F includes management accounts from 1 July 2021 to 28 February 2022 and 4 months forecast results from 1 March 2022 to 30 June 2022.

The Forecast Financial Information has taken into account the current economic and operating conditions, including the impact of the COVID-19 pandemic, and should be read in conjunction with the general and specific assumptions set out in Section 4.6, the risk factors described in Section 6, the significant accounting policies set out in Section 4.11, and the other information in this Prospectus.

The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Directors believe the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Adrad's actual financial performance, cash flows or financial position.

In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Adrad, the Directors and management, and are not reliably predictable. Accordingly, none of the Company, its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

It is not intended that the Forecast Financial Information or other forward-looking statements be updated or revised, or that prospective financial information will be published in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

The Forecast Financial Information is presented on both a statutory and pro forma basis. The Pro Forma Forecast Financial Information for FY22F includes actual results up to 8 months ended February 2022 and 4 month forecast to June 2022.

4.2.4. Explanation of certain non-IFRS financial measures

To assist in the evaluation of the performance of Adrad, certain measures are used to report on the Company that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 4 and under Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC as '**Non-IFRS Financial Measures**'.

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

The principal Non-IFRS Financial Measures that are referred to in this Prospectus are discussed below.

- EBITDA: earnings before interest (including borrowing costs and foreign exchange gains and losses), tax, depreciation and amortisation. EBITDA has been prepared on a Pre AASB16 basis, consistent with historical management accounts, with operating costs inclusive of rental costs incurred;
- EBIT: earnings before interest (including borrowing costs and foreign exchange gains and losses) and tax;
- Free cash flow: cash generated from operating activities less capital expenditure on tangible assets (excluding business acquisitions);
- Net debt: calculated as the sum of total interest bearing liabilities, including both short and long term borrowings minus cash and cash equivalents. It does not include lease liabilities calculated under AASB16; and
- Working capital: comprises cash and cash equivalents, trade and other receivables, inventories, trade and other payables, short term interest bearing loans, short term lease liabilities and provisions.

Although the Directors believe that these measures provide useful information about the financial performance of Adrad, they should be considered as supplements to the income statement or cash flow statement measures that have been presented in accordance with AAS and IFRS and not as a replacement for them. As these Non-IFRS Financial Measures are not based on AAS or IFRS, they do not have standard definitions, and the way Adrad has calculated these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these Non-IFRS Financial Measures.

4.2.5. Foreign Currency

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. Management reviews the Group's foreign currency exposure on a monthly basis. The process includes a review of a rolling 12 month estimate of foreign currency exposure, an analysis of financial instruments contracted, an analysis of positions in relation to policy compliance and an analysis of the Group's sensitivity to movements in the exchange rates on an annualised basis.

As a guideline management endeavours to hedge approximately 50% of the known exposure on the major currencies.

Forward foreign exchange contracts provide certainty as specific rates are agreed at the time the contract is entered into. The Group's policy is to enter into forward foreign exchange contracts so as to cover specific and anticipated purchases and committed capital expenditure, principally in US dollars. The length of the Group's commitments are not more than one year.

4.3. Historical and Forecast Income Statements

4.3.1. Statutory Historical and Forecast Results

Table 5 below summarises Adrad's Statutory Historical Income Statements for FY19, FY20, FY21 and H1 FY22 and Statutory Forecast Income Statement for FY22F.

Table 5: Statutory Historical and Forecast Income Statements for FY19, FY20, FY21, H1 FY22 and FY22F

\$A'000	Statutory Historical Performance				Statutory Forecast Performance
	FY19	FY20	FY21	H1 FY22	FY22F
Sales revenue	95,282	91,492	112,199	64,263	134,403
Cost of sales	(60,985)	(60,133)	(69,537)	(40,888)	(87,490)
Gross profit	34,296	31,360	42,662	23,375	46,912
Other Income	2,315	3,158	3,059	5,747	6,489
Distribution expenses	(2,052)	(1,768)	(2,039)	(763)	(1,030)
Selling expenses	(15,495)	(17,567)	(20,814)	(9,366)	(20,585)
Administrative expenses	(7,868)	(9,967)	(5,132)	(7,765)	(15,245)
Finance costs	(1,820)	(1,896)	(1,650)	(409)	(543)
NPBT	9,376	3,321	16,086	10,818	15,998
Income tax expense	(478)	(841)	(3,662)	(2,715)	(3,934)
NPAT	8,898	2,480	12,424	8,103	12,063
Gain/Loss on revaluation of foreign subsidiaries	(2,493)	36	(619)	(894)	(1,296)
Total comprehensive income for the year	6,405	2,515	11,806	7,209	10,767

Note: Within the Statutory Historical Income Statements and Statutory Forecast Income Statements, AASB16 Leases standard has been applied recognising right-of-use assets and related lease liabilities for leases. Adrad recognises an amortisation charge for right of use assets and interest expenses for the lease liability.

4. Financial Information continued

4.3.2. Pro Forma Historical and Forecast Results

Table 6 below summarises Adrad's Pro Forma Historical Income Statements for FY19, FY20 and FY21 and Pro Forma Forecast Income Statement for FY22F.

Table 6: Pro Forma Historical and Forecast Income Statements for FY19, FY20, FY21 and FY22F³³

A\$'000	Pro Forma Historical Performance			Pro Forma Forecast Performance
	FY19	FY20	FY21	FY22F
Sales revenue	94,694	91,600	112,444	134,495
Cost of sales	(61,858)	(61,603)	(71,947)	(86,362)
Gross Profit	32,836	29,996	40,497	48,132
Other income	501	1,330	1,082	13
Expenses				
Distribution expenses	(1,575)	(2,064)	(2,486)	(2,728)
Selling expenses	(15,232)	(15,018)	(13,069)	(18,784)
Administration expenses	(10,061)	(9,773)	(9,003)	(10,302)
EBITDA	6,469	4,472	17,020	16,331
Depreciation/Amortisation	(1,474)	(1,644)	(1,761)	(1,738)
EBIT	4,994	2,828	15,259	14,593
Finance Cost	(1,030)	(1,020)	(744)	(543)
NPBT	3,964	1,807	14,515	14,050
Income Tax	(274)	(840)	(3,595)	(3,934)
NPAT	3,691	968	10,920	10,115

33. Please see Section 4.7.5.2 for information regarding the increases in Selling expenses from FY21 to FY22F.

Table 7 below summarises the pro forma adjustments that have been made to the Statutory NPAT in the above pro forma historical and forecast periods.

Table 7: Pro forma adjustments to Statutory Historical and Forecast Results for FY19, FY20, FY21 and FY22F

A\$'000	Pro Forma Historical Performance			Pro Forma Forecast Performance
	FY19	FY20	FY21	FY22F
Statutory NPAT	8,898	2,480	12,424	12,063
1. Staff redundancy	7	93	851	92
2. Sale of Harrop	–	–	–	(4,920)
3. Profit on sales to Harrop	–	–	250	98
4. Dividends Received	(4,400)	–	–	–
5. Ad-hoc expenses	–	–	35	70
6. Government grant income	–	–	–	(6)
7. Debt Forgiveness	–	–	–	1,744
8. IPO transaction costs	–	–	–	894
9. Restructure Costs	–	–	31	268
10. Pre IPO Costs	–	–	143	527
11. Public company costs	(814)	(814)	(814)	(715)
12. JobKeeper	–	(791)	(2,000)	–
Pro forma NPAT	3,691	968	10,920	10,115

Notes:

1. This adjustment reflects the removal of once-off staff redundancy expenses.
2. This adjustment reflects the removal of \$4.9m profit on the sale of shares in Harrop Engineering Australia Pty Ltd ACN 134 196 080 (**Harrop Engineering**) during H1 FY22.
3. This adjustment reflects the additional profit on trading with Harrop Engineering on the basis that, had the entities traded on the terms agreed following the restructure of the Company pre-IPO, \$250k and \$98k of trading profit on sales to Harrop Engineering would have been gained in FY21 and FY22F respectively.
4. This adjustment reflects the removal of dividends received from subsidiaries.
5. This adjustment reflects the removal of ad hoc expenses such as streamlined audit review fee (\$35k in FY21) and stamp duty paid on transfer of asset (\$70k in FY22F).
6. This adjustment reflects the removal of \$6k government grant received.
7. This adjustment reflects the removal of \$1.7m debt forgiveness in relation to the write off of the Harrop Engineering loan.
8. Represents Offer transaction costs expensed. Transaction costs forecast to be incurred in FY22F are estimated to be \$1.7m of which \$894k (\$626k after tax) is directly attributable to the issue of new Shares and will be offset against equity raised in the Offer. The remaining \$794k (\$556k after tax) is expensed in the Statutory Forecast Income Statement. IPO transaction costs have been apportioned between Adrad and the Existing Shareholder, with a proportionate split of 68%:32% based on \$15m of the capital raise being apportioned to Adrad and \$7m to the Existing Shareholder under the sell down of the Sale Shares.
9. Represents the removal of consultant costs incurred in relation to the restructure of the Company pre-IPO.
10. Represents the removal of pre-IPO related consultant costs in relation to the pre-IPO capital raise.
11. Represents the incremental listed company costs expected to be incurred following Admission, including ASX listing and share registry fees, incremental audit and accounting fees, broker and advisory fees, insurance, and non-executive director fees.
12. This adjustment reflects the removal of JobKeeper related subsidies received (\$791k in FY20 and \$2.0m in FY21).

4. Financial Information continued

Table 8 below summarises Adrad's Pro Forma Historical Income Statements for H1 FY21 and H1 FY22.

Table 8: Pro Forma Historical Income Statements for H1 FY21 and H1 FY22

A\$'000	Pro Forma Historical Performance	
	H1 FY21	H1 FY22
Sales revenue	53,805	64,355
Cost of sales	(34,267)	(40,356)
Gross Profit	19,538	23,999
Other income	793	36
Expenses		
Distribution expenses	(1,218)	(1,297)
Selling expenses	(6,312)	(8,732)
Administration expenses	(4,739)	(4,745)
EBITDA	8,061	9,262
Depreciation/Amortisation	(895)	(835)
EBIT	7,166	8,427
Finance Cost	(514)	(409)
NPBT	6,651	8,018
Income Tax	(1,851)	(2,715)
NPAT	4,800	5,302

Table 9 below summarises the pro forma adjustments that have been made to Statutory NPAT in the above pro forma historical periods.

Table 9: Pro forma adjustments to Statutory Historical Results for H1 FY21 and H1 FY22

A\$'000	Pro Forma Historical Performance	
	H1 FY21	H1 FY22
Statutory NPAT	6,553	8,103
1. Staff redundancy	530	–
2. Sale of Harrop	–	(4,920)
3. Profit on sales to Harrop	125	98
4. Government grant income	–	(6)
5. Debt Forgiveness	–	1,744
6. Restructure Costs	–	131
7. Pre IPO Costs	–	509
8. Public company costs	(407)	(358)
9. JobKeeper	(2,000)	–
Pro forma NPAT	4,800	5,302

Notes:

1. This adjustment reflects the removal of once-off staff redundancy expenses.
2. This adjustment reflects the removal of \$4.9m profit on the sale of shares in Harrop Engineering Australia Pty Ltd ACN 134 196 080 (**Harrop Engineering**) during H1 FY22.
3. This adjustment reflects the additional profit on trading with Harrop Engineering on the basis that, had the entities traded on the terms agreed following the restructure of the Company pre-IPO, \$125k and \$98k of trading profit on sales to Harrop Engineering would have been gained in H1 FY21 and H1 FY22 respectively.
4. This adjustment reflects the removal of \$6k government grant received.
5. This adjustment reflects the removal of \$1.7m debt forgiveness in relation to the write off of the Harrop Engineering loan.
6. Represents the removal of consultant costs incurred in relation to the restructure of the Company pre-IPO.
7. Represents the removal of pre-IPO related consultant costs in relation to the pre-IPO capital raise.
8. Represents the incremental listed company costs expected to be incurred following Admission, including ASX listing and share registry fees, incremental audit and accounting fees, broker and advisory fees, insurance, and non-executive director fees.
9. This adjustment reflects the removal of JobKeeper related subsidies received (\$2.0m in H1 FY21).

4. Financial Information continued

4.3.3. Key operating and financial metrics

Table 10 and Table 11 below show key pro forma operating metrics in the historical and forecast periods.

Table 10: Pro Forma Historical and Forecast financial metrics for FY19, FY20, FY21 and FY22F

A\$'000	Pro Forma Historical Performance			Pro Forma Forecast Performance
	FY19	FY20	FY21	FY22F
Revenue Growth	<i>n.a</i>	-3%	23%	20%
Gross Margin	35%	33%	36%	36%
Overhead % Revenue	28%	29%	22%	24%
EBITDA Margin	7%	5%	15%	12%
NPAT Margin	4%	1%	10%	8%

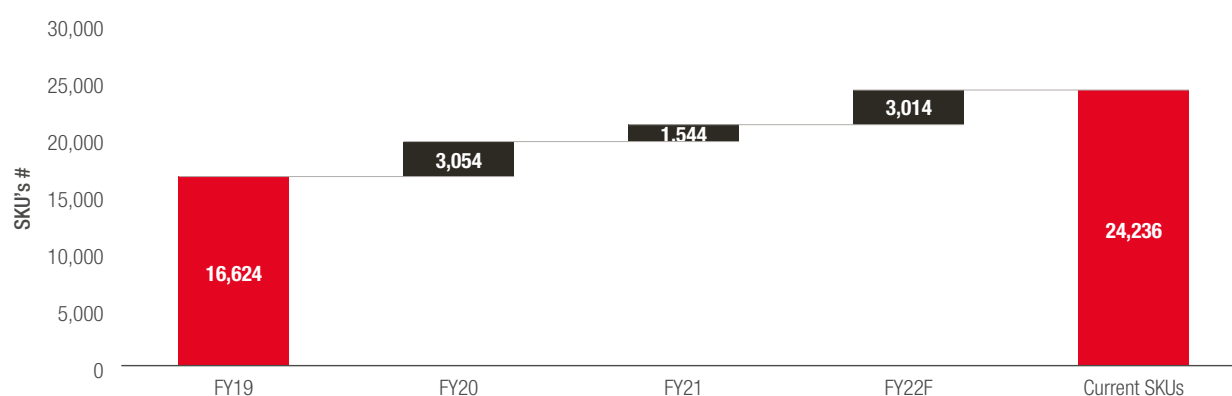
Table 11: Pro Forma Historical financial metrics for H1 FY21 and H1 FY22

A\$'000	Pro Forma Historical Performance	
	H1 FY21	H1 FY22
Revenue Growth	n.a	20%
Gross Margin	36%	37%
Overhead % Revenue	23%	23%
EBITDA Margin	15%	14%
NPAT Margin	9%	8%

Note: Overhead % Revenue has been calculated as (Distribution Expenses + Selling Expenses + Administrative Expenses)/Revenue.

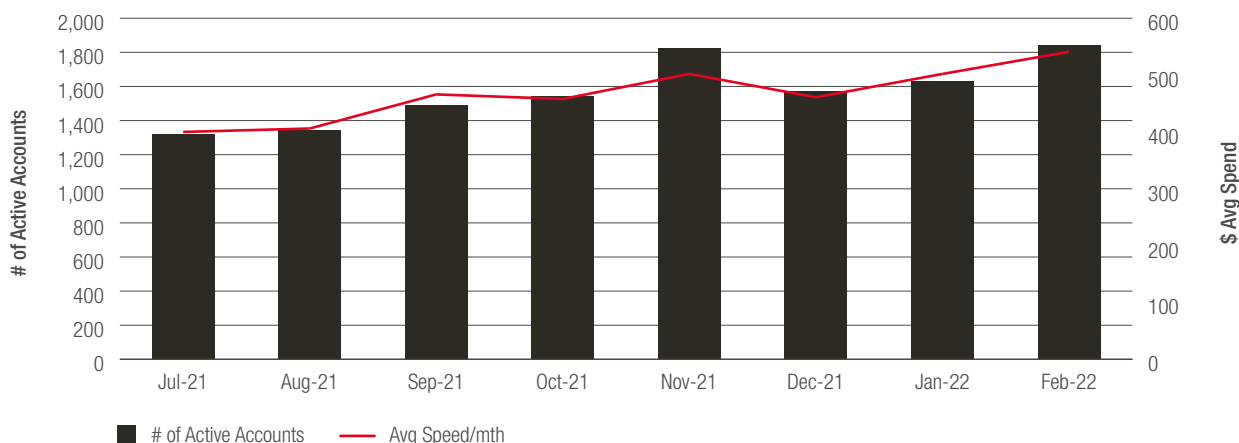
4.3.4.1. Aftermarket segment

Figure 31: Stock keeping unit (SKU) growth



The Aftermarket segment has continuously grown its SKU count from 16,624 in FY19 to 24,236 through FY22F, a compound annual growth rate of approximately 13% per annum, contributing to revenue growth in the segment. Refer to Section 4.7.

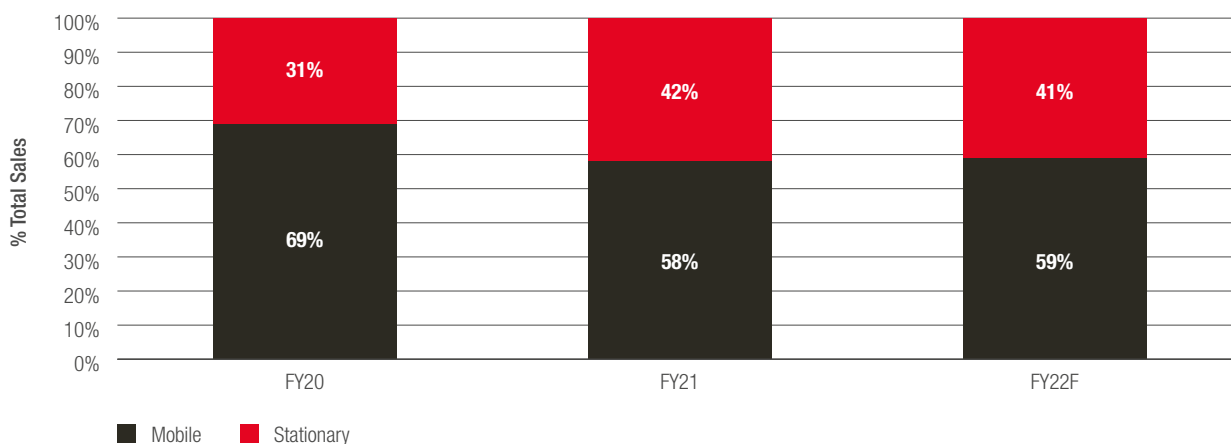
Figure 32: NTO Direct trends in FY22



Through to February 2022, Adrad has averaged over 1.6k active accounts per month utilising the NTO Direct platform (online selling platform), with the average user spending \$467 per month, driving growth in the Aftermarket segment. An active account is a customer account in respect of which a transaction has been recorded in the relevant period.

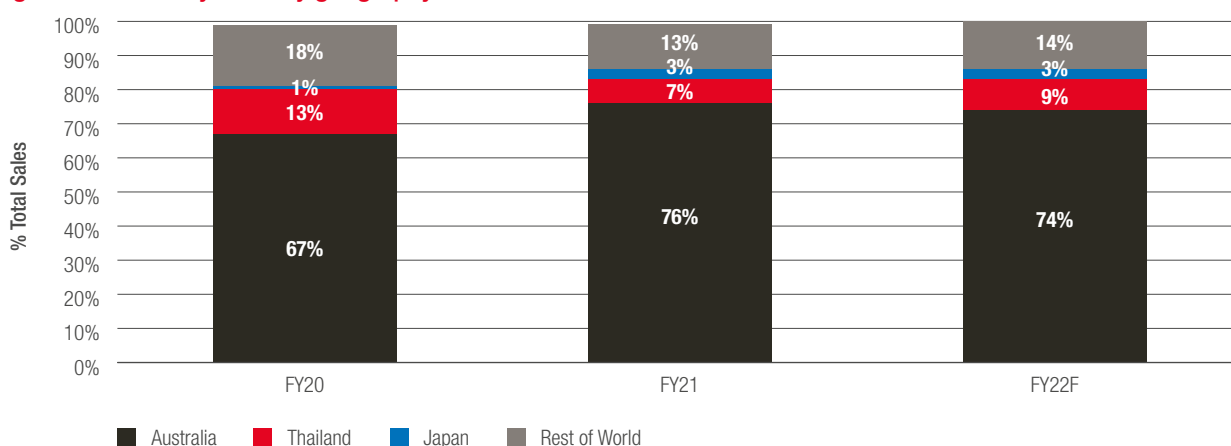
4.3.4.2. Original Equipment (OE) segment

Figure 33: Statutory Sales by end market



OE end market sales changed over the historical period, noting a significant shift in the percentage of total sales from Mobile to Stationary through FY21 and FY22F, driven by the strong growth in Air Radiators Industrial.

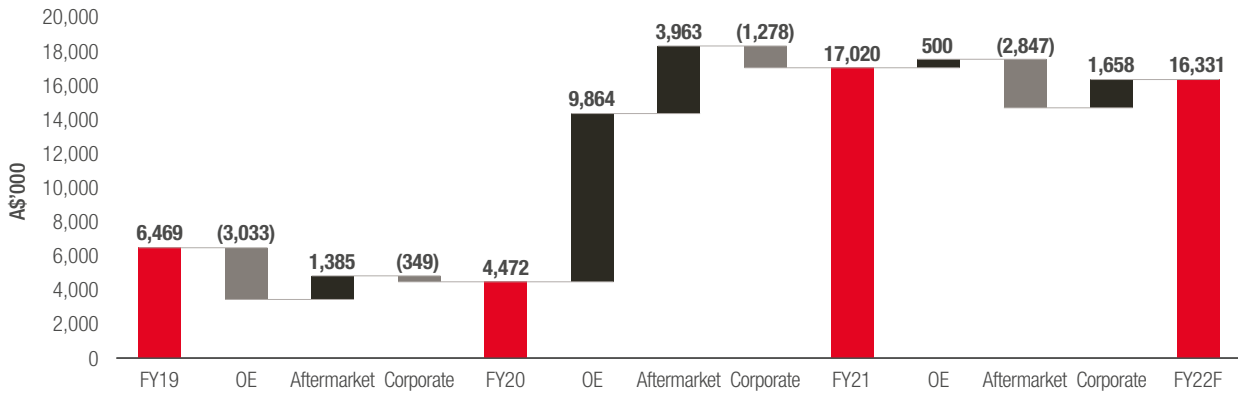
Figure 34: Statutory sales by geography



OE sales by geography has fluctuated marginally throughout the historical and forecast periods, with the largest portion of sales consistently being produced in Australia.

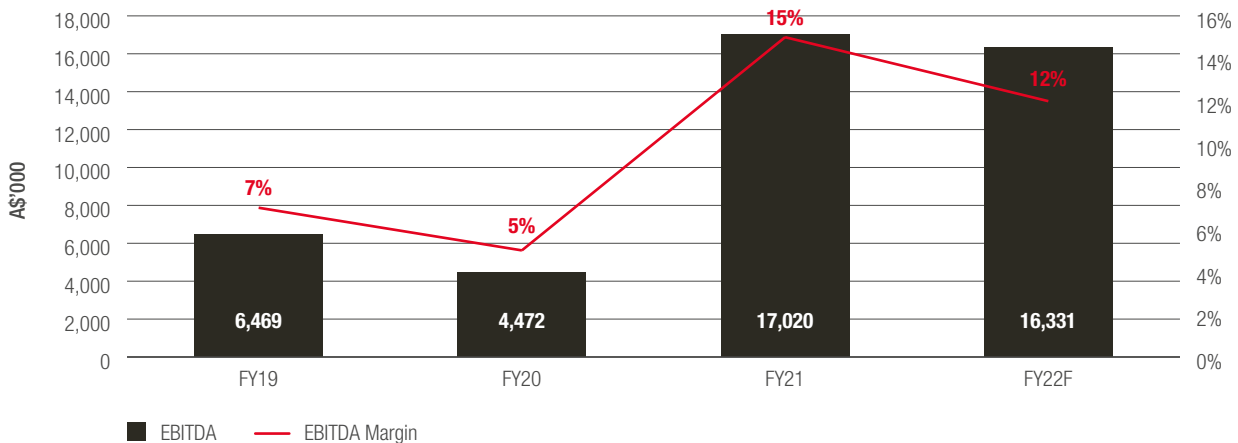
4. Financial Information continued

Figure 35: Pro forma EBITDA bridge by segment (FY19 – FY22F)



Consistent with revenue growth, EBITDA improvement has been primarily driven by OE sales, contributing 79% of EBITDA growth through FY21. EBITDA is forecast to decrease through FY22F, as a result of a \$2.8m decline in Aftermarket being partially offset by improvements in both OE and corporate costs.

Figure 36: Group pro forma EBITDA (FY19 – FY22F)



Adrad experienced strong growth in EBITDA in FY21, increasing by \$12.5m year-on-year to \$17.0m, while EBITDA margins improved from 5% in FY20 to 15% in FY21.

EBITDA growth was primarily driven by strong revenue growth coupled with improved gross margins and lower operating costs as a percentage of total revenue.

The decline in FY22F EBITDA is in part a result of a reduction in Aftermarket contribution in FY22F due to the impact of COVID-19 lockdowns in QLD, NSW, VIC and Auckland, floods in NSW and QLD, as well as costs incurred in expanding the distribution capability to support expected future revenue growth.

4.4. Historical Cash Flows

4.4.1. Pro Forma and Statutory Historical Cash Flows

Table 12 below summarises Adrad's Statutory Historical Cash Flows for FY19, FY20, FY21 and H1 FY22 and Pro Forma Historical Cash Flows for H1 FY22.

Table 12: Pro Forma and Statutory Historical Cash Flows for FY19, FY20, FY21 and H1 FY22

AS'000	Statutory Historical				Pro forma Historical
	FY19	FY20	FY21	H1 FY22	H1 FY22
Receipts from customers	107,380	105,888	121,541	69,090	69,090
Payments to suppliers, employees and others	(100,112)	(99,036)	(109,456)	(64,011)	(64,011)
Finance costs	(1,820)	(1,896)	(1,650)	(409)	(409)
Income tax paid	44	(1,622)	(3,694)	(2,644)	(2,644)
Net cash from operations	5,492	3,335	6,741	2,026	2,026
Net payments for property, plant & equipment	(2,517)	(1,983)	(1,078)	(2,741)	(2,741)
Proceeds from disposal of Harrop, net of cash held	–	–	–	4,920	4,920
Acquisition of Air Radiators Thailand, net of cash paid	–	–	–	(5,327)	(5,327)
Discount on acquisition of Adcore Holdings assets	–	–	–	4,805	4,805
Payment for intangibles	0	(3)	(563)	540	540
Net cash from investing	(2,517)	(1,986)	(1,641)	2,196	2,196
Proceeds from issue of shares	–	–	–	3,751	3,751
Proceeds from convertible notes	–	–	–	20,000	20,000
Repayment of related party loans	(3,835)	2,963	(1,901)	1,765	1,765
Payment of dividends	–	–	–	(1,000)	(1,000)
Repayment of borrowings	615	(3,590)	(1,732)	(21,990)	(21,990)
Proceeds from the offer					22,000
Capital return					(7,000)
Transaction costs					(1,049)
Dividend paid					(1,000)
Net cash from financing	(3,220)	(627)	(3,633)	2,526	15,447
Net cashflow for the year	(244)	722	1,466	6,747	19,698
Cash at start	3,178	2,933	3,655	5,121	5,121
Cash at end	2,933	3,655	5,121	11,868	24,820

4. Financial Information continued

Table 13 below summarises the pro forma adjustments that have been made to net cash flow in the H1 FY22.

Table 13: Pro forma adjustments to the Statutory Historical Cash Flows in H1 FY22

A\$'000	Notes	H1 FY22
Statutory net cash flow		6,747
Proceeds from the offer	1	27,000
Capital return	2	(7,000)
Transaction costs	3	(1,049)
Dividend paid	4	(1,000)
Pro forma net cash flow		19,698

Notes:

1. Cash and equity increase reflecting the primary and secondary equity raised through proceeds of the Offer of \$22m.
2. A sell-down of \$7.0m in equity will be made by the Existing Shareholder under this Prospectus.
3. Total Offer related costs of \$1.05m are expected to be incurred (net of the apportionment to ownership split), of which c.\$894k (c.\$626k after tax) relates to costs that are directly attributable to the Offer and offset against share capital, with the remainder of c.\$154k (c.\$108k after tax) expensed in retained profits in accordance with AAS. The tax impacts of the Offer costs are expected to result in the recognition of a deferred tax asset of c.\$315k.
4. \$1m cash dividend paid out to the Existing Shareholder.

4.5. Pro Forma and Statutory Historical Statement of Financial Position

4.5.1. Overview

Table 14 sets out a summary of the Statutory Historical Statement of Financial Position as at 31 December 2021, adjusted for certain pro forma adjustments to take into account the effect of the Offer proceeds, Offer costs and other items as set out below. These adjustments reflect the impact of the change in capital structure that will take place as part of the Offer, as if this occurred at 31 December 2021.

Table 14: Pro Forma and Statutory Historical Statement of Financial Position as at 31 December 2021

\$A'000	Dec-21	Adj 1	Adj 2	Adj 3	Adj 4	Adj 5	Pro Forma Dec-21
Current Assets							
Cash and cash equivalents	11,868		(1,000)	22,000	(7,000)	(1,049)	24,820
Trade and other receivables	19,118						19,118
Inventories	40,639						40,639
Total Current Assets	71,626	-	(1,000)	22,000	(7,000)	(1,049)	84,577
Non-Current Assets							
Trade and other receivables	163						163
Right of use assets	33,583						33,583
Property, plant and equipment	12,640						12,640
Intangible assets	36,975						36,975
Deferred tax assets	2,940					315	3,255
Total Non-Current Assets	86,301	-	-	-	-	315	86,616
Total Assets	157,927	-	(1,000)	22,000	(7,000)	(734)	171,193
Current Liabilities							
Trade and other payables	(18,825)						(18,825)
Interest-bearing liabilities	(3,939)						(3,939)
Non Interest Bearing Loan	(21,000)	20,000	1,000				-
Provisions	(2,679)						(2,679)
Lease liability	(3,153)						(3,153)
Total Current Liabilities	(49,595)	20,000	1,000	-	-	-	(28,595)
Non-Current Liabilities							
Lease liability	(31,534)						(31,534)
Provisions	(4,502)						(4,502)
Interest-bearing liabilities	(69)						(69)
Total Non-Current Liabilities	(36,105)	-	-	-	-	-	(36,105)
Total Liabilities	(85,700)	20,000	1,000	-	-	-	(64,700)
Net Assets	72,227	20,000	-	22,000	(7,000)	(734)	106,493
Equity							
Contributed equity	3,751	20,000		22,000	(7,000)	(626)	38,125
Reserves	(2,350)						(2,350)
Retained profits	70,826					(108)	70,718
Total Equity	72,227	20,000	-	22,000	(7,000)	(734)	106,493

Adjustments:

1. Conversion of \$20m convertible note to ordinary equity on IPO.
2. Cash dividend paid out to the Existing Shareholder.
3. Cash and equity increase reflecting the primary and secondary equity raised through proceeds of the Offer of \$22m.
4. A sell-down of \$7.0m in equity will be made by the Existing Shareholder under this Prospectus.
5. Total Offer related costs of \$1.05m are expected to be incurred, of which c.\$894k (c.\$626k after tax) relates to costs that are directly attributable to the Offer and offset against share capital, with the remainder of c.\$154k (c.\$108k after tax) expensed in retained profits in accordance with AAS. The tax impacts of the Offer costs are expected to result in the recognition of a deferred tax asset of c.\$315k.

4. Financial Information continued

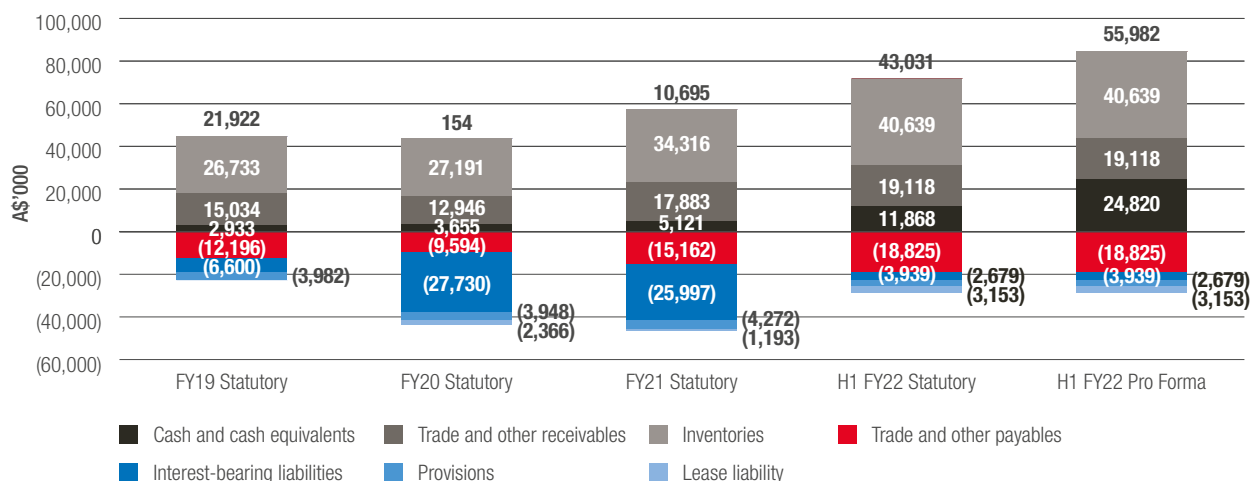
4.5.2. Working capital

Working capital comprises cash and cash equivalents, trade and other receivables, inventories, trade and other payables, short-term interest bearing loans, short-term lease liabilities and provisions.

Considerations for key working capital items include:

- Trade and other receivables is mainly influenced by the underlying sales performance of Adrad entities and the timing of payment cycles;
- Inventory balances are primarily driven by underlying sales, while management have also proactively considered short-term supply chain constraints to bolster inventory levels in recent trading periods; and
- Trade and other payables is similarly influenced by the underlying performance and growth in sales.

Figure 37: Pro forma and statutory working capital – key items



Note: The movement in interest-bearing liabilities in FY20 was a result of bank loans being reclassified from non-current interest-bearing liabilities due to bank facility agreements expiring within six months from the end of the financial period. The loan was subsequently settled during H1 FY22.

4.6. Forecast Financial Information

The Forecast Financial Information is based on best estimate assumptions concerning future events. In preparing the Forecast Financial Information, Adrad has analysed historical performance and cash flows and applied assumptions to estimate the future performance.

The Directors believe all the assumptions, when taken as a whole, are reasonable at the time of preparing the Prospectus and have prepared the Forecast Financial Information with due care and attention. However, actual results are likely to vary from those forecast, and such variation may be materially positive or negative. Many of the assumptions on which the Forecast Financial Information is based are beyond the control of the Directors and management of Adrad and are subject to uncertainty.

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

The assumptions set out below should be read in conjunction with the risks set out in Section 6, the sensitivity analysis set out in Section 4.9 and the Investigating Accountant’s Report set out in Section 5.

4.6.1. General assumptions

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

- there are no material changes in the competitive and operating environments of the manufacture and design of heat transfer products market in which Adrad operates;
- there are no material closures or disruptions to the trading of Adrad entities due to COVID-19;
- there are no material changes in government legislation (including tax legislation), regulatory requirements or other government policy that will have a material negative impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of Adrad;
- there are no significant deviations from current market expectations of economic and market conditions under which Adrad operates;
- there is no material change in key personnel, including key management personnel. It is also assumed that Adrad will maintain its ability to recruit and retain the personnel required to support the future growth of Adrad;
- there are no material employee relations disputes or other disturbances;
- there are no material industry strikes or other disruptions to Adrad's supply chain or business operations impacting the continuity of Adrad's operations;
- there is no material fine, penalty, dispute, litigation or other contingent liability to arise or be settled to the detriment of Adrad;
- there are no material acquisitions, disposals, restructuring or investments;
- there is no material change in Adrad's corporate or capital structure other than the transactions contemplated under the terms of the Offer set out in this Prospectus;
- there are no material amendments to any material contracts, agreements or arrangements relating to Adrad's business or intellectual property;
- there are no changes in applicable AAS, IFRS, other mandatory requirements or the Corporations Act which could have a material effect on Adrad's reported financial performance or cash flows, financial position, accounting policies, financial reporting and disclosures;
- none of the risks listed in Section 6 eventuate, or if they do, none of them has a material adverse impact on the operations of Adrad; and
- the Offer proceeds are received in accordance with the timetable set out in the Important Dates on page 4 of this Prospectus.

4.6.2. Specific assumptions

The Forecast Financial Information has been prepared by the Directors based on an assessment of Adrad's existing business operations and head office functions. In preparing the Forecast Financial Information, the Directors have taken into account the year to date trading performance and cash flows of Adrad for FY22F and the current market conditions.

The specific, best estimate assumptions applied by the Directors in preparing the Forecast Financial Information for the forecast period are described below in Section 4.7.

4. Financial Information continued

4.7. Management discussion and analysis of Historical and Forecast Financial Information

4.7.1. Overview

The following section provides an overview of the general factors which affected operations and financial performance in FY19, FY20, FY21, H1 FY22 and FY22F and which the Directors expect may continue to apply to Adrad in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all of the factors that apply to Adrad's historical operating and financial performance, nor other factors that may apply to Adrad's operating and financial performance in the future.

Management discussion and analysis presented below is based on the historical and forecast results for Adrad.

4.7.2. Revenue

Adrad derives revenue from a combination of:

- the sourcing, manufacture, distribution and sale of aftermarket heat exchangers and other automotive parts to its customers in Australia and New Zealand; and
- the design, manufacture and sale of Original Equipment (OE) heat transfer solutions for industrial applications to customers based in Australia, Thailand and elsewhere.

Historically, Aftermarket has been the largest contributor of Adrad's revenue through FY19 – FY21. Due to the recently expanded OE operations of the Thailand manufacturing facility, the OE segment is expected to be the primary revenue driver into the future and is forecasted to be the largest contributor to revenue for FY22F with 51% of total revenue.

Figure 38: Segment contribution to revenue (FY19 – FY22F)

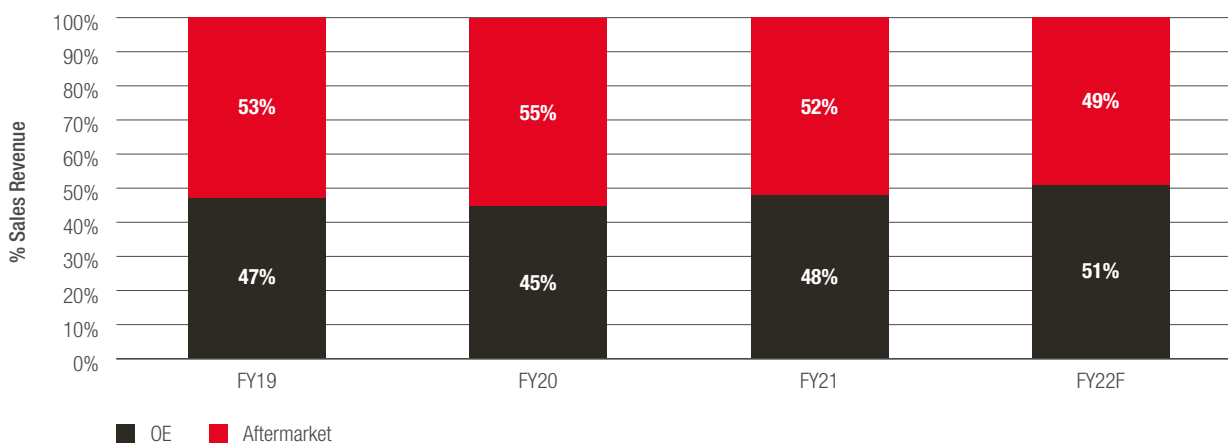
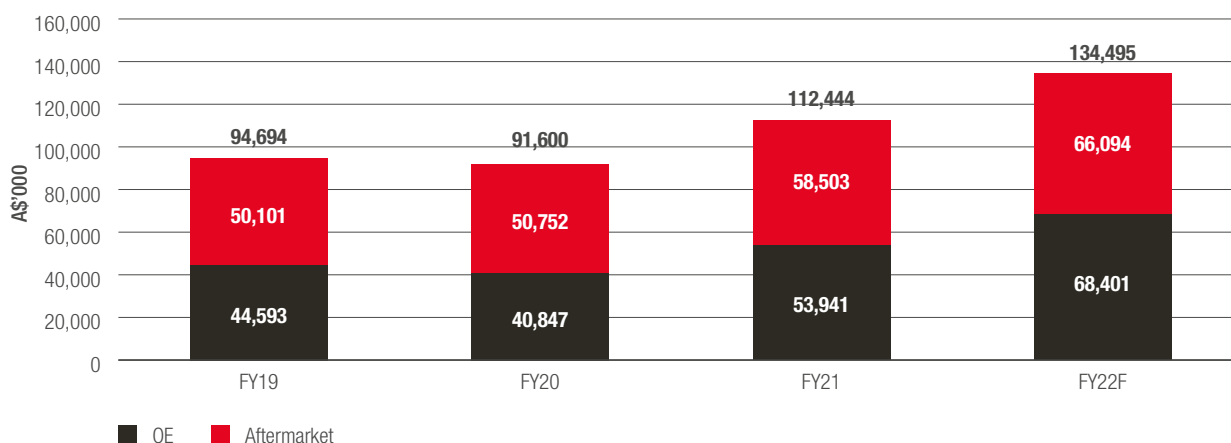
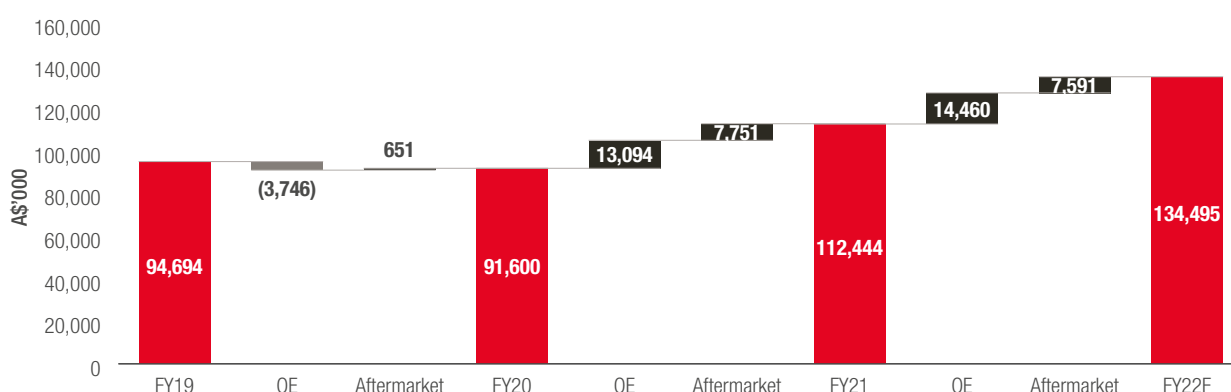


Figure 39: Segment pro forma revenue (FY19 – FY22F)

Revenue growth for FY22F for both Aftermarket and OE segments is forecast, with the OE segment expected to grow more rapidly as additional revenues are generated by new Thailand facilities. Aftermarket segment sales are forecast to continue growing organically.

Figure 40: Pro forma revenue bridge by segment (FY19 – FY22F)

Revenue for both Aftermarket and OE segments is growing with OE revenues forecast to exceed Aftermarket for the first time in FY22.

4.7.2.1. Aftermarket revenue

Adrad's Aftermarket segment operates within the Australian and New Zealand 'automotive cooling and service parts' industry where it manufactures, imports and distributes a comprehensive range of radiators and other heat exchange products for applications ranging from passenger vehicles to locomotives, ultra-heavy dump trucks as well as agricultural and construction equipment. Aftermarket also supplies automotive service products in addition to radiators and heat exchange products to meet the broader requirements of general mechanical workshops and has been expanding its range of automotive service products on offer. The Aftermarket segment can be impacted by seasonality where sales are generally lower in winter months than summer months.

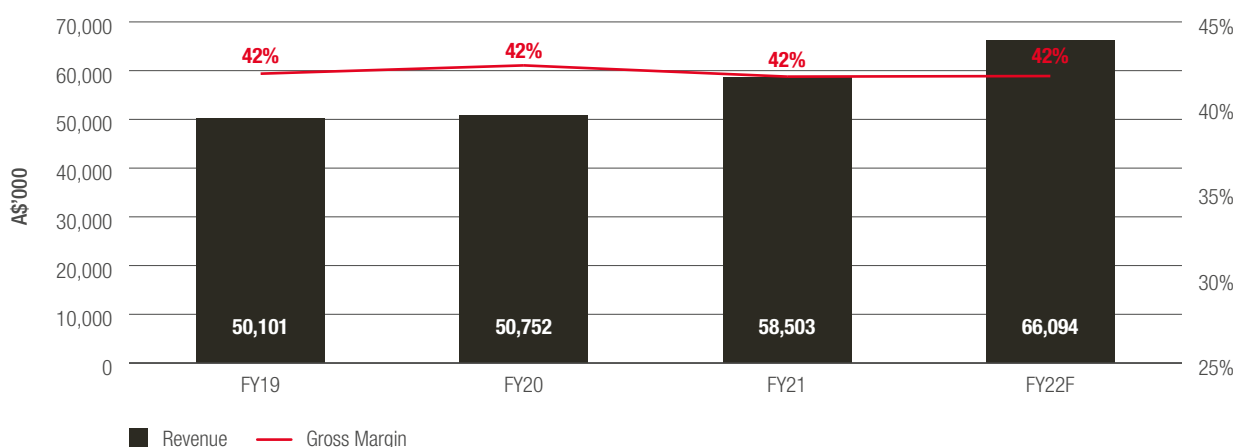
A key revenue driver for Aftermarket is the further development of the direct to mechanical workshop sales channel that has taken over much of the passenger and light commercial vehicle radiator replacement work in recent years. There are currently in excess of 23,000 mechanical workshops in Australia. Sales revenue is being driven by an increasing number of mechanical workshops with open accounts with Adrad and the growing average monthly spend per customer as the Company continues to expand its product offering.

4. Financial Information continued

Other revenue drivers include:

- Improving the customer service level through expansion of Adrad’s distribution footprint;
- Continual improvement of Adrad’s online selling platforms;
- The expansion of the automotive parts and air conditioning product ranges; and
- Improved stock management and inventory forecast capabilities resulting in less lost sales due to stock outs, less stock write-offs or sale of product below cost at end of life, and faster fulfilment due to having the right stock in the right locations.

Figure 41: Pro forma Aftermarket revenue (FY19 – FY22F)



Aftermarket segment revenues grew marginally in FY20, increasing by 1.3% from \$50.1m in FY19 to \$50.78m in FY20. This was a result of COVID-19 lockdowns causing vehicle owners to postpone vehicle services which impacted sales of automotive parts.

Aftermarket revenue subsequently increased 15.3% in FY21, to \$58.5m, primarily driven by a combination of a rebound in sales from FY20 and various business initiatives implemented across the business to expand sales channels and product range, as well as improving stock management.

In FY22F, the Company is forecasting Aftermarket revenues of \$66.1m, an increase of 13.0% from FY21, driven by growth in registered vehicles in Australia and New Zealand, expansion in product offering and growth in air-conditioning sales.

FY22F Aftermarket revenue is lower than originally forecast in part due to the impact of COVID-19 induced lockdowns in QLD, NSW, VIC and Auckland during the Jul’21 – Oct’21 period resulting in reduced use of passenger motor vehicles with many people working from home or isolating as required. The flooding events in QLD and NSW in Feb’22 – Mar’22 also had an adverse impact on Aftermarket revenue for FY22F. The Aftermarket segment has also been investing in expanding its distribution capability through FY22F to support expected future revenue growth.

4.7.2.2. OE revenue

OE specialises in the design, manufacture and service of industrial radiators and cooling systems, which are designed to customer requirements, verified and manufactured to design standards in-house in Australia and Thailand.

The OE segment derives its revenue from a range of end market segments including Mobile (On Highway: Trucks; and Off Highway: Construction and Mining, Rail) and Stationary (Industrial and Power and Energy Generation). The Mobile segment has historically been the largest contributor to OE revenues.

Key OE revenue drivers include:

On Highway: Trucks

- A significant portion of On Highway revenue is driven by the daily build rate of key trucking customers. Throughout the historical period, customers have had to navigate COVID-19, natural disasters and international supply constraints, which have impacted their daily output rate for the manufacture of commercial trucking vehicles. The sustainability and growth in customer daily build rates is key to driving growth in On Highway revenues.

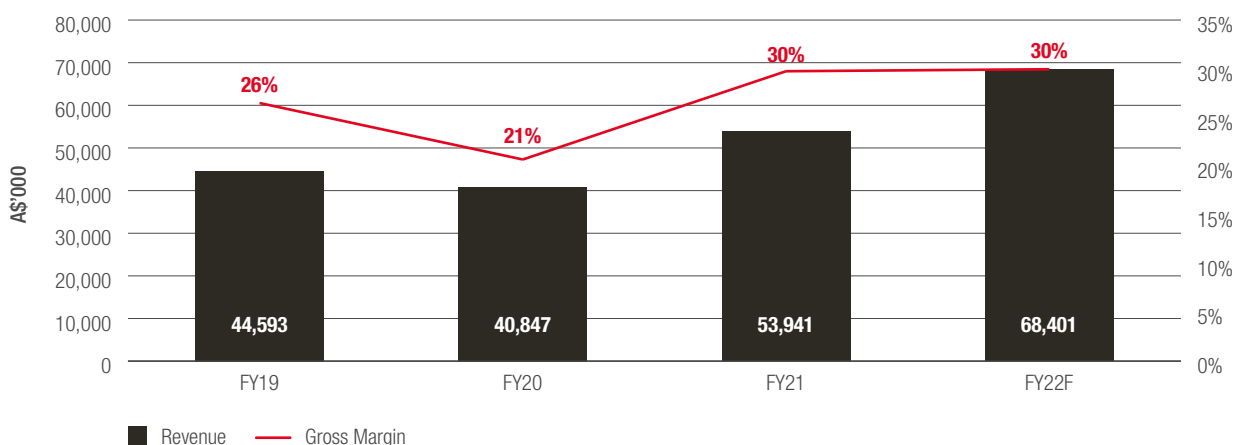
Off Highway: Construction and Mining, Rail

- Off Highway revenue is primarily derived from supplying heat exchanger cooling modules to OE customers manufacturing loaders, excavators, dump trucks and trains. A significant proportion of manufacturing for Off Highway applications is undertaken in the Company's Thailand facilities.
- Despite a slowdown in FY21 attributable to COVID-19, sales to industrial equipment customers have improved substantially and the increased capacity provided by Adrad's recently established second Thailand facility will support growth through FY22F and beyond.

Stationary

- The supply of heat exchangers for power generation applications was a primary driver of OE revenue growth in FY21. Growth within this segment was driven by the successful delivery of a key large scale power generation project. With this project as a significant case study, management expects an improvement in Adrad's future tender success rate for larger scale projects in power generation and data centres. A growing pipeline of known projects supports the growth in OE revenues in this market segment.

Figure 42: Pro forma OE revenue (FY19 – FY22F)



OE revenue declined by 8.4% in FY20, from \$44.6m in FY19 to \$40.8m in FY20, as a result of a contraction in economic growth, natural disasters and COVID-19 related trading challenges.

Revenue increased 32.1% in FY21 to \$53.9m, despite the enduring impacts of COVID-19. Revenue growth was assisted by a rebound in the daily build rate of key trucking customers and the c.\$150k Instant Asset Write-Off tax deduction offered to small businesses. The organic growth in FY21 revenue was in part driven by power generation cooling module project work which continued into FY22. Project profitability can vary due to differences in customisation, dependent on the customer's specific requirements and designs.

4. Financial Information continued

In FY22F, Adrad is forecasting OE revenues of \$68.4m, an increase of 26.8% from FY21. This is due to a further easing of labour and supply chain constraints, particularly in relation to Air Radiators Thailand, and a recovery in the demand for mining and construction related equipment.

During FY22F a new factory facility was established in Thailand to manufacture cooling modules for the expanding power generation sector in Southeast Asia. As a result of this investment, Adrad is well positioned to benefit from future revenue growth from sale of power generation cooling products in the Southeast Asia region.

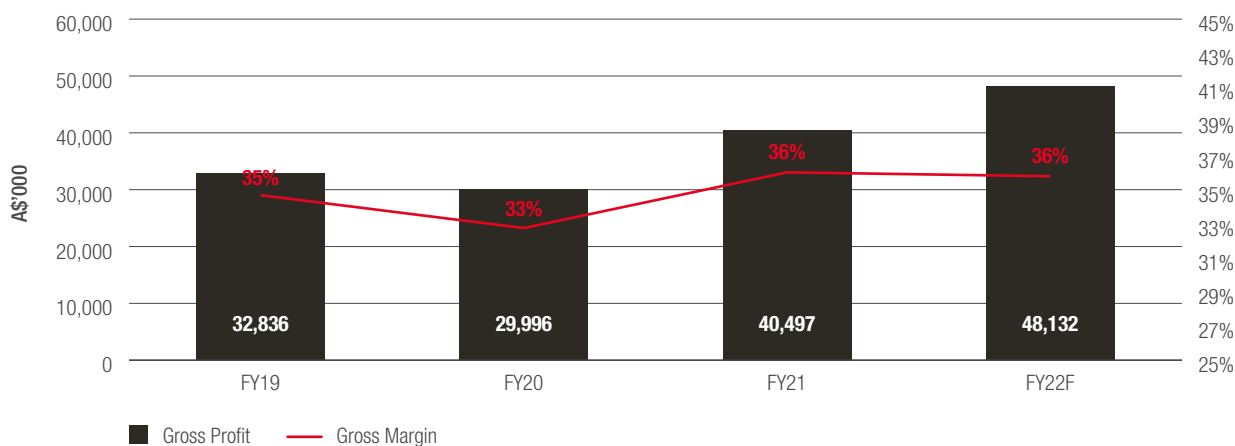
4.7.3. Gross profit

Adrad's gross profit decreased from \$32.8m in FY19 to \$30.0m in FY20, which corresponded to a tightening of the gross profit margin from 35% to 33% in the respective periods. The contraction in gross profit was predominately due to COVID-19 lockdowns impacting the economy and trading activity.

Gross profit increased 35.0% in FY21 to \$40.5m, compared to a 22.8% increase in revenue over the same period. The increase in gross profit margin to 36% was driven by growth in the OE segment which achieved higher margins from power generation projects and industrial products.

Gross profit margins are forecast to remain constant in FY22F whilst gross profit is expected to increase by 18.9% to \$48.1m.

Figure 43: Pro forma gross profit margin (FY19 – FY22F)



4.7.3.1. Aftermarket gross profit

Whilst Adrad's Aftermarket segment operates in competitive Australian and New Zealand markets with multiple large competitors, Aftermarket gross margins have remained relatively consistent during the historical periods ranging from 41% to 42%. Gross profit margin is forecast to remain stable through FY22F and beyond. Refer to Figure 42.

4.7.3.2. OE gross profit

The OE segment includes project work which can vary in size and profitability. The 28.4% decrease in gross profit from \$11.8m in FY19 to \$8.5m in FY20 was due to challenging trading conditions as a result of COVID-19 and is in-line with the decrease in revenue over the same period. Gross profit margin reduced from 26% to 21% in FY20 before improving in FY21 to 30%. Margin improvement was driven by the ability to leverage economies of scale on larger projects in recent periods, particularly in relation to wage costs. Gross margin is forecast to remain at 30% in FY22F supported by the continuing performance of industrial projects.

4.7.4. Other income

Other income includes exchange rate variances, rental recharge, scrap recovery, sale of fixed assets as well as other non-trading related incomes. In FY20, other income increased from \$0.5m in FY19 to \$1.3m driven predominantly by favourable exchange rate movements.

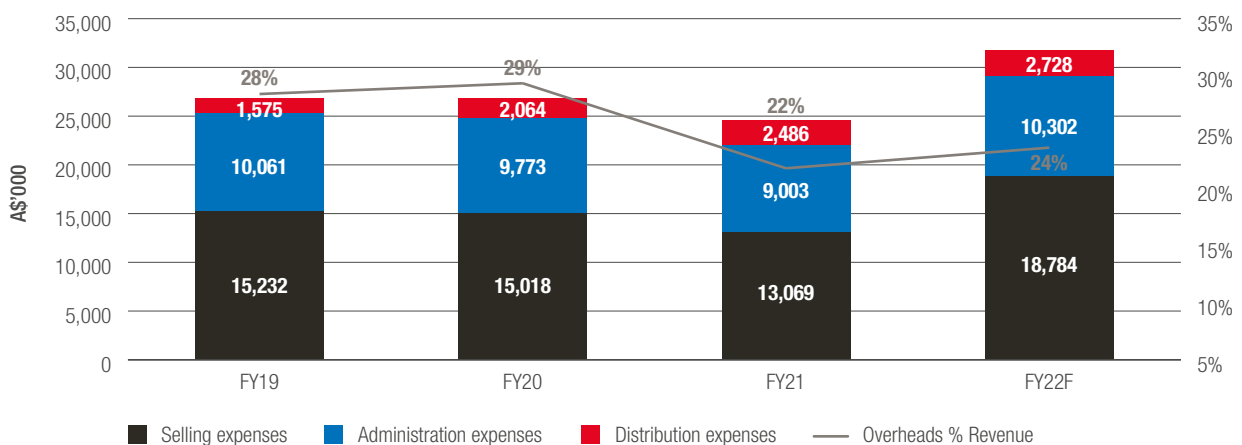
Other income decreased by 19% in FY21 to \$1.1m, predominately due to movements in scrap recoveries and unfavourable foreign exchange movements.

In FY22F, other income is forecast to decline to \$13k, predominately due to lower scrap recoveries and unfavourable foreign exchange movements in FY22.

4.7.5. Operating expenses

A summary of Adrad's operating costs is set out below. Figure 44 illustrates the composition of operating costs and operating costs as a proportion of revenue from FY19 to FY22F.

Figure 44: Pro forma operating expenses (FY19 – FY22F)



Operating expenses as a percentage of revenue increased from 28% in FY19 to 29% in FY20 before decreasing to 22% in FY21, driven by strong sales growth and the fixed nature of Adrad's operating cost base. In FY22F, operating expenses as a percentage of total revenue is forecast to further increase marginally to 24%, primarily driven by higher selling expenses. This further reflects strong sales growth and the fixed nature of Adrad's costs base.

4.7.5.1. Administration expenses

Administration expenses comprise salaries, wages, computer software, head office and other administrative costs incurred along with select sales and marketing costs which have historically been accounted for as administrative rather than sales expenses. Salaries and wages relate to staff working in support functions and excludes those involved in the manufacture or production of products. Head office and administrative employee costs relate to staff working in those relevant functions. Administrative costs through FY22F are forecast to increase to \$10.3m, driven by increased salary and wage costs. Costs are forecast to decrease marginally as a percentage of revenues from 8.0% in FY21 to 7.7% in FY22F as a portion of administrative costs is fixed.

4.7.5.2. Selling expenses

Selling expenses comprise salaries, wages, rent, packaging, freight and other selling costs. Salaries and wages relate to staff working in sales related functions and are not inclusive of those involved in the manufacture or production of products. Selling costs are forecast to increase to \$18.8m in FY22F, an increase as a percentage of revenue from 11.6% to 14.0% over the forecast period. The increase in costs is primarily due to increases in rent, salaries, freight and other sales related expenditure.

4. Financial Information continued

Additional selling expenses were also incurred in relation to the establishment of four new distribution centres servicing Adrad’s Aftermarket customers. In addition to wages and rent, these expenses also relate to motor vehicles, IT system implementation and materials handling equipment. Whilst these additional expenses have resulted in a reduction in FY22F EBITDA margins, the additional distribution centres will provide increased capacity to support future growth.

4.7.5.3. Distribution expenses

Distribution expenses comprise salaries, wages, rent, and other distribution related costs. Salaries and wages relate to staff working in distribution support functions and are not inclusive of those involved in the manufacture or production of products. Costs have remained relatively consistent over the historical period ranging between 1.7% to 2.2% of total revenues and are not forecast to materially increase.

4.7.6. EBITDA

Adrad’s pro forma EBITDA decreased from \$6.5m in FY19 to \$4.5m in FY20, corresponding to a tightening of the EBITDA margin from 7% to 5%. The decrease in EBITDA was in part due to reduced sales activity as a result of COVID-19, and increased operating costs associated with expansion initiatives.

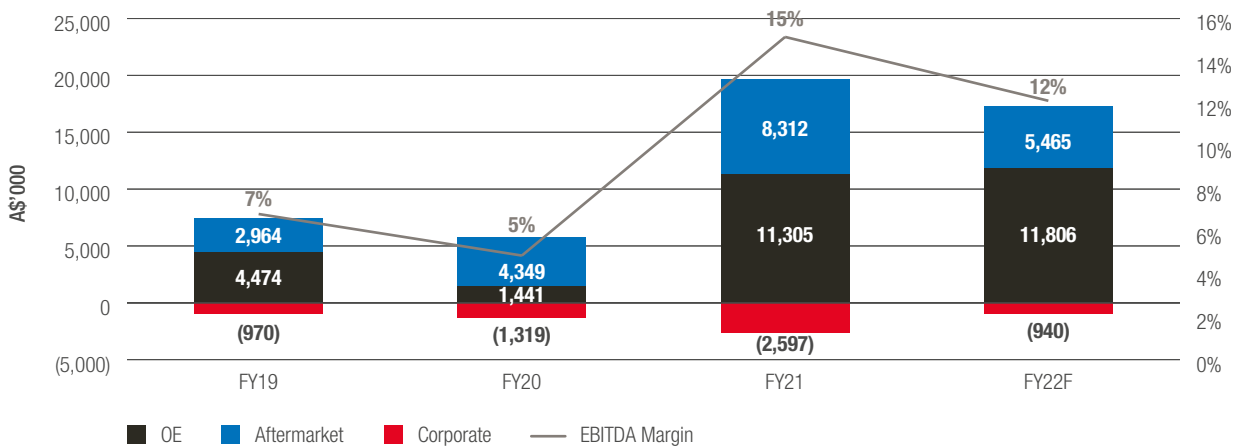
Pro forma EBITDA increased 281% in FY21 to \$17.0m, compared to a 22.8% increase in revenue over the same period. The increase in EBITDA margin to 15.0% was enhanced by cost efficiencies achieved through increasing scale in OE.

EBITDA margins are forecast to reduce to 12.1% in FY22F primarily as a result of overheads increasing as a percentage of revenue from 22% to 24%.

OE segment has historically achieved higher margins compared with the Aftermarket segment, reflecting the nature of project work that has an element of customisation, dependent on the customer’s specific requirements and designs. Larger projects are often able to capitalise on economies of scale, across both improved buying power and production efficiencies. Higher margin projects contributed to the improvement in EBITDA margins from 10% in FY19 to 21% in FY21, and is forecast to return to normalised levels in FY22F of 17%.

Aftermarket pro forma EBITDA margins improved in FY21 to 14% from 9% in FY20. This was primarily driven by revenue growth and fixed overheads. In FY22F, EBITDA margin is forecast to revert to FY20 levels, approximately 8%, as Adrad expands its Aftermarket channels to market, product catalogue and the number of customer accounts, while freight-related distribution expenses are increasing.

Figure 45: Pro forma EBITDA margin (FY19 – FY22F)

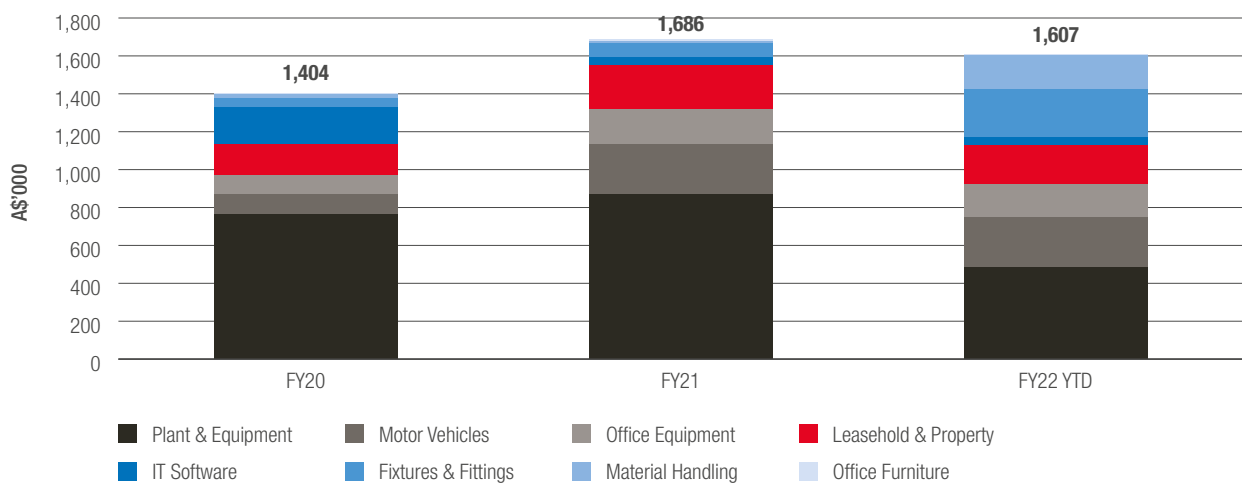


4.7.7. Capital expenditure

Set out in Figure 46 below is a summary of capital expenditure for the period FY19 – FY22 YTD.³⁴

Capital expenditure includes both maintenance (representing the replacement of existing equipment), and growth expenditures (relating to the purchase of new equipment and new warehouse fit-out costs).

Figure 46: Capital expenditure by category (FY19 – FY22 YTD³²)



Note: for details surrounding allocation of funds raised on capital expenditure, refer to the use of funds table in Section 8.5.

4.7.8. Net working capital

Net working capital decreased from \$21.9m in 30 June 2019 to \$154k as at 30 June 2020 due to an increase in interest-bearing liabilities. The subsequent increase in net working capital to \$10.7m at 30 June 2021 was driven by a \$4.9m increase in trade and other receivables and a \$7.1m increase in inventories, which was partially offset by an increase in trade and other payables of \$5.6m. Net working capital increased significantly to \$43.0m as at 31 December 2021, driven by a \$6.7m increase in cash, a \$6.3m increase in inventories and a \$22m reduction in interest-bearing liabilities. Net working capital on a pro forma basis is \$12.5m higher as a result of cash raised through the Offer.

Refer to Figure 37 notes for further comment on interest-bearing liability movement through the period.

Inventory balances have increased through the historical period, driven by a combination of increased sales, diversification of products and the strategic decision to increase inventory balances in order to offset increased lead times from suppliers impacted by ongoing COVID-19 induced supply chain constraints.

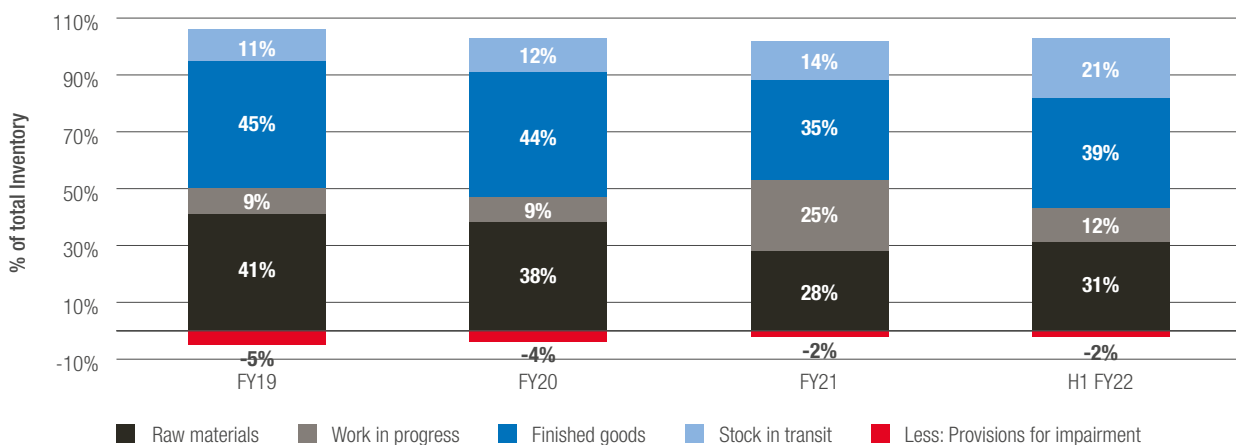
34. Financial year-to-date as at 28 February 2022.

4. Financial Information continued

Table 15: Pro forma and statutory historical net working capital (FY19 – FY22F)

\$A'000	Historical Working Capital				Pro Forma Working Capital
	FY19 Statutory	FY20 Statutory	FY21 Statutory	H1 FY22 Statutory	H1 FY22 Pro Forma
Cash and cash equivalents	2,933	3,655	5,121	11,868	24,820
Trade and other receivables	15,034	12,946	17,883	19,118	19,118
Inventories	26,733	27,191	34,316	40,639	40,639
Trade and other payables	(12,196)	(9,594)	(15,162)	(18,825)	(18,825)
Interest-bearing liabilities	(6,600)	(27,730)	(25,997)	(3,939)	(3,939)
Provisions	(3,982)	(3,948)	(4,272)	(2,679)	(2,679)
Lease liability	–	(2,366)	(1,193)	(3,153)	(3,153)
Total working Capital	21,922	154	10,695	43,031	55,982

Figure 47: Key components of Inventory over the historical period



4.8. Indebtedness

Adrad's principal source of funding comes from the cash flow generated from operations and the cash and cash equivalents on its balance sheet.

Set out below in Table 16 is the indebtedness of Adrad as at 30 June 2021 and 31 December 2021 on a statutory and pro forma basis. The pro forma indebtedness is derived from the statutory indebtedness adjusted for the pro forma impact of the Offer as if those transactions had occurred on 30 June 2021 and 31 December 2021.

The pro forma indebtedness does not include the impact of other operational, financing or investing activities from January 2022 to the Completion of the Offer; hence, management's expected cash position at Completion of the Offer is also included in Table 16 below.

Table 16 reflects net debt for the Company on both a pre- and post-AASB16 basis. This is to demonstrate the impact of non-interest bearing property-related lease liabilities and provisions recognised in accordance with AASB16 on the calculation of net debt.

Table 16: Statutory and pro forma historical indebtedness as at 30 June 2021 and 31 December 2021, and management's expected cash position at Completion of the Offer

\$A'000	Statutory 30 Jun 21	Pro Forma 30 Jun-21	Statutory 31 Dec 21	Pro Forma 31 Dec 21
Cash and cash equivalents	5,121	28,015	11,868	24,820
Interest-bearing liabilities	(25,997)	(25,997)	(4,008)	(4,008)
Non Interest Bearing Loan	–	–	(21,000)	–
Net Cash/(debt) excluding AASB 16 leases & provisions	(20,876)	2,018	(13,139)	20,812
Lease liability	(5,664)	(5,664)	(34,687)	(34,687)
Provisions	(7,204)	(7,204)	(7,180)	(7,180)
Net Cash/(debt)	(33,744)	(10,850)	(55,007)	(21,055)

Following Completion of the Offer, Adrad's principal sources of funding are expected to be cash flow generated from operations and available cash on its balance sheet.

Notes: The Pro Forma Historical Statement of Financial Position as at 31 December 2021 does not adjust for anticipated cash generation of the business between 1 January 2022 and the Completion of the Offer.

4.9. Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions described in Section 4.6. These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of Adrad, the Directors and management. These estimates are also based on assumptions in relation to future business developments, which are subject to change. The changes to key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis each sensitivity is presented in terms of the impact on pro forma forecast EBITDA for FY22F. Care should be taken when interpreting these sensitivities. The impact on changes to the variables presented has been considered in isolation from changes in other variables. In practice, a change to one variable is likely to have a flow on impact to other variables and may also impact the decision making of management.

Table 17: Sensitivity analysis at consolidated level

FY22F	Assumption	Pro Forma EBITDA	Sensitised EBITDA		Change		Change %	
			+	–	+	–	+	–
Sales								
Revenue	+/- 5%	16,331	18,738	13,924	2,407	(2,407)	15%	–15%
Cost of Sales	+/- 2%	16,331	14,604	18,058	(1,727)	1,727	–11%	11%
Opex Costs	+/- 2%	16,331	15,695	16,967	(636)	636	–4%	4%

4. Financial Information continued

4.10. Dividend policy

The Directors intend to target a payout ratio of between 30% and 40% of NPAT. It is intended that future dividends will be franked to the maximum extent possible (having regard to the level of Adrad's available franking credits at the time of the future dividend payment).

The payment of dividends by Adrad, if any, subject to any contractual, legal or regulatory restrictions, is at the complete discretion of the Directors, and the Directors do not provide any assurance of the future level of dividends paid by Adrad. The ability to pay dividends will depend on a number of factors, many of which are beyond the control of Adrad. In determining whether to declare future dividends, the Directors will have regard to Adrad's earnings, overall financial condition and capital requirements, taxation considerations (including the level of franking credits available), the general business environment, and any other factors that the Directors may consider to be relevant.

No assurance can be given about the payment of future dividends, the level of franking of such dividends (if any) or the payout ratios for any future periods as these matters will depend upon future events, as well as the key risks set out in Section 6.

4.11. Summary of key accounting policies

Principles of consolidation

A controlled entity is any entity controlled by the Company. Control exists where the Company has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. All inter-entity balances and transactions between entities in the consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Where a controlled entity has entered or left the consolidated Group during the year its operating results have been included from the date control was obtained or until the date control ceased.

Revenue recognition

The consolidated Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability excluding a business combination that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse changes will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Adrad and its wholly owned subsidiaries are consolidated for tax purposes under the Tax Consolidation System. Adrad is responsible for recognising the current tax assets and liabilities of the consolidated Group. The Group notified the Australian Taxation Office on 5 December 2007 that it had formed an income tax consolidated group to apply from the date of incorporation of the Company. The tax consolidated Group has entered into tax sharing and tax funding agreements whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated Group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

4. Financial Information continued

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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 using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Inventory is valued at the lower of net realisable value or cost, which includes direct materials (including inwards freight), direct labour and an appropriate proportion of variable and fixed overheads but excludes freight outwards, administration and sales overheads. Standard costs are regularly reviewed to ensure they fairly represent the actual cost of the stock existing at that point in time. Due regard is taken of slow moving stock and a provision for obsolescence has been created to enable inventory to be valued as described.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Land and buildings

Fixtures and fittings

Motor vehicles

Office equipment

Leasehold improvement

All of the above are measured on the cost basis.

Depreciation

All assets are depreciated on a straight line basis over their useful lives to the group.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Impairment testing is conducted annually to ascertain whether the carrying value of intangibles exceeds the recoverable amount.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated Group is able to use or sell the asset; the consolidated Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at fair value and are Level 3 liabilities in the fair value hierarchy.

The component of the Convertible Notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the Convertible Notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option that is considered to be equity in nature is not remeasured in the subsequent years. The carrying amount of the conversion option that is considered to be debt in nature is remeasured at fair value in the subsequent years. The corresponding interest on the Convertible Notes is expensed to profit or loss.

Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

4. Financial Information continued

Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. All significant judgements, estimates and assumptions made during the year have been considered for significance. No significant critical judgement or accounting estimates have been made during the period, with the exception of the following:

Impacts of COVID-19

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Estimation of useful lives of assets

The consolidated Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recognition of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carried forward losses, only if the consolidated Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Income tax

The consolidated Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated Group recognises liabilities for anticipated tax audit issues based on the consolidated Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Provision for impairment of inventories

Inventory is valued at the lower of net realisable value and cost. There is a significant amount of judgement involved in determining a fair provision for obsolescence with respect to slow moving stock.

Provision for warranty

A provision is taken up for expected future warranty claims, usually based on past claims. This involves significant judgement, particularly with respect to newly acquired entities or changes in the trading conditions of existing entities.

5. Investigating Accountant's Report



Power generation station at Wiepa, QLD. Air Radiators Industrial (Gillman, SA) provided cooling for 6 x 4.5MW diesel generators.

5. Investigating Accountant's Report



Board of Directors
Adrad Holdings Ltd
26 Howards Road
Beverley, SA 5009

**Grant Thornton Corporate
Finance Pty Ltd**
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
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24 August 2022

Dear Directors,

INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE

Introduction

Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance") has been engaged by Adrad Holdings Ltd ("Adrad" or the "Company") and Adrad Holdings IPO SaleCo Limited ("SaleCo") to prepare this report for inclusion in the replacement prospectus to be issued by the Company and SaleCo on or on or about 26 August 2022 (the "Prospectus"), in respect of the initial public offering of fully paid ordinary shares in the Company ("the Offer") and admission to the Australian Securities Exchange.

Grant Thornton Corporate Finance holds an appropriate Australian Financial Services Licence (AFS Licence Number 247140) under the Corporations Act 2001 for the issue of this report. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix 1.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Scope

Grant Thornton Corporate Finance has been engaged by the Directors of the Company and the Directors of SaleCo to perform a limited assurance engagement in relation to the following statutory historical financial information, pro forma historical financial information, statutory forecast financial information and pro forma forecast financial information of Adrad included in Section 4 of the Prospectus:

Statutory Historical Financial Information

- The consolidated historical statement of profit and loss and other comprehensive income for the period ended 30 June 2019 ("FY19"), 30 June 2020 ("FY20"), 30 June 2021 ("FY21") and six months ended 31 December 2021 ("H1 FY22") with the six months ended 31 December 2020 comparative information ("H1 FY21") which are included in Section 4.3.1 of the Prospectus; and
- the consolidated historical statement of cash flows for FY19, FY20, FY21 and H1 FY22 which are included in Section 4.4.1 of the Prospectus; and

www.granthornton.com.au
ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987 (holder of Australian Financial Services Licence No. 247140), a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

- The consolidated historical statement of financial position as at 31 December 2021 included in Section 4.5.1 of the Prospectus,
- (together the “Statutory Historical Financial Information”); and

Pro Forma Historical Financial Information

- The pro forma consolidated historical statements of profit or loss and other comprehensive income for FY19, FY20 and FY21, H1 FY22 which are included in Section 4.3 of the Prospectus together with a reconciliation to the Statutory Historical Financial Information (where applicable) which is included in Section 4.3 of the Prospectus
- The pro forma consolidated historical statements of cash flow for H1 FY22, which are included in Section 4.4 of the Prospectus together with a reconciliation to the Statutory Historical Financial Information (where applicable) which is included in Section 4.4 of the Prospectus; and
- The pro forma consolidated historical statement of financial position as at 31 December 2021 and the Pro Forma adjustments applied as at that date which is included in Section 4.5 of the Prospectus.

(together the “Pro Forma Historical Financial Information”)

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

The Pro Forma Historical Financial Information has been prepared for inclusion in the Prospectus and has been derived from the audited financial statements of Adrad Holdings Ltd for the period FY19, FY20, FY21 and management accounts for FY22 for the Company. The financial statements for FY19, FY20 and FY21 were audited by Grant Thornton Audit Pty Ltd. The audit opinion issued to the Directors of the Company in respect of the period FY19, FY20 & FY21 was unmodified.

As described in Section 4.2 of the Prospectus the stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information after adjusting for the effects of the Pro Forma adjustments described in Section 4.3.2 of the Prospectus (the “Pro Forma Adjustments”). The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Group’s adopted accounting policies applied to the Pro Forma Adjustments as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Group’s actual or prospective financial position, financial performance or cash flows.

Statutory Forecast Financial Information

- The statutory consolidated forecast statement of profit or loss and other comprehensive income for the 12 months ending 30 June 2022 (“FY22F”) which is included in Section 4.3 of the Prospectus;
- referred to as the “Statutory Forecast Financial Information”); and

Pro forma Forecast Financial Information

- The pro forma consolidated forecast statement of profit and loss and comprehensive income for FY2022F as set out in Section 4.3 of the Prospectus;

(referred to as the “Pro forma Forecast Financial Information”)

The Statutory Forecast and the Pro forma Forecast Financial Information together form the “Forecast Financial Information”).

The Directors’ best estimate assumptions underlying the Forecast Financial Information are described in Sections 4.6 and 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Forecast

5. Investigating Accountant's Report continued

Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for FY22F. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

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

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in Section 6 of the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 6 and Section 4.9 of the Prospectus. The sensitivity analysis set out in Section 4.9 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

Directors' Responsibility

The Directors are responsible for:

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

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

Our Responsibility

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

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

matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an audit opinion.

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

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

Statutory Historical Financial Information and Pro Forma Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Statutory Historical Financial Information from the audited financial statements of the Company for the years covering the years FY19, FY20, FY21 and management accounts for FY22;
- consideration of the appropriateness of the Pro Forma Adjustments described in Section 4.3.2 of the Prospectus;
- enquiry of the Directors, management and others in relation to the Statutory Historical Financial Information and the Pro Forma Historical Financial Information;
- analytical procedures applied to the Statutory Historical Financial Information and Pro Forma Historical Financial Information;
- a review of accounting records and other documents of the Company and its auditors; and
- a review of the consistency of the application of the stated basis of preparation and adopted accounting policies as described in the Prospectus used in the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information.

Forecast Financial Information

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

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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

Conclusion

Statutory Historical Financial Information and Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information and Pro Forma Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation and the Pro Forma Adjustments in respect of the Pro Forma Historical Financial Information as described in Section 4.3 of the Prospectus.

5. Investigating Accountant's Report continued

Statutory Forecast Financial Information

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

- i the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- ii in all material respects, the Statutory Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.6 of the Prospectus;
 - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in the Australian Accounting Standards; and
- iii the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

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

- i the Directors' best estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information;
- ii in all material respects, the Pro Forma Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.6 of the Prospectus;
 - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in the Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred prior to 1 July 2021;
- iii the Pro Forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusion, we draw attention to Section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, this Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Grant Thornton Corporate Finance consents to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours sincerely

GRANT THORNTON CORPORATE FINANCE PTY LTD



Peter Thornely

Partner

5. Investigating Accountant's Report continued

Appendix 1 (Financial Services Guide)

This Financial Services Guide is dated 24 August 2022.

1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (Grant Thornton Corporate Finance) has been engaged by Adrad Holdings Ltd ("Adrad" or "the Company") and Adrad Holdings IPO SaleCo Limited ("SaleCo") to provide a report in the form of an Independent Limited Assurance Report for inclusion in a replacement prospectus dated on or about 26 August 2022 ("the Prospectus") in respect of the initial public offering of fully paid ordinary shares in the Company ("the Offer") and admission to the Australian Securities Exchange. You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the Report.

2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

4 General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity which engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report, Grant Thornton Corporate Finance will receive from the Company a fee of approximately \$450,867 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, or its related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to, the provision of the services described in this FSG.

6 Referrals

Grant Thornton Corporate Finance - including its Partners, Directors, employees, associates and related bodies corporate - does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

8 Independence

Grant Thornton Corporate Finance is required to be independent of Adrad and SaleCo in order to provide this report. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with the Company (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Offer.

Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report”.

9 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (AFCA) (membership no. 11800). All complaints must be in writing and addressed to the Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to AFCA, an external complaints resolution service for which you will not be charged, who can be contacted at:

Australian Financial Complaints Authority

GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287
Email: info@afca.org.au

Grant Thornton Corporate Finance is only responsible for the report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

10 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

11 Contact Details

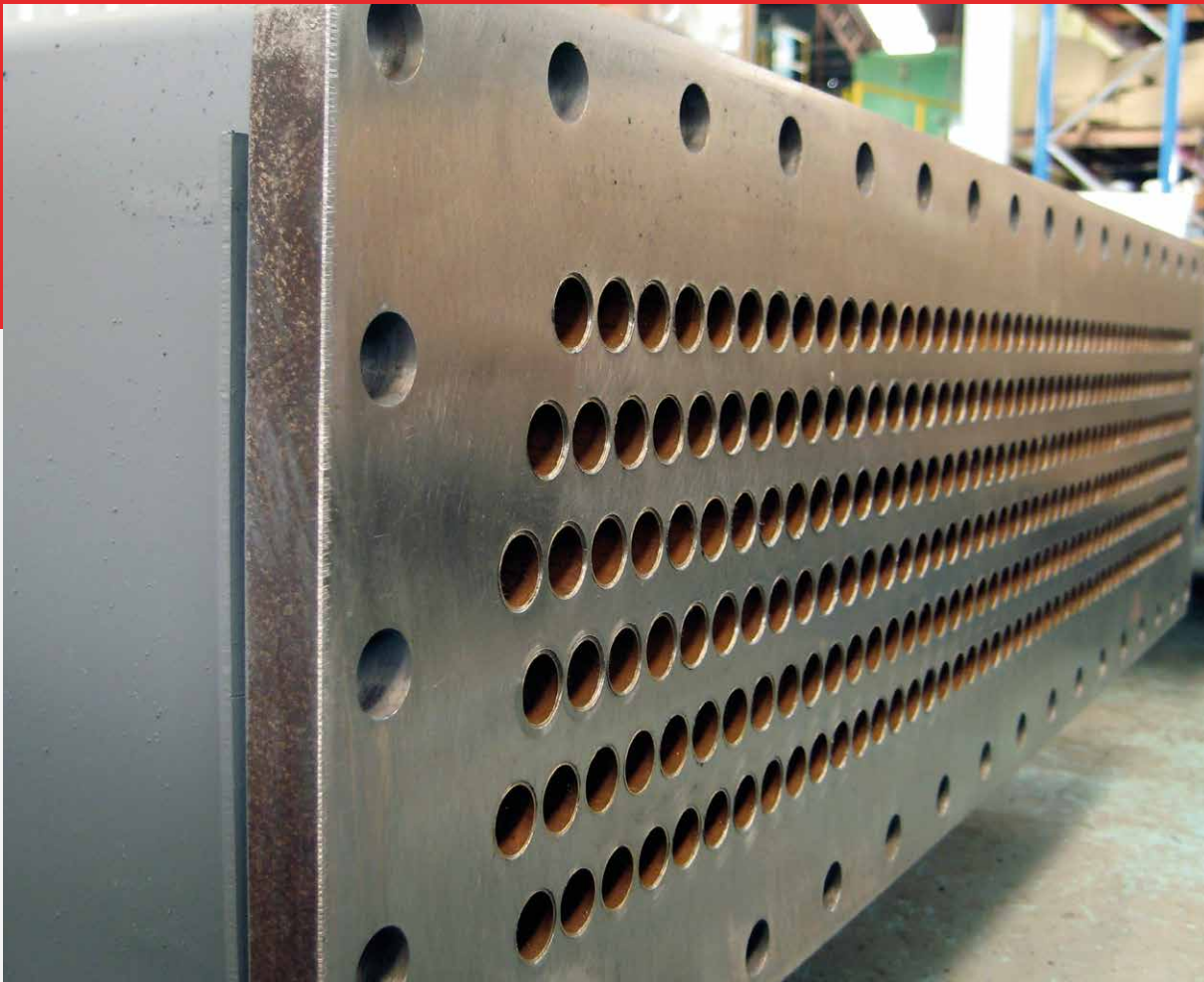
Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

Head of Corporate Finance

Grant Thornton Corporate Finance Pty Ltd
Level 22, Tower 5,
Collins Square, 727 Collins Street
Melbourne, VIC 3008



6. Risks



Heavy duty Adrad radiator for rail locomotive application showing mechanically bonded tubes and headers (Beverly, SA).

6. Risks

This Section describes some of the potential risks associated with the Company's business and the industries in which the Company operates, and the risks associated with an investment in Shares. The Company is subject to a number of risks which may, either individually or in combination, adversely impact its future operating and financial performance, investment returns and the value of the Shares. The occurrence or consequences of some of the risks described below are partially or completely outside of the control of the Company or its Directors and management. The Company does not purport to list every risk that may be associated with the business or the industries in which the Company operates, or associated with an investment in Shares, now or in the future. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the Prospectus Date.

There is no guarantee or assurance that the risks will not change or that other risks or matters that may adversely affect the Company's business, the industry in which it operates or an investment in the Shares, will not emerge.

There can be no guarantee that the Company will achieve its stated objectives, deliver on its business strategy, or that any forward looking statement contained in this Prospectus will be achieved or realised. You should note that past performance may not be a reliable indicator of future performance.

Before applying for Shares you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for you, having regard to your investment objectives, financial circumstances and taxation position. You should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before investing in the Company.

6.1. Company-specific risks

6.1.1. Competition risk

Adrad operates in a competitive market and may experience reduced revenue, earnings and market share as a result of competitor activity.

Adrad may experience increased competition in relation to its Aftermarket operations from:

- existing and new competitors adopting more aggressive marketing campaigns, price discounting or greatly enhanced customer service levels;
- possible competitor consolidation in the aftermarket automotive space providing increased scale and bargaining power; and
- manufacturers selling products directly to workshops, bypassing distributors such as Adrad.

Adrad may experience increased competition in relation to its OE operations from:

- new technologies developed by domestic and international competitors that reduce the cost of traditional products;
- an acceleration in the transition to renewable energy technologies that enables global competitors to gain access to the Company's customers;
- competitors developing lower cost durable aluminium heat exchangers for heavy duty industrial applications faster than the Company can achieve;
- key management establishing a business in competition with Adrad's OE business (subject to contractual restraints); and
- costs of manufacture in Australia accelerating at a faster pace than cost increases encountered by international competitors.

The above factors, individually or in combination, may impact Adrad's operations and profitability.

6. Risks_{continued}

6.1.2. Customer risk

Adrad's Aftermarket operations receive repeat orders from automotive workshop customers in Australia and New Zealand. Other than workshops within the Natrad franchise network, these customers are not contracted and may switch to different distributors thereby providing them with bargaining power. An increase in bargaining power from these customers may result in a decrease in prices which may in turn result in a reduction in Adrad's Aftermarket related revenue and earnings.

Adrad's OE business operates primarily on a purchase order basis with its customers. Whilst there is a long-term supply agreement with Kenworth Australia, a significant proportion of the OE business is project-based and while historically there has been a high level of repeat business with OE customers, there is no guarantee that these customers will engage Adrad for future OE work.

For FY21, Adrad's top 10 customers accounted for approximately 36% of revenue. Local and global supply chain disruptions are impacting some of these key customers. The loss of one or more of these customers or a reduction in their respective purchases could lead to a reduction in Adrad's revenue and earnings.

6.1.3. Disruption to business operations

The Company and its customers are exposed to a range of operational risks relating to both current and future operations. Such operational risks include loss or damage to operating assets and equipment, prolonged equipment failures or breakdowns, human error, accidents, information system failures, external services failure, industrial action or disputes, inclement weather, natural disasters, wars, terrorist attacks and other disasters. While the Company endeavours to take appropriate action to mitigate these operational risks and insure against them, the Company cannot control the risks its customers are exposed to, nor can it completely remove all possible risks relating to its own business. A disruption in the operations of the Company or its customers may have an adverse impact on the financial performance and/or financial position of the Company.

6.1.4. Supplier relationships

Adrad's Aftermarket business relies on access to a wide range of automotive parts with established domestic and global suppliers. Any increase in pricing from suppliers or a damaged relationship with a supplier may result in an increase in the price which Adrad pays for parts or a reduction in Adrad's ability to source parts. If this was to occur, Adrad will be required to absorb the increase in price or pass it on to customers which may result in a reduction in the demand for Adrad's products and its profitability. If Adrad is unable to source parts from a key supplier, it may result in a reduction in sales and profitability.

The nature of domestic and international supplier relationships in Adrad's OE operations could change impacting the Company's ability to source raw materials and other parts required for its manufacturing processes. Any increase in the cost of raw materials to Adrad could impact Adrad's ability to supply its customers profitably.

6.1.5. Increased input costs

Any unexpected large increase in the cost of labour, raw materials, freight, energy and key consumables could have a material impact on Adrad's operations and profitability if these costs cannot be passed on to customers.

6.1.6. Disruptions to product sourcing

Adrad's Aftermarket business relies on sourcing in excess of 20,000 SKUs from its domestic and global suppliers as well as its manufacturing facilities and ensuring these parts are provided to customers in a timely manner. As a result, Adrad is exposed to potential delays and defaults in having parts supplied and delivered to Adrad. Such delays may negatively impact Adrad's ability to supply its customers in a timely manner which may impact customer relationships and potentially profitability.

6.1.7. Technological change

The transition to a lower-carbon economy will result in changes leading to greater take-up of electric vehicles, hybrid vehicles and hydrogen fuel cell vehicles. Whilst these vehicles will all continue to require heat exchangers and other parts, this transition could have a negative impact on the financial performance of Adrad if the need to repair and/or replace parts on these vehicles was to occur at a less frequent rate than for conventional combustion powered vehicles.

Technological advancements reducing the need for, or frequency of, replacement of automotive products in the aftermarket may negatively impact Adrad's financial performance.

6.1.8. Relationships with landlords may deteriorate

As of June 2022, Adrad has 25 property leases covering its manufacturing, warehousing, distribution and workshop sites in Australia, New Zealand and Thailand. There are 18 non-related party leases and 7 related party leases. Leases are typically for terms between 3 and 5 years with options to extend. The terms and conditions vary but typically Adrad cannot readily terminate these leases.

Any default by Adrad, or failure to renew an existing lease on acceptable terms may have an adverse impact on Adrad's ability to operate in preferred locations and could have an adverse impact on Adrad's financial performance.

6.1.9. Future capital requirements

The Company may require future debt or equity financing for growth initiatives including acquisitions. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price (or Offer Price) or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities. Although the Directors believe additional capital can be obtained, no assurances can be made that appropriate capital or funding, when needed, will be available on terms favourable to the Company.

6.1.10. Liquidity

At Admission, the Company expects to have 80,653,485 Shares on issue. The Company expects approximately 62,970,130 Shares to be subject to voluntary escrow for various periods of time, as summarised in Section 8.13, which would be equal to approximately 78.1% of the Company's issued capital. This creates a liquidity risk, as a large portion of issued capital may not be freely tradable for a period of time. The ability of an investor in the Company to sell their Shares on the ASX will depend on the turnover or liquidity of the Shares at the time of sale. Therefore, investors may not be able to sell their Shares at the time, in the volumes or at the price they desire. Following the expiry of the applicable escrow periods, the possible sale of Shares by the Escrowed Shareholders, or the perception of a sale(s), could negatively impact the Share price.

In addition, following Completion of the Offer, the Existing Shareholder will have an interest in 61.2% of the Shares, allowing the Existing Shareholder to continue to exert significant influence over matters relating to Adrad including the election of Directors and control transactions such as takeovers or schemes of arrangement. This concentration of ownership may also affect the liquidity of the market for Shares on the ASX which may limit the prospects of Adrad being considered for a control transaction in the short to medium-term.

6.1.11. Insurance risk

Adrad seeks to maintain appropriate insurance policies in line with industry practice for companies in its sector. No assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims.

Adrad maintains insurance cover in respect of:

- Corporate Travel;
- Crime;
- Cyber Liability;
- Directors and Officers;
- Industrial Special Risk;
- Marine Transit;
- Motor Vehicle Fleet;
- Product Recall;
- Professional Indemnity;
- Public & Products Liability;
- Statutory Liability;
- Workers Compensation; and
- Income Protection.

6. Risks_{continued}

6.1.12. Ability to attract and retain key personnel

The Company's operational success and implementation of its key strategies will depend substantially on the continuing efforts of its senior executives. The loss of services of one or more senior executives may have an adverse effect on the Company's operations if there was a delay in recruiting appropriate replacements.

Further, the Company relies on its ability to attract, retain, motivate and train both skilled and unskilled employees. If the Company fails to retain existing employees and recruit and retain additional personnel at appropriate labour costs, this may have an adverse effect on the Company's ability to achieve its business plan.

If labour costs were to increase substantially, the Company may be unable to pass such increased costs onto customers in the short term, adversely impacting Adrad's profitability.

6.1.13. Litigation risk

Legal proceedings may arise from time to time in the ordinary course of business. Litigation risks may include, but are not limited to, contractual claims (with suppliers or customers), environmental claims, occupational health and safety claims, landlord claims, employee claims and regulatory disputes. There is a risk that material or costly disputes could affect the financial performance or reputation of the Company.

As at the Prospectus Date, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company. The Company has disclosed information concerning two known potential claims at Section 10.12, being potential prosecution for a workplace safety incident as described in Section 10.12.1 and a warranty claim for products supplied as described in Section 10.12.2.

6.1.14. Climate change risk

Changes in government policy, technological innovation and consumer or investor preferences could adversely impact the Company's business strategy, particularly in the event of a transition (which may occur in unpredictable ways) to a lower-carbon economy. If the transition from combustion engines to electric, hydrogen or other technologies was to accelerate rapidly, the Company may experience a reduction in its revenue and earnings.

6.1.15. Maintenance of equipment risk

The Company's facilities and equipment will require maintenance and replacement over time. The Company has made estimates regarding the maintenance and repair costs and the market value of used equipment.

Future operating and financial performance could be adversely affected because:

- maintenance and repair costs may be higher than estimated;
- maintenance and repairs need to be undertaken earlier than anticipated; or
- there is a significant operational failure requiring unplanned maintenance expenditure.

Future operating and financial performance could be adversely affected because market values of used equipment may fluctuate and are generally lower as an item of equipment ages. In addition, the cost of the new equipment used may increase and therefore the Company may spend more on replacement equipment. Any such cost increases could materially and adversely impact the operating and financial performance of the Company.

6.1.16. Occupational health and safety

The operation of manufacturing, warehousing and repair workshop facilities exposes the Company and its workforce to occupational health and safety risks which must be carefully managed. Relevant laws and regulations may become more complex and stringent or the subject of increasingly strict interpretation and/or enforcement. Failure to comply with applicable regulations or requirements may result in significant liabilities, suspended operations and increased costs.

Industrial accidents may occur in relation to the performance of the Company's business. Such accidents may have operational and financial implications for the Company which may negatively impact on the financial performance and reputation of the Company.

6.1.17. Termination of arrangements with Capricorn

Capricorn is a co-operative that provides both credit and payment terms to a significant number of independent automotive workshops in Australia and New Zealand. Adrad is a Preferred Supplier to Capricorn members. If the arrangement as a Preferred Supplier to Capricorn members was terminated, Adrad may lose access to customers who utilise Capricorn's services and Adrad would become directly exposed to increased credit risk in managing workshop debtor accounts.

6.1.18. Execution of growth strategies

Adrad's current growth strategies include growing market share in its existing markets and expanding its technology into adjacent markets and products. There is a risk that these strategies are ineffective or achieved later than expected which may impact Adrad's operations and profitability.

The capacity of management to properly execute the Company's growth strategies after Admission may affect the Company's financial performance.

6.1.19. Transition from private to public company

As a private company Adrad has maintained appropriate management, business, reporting and operational systems to meet its needs and to comply with legislation and regulations. Adrad has implemented governance systems and processes appropriate to managing and operating a public company to ensure continued compliance with legislation and regulations. There is a risk that prior to implementing these systems and processes or as a consequence of them, unforeseen events may arise that could have an adverse impact on the Company's financial performance.

6.1.20. Technology and information systems

The Company relies on the effective and efficient operation of information technology, software systems, communications technology and other systems and equipment for its operations, including technology and systems provided by third parties. If any of these systems, software or technologies failed to operate effectively, or new system implementations or significant upgrades are required, the Company could suffer interruption to its services and loss of data which could lead to financial loss and damage to its reputation. This may be as a result of issues including hardware, software or system failures, computer viruses, third party service failures, cyber-attacks or other cyber incidents. Further, failure of the Company's disaster recovery arrangements to operate effectively could also result in financial loss and damage to the reputation of the Company.

6.1.21. Liability risk

The manufacture and supply of goods and the provision of services by the Company carries with it a risk of liability for losses arising from the provision of defective goods or services, environmental damage, personal injury or property damage and indirect or consequential losses suffered by third parties. The Company's insurance and contractual arrangements may not adequately protect it against such liabilities and any loss falling outside the scope of insurance may adversely affect the Company's financial performance and reputation.

6.1.22. Unforeseen expenses

The Company's cost estimates, and financial forecasts include appropriate provisions for material risks and uncertainties and are fit for purpose for the proposed activities of the Company. If risks and uncertainties prove to be greater than expected, or if new currently unforeseen material risks and uncertainties arise, the expenditure proposals of the Company are likely to be adversely affected.

6.1.23. Impact of COVID-19

COVID-19 and other pandemics that may occur can be disruptive not only to the Company directly but also to the Company's customers and suppliers. These disruptions can include employee absenteeism, supply chain limitations, increased freight and logistics costs and reduced use of motor vehicles which individually or collectively may adversely affect the Company's financial performance.

6. Risks_{continued}

6.2. General risks

6.2.1. Price of Shares

Once the Company becomes a publicly listed company, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Company's share price that are not explained by the Company's fundamental operations and activities.

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following quotation on ASX, even if the Company's earnings increase.

Some of the factors which may adversely impact the price of the Shares include, but are not limited to, the number of potential buyers or sellers of Shares on ASX at any given time, fluctuations in the domestic and international markets for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, commodity prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, recommendations by brokers or analysts, global hostilities, tensions and acts of terrorism, the nature of the markets in which the Company operates and general operational and business risks.

Deterioration of general economic conditions may also affect the Company's business operations, and the consequent returns from an investment in Shares.

6.2.2. Shareholder dilution

In the future, the Company may elect to issue further Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders at the time may be diluted as a result of such issues.

6.2.3. Inability to pay dividends or make other distributions

The ability for future dividends or other distributions to be paid by the Company will be at the discretion of the Board and contingent on its ability to generate profits. Furthermore, to the extent that the Company pays any dividends, the ability to offer fully franked dividends is contingent on making taxable profits in excess of accumulated losses. Taxable profits may be volatile, making the payment of dividends unpredictable.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

6.2.4. Taxation changes

An investment in Shares involves tax considerations which differ for each Shareholder depending on their individual financial affairs. Each prospective investor is encouraged to seek independent financial advice about the consequences of acquiring Shares pursuant to the Offer from a taxation viewpoint and generally.

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted, may impact the Company's tax liabilities or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change.

To the maximum degree permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

6.2.5. General economic conditions

Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on operating conditions and costs. The Company's future income, asset values and Share price can be affected by these factors and by exchange rate movements.

Adrad purchases parts from both local and global suppliers in Australian dollars. Currency fluctuations may affect the price at which Adrad purchases parts and materials from suppliers and impact Adrad's profitability if price changes cannot be passed on to customers.

Commodity prices for key inputs into the manufacturing process (copper, brass, steel and aluminium) fluctuate according to supply and demand constraints which are influenced by external factors.

6.2.6. Reputational risk

Any negative publicity or announcement relating to any of the Company's substantial Shareholders, key personnel or activities may adversely affect the performance of the Company's Shares, whether it is justifiable or not. Examples of such negative publicity or announcements may include involvement in legal or insolvency proceedings, failed business transactions or joint ventures.

6.2.7. Accounting standards

Changes in the Australian Accounting Standards and subjective assumptions, estimates and judgements by management related to complex accounting matters could significantly affect the Company's financial results or financial condition.

There is also a risk that interpretations of existing Australian Accounting Standards, including the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's financial statements.

6.2.8. Force majeure

Force majeure is a term used to refer to an event beyond the control of a party claiming that the event has occurred. Significant catastrophic events (such as war, acts of terrorism, pandemics, loss of power, cyber security breaches or global threats) or natural disasters (such as earthquakes, fire or floods or the outbreak of epidemic disease) could disrupt the Company's operations and those of its customers. Such impacts may affect the Company's ability to deliver goods and services to its customers by interrupting critical functions, reducing demand for the Company's goods and services, preventing customers or suppliers from honouring their contractual obligations to the Company, or otherwise harming the Company's business. To the extent that some disruptions or uncertainties result in delays to the delivery of goods or services, or the cancellation of contracts, the Company's business, results of operations and financial condition could be harmed.

6.2.9. Unforeseen risk

There may be other risks of which the Directors are unaware as at the Prospectus Date which may impact on the Company, its operations and/or the valuation and performance of its Shares.

6.3. Speculative nature of investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

As a result, the Shares to be issued or transferred pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

7.

Key People, Interests and Benefits



Adrad's Aftermarket product range includes a variety of automotive service and repair parts.

7. Key People, Interests and Benefits



7.1. Board of Directors

The Directors have been selected for their extensive experience and expertise. They bring a variety of skills and experience to the Board, including industry and business knowledge, corporate governance, financial management and operational experience.

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to apply for Shares. No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer, or within a 12 month period after they ceased to be an officer.

The Company considers that a Director is an independent director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere, with the independent exercise of the Director's judgement. The Company has also assessed the independence of its Directors having regard to the requirements for independence which are set out in Recommendation 2.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) (**ASX Recommendations**).

Table 18: Board of Directors

Director & Experience	
	<p>Glenn Stuart Davis <i>Independent Non-Executive Director and Chair</i> LLB, BEc, FAICD</p> <p>Mr Davis was appointed as Chair of the Company on 17 January 2022. Mr Davis is a lawyer with more than 30 years' experience advising public and private entities throughout Australia on a full range of corporate and business law issues, including capital raisings, listings, mergers by acquisition and schemes of arrangement, ASIC, ASX and legislative compliance, capital reductions and other securities issues and transactions.</p> <p>Mr Davis' expertise and experience now sees him in the role of director on a number of public and private companies. He is the Chair of ASX-listed Beach Energy Limited (ASX:BPT), having served on its board since 2007 and as Chair since 2012.</p>
	<p>Gary David Washington <i>Executive Director</i></p> <p>Mr Washington and his wife, Karen Washington, founded Adrad in 1985. Mr Washington was Chair of the Company from its establishment until the appointment of Mr Davis to the role in January 2022. Mr Washington has successfully led significant growth in the Company's business since its establishment, both organically and by way of acquisition, including the acquisition of the Natra group of companies in 2006.</p> <p>Mr Washington has over 50 years' experience in the industrial and automotive heat exchange industries and in manufacturing in Australia.</p> <p>In addition to his role as a Director on the Board, Mr Washington also acts in an executive capacity. Please see Section 7.5.1 for details of Mr Washington's executive employment arrangements.</p>

7. Key People, Interests and Benefits continued

Director & Experience



Donald McGurk

Independent Non-Executive Director

HNC, Mech Eng, MBA, FAICD, Harvard AMP

Mr McGurk joined the Board of the Company on 23 March 2022. Mr McGurk is the former Managing Director and Chief Executive Officer of ASX-listed Codan Limited (ASX:CDA), having held that position from 2010 until his retirement in March 2022. Codan Limited is a global electronic solutions company developing technology solutions such as metal detection, tactical and critical communication solutions for government, military, public safety, non-government organisations and consumer markets internationally.

Mr McGurk has an extensive background in change management applied to manufacturing operations and has held senior manufacturing management positions in several industries.

Mr McGurk is also a non-executive director of Aerometrex Limited (ASX:AMX) (appointed 3 March 2022).

7.2. Key Management Team

Table 19: Key Management Team

Executive & Experience



Donald Stuart Cormack

Chief Executive Officer

Mr Cormack has over 40 years' experience as a senior executive and as a business, tax and audit adviser. Mr Cormack was a Partner in Ernst & Young for over 20 years, prior to his appointment as the Chief Executive Officer of the Company in 2006, following Adrad's acquisition of the Natra group of companies.

Mr Cormack holds a Bachelor of Economics Degree (Adelaide University) and his experience and professional affiliations include:

- Director and the Treasurer of the Australian Automotive Aftermarket Association;
- Fellow of the Institute of Chartered Accountants in Australia;
- Member of CPA Australia;
- Member of the Australian Institute of Company Directors; and
- Member of the Institute of Taxation in Australia.



Christopher Allan Newman

Chief Financial Officer and Joint Company Secretary

Mr Newman was appointed to the role of Chief Financial Officer of the Company in 2011. Prior to his appointment, Mr Newman was employed as the Company's accountant since 2000. The Company is undertaking a process to recruit a new Chief Financial Officer and Mr Newman will step down from his current role following an orderly transition.

Before joining Adrad, Mr Newman served as company accountant of Baker Hydraulics Pty Ltd for 12 years.

Mr Newman is an affiliated member of the Governance Institute of Australia Ltd.

Executive & Experience



Kevin James (Jamie) Baensch

General Manager – Air Radiators Pty Ltd

Mr Baensch is the General Manager of the Company's OE segment and also oversees the operations of Air Radiators Thailand. Mr Baensch is a professional engineer with over 30 years' experience in the manufacturing sector and holds a Bachelor of Engineering (Mechanical) from Swinburne University.

Prior to his appointment with the Company in 2010, Mr Baensch was the Executive Director of Marand Precision Engineering for 2 years and before that spent 12 years with Air International Group with senior management roles in Australia and China.

Mr Baensch's other professional affiliations include:

- Advisory Councillor to the Victorian and National Councils of the Australian Industry Group;
- Advisory Board Member, School of Engineering, Deakin University;
- Advisory Board Member, Institute for Intelligent Systems Research and Innovation (IISRI), Deakin University;
- Director (and past Chair) of the Geelong Manufacturing Council; and
- Fellow of Engineers Australia.



Branko Stojakovic

General Manager – Air Radiators Industrial Pty Ltd

Mr Stojakovic is the General Manager of the Company's Air Radiators Industrial business. He has over 38 years' experience in the heat transfer industry and has had involvement in all operational areas including design, manufacturing planning, production, sales, business development and general management.

Mr Stojakovic joined the Company in 2006 as part of the acquisition of the Natra group of companies, where he held senior positions for over 15 years.

7.3. Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director or proposed Director;
- (b) person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter to the Offer or financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

7. Key People, Interests and Benefits continued

holds as at the Prospectus Date, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- (e) the formation or promotion of the Company;
- (f) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (g) the Offer.

Other than as set out below or elsewhere in this Prospectus, no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer to induce them to become, or qualify as a Director, or for services provided in connection with the formation or promotion of the Company or the Offer.

7.4. Directors' interests and remuneration

7.4.1. Directors' interests in Shares and other securities

As at the Prospectus Date, the Directors hold the Shares set out in Table 20 below either personally, or through entities associated with the Director (excluding any Shares applied for under the Offer). The Existing Shares, in which Mr Washington has an interest, will be subject to escrow arrangements. Refer to Section 8.13 for further details.

Table 20: Director's interests in Shares

Director	Shareholding immediately prior to the Offer	Percentage interest in Shares immediately prior to the Offer	Proposed percentage interest ¹ in Shares at Admission ²
Glenn Stuart Davis	Nil	0%	0%
Gary David Washington	53,986,781, being the Existing Shares	100%	61.2%
Donald McGurk	Nil	0%	0%

Notes:

1. The Directors are entitled to apply for Shares under the Offer. The above table does not take into account any Shares the Directors may acquire under the Offer. As at the Prospectus Date, none of the Directors intend to participate in the Offer. The Directors' final shareholdings will be released to ASX at the time of Admission.
2. The proposed percentage interest in Shares of each Director at Admission is based on the corporate structure of the Company at Admission, as summarised in Section 10.4.

7.4.2. Executive Director remuneration and benefits

The Company has entered into an executive services agreement with Mr Washington in respect of his employment as Executive Director. Details of these arrangements are set out in Section 7.5.1 below.

Mr Washington has also entered into an appointment letter with the Company confirming the terms of his appointment and his roles and responsibilities as a Director.

Mr Washington receives other indirect benefits from the Company as a result of a number of related party arrangements, which are summarised in Section 7.4.4.

7.4.3. Non-Executive Director remuneration and benefits

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company's Shareholders in general meeting. This amount has been fixed initially via a shareholder's resolution passed in accordance with the Company's Constitution at \$600,000 per annum in aggregate and may be varied by further ordinary resolution in general meeting.

The Company has entered into a director appointment agreement with DMAW Lawyers Pty Ltd (**DMAW Lawyers**), of which Mr Davis is a principal, under which the Company pays DMAW Lawyers Pty Ltd \$150,000 plus GST to procure the appointment of Mr Davis as the Chair of the Board.

DMAW Lawyers has also provided legal services to the Company. Those services were not provided specifically in connection with the Offer, but were provided in relation to the Company's ongoing operations, including employment arrangements with its employees. The fees paid by the Company to DMAW Lawyers for such legal services have, to date, not been material. The Company may engage DMAW Lawyers after Admission for the provision of similar legal services from time to time, but is not party to any ongoing retainer or other agreement with DMAW Lawyers.

Mr McGurk has entered into an appointment letter with the Company confirming the terms of his appointment and his roles and responsibilities. Mr McGurk's appointment letter is otherwise on standard commercial terms. Mr McGurk receives fees of \$90,000 per annum (exclusive of superannuation) as at the Prospectus Date.

Additional fees may be payable to Directors in consideration of their role as Chair of a Board Committee, as detailed in Section 7.7.2 below. As at the Prospectus Date, neither Mr Davis nor Mr McGurk receives additional fees for their roles as Chair of the Remuneration and Nomination Committee or Audit and Risk Committee respectively.

7.4.4. Related party transactions

The Company has entered into the following related party transactions:

- (a) letters of appointment with each of its Non-Executive Directors on standard arm's length terms, and legal fees paid to DMAW Lawyers, of which Mr Davis is a principal (refer to Section 7.4.3 for details);
- (b) deeds of indemnity, access and insurance with each of its Directors on standard arm's length terms (refer to Section 10.7 for details);
- (c) an employment agreement with Mr Washington in relation to his appointment as Executive Director, under which he will be paid reasonable remuneration for his executive duties (refer to Section 7.5.1 for details);
- (d) an employment agreement with Mrs Washington in relation to her appointment as Co-Founder Relationship Manager, under which she will be paid reasonable remuneration for her employment duties (refer to Section 7.5.6 for details);
- (e) supply arrangements with Harrop Engineering Australia Pty Ltd ACN 134 196 080 (**Harrop Engineering**). Harrop Engineering is a related party of the Company as it is 100% owned by the Existing Shareholder and its directors are Mr and Mrs Washington (refer to Section 10.8 for details); and
- (f) various leases with Harlaxton Pty Ltd ACN 058 185 760 (**Harlaxton**) and Arlyngton Pty Ltd (ACN 058 716 573) (**Arlyngton**), both of which are related parties of the Company as they are controlled by Mr and Mrs Washington, who are directors and controlling shareholders of each entity (refer to Section 10.9 for details).

At the date of this Prospectus, no other material transactions with related parties or Directors' interests exist of which the Directors are aware, other than those disclosed in this Prospectus.

7. Key People, Interests and Benefits continued

7.5. Management interests and employment arrangements

7.5.1. Executive Director

Details regarding the terms of employment of Mr Washington as Executive Director are set out below:

Term	Description
Role and responsibilities	<p>Mr Washington's role as Executive Director is a full-time position under which Mr Washington will provide high-level strategic, technical and relationship support to the Company.</p> <p>Mr Washington's duties as Executive Director include:</p> <ul style="list-style-type: none"> • assisting in the development and implementation of the Company's strategy and business planning activities; • maintaining existing relationships with key external stakeholders to support existing service and business activities; • technical research and support in respect to market trends, product design, sourcing and manufacturing; • liaising with OEMs and the Company's manufacturing team to assist in the development of solutions for OEM customers; • participating in external consultative processes with relevant stakeholders regarding the development of new products; and • involvement in the product sourcing process with respect to the Aftermarket segment.
Base salary	\$90,000 per annum exclusive of superannuation.
Termination	<p>The Company may terminate Mr Washington's employment at any time without cause by giving Mr Washington not less than one month's notice in writing or payment in lieu thereof or any part thereof, or such longer period as may be required under applicable industrial laws.</p> <p>Mr Washington may terminate his employment at any time without cause by giving the Company not less than one month's notice in writing.</p> <p>The Company may also terminate Mr Washington's employment without notice if Mr Washington:</p> <ul style="list-style-type: none"> • is convicted of any criminal offence involving dishonesty or which in the reasonable opinion of the Company is inconsistent with the continuation of his employment; • is guilty of any serious misconduct or neglect in performing his duties; • dies, becomes of unsound mind or commits an act of bankruptcy; • for a period of three consecutive months or for an aggregate period of three months in any 12 month period, through accident, illness or other physical or mental incapacity does not perform his duties and he was not on paid personal or other authorised leave during any part of that period; • commits a material breach or fails to comply with the terms of the employment agreement; or • fails to comply with any lawful direction of the Company.

7.5.2. Chief Executive Officer

Details regarding the terms of employment of the Chief Executive Officer, Mr Cormack are set out below:

Term	Description
Base salary	\$580,000 per annum (Remuneration) plus superannuation.
Initial Performance Rights	<p>The Company has granted Mr Cormack with 133,333 Performance Rights, calculated on the basis of \$200,000 divided by the Offer Price.</p> <p>These Initial Performance Rights have been issued under the Company's Performance Rights Plan, details of which are set out in Section 7.6.1.1.</p> <p>The specific terms and conditions of the Initial Performance Rights are also set out in Section 7.6.1.2.</p> <p>The Initial Performance Rights have been issued to Mr Cormack as a specific and stand-alone issue in connection with the Admission of the Company to the Official List of the ASX. The Initial Performance Rights are effectively being issued to Mr Cormack as a bonus, valued at \$200,000, in recognition of the significant additional work Mr Cormack has undertaken to assist the Company to achieve Admission. By providing the value of this bonus in the form of the Initial Performance Rights under the Performance Rights Plan which are subject to the requirement for continuous employment for a 12-month period, the Company is not required to pay that bonus using cash reserves, and Mr Cormack is incentivised to remain in employment with the Company in the crucial period post-Admission.</p> <p>Any future offers of Performance Rights to Mr Cormack will be made pursuant to the short-term and long-term incentive benefits contemplated in his employment agreement and summarised below.</p>
Short-Term Incentives	<p>Mr Cormack may be entitled to an annual short-term incentive (STI) benefit of up to a maximum gross value of 25% of the Remuneration amount for each financial year during which Mr Cormack is employed as the Chief Executive Officer commencing on 1 July 2022.</p> <p>Any STI benefits will be:</p> <ul style="list-style-type: none"> • as to 50% of the STI benefit, in the form of Performance Rights; and • as to 50% of the STI benefit, in cash. <p>Any STI benefit will be determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established by the Board.</p>

7. Key People, Interests and Benefits continued

Term	Description
Long-Term Incentives	<p>Mr Cormack may be entitled to a long-term incentive (LTI) benefit of up to a maximum value of 25% of the Remuneration amount.</p> <p>Any LTI benefit will be:</p> <ul style="list-style-type: none"> • in the form of Performance Rights; and • determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established by the Board. <p>The performance metrics for assessment of any LTI benefit from time to time will be determined by the Board having regard to considerations of long-term shareholder value creation.</p> <p>Any LTI benefit must be determined by the Board, within a reasonable period of the end of the relevant financial year as determined by the Board.</p>
Termination	<p>The Company may terminate Mr Cormack's employment at any time without cause by giving Mr Cormack not less than three months' notice in writing or payment in lieu thereof or any part thereof, or such longer period as may be required under applicable industrial laws.</p> <p>Mr Cormack may terminate his employment at any time without cause by giving the Company not less than three months' notice in writing.</p> <p>The Company may also terminate Mr Cormack's employment without notice if Mr Cormack:</p> <ul style="list-style-type: none"> • is convicted of any criminal offence involving dishonesty or which in the reasonable opinion of the Company is inconsistent with the continuation of his employment; • is guilty of any serious misconduct or neglect in performing his duties; • dies, becomes of unsound mind or commits an act of bankruptcy; • for a period of three consecutive months or for an aggregate period of three months in any 12 month period, through accident, illness or other physical or mental incapacity does not perform his duties and he was not on paid personal or other authorised leave during any part of that period; • commits a material breach or fails to comply with the terms of the employment agreement; or • fails to comply with any lawful direction of the Company.

7.5.3. Chief Financial Officer

Details regarding the terms of employment of the Chief Financial Officer, Mr Newman, are set out below:

Term	Description
Base salary	\$215,289 per annum (Remuneration) plus superannuation.
Initial Performance Rights	<p>Following Admission, the Company proposes to offer Mr Newman 33,333 Performance Rights, calculated on the basis of \$50,000 divided by the Offer Price.</p> <p>If accepted, these initial Performance Rights will be issued under the Company's Performance Rights Plan, details of which are set out in Section 7.6.1.1.</p> <p>The specific terms and conditions of these initial Performance Rights are anticipated to reflect the material terms and conditions of the Initial Performance Rights issued to Mr Cormack and Mr Baensch, as set out in Section 7.6.1.2.</p> <p>These initial Performance Rights, if accepted, will be issued to Mr Newman as a specific and stand-alone issue in connection with the Admission of the Company to the Official List of the ASX. The rationale for the issue of these Performance Rights is the same as described above in relation to Mr Cormack's Initial Performance Rights. The value of the Performance Rights anticipated to be issued to Mr Newman is commensurate with his role. Any future offers of Performance Rights to Mr Newman will be made pursuant to the short-term and long-term incentive benefits contemplated in his employment agreement and summarised below.</p>
Short-Term Incentives	<p>Mr Newman may be entitled to an annual short-term incentive (STI) benefit of up to a maximum gross value of 25% of the Remuneration amount for each financial year during which Mr Newman is employed as the Chief Financial Officer commencing on 1 July 2022.</p> <p>Any STI benefits will be:</p> <ul style="list-style-type: none"> • as to 50% of the STI benefit, in the form of Performance Rights; and • as to 50% of the STI benefit, in cash. <p>Any STI benefit will be determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established by the Board.</p>
Long-Term Incentives	<p>Mr Newman may be entitled to a long-term incentive (LTI) benefit of up to a maximum value of 25% of the Remuneration amount.</p> <p>Any LTI benefit will be:</p> <ul style="list-style-type: none"> • in the form of Performance Rights; and • determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established by the Board. <p>The performance metrics for assessment of any LTI benefit from time to time will be determined by the Board having regard to considerations of long-term shareholder value creation.</p> <p>Any LTI benefit must be determined by the Board, within a reasonable period of the end of the relevant financial year as determined by the Board.</p>
Termination	The termination provisions of Mr Newman's employment agreement reflect those of Mr Cormack's employment agreement, as summarised in Section 7.5.2 above.

7. Key People, Interests and Benefits continued

7.5.4. General Manager – Air Radiators

Details regarding the terms of employment of the General Manger – Air Radiators, Jamie Baensch, are set out below:

Term	Description
Base salary	\$391,680 per annum inclusive of superannuation (Total Fixed Remuneration).
Initial Performance Rights	<p>The Company has granted Mr Baensch with 80,000 Performance Rights, calculated on the basis of \$120,000 divided by the Offer Price.</p> <p>These Initial Performance Rights have been issued under the Company's Performance Rights Plan, details of which are set out in Section 7.6.1.1.</p> <p>The specific terms and conditions of the Initial Performance Rights are also set out in Section 7.6.1.2.</p> <p>The Initial Performance Rights have been issued to Mr Baensch as a specific and stand-alone issue in connection with the Admission of the Company to the Official List of the ASX. The rationale for the issue of these Initial Performance Rights is the same as described above in relation to Mr Cormack's Initial Performance Rights. The value of the Initial Performance Rights issued to Mr Baensch is commensurate with his role. Any future offers of Performance Rights to Mr Baensch will be made pursuant to the short-term and long-term incentive benefits contemplated in his employment agreement and summarised below.</p>
Short-Term Incentives	<p>Mr Baensch may be entitled to an annual short-term incentive (STI) benefit of up to a maximum gross value of 25% of the Total Fixed Remuneration amount for each financial year during which Mr Baensch is employed as the General Manager – Air Radiators commencing on 1 July 2022.</p> <p>Any STI benefits will be:</p> <ul style="list-style-type: none"> • as to 50% of the STI benefit, in the form of Performance Rights; and • as to 50% of the STI benefit, in cash. <p>Any STI benefit will be determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established by the Board.</p>
Long-Term Incentives	<p>Mr Baensch may be entitled to a long-term incentive (LTI) benefit of up to a maximum value of 25% of the Total Fixed Remuneration amount.</p> <p>Any LTI benefit will be:</p> <ul style="list-style-type: none"> • in the form of Performance Rights; and • determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established by the Board. <p>The performance metrics for assessment of any LTI benefit from time to time will be determined by the Board having regard to considerations of long-term shareholder value creation.</p> <p>Any LTI benefit must be determined by the Board, within a reasonable period of the end of the relevant financial year as determined by the Board.</p>
Termination	The termination provisions of Mr Baensch's employment agreement reflect those of Mr Cormack's employment agreement, as summarised in Section 7.5.2 above.

7.5.5. General Manager – Air Radiators Industrial

Details regarding the terms of employment of the General Manager – Air Radiators Industrial, Branko Stojakovic, are set out below:

Term	Description
Base salary	\$297,313 per annum inclusive of superannuation (Total Fixed Remuneration).
Initial Performance Rights	<p>Following Admission, the Company proposes to offer Mr Stojakovic 46,667 Performance Rights, calculated on the basis of \$70,000 divided by the Offer Price.</p> <p>If accepted, these initial Performance Rights will be issued under the Company's Performance Rights Plan, details of which are set out in Section 7.6.1.1.</p> <p>The specific terms and conditions of these initial Performance Rights are anticipated to reflect the material terms and conditions of the Initial Performance Rights issued to Mr Cormack and Mr Baensch, as set out in Section 7.6.1.2.</p> <p>These initial Performance Rights, if accepted, will be issued to Mr Stojakovic as a specific and stand-alone issue in connection with the Admission of the Company to the Official List of the ASX. The rationale for the issue of these Performance Rights is the same as described above in relation to Mr Cormack's Initial Performance Rights. The value of the Performance Rights anticipated to be issued to Mr Stojakovic is commensurate with his role. Any future offers of Performance Rights to Mr Stojakovic will be made pursuant to the short-term and long-term incentive benefits contemplated in his employment agreement and summarised below.</p>
Short-Term Incentives	<p>Mr Stojakovic may be entitled to an annual short-term incentive (STI) benefit of up to a maximum gross value of 25% of the Total Fixed Remuneration amount for each financial year during which Mr Stojakovic is employed as the General Manager – Air Radiators Industrial commencing on 1 July 2022.</p> <p>Any STI benefits will be:</p> <ul style="list-style-type: none"> • as to 50% of the STI benefit, in the form of Performance Rights; and • as to 50% of the STI benefit, in cash. <p>Any STI benefit will be determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established by the Board.</p>
Long-Term Incentives	<p>Mr Stojakovic may be entitled to a long-term incentive (LTI) benefit of up to a maximum value of 25% of the Total Fixed Remuneration amount.</p> <p>Any LTI benefit will be:</p> <ul style="list-style-type: none"> • in the form of Performance Rights; and • determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established by the Board. <p>The performance metrics for assessment of any LTI benefit from time to time will be determined by the Board having regard to considerations of long-term shareholder value creation.</p> <p>Any LTI benefit must be determined by the Board, within a reasonable period of the end of the relevant financial year as determined by the Board.</p>
Termination	The termination provisions of Mr Stojakovic's employment agreement reflect those of Mr Cormack's employment agreement, as summarised in Section 7.5.2 above.

7. Key People, Interests and Benefits continued

7.5.6. Co-Founder Relationship Manager

Details regarding the terms of employment of the Co-Founder Relationship Manager, Karen Washington, are set out below:

Term	Description
Role and responsibilities	<p>Mrs Washington's role as Co-Founder Relationship Manager is a part-time position, under which Mrs Washington will provide support to the Company for an average of 19 hours per week in relation to various aspects of the Company's operations.</p> <p>Mrs Washington's duties as Co-Founder Relationship Manager include:</p> <ul style="list-style-type: none"> • assisting in monitoring and nurturing key internal and external relationships, including key customers (including franchisee and independent relationships) and seeking feedback on satisfaction with the Company's service; • providing assistant duties to Mr Washington in his capacity as Executive Director; and • arranging internal and external events, functions and conferences.
Base salary	\$90,000 per annum exclusive of superannuation.
Termination	<p>The Company may terminate Mrs Washington's employment at any time without cause by giving Mrs Washington not less than one month's notice in writing or payment in lieu thereof or any part thereof, or such longer period as may be required under applicable industrial laws.</p> <p>Mrs Washington may terminate her employment at any time without cause by giving the Company not less than one month's notice in writing.</p> <p>The Company may also terminate Mrs Washington's employment without notice if Mrs Washington:</p> <ul style="list-style-type: none"> • is convicted of any criminal offence involving dishonesty or which in the reasonable opinion of the Company is inconsistent with the continuation of her employment; • is guilty of any serious misconduct or neglect in performing her duties; • dies, becomes of unsound mind or commits an act of bankruptcy; • for a period of three consecutive months or for an aggregate period of three months in any 12 month period, through accident, illness or other physical or mental incapacity does not perform her duties and she was not on paid personal or other authorised leave during any part of that period; • commits a material breach or fails to comply with the terms of the employment agreement; or • fails to comply with any lawful direction of the Company.

7.6. Employee incentive arrangements

7.6.1. Performance Rights Plan

7.6.1.1. Performance Rights Plan rules

Prior to the Prospectus Date, the Company established a performance rights plan to align the interests of eligible employees with Shareholders through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons (**Performance Rights Plan**).

The key terms of the Adrad Holdings Performance Rights Plan are set out below:

Term	Description
Eligible participants	<p>An eligible participant includes a person:</p> <ul style="list-style-type: none"> • who is a senior executive of the Company or an associated company (together, an Employing Company); or • who receives an invitation under the Performance Rights Plan, but who can only make an application if an arrangement has been entered into that will result in the person becoming a senior executive of an Employing Company, <p>(Eligible Participant).</p> <p>A Director who is also a senior executive would be eligible to participate in the Performance Rights Plan. No non-executive Director would be eligible. As at the Prospectus Date, no executive Director currently participates or is proposed to participate in the Performance Rights Plan.</p>
Plan interests	<p>Eligible Participants will be provided with an opportunity to acquire a financial interest in the Company, which will align their interests more closely with shareholders and provide greater incentive for them to focus on the Company's goals.</p>
Quantum	<p>The number of Performance Rights offered to an Eligible Participant (or their nominee) will be specified in the invitation made to that Eligible Participant.</p> <p>Each Performance Right carries a right to receive a Share (subject to satisfaction of any performance criteria within any performance period).</p>
Terms and conditions	<p>The Board may from time to time invite an Eligible Participant to participate in the Performance Rights Plan (Invitation).</p> <p>The Board may, in relation to an Invitation made to an Eligible Participant, prescribe:</p> <ul style="list-style-type: none"> • the performance criteria that must be satisfied as a condition for a Share to be allocated in respect of a Performance Right; and • the performance period over which the performance criteria must be satisfied. <p>Invitations will specify, amongst other things:</p> <ul style="list-style-type: none"> • the number of Performance Rights available; • the performance criteria applicable to some or all of the Performance Rights (if any); • the performance period applicable to some or all of the Performance Rights (if applicable); • the time period in which an Eligible Participant has to make an offer to the Company; and • the circumstances in which the Performance Rights will, or are deemed to, lapse.

7. Key People, Interests and Benefits continued

Term	Description
<p>Terms and conditions continued</p>	<p>Following receipt by an Eligible Participant of an Invitation, the Eligible Participant may make an application to participate in the Performance Rights Plan by delivering to the Company a duly completed and executed application form within the closing time specified in the Invitation (Offer).</p> <p>The Board may then decide to accept or reject the Offer made by the Eligible Participant. The Offer is accepted by the Company granting the Performance Rights referred to in the Offer to the Eligible Participant (or its nominee). An Eligible Participant is not required to make any payment on acceptance of the Offer by the Company.</p> <p>A Performance Right will only vest if the Board determines that the performance criteria (if any) have been satisfied within the performance period.</p> <p>However, even where the relevant performance criteria has been satisfied within the performance period, the Board may in its absolute discretion determine that a Performance Right will not vest, and will instead lapse.</p> <p>Further, if at any time prior to the last date of the performance period:</p> <ul style="list-style-type: none"> • an Eligible Participant ceases to be an employee of an Employing Company as a result of special circumstances (including retirement, redundancy, death or permanent disablement of an Eligible Participant, or other circumstances that the Board determines from time to time) (Special Circumstances), the Board may at its discretion waive some or all of the performance criteria and determine the number of Performance Rights that may vest; and • a specified event occurs (including a takeover bid being made in respect of the Company or an insolvency event occurring with respect to the Company) (Event), the Board may at its discretion waive some or all of the performance criteria and determine that any unvested Performance Rights vest within 5 business days of an Event occurring (or such longer period determined by the Board) by giving written notice. <p>The Board may determine that instead of allocating Shares to a participant, the Company will pay a cash amount equivalent to the market value of the Shares (as determined by the Board) reduced by the amount and any superannuation contribution or taxes paid or withheld by the Employing Company.</p>
<p>Lapse of Performance Rights</p>	<p>A Performance Right will lapse on the earliest date that:</p> <ul style="list-style-type: none"> • is the last date of the performance period and the performance criteria have not been satisfied in respect of that right; • if the relevant person ceases to be an employee at any time before the end of the performance period (and there are no Special Circumstances), the date that the relevant person ceases to be an employee (or such longer period determined by the Board); • if there are Special Circumstances but the Board has not waived the performance criteria, is 30 days from the date of cessation (or such longer period determined by the Board); • if an Event occurs but the Board has not waived the performance criteria, is 5 business days of an Event occurring (or such longer period determined by the Board);

Term	Description
Lapse of Performance Rights continued	<ul style="list-style-type: none"> • the Board determines that the relevant person has, in the Board’s opinion: <ul style="list-style-type: none"> – been dismissed with cause; – committed any act of fraud, theft or gross misconduct in relation to the affairs of an Employing Company (whether or not charged with an offence); or – brought an Employing Company into disrepute; and • the Board determines that a breach or occurrence of any condition or event contained in the Invitation requires the lapse of the Performance Right.
Restrictions	<p>A participant must not assign, transfer, sell or grant a security interest or otherwise deal with a Performance Right. No Performance Rights will be quoted on ASX.</p>
Amendments	<p>The Board may at any time amend the Performance Rights Plan or waive or amend the application of any of the rules of the Performance Rights Plan in relation to a participant with retrospective effect.</p> <p>However, where any amendments will reduce any of the participant’s rights in respect of their Performance Rights or Shares, the Board must obtain the prior written consent of at least 75% of the participants affected by the change unless the amendment is to correct a manifest error or for the purpose of complying with applicable laws or to take into consideration possible adverse tax implications in respect of the Performance Rights Plan arising from changes to relevant tax guidance.</p> <p>The Board may also waive, amend or replace any performance measure in a performance criteria attaching to a Performance Right if the Board determines that the original performance criteria is no longer appropriate or applicable, provided that the interests of the relevant participant are not, in the opinion of the Board, materially prejudiced or advantaged relative to the position reasonably anticipated at the time of the grant.</p>
Rights to capital on a winding up	<p>The Performance Rights do not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.</p> <p>The Performance Rights do not entitle the holder to participate in the surplus profits or assets of the Company upon the winding up of the Company.</p>
Dividends and voting	<p>The Performance Rights do not confer on the holder an entitlement to vote at general meetings of the Company or to receive dividends.</p>
Reorganisation of capital	<p>In the event of any reorganisation (including consolidation, sub-division, reduction, capital return, buy back or cancellation) of the issued share capital of the Company, the rights attaching to Performance Rights shall be proportionately adjusted for any increase or decrease in the number of issued Shares.</p>

7. Key People, Interests and Benefits continued

Term	Description
Maximum number	For the purposes of ASX Listing Rule 7.2, Exception 13, the maximum number of Performance Rights which the Company anticipates issuing under the Performance Rights Plan in the 3-year period following Admission is 2,500,000 (some of which may vest during that time, with Shares allocated to the holder on vesting). This maximum is not intended to be a prediction of the actual number of Performance Rights to be issued under the Performance Rights Plan, but is specified for the purposes of setting a ceiling on the number of Performance Rights that can be issued under and for the purposes of ASX Listing Rule 7.2, Exception 13. If that number is reached, fresh Shareholder approval under ASX Listing Rule 7.2, Exception 13 would be required, otherwise any additional issues of Performance Rights under the Performance Rights Plan over the maximum will count towards the calculation of the Company's placement capacity under ASX Listing Rule 7.1.

7.6.1.2. Performance Rights on Issue

As at the Prospectus Date, the Company has issued only the Initial Performance Rights to Mr Cormack and Mr Baensch, as referred to in Sections 7.5.2 and 7.5.4. Details of the Initial Performance Rights are set out below.

In addition, following Admission, the Company proposes to offer:

- 33,333 Performance Rights to Mr Newman, as set out in Section 7.5.3;
- 46,667 Performance Rights to Mr Stojakovic, as set out in Section 7.5.5; and
- an additional 46,666 Performance Rights to various employees of the Company, calculated on the basis of a pool of \$70,000 divided by the Offer Price to be allocated as determined by the Board among those employees.

If accepted, these Performance Rights will be issued under the Company's Performance Rights Plan, details of which are set out in Section 7.6.1.1. The specific terms and conditions of these Performance Rights are intended to reflect the material terms and conditions of the Initial Performance Rights, as summarised below:

Term	Description
Entitlement	Subject to the terms and conditions set out below, and the terms of the Performance Rights Plan, each Initial Performance Right, once vested, entitles the holder to receive one Share (whether by way of issue or transfer).
Performance Criteria	The Initial Performance Rights will vest on the first anniversary of the date of the Company's Admission (Listing Anniversary), subject to: <ul style="list-style-type: none"> • the Company being admitted to the Official List of the ASX on or before 31 October 2022; and • the holder remaining employed by the Company on the Listing Anniversary.
Allocation of Shares	If the above performance criteria are satisfied, the Initial Performance Rights will vest and the Company will allocate Shares to the holder.
Consideration	The Initial Performance Rights were granted for nil cash consideration and no consideration will be payable upon the issue of Shares after vesting.
Expiry	The Initial Performance Rights will lapse on the first to occur of: <ul style="list-style-type: none"> • the Company not being admitted by 31 October 2022; and • the holder ceasing employment, or as otherwise set out in the Performance Rights Plan rules.

Term	Description
Restriction on transfer of Shares	If the Company is required but is unable to give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, Shares issued on conversion of the Initial Performance Rights may not be traded until 12 months after their issue unless the Company, at its sole discretion, elects to issue a prospectus pursuant to section 708A(11) of the Corporations Act. Except as set out in the Company's Securities Trading Policy and applicable laws, no other specific disposal restrictions apply to any Shares that are issued or transferred as a result of the conversion of the Initial Performance Rights.

7.6.2. Exempt Employee Share Plan

The Company has also established an Exempt Employee Share Plan to align the interests of eligible employees of the Company (and associated companies) with Shareholders (**Exempt Employee Share Plan** or **Share Plan**).

No grants of Shares have been made under the Share Plan as at the Prospectus Date.

The key terms of the Share Plan are as follows.

Term	Description
Eligible Participant	<p>An eligible participant is an employee who is a:</p> <ul style="list-style-type: none"> • permanent full-time or permanent part-time employee (other than an executive or non-executive director) of the Company or an associated company (each an Employing Company); or • person who receives an invitation under the Share Plan but who can only make an offer if an arrangement has been entered into that will result in the person becoming a permanent full-time or part-time employee, <p>who the Board determines to be eligible to participate in the Share Plan (Eligible Share Participant).</p> <p>Per the above, no Director of the Company is eligible to participate in the Share Plan.</p>
Plan interests	Eligible Share Participants will be provided with an opportunity to acquire fully paid ordinary shares in the capital of the Company (Plan Shares).
Quantum	The number of Plan Shares offered to an Eligible Share Participant will be specified in the invitation made to that Eligible Share Participant.
Terms and conditions	<p>The Board may from time to time invite Eligible Share Participants to participate in the Share Plan (Invitation). Invitations will be subject to such terms as the Board determines and will specify, amongst other things, the following:</p> <ul style="list-style-type: none"> • the maximum number of Shares that can be acquired by an Eligible Share Participant under the Share Plan; • the time period in which an Eligible Share Participant has to accept the Invitation; and • the proposed acquisition date of the Plan Shares by the Eligible Share Participant. <p>Following receipt by an Eligible Share Participant of an Invitation, the Eligible Share Participant may make an offer by delivering to the Company a duly completed and executed application form within the closing time specified in the Invitation. The Board may then decide to accept or reject the offer made by the Eligible Share Participant.</p> <p>The Board may from time to time in its absolute discretion provide Plan Shares to Eligible Share Participants for no monetary consideration.</p>

7. Key People, Interests and Benefits continued

Term	Description
Restrictions	<p>A Participant must not assign, transfer, sell or grant a security interest or otherwise deal with a Plan Share from the date that the participant acquires their Plan Shares until the earlier of:</p> <ul style="list-style-type: none"> • three years after the date of acquisition of the Plan Shares; and • the date that the Eligible Share Participant ceases to be an employee of an Employing Company, <p>(Restrictive Period).</p> <p>No restrictions on dealing with the Plan Shares apply after the Restrictive Period.</p>
Amendments	<p>The Board may at any time amend the Share Plan or waive or amend the application of any of the rules under the Share Plan in relation to an Eligible Share Participant from time to time with retrospective effect.</p> <p>However, where any amendments will reduce any of the Eligible Share Participants' rights in respect of their Plan Shares, the Board must obtain the prior written consent of at least 75% of the Eligible Share Participants affected by the change unless the amendment is to correct a manifest error or for the purpose of complying with applicable laws or to take into consideration possible adverse tax implications to the Share Plan arising from changes to relevant tax guidance.</p>
Maximum number	<p>For the purposes of ASX Listing Rule 7.2, Exception 13, the maximum number of Plan Shares which the Company anticipates issuing under the Share Plan in the 3-year period following Admission is 1,200,000. This maximum is not intended to be a prediction of the actual number of Plan Shares to be issued under the Share Plan, but is specified for the purposes of setting a ceiling on the number of Plan Shares that can be issued under and for the purposes of ASX Listing Rule 7.2, Exception 13. If that number is reached, fresh Shareholder approval under ASX Listing Rule 7.2, Exception 13 would be required, otherwise any additional issues of Plan Shares under the Share Plan over the maximum will count towards the calculation of the Company's placement capacity under ASX Listing Rule 7.1.</p>

7.7. Corporate governance

This Section explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company.

The Company has in place corporate governance practices which are formally embodied in corporate governance policies and codes adopted by the Board (**Policies**). The aim of the Policies is to ensure that the Company is effectively directed and managed, risks identified, monitored and assessed, and appropriate disclosures made to shareholders and, after Admission, to the market.

To the extent applicable, the Company's corporate governance principles and policies are structured to comply with the ASX Recommendations.

The ASX Recommendations set out recommended corporate governance practices for entities listed on the ASX that, in the ASX Corporate Governance Council's view, are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations. They are guidelines, not prescriptions. In light of the Company's size and nature, the Board considers that its current structure reflects a cost-effective and practical approach to directing and managing the Company and its operations. As the Company's activities develop in size, nature and scope, the structure of the Board and its approach to corporate governance generally (and its adoption of the ASX Recommendations) will continue to be assessed. The Company's departures from the ASX Recommendations as at the Prospectus Date are included at Section 7.7.12 below.

The Company will release a copy of its full Corporate Governance Statement to the ASX market announcements platform upon Admission.

As a listed entity, the Company will be required to report against the ASX Recommendations and disclose to stakeholders any divergence from the ASX Recommendations in its annual report.

The following is a summary of the Policies. A copy of each of the Policies is available on the Company's website.

7.7.1. Board Charter

The Board has adopted a Board Charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

- (a) delegating responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer/Managing Director;
- (b) specifying limits on the authority delegated to the Chief Executive Officer/Managing Director and the team of executives as appointed by the Company;
- (c) supporting the Chief Executive Officer/Managing Director to implement the running of the general operations and financial business of the Company including instilling and reinforcing the Company's values, in accordance with the delegated authority of the Board;
- (d) communicating with management and other employees within the Group to facilitate the effective carrying out of their duties as Directors;
- (e) appointing the Chair of the Board and any Directors;
- (f) driving the strategic direction of the Company and defining the Company's purpose, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- (g) approving the Company's statement of values and Code of Conduct (set out in Section 7.7.5) to ensure the desired culture within the Company is maintained and monitoring the implementation of such values and culture at all times;
- (h) ensuring that an appropriate framework exists for relevant information to be reported by management to the Board;
- (i) when required, challenging management and holding it to account;
- (j) monitoring the timeliness and effectiveness of reporting to Shareholders;
- (k) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- (l) approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the Company has sufficient clarity to be actively monitored;
- (m) approving the quarterly, half yearly and annual accounts;
- (n) approving material ASX announcements;
- (o) approving significant changes to the organisational structure;
- (p) approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends;
- (q) assessing performance against strategies to monitor both the performance of senior executives (being the Chief Executive Officer/Managing Director and other individuals as determined from time to time by the Remuneration and Nomination Committee) as well as the continuing suitability of strategies;
- (r) the appointment and replacement of the Chief Executive Officer/Managing Director, other senior executives and the Company Secretary and the determination of the terms and conditions of their employment including remuneration and termination;
- (s) approving the Company's remuneration framework and ensuring it is aligned with the Company's purpose, values, strategic objectives and risk appetite;

7. Key People, Interests and Benefits continued

- (t) reviewing and ratifying systems of audit, risk management (for both financial and non-financial risk) and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;
- (u) recommending to Shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the Corporation Act and ASX Listing Rules);
- (v) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making; and
- (w) procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively and to deal with new and emerging business and governance issues.

The composition of the Board, its performance and the appointment of new Directors will be reviewed from time to time by the Board. Election of Directors is substantially the province of shareholders in general meeting.

7.7.2. Board committees

In order to better manage its responsibilities, the Board has established the Audit and Risk Committee and the Remuneration and Nomination Committee. Each Committee has adopted a charter approved by the Board which sets out its responsibilities. Membership of Board committees will be based on the needs of the Company, ASX requirements and other regulatory requirements and the skills and experience of individual Directors.

Each Chair of a committee may receive additional fees in relation to the performance of that role, over their base fees received for their services as a Director. The amount of such additional fees may be determined by the Board from time to time, subject to the overall annual remuneration cap imposed on Director fees (as noted in Section 7.4.3). As at the Prospectus Date, the Board has not resolved to pay any additional fees to the Chair of any committee.

7.7.3. Audit and Risk Committee

The Audit and Risk Committee is currently comprised of:

- Donald McGurk (Chair);
- Glenn Davis; and
- Gary Washington.

The role and responsibilities, composition and membership requirements of the Audit and Risk Committee are documented in the Audit and Risk Committee Charter.

The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- (a) the quality and integrity of the Company's financial statements, accounting policies and financial reporting and disclosure practices;
- (b) compliance with all applicable laws, regulations and Company policy;
- (c) the effectiveness and adequacy of internal control processes;
- (d) the scope of the external auditor's work plan;
- (e) performance of the external auditors and their appointment and removal;
- (f) the independence of the external auditor and the rotation of the lead engagement partner;
- (g) the identification and management of business, economic, environmental, climate-related and social sustainability risks; and
- (h) the review of the Company's risk management framework at least annually to satisfy itself that it continues to be sound and to determine whether there have been any changes in the material business risks the Company faces and to ensure that they remain within the risk appetite set by the Board.

A secondary function of the Committee is to perform such special reviews or investigations as the Board may consider necessary.

The Company does not currently have an internal audit function in place. The Audit and Risk Committee Charter puts in place processes to monitor the Company's financial and risk management procedures. The Board currently considers these processes appropriate for the size and level of operations of the Company.

The Audit and Risk Committee Charter provides that the committee should comprise of at least three members, a majority of whom must be independent Non-Executive Directors. All members of the Audit and Risk Committee must be able to read and understand financial statements. The Chair of the Audit and Risk Committee must not be the Chair of the Board and must be independent. The Chair of the Audit and Risk Committee shall have leadership experience and a strong finance, accounting or business background.

The majority of the current members of the Audit and Risk Committee are independent Non-Executive Directors, and the Chair of the Committee is not the Chair of the Board and is an independent Director.

7.7.4. Remuneration and Nomination Committee

The Remuneration and Nomination Committee is currently comprised of:

- Glenn Davis (Chair);
- Donald McGurk; and
- Gary Washington.

The role and responsibilities, composition, structure and membership requirements of the Remuneration and Nomination Committee are documented in the Remuneration and Nomination Committee Charter.

The purpose of the Remuneration and Nomination Committee is to support and advise the Board in fulfilling its responsibilities to Shareholders by:

- (a) reviewing and approving the executive remuneration policy to enable the Group to attract and retain executives and Directors who will create value for Shareholders;
- (b) ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- (c) recommending to the Board the remuneration of executive Directors;
- (d) fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market without rewarding conduct that is contrary to the Group's values or risk appetite and having regard to the Group's commercial interest in controlling expenses;
- (e) ensuring incentives for Non-Executive Directors do not conflict with their obligation to bring an independent judgement to matters before the Board;
- (f) reviewing the Group's recruitment, retention and termination policies and procedures for senior management;
- (g) reviewing and approving the remuneration of direct reports to the Chief Executive Officer/Managing Director, and as appropriate other senior executives;
- (h) reviewing and approving any equity-based plans and other incentive schemes;
- (i) maintaining a Board that has an appropriate mix of skills, knowledge of the Company and the industry in which it operates and experience to be an effective decision-making body; and
- (j) ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

The Remuneration and Nomination Committee Charter provides that the committee should comprise of at least three Directors, a majority of whom must be independent Non-Executive Directors. The Committee will be chaired by an independent Director who will be appointed by the Board.

The majority of the current members of the Remuneration and Nomination Committee are independent Non-Executive Directors and the Chair of the Committee is an independent Director.

7. Key People, Interests and Benefits continued

7.7.5. Code of Conduct

The purpose of the Code of Conduct is to provide a framework and guidance for decisions and actions in relation to conduct in respect of employment. The Company is committed to making positive contributions to each of the communities in which it operates, while complying with all applicable laws and regulations and acting in a manner that is consistent with its foundational principles of honesty, integrity, fairness and respect.

It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, stakeholders and customers. It should be read in conjunction with the Company's Diversity Policy.

The Code of Conduct deals with the following principal areas:

- (a) compliance;
- (b) accountabilities;
- (c) the Company's values;
- (d) personal and professional behaviour;
- (e) conflicts of interest;
- (f) information systems, devices and social media;
- (g) public and media comment;
- (h) use of Company resources;
- (i) security of information;
- (j) intellectual property/copyright;
- (k) discrimination and harassment;
- (l) corrupt conduct;
- (m) occupational health and safety;
- (n) legislation;
- (o) fair dealing;
- (p) insider trading; and
- (q) responsibilities to Shareholders.

7.7.6. Continuous Disclosure Policy

The Company has in place written policies on information disclosure and relevant procedures for the preparation, verification and release of announcements and periodic corporate reports. The focus of these policies and procedures is on continuous disclosure compliance providing clear, concise and effective disclosure and improving access to information for investors. Any material price sensitive information will be disclosed to the ASX in accordance with these policies.

7.7.7. Shareholder Communications Policy

The Board is committed to ensuring that the Company maintains direct, open, timely and effective communications with all Shareholders. Information will be communicated to Shareholders through announcements to ASX, the Company's annual report, annual general meetings, half yearly and full year results, and the Company's website, (<https://www.adradholdings.com.au/>).

7.7.8. Diversity Policy

The Company has adopted a Diversity Policy which sets out its commitment to diversity and inclusion in the workplace. Under the Diversity Policy, the Board states its commitment to encouraging inclusive workplace practices and behaviours and foster a work environment that values the contributions of employees with diverse backgrounds, experiences and perspectives. The Board is also committed to workplace diversity at the senior level and the Board level of the Company.

7.7.9. Securities Trading Policy

The Company has a Securities Trading Policy which applies to all Directors and employees of the Company. The purpose of the policy is to set restrictions on dealing in securities to minimise the risk of insider trading, ensure the Company is able to meet its reporting obligations under the ASX Listing Rules and increase transparency to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

The Securities Trading Policy imposes a general prohibition on short-term trading, short selling, trading in derivatives and margin lending. It also imposes additional prohibitions on Directors, executives and employees directly reporting to the Chief Executive Officer in respect of dealings during closed periods and hedging unvested entitlements and establishes an approval procedure for any dealing. It also outlines the restrictions on dealing by employees.

7.7.10. Anti-Bribery and Corruption Policy

The Company has an Anti-Bribery and Corruption Policy for Directors, employees, temporary staff and contractors, and business associates of the Company. It sets out responsibilities of the Company and its management in upholding the Company's commitment to preventing any form of bribery or corruption, and provides information and guidance on how to recognise and deal with any potential bribery and corruption issues.

The policy also outlines the circumstances relating to receiving gifts, entertainment and hospitality and provides a reporting mechanism for allegations of bribery and corruption.

The policy prohibits facilitation payments, secret commissions, money laundering and donations to political parties or which are intended to obtain an improper advantage for the Company.

7.7.11. Whistleblower Policy

The Company has adopted a Whistleblower Policy to:

- (a) encourage and support people to feel confident to speak up safely and securely if they become aware of wrong-doing or illegal or improper conduct within the organisation;
- (b) provide information and guidance on how to report such conduct, how reports will be handled and investigated in a timely manner and the support and protections available if a report is made;
- (c) set out the responsibilities of the Company and its management in upholding the Company's commitment to reporting any illegal, unethical or improper conduct; and
- (d) promote ethical behaviour and a culture of speaking up to deter wrong-doing.

The Whistleblower Policy establishes the mechanisms and procedures for employees to report misconduct in a manner which protects the whistleblower and gathers the necessary information for the Company to investigate such reports and act appropriately.

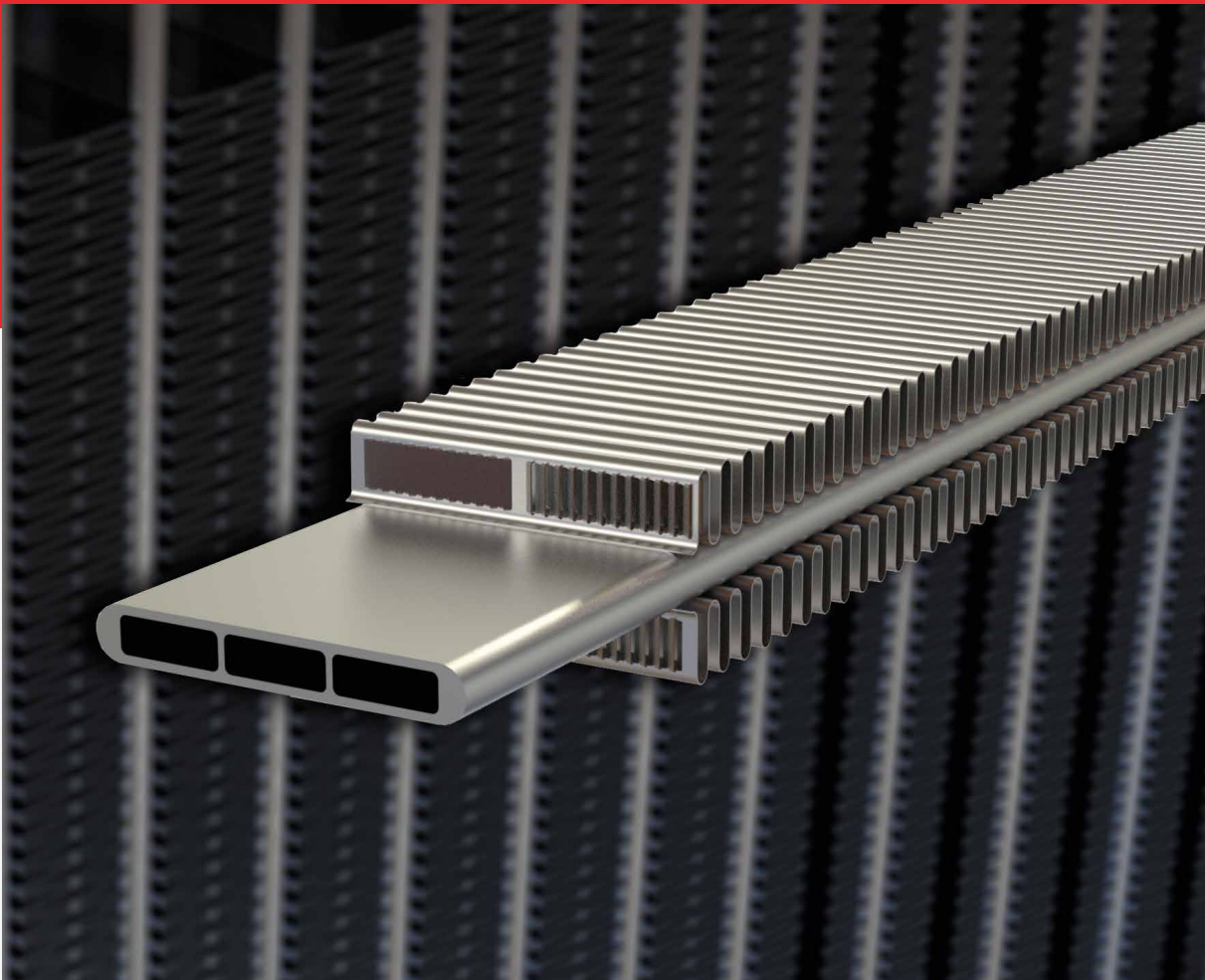
7.7.12. Departures from Corporate Governance Recommendations

The Company's departures from the ASX Recommendations are set out in the following table:

ASX Recommendation	Explanation for departure
4.1 The board of a listed entity should have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors.	<p>There are currently three members of the Audit and Risk Committee, being all of the current members of the Board.</p> <p>While the majority of the current members of the Audit and Risk Committee are independent Non-Executive Directors, one of those members is Mr Gary Washington, the Executive Director.</p> <p>Due to the Company's size and nature, the Board considers that the current structure of the Audit and Risk Committee reflects a cost-effective and practical approach to monitor and review risks affecting the Company's business and operation.</p>

8.

Details of the Offer



Award-winning Alu Fin designed by Air Radiators (Lara, VIC) showing individual extruded aluminium tube with louvred fin bonded to each side.

8. Details of the Offer

8.1. The Offer

This Prospectus relates to an initial public offering of approximately 14,666,667 Shares, comprising the sale of 4,666,667 Shares by SaleCo and the offer of 10 million New Shares by the Company, each at the Offer Price of \$1.50 per Share to raise \$22 million (before costs and expenses).

The Existing Shareholder has irrevocably offered to sell 4,666,667 of its Existing Shares (the **Sale Shares**) to SaleCo free from encumbrances and third party rights, and undertaken to deliver those Sale Shares to or as directed by SaleCo at Completion of the Offer subject only to the:

- (a) execution of the Underwriting Agreement and no termination of the Underwriting Agreement; and
- (b) receipt by the Company of a conditional admission letter from the ASX.

The total number of Shares on issue at Completion of the Offer will be 80,653,485. 49,320,114 of these Shares will be held by the Existing Shareholder and subject to the voluntary escrow arrangements described in Section 8.13. All Shares will, once issued, rank equally with each other in all respects. The rights and liabilities attaching to the Shares are further described in Section 10.10.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.1.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

This Prospectus also relates to an offer of Shares to the Convertible Noteholders to facilitate the conversion of their Convertible Notes to Shares in connection with the Admission of the Company. Details of the Convertible Noteholder Offer are set out in Section 8.11. Only the Convertible Noteholders may accept the Convertible Noteholder Offer.

8.2. SaleCo structure

The Existing Shareholder has irrevocably offered to sell a portion of their Shares (the Sale Shares) to SaleCo free from encumbrances and third party rights and undertaken to deliver those Sale Shares to or as directed by SaleCo at Completion.

SaleCo will acquire good title to the Sale Shares and may sell the Sale Shares under the Offer prior to payment of the consideration for the Sale Shares to the Existing Shareholder. SaleCo will pay the proceeds of the sale of the Sale Shares, net of the Existing Shareholder's share of the costs of the Offer, to the Existing Shareholder promptly following Completion.

The gross proceeds of the sale of Sale Shares by SaleCo is expected to be \$7 million.

8.3. Conditional Offer

The Offer under this Prospectus is conditional upon ASX providing the Company with a list of conditions which, once satisfied, will result in the Company's Admission.

If any of these conditions are not satisfied then the Offer will not proceed, no Shares will be allotted or transferred pursuant to this Prospectus and the Company will repay all Application Monies received under the Offer, without interest, in accordance with the Corporations Act.

8. Details of the Offer continued

8.4. Purpose of the Offer

The purpose of the Offer is to:

- (a) facilitate the Company's application for Admission;
- (b) provide funding to enable the Company to:
 - (i) acquire additional manufacturing plant and equipment to support the growth and expansion plans for the Company's operations (including in Thailand) and also the efficient manufacturing of heat exchangers for the power generation sector in Australia;
 - (ii) expand the existing manufacturing facility owned by the Company in Thailand, to facilitate the expansion referred to above;
 - (iii) provide working capital to support the growth in operations across the Group (debtors, inventory and costs associated with the planned increased distribution footprint); and
 - (iv) pay transaction costs associated with the Offer; and
- (c) provide the Existing Shareholder with the ability to partially realise the value of its holding in the Company.

8.5. Sources and uses of funds

The Offer is expected to raise \$22 million, which is equal to the number of Shares issued and sold under the Offer multiplied by the Offer Price.

The tables below set out in detail the proposed use of the Company's funds following Completion.

Table 21: Sources of funds

Sources of funds	\$ million	%
Offer proceeds from issue of new Shares by the Company	15.0	68.2%
Offer proceeds received by SaleCo from the sale of Sale Shares by Existing Shareholder	7.0	31.8%
Total sources of funds	22.0	100.0%

Table 22: Use of funds

Use of funds ¹	\$ million	%
Purchase of additional manufacturing plant and equipment to support the growth and expansion plans for the Thailand and Australian OE operations	5.3	24.10%
Expansion of the existing manufacturing facility owned by the Company in Thailand, to facilitate the expansion referred to above	1.0	4.55%
Purchase of additional plant and equipment to support the growth and expansion plans for the Aftermarket segment in Australia	2.0	9.10%
Working capital to support the growth in operations across the Group (debtors, inventory and costs associated with the planned increased distribution footprint) ²	4.3	19.55%
Transaction costs associated with the Offer ³	3.6	16.36%
Payment to Existing Shareholder (net of Existing Shareholder's share of transaction costs)	5.8	26.36%
Total	22.0	100%

Notes:

- Shareholders should note that the above estimated expenditures will be subject to modification on an ongoing basis depending on the results obtained from the Company's activities. Due to market conditions, the development of new opportunities and/or any number of other factors (including the risk factors outlined in Section 6), actual expenditure levels may differ significantly from the above estimates.
- This amount includes rent, inventory, office expenses, travel, corporate and governance costs, and insurance.
- Expenses paid or payable by the Company in relation to the Offer are set out in Section 8.18.

The Board believes that the funds raised from the Offer will provide the Company with sufficient working capital to achieve its stated objectives as detailed in this Prospectus.

The use of further equity funding by way of Share placements or other secondary capital raisings will be considered by the Board where it is appropriate to accelerate a specific project or strategy.

Based on the intended use of funds detailed above, the amounts raised pursuant to the Offer, combined with expected revenues generated from ongoing operations, will provide the Company with sufficient funding for its operations for the foreseeable future. The Directors have made enquiries and nothing has come to their attention to suggest that the Group is not continuing to earn profit from continuing operations up to the Prospectus Date. However, the Company may require further financing in the future. See Section 6.1.9 for further details about the risks associated with the Company's future capital requirements.

8.6. Structure of the Offer

The Offer is structured as follows:

- (a) the Broker Offer, which is only open to investors who have a registered address in Australia and who have received an allocation from their broker (see Section 8.8);
- (b) the Priority Offer, which is open to investors who have a registered address in Australia and who have received a priority invitation to participate in the Offer from the Company (see Section 8.9); and
- (c) the Institutional Offer, which consists of an invitation to apply for Shares made to Institutional Investors in Australia and New Zealand (see Section 8.10);

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares.

8.7. Key terms and conditions of the Offer

Table 23: Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Fully paid ordinary shares in the capital of the Company.
What are the rights and liabilities attached to the security being offered?	A description of the rights and liabilities attaching to the Shares is set out in Section 10.10.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$1.50 per Share.

8. Details of the Offer continued

Topic	Summary
What is the Offer Period?	<p>The Offer will open at 9.00am (AEST) on 25 August 2022.</p> <p>The key dates, including details of the Offer Period, are set out on page 7 of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEST, Australia time. The Company, in consultation with the Joint Lead Managers, reserves the right to vary both of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without prior notice).</p> <p>If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No Shares will be issued or transferred on the basis of this Prospectus later than 13 months after the Original Prospectus Date.</p>
What are the cash proceeds to be raised under the Offer?	<p>Approximately \$22 million will be raised under the Offer.</p>
Is the Offer underwritten?	<p>Yes. Details of the underwriting arrangements are outlined in Section 9.1.</p>
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> (a) the Broker Offer; (b) the Priority Offer; and (c) the Institutional Offer.
Who can apply for Shares under the Offer?	<p>The Broker Offer is open to Australian resident retail investors who have received a firm allocation from their Broker.</p> <p>The Priority Offer is open to persons in Australia who have received a priority invitation from the Company.</p> <p>The Institutional Offer is open to certain Institutional Investors in Australia and New Zealand. The Joint Lead Managers will advise Institutional Investors of the application procedures for the Institutional Offer.</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Offer, the Priority Offer and the Institutional Offer will be determined by the Joint Lead Managers with the agreement of the Company.</p> <p>With respect to the Broker Offer, it is a matter for the Broker how they allocate firm Shares among their eligible retail clients.</p> <p>The Company will determine the allocation of Shares within the Priority Offer after consultation with the Joint Lead Managers.</p> <p>The allocation of Shares among Applications in the Institutional Offer will be determined by the Joint Lead Managers with the agreement of the Company.</p> <p>See Sections 8.8.4, 8.9.5 and 8.10.2 for further information regarding the allocation policies.</p>

Topic	Summary
Will the Shares be listed?	<p>The Company will apply to the ASX for admission to the Official List and quotation of its Shares on the ASX under the code AHL.</p> <p>Completion of the Offer is conditional on, among other things, the ASX approving the application. If approval is not given within three months after the application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be dispatched by standard post on or about 27 September 2022.</p>
When are the Shares expected to commence trading?	<p>Shares will commence trading on ASX on or around 30 September 2022.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Company's Offer Information Line or confirmed your firm allocation through a broker.</p>
Are there any escrow arrangements?	<p>Yes. Details are provided in Section 8.13.</p>
Has any ASIC relief or ASX waiver been obtained or been relied on?	<p>Yes. Details are provided in Section 10.15.</p>
Are there any taxation considerations?	<p>The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. Refer to Section 10.13 for general tax considerations.</p>
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</p>
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Company's Offer Information Line on 1800 430 896 (within Australia) or +61 3 9415 4036 (outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday (excluding public holidays) during the Offer Period.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>

8. Details of the Offer continued

8.8. Broker Offer

8.8.1. Who may apply

The Broker Offer is open to clients of participating Brokers who have a registered address in Australia and who received an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Offer.

8.8.2. How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Offer, you should contact your Broker for information about how to submit your Application Form and for payment instructions. Applicants under the Broker Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Offer should contact their Broker to request a copy of this Prospectus and Application Form, or download a copy at www.adradholdings.com.au/investors. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (AEST) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Offer opens at 9.00am on 25 August 2022 and is expected to close at 5.00pm (AEST) on 15 September 2022. The Company and the Joint Lead Managers may elect to close the Offer or extend the Offer, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

The minimum Application size under the Broker Offer is \$2,001 of Shares in aggregate. There is no maximum Application size under the Broker Offer, however the Company and the Joint Lead Managers reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for. The Company may determine a person to be eligible to participate in the Broker Offer, and may amend or waive the Broker Offer application procedures or requirements, in its discretion in compliance with applicable laws.

8.8.3. How to pay

Applicants under the Broker Offer must pay your Application Monies to your Broker in accordance with instructions provided to you by your Broker.

8.8.4. Allocation Policy Under the Broker Offer

The allocation of Shares to Brokers will be determined by the Joint Lead Managers with the agreement of the Company. Shares which are allocated to Brokers for allocation to their Australian retail resident clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of the Company and the Joint Lead Managers to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

8.8.5. Application acceptance and Application monies

Applicants under the Broker Offer will be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding through the Broker from whom you received your allocation.

8.9. Priority Offer

8.9.1. Who may apply

The Priority Offer is open to selected investors nominated by the Company with a registered address in Australia who have received a Priority Offer invitation to acquire Shares under the Prospectus. The Priority Offer may include Directors and certain employees of the Company in Australia. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for Shares in the Priority Offer. For the avoidance of doubt, the Priority Offer is not open to persons who are in the United States.

Your personalised invitation will indicate an amount of Shares for which you may apply.

8.9.2. How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation to apply.

Recipients of the Priority Offer invitation should read the separate offer letter and this Prospectus carefully and in their entirety before deciding whether to apply under the Priority Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

To apply under the Priority Offer, you must complete the online Priority Offer Application Form in accordance with the instructions provided in your Priority Offer invitation and on the website containing the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications must be received by no later than 5.00pm (AEST) on the Closing Date and it is your responsibility to ensure that this occurs.

8.9.3. Is there a minimum or maximum Application size?

Applications under the Priority Offer must be for a minimum of \$2,001 worth of Shares in aggregate. Your personalised invitation will indicate the maximum amount of Shares for which you may apply.

8.9.4. How to pay

Applicants under the Priority Offer must pay their Application Monies by BPAY® in accordance with the instructions on the Application Form.

When completing your BPAY® payment, please make sure to use the specific biller code and unique Customer Reference Number (CRN) provided to you or generated by the online Application Form. Application Monies paid via BPAY® must be received by the Share Registry by no later than 5.00pm AEST on the Closing Date and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company, SaleCo nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

8. Details of the Offer continued

8.9.5. What is the Priority Offer allocation policy?

The allocation of Shares among Applicants in the Priority Offer will be determined by the Company in consultation with the Joint Lead Managers. There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant applied.

8.9.6. How do I confirm my allocation?

Applicants in the Priority Offer will be able to call the Adrad Offer Information Line on 1800 430 896 (within Australia) or +61 3 9415 4036 (outside Australia) from 8.30am to 5.30pm (AEST), Monday to Friday (excluding public holidays) to confirm their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Adrad Offer Information Line.

8.10. Institutional Offer

8.10.1. Invitations to bid

The Institutional Offer will consist an invitation to certain Institutional Investors in Australia and New Zealand to apply for Shares. The Joint Lead Managers will separately advise Institutional Investors of the application procedures for the Institutional Offer.

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

8.10.1.1. New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (New Zealand) (**FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- (a) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- (b) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- (c) is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- (d) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- (e) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

8.10.2. Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer will be determined by the Joint Lead Managers with the agreement of the Company. The Joint Lead Managers and the Company have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer will be advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy will be influenced, but not constrained, by the following factors:

- (a) number of Shares bid for by particular Applicants;
- (b) the timeliness of the bid by particular Applicants;
- (c) the Company's desire for an informed and active trading market following Admission;
- (d) the Company's desire to establish a wide spread of Institutional Shareholders;
- (e) overall anticipated level of demand under the Broker Offer, Priority Offer and Institutional Offer;
- (f) the size and type of funds under management of particular Applicants;
- (g) the likelihood that particular Applicants will be long-term Shareholders; and
- (h) any other factors that the Company, SaleCo and the Joint Lead Managers considered appropriate.

8.11. Convertible Noteholder Offer

This Prospectus includes an offer of 16,666,704 Shares to the Convertible Noteholders upon conversion of the Convertible Notes pursuant to the Convertible Note Deed Poll (the material terms of which are summarised in Section 9.2).

Relevantly, on the basis that Admission will occur prior to the maturity date for each Convertible Note, each Convertible Note held by a Convertible Noteholder will convert into 0.83 Conversion Shares on acceptance of the Convertible Noteholder Offer by that Convertible Noteholder. The basis for this conversion ratio is set out in Section 9.2.

Only the Convertible Noteholders may accept the Convertible Noteholder Offer. If you are a Convertible Noteholder, you will receive a personalised invitation to apply for your Conversion Shares via the Application Form, which will be made available to the Convertible Noteholders together with a copy of this Prospectus.

The Conversion Shares to be acquired by certain Convertible Noteholders will be subject to voluntary escrow arrangements as set out in Section 8.13.

The Convertible Noteholder Offer is conditional upon ASX providing the Company with a list of conditions which, once satisfied, will result in the Company's Admission.

If any of these conditions are not satisfied then the Convertible Noteholder Offer will not proceed, no Conversion Shares will be issued pursuant to this Prospectus and the Convertible Notes will not convert but will remain on foot, subject to the terms and conditions of the Convertible Note Deed Poll.

8.12. Acknowledgements

Each Applicant under the Offer or the Convertible Noteholder Offer will be deemed to have:

- (a) agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- (b) acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- (c) declared that all details and statements in their Application Form are complete and accurate;
- (d) declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- (e) acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- (f) applied for the number of Shares at the AUD amount shown on the front of the Application Form;
- (g) agreed to being allocated and issued or transferred the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- (h) authorised the Company, SaleCo and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- (i) acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- (j) agreed and acknowledged that the Company may only make any payments electronically (and has no obligation to make any payment by any other method) and that any payments may be delayed or not made if current electronic payment details have not been supplied by the Applicant(s) or Shareholder(s) at the relevant time;

8. Details of the Offer continued

- (k) agreed and acknowledged that, to the maximum extent permitted by law from time to time (and subject to any legal requirement to make a paper copy document available upon request), the Company may only provide notices, reports and communications to Applicant(s) and Shareholders(s) in electronic form or by email, and has a discretion to hold any general or class meeting on a virtual platform;
- (l) acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s), and has not had regard to the particular investment objectives, financial situation or needs of the Applicant(s);
- (m) declared that, where the relevant Offer category has eligibility criteria, the Applicant(s) meets those eligibility criteria;
- (n) declared that the Applicant(s) is/are a resident of Australia;
- (o) acknowledged and agreed that the Offer or Convertible Noteholder Offer (as applicable) may be withdrawn by the Company and SaleCo and or may otherwise not proceed in the circumstances described in this Prospectus; and
- (p) acknowledged and agreed that if Admission does not occur for any reason, the Offer or Convertible Noteholder Offer (as applicable) will not proceed.

Each Applicant under the Offer and the Convertible Noteholder Offer will be taken to have represented, warranted and agreed as follows:

- (a) it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws in accordance with the U.S. Securities Act registration requirements or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with the U.S. Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable state securities laws;
- (b) it is not in the United States;
- (c) if it is participating in the Offer, it is either in Australia or it is an Institutional Investor;
- (d) it has not sent and will not send this Prospectus or any other material relating to the Offer or Convertible Noteholder Offer to any person in the United States;
- (e) it is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S under the U.S. Securities Act; and
- (f) it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

8.13. Escrow arrangements

8.13.1. Voluntary escrow arrangements

Existing Shares held by the Existing Shareholder at the date of the Company's Admission, and Conversion Shares to be issued to the Convertible Noteholders listed in Table 4 below (collectively, the **Escrowed Shareholders**), will be subject to voluntary escrow under voluntary escrow agreements entered into with the Company.

It is estimated that 62,970,130 Shares (**Escrowed Shares**) will be subject to voluntary escrow, commencing on the date of Admission and ending at the end of trading on the day that is two business days after the date on which the Company releases its:

- (a) half year results for the 6 months ending on 31 December 2022 to ASX (**HY23**);
- (b) full year results for the 12 months ending on 30 June 2023 to ASX (**FY23**); or
- (c) half year results for the 6 months ending on 31 December 2023 to ASX (**HY24**),

as specified in Table 24 below (**Results Period**).

No mandatory escrow will be imposed on any Shares under the ASX Listing Rules.

The Company's free float at Admission will not be less than 20%.

Table 24: Voluntary escrow arrangements for Escrowed Shareholders

Escrowed Shareholder	Escrowed Shares	% of Holding	Results Period
Existing Shareholder	16,440,038	33.3%	HY23
	16,440,038	33.3%	FY23
	16,440,038	33.3%	HY24
Mainstream Fund Services Pty Ltd as custodian for Ellerston Pre-IPO Fund	937,501	45%	HY23
	937,501	45%	FY23
HSBC Custody Nominees (Australia) Limited	2,550,002	45%	HY23
	2,550,002	45%	FY23
Mainstream Fund Services Pty Ltd as custodian for Perennial Private to Public Opportunities Fund No 2	617,148	45%	HY23
	617,148	45%	FY23
Mainstream Fund Services Pty Ltd as custodian for Perennial Private to Public Opportunities Fund No 3 Foundation Class	142,501	45%	HY23
	142,501	45%	FY23
Mainstream Fund Services Pty Ltd as custodian for Perennial Private to Public Opportunities Fund No 3 Foundation Class A	660,971	45%	HY23
	660,971	45%	FY23
National Nominees Limited as nominee for Perennial Investment Management Limited as responsible entity for Perennial Emerging Companies Trust (A/C PVEMCT)	465,754	45%	HY23
	465,754	45%	FY23
National Nominees Limited as nominee for Perennial Investment Management Limited as responsible entity for Perennial Future Leaders Trust (A/C PVFLET)	138,629	45%	HY23
	138,629	45%	FY23
Washington H. Soul Pattinson and Company Limited	1,125,000	45%	HY23
	1,125,000	45%	FY23
HGL Investments Pty Ltd	93,751	45%	HY23
	93,751	45%	FY23
One Managed Investment Funds Limited as custodian for Fifth Estate Asset Management Pty Ltd as trustee for Fifth Estate Emerging Companies Fund I	93,751	45%	HY23
	93,751	45%	FY23

8. Details of the Offer continued

8.13.2. Restrictions on transfers

During the period in which the Escrowed Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner.

The Company will announce to its ASX platform full details (quantity and duration) of the Shares held in escrow prior to the Shares commencing trading on ASX.

It is intended that a holding lock be applied to the Escrowed Shares. The holding lock will prevent the Escrowed Shareholders from disposing of their Escrowed Shares for the applicable escrow period.

During the applicable escrow period set out in Table 24, the Escrowed Shareholders may 'deal' with their Escrowed Shares if the dealing arises solely in connection with:

- (a) acceptance of a bona fide takeover offer for all of the Shares on issue made under Chapter 6 of the Corporations Act, provided the holders of at least half of the non-escrowed Shares have accepted the takeover offer and the Escrowed Shares continue to be restricted if the relevant bid does not become unconditional or does not otherwise proceed;
- (b) the transfer or cancellation of Shares as part of a scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act, provided the Escrowed Shares continue to be restricted if the relevant scheme does not take effect;
- (c) if the Escrowed Shareholder is a trustee, the transfer of the legal title to the Escrowed Shares to another entity if the transfer of the legal title to the Escrowed Shares does not result in the change in beneficial ownership of the Escrowed Shares or extend escrow period; and
- (d) the grant of a security interest over any or all of the Escrowed Shares to a financial institution as security for a loan, hedge or other financial accommodation provided that:
 - (i) the security interest does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest that the Escrowed Shareholder has in any of the Escrowed Shares; and
 - (ii) no Escrowed Shares are able to be transferred or delivered to the financial institution or any other person in connection with the security interest and any agreement with the financial institution must provide that the Escrowed Shares are to remain in escrow.

For the purposes of the voluntary escrow arrangements, 'dealing' is broadly defined and means to directly or indirectly:

- (a) dispose of, or agree or offer to dispose of, an Escrowed Share or any legal, beneficial or economic interest in an Escrowed Share;
- (b) create, or agree to create, any security interest in an Escrowed Share or any legal, beneficial or economic interest in that Escrowed Share; or
- (c) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of that Escrowed Share or any legal, beneficial or economic interest in that Escrowed Share.

However, the voluntary escrow arrangements do not affect or in any way restrict rights attaching to the Escrowed Shares in relation to voting, receipt of dividends and distributions, or participation in rights issues, entitlement offers or any bonus or dividend reinvestment plans.

8.13.3. Substantial holding

Under section 608(1)(c) of the Corporations Act, the Company will be taken to hold a relevant interest in each of the Escrowed Shares as it will have control over the exercise of a power to dispose of the Escrowed Shares for the duration of the relevant escrow period.

At Admission, the Company will accordingly have a relevant interest in 62,970,130 Escrowed Shares, and will be a substantial shareholder. The Company will have an obligation to issue an initial substantial shareholder notice, and to issue further notices regarding changes in its substantial shareholding as the Escrowed Shares are progressively released from escrow.

8.14. Refunds

Application Monies will be refunded (in full or in part, as applicable) in Australian dollars where an Application is rejected, an Application is subject to a scale-back or if the Offer is withdrawn or cancelled.

No interest will be paid on any refunded amounts. The Company, irrespective of whether the issue or transfer of the Shares takes place, will retain any interest earned on the Application Monies.

Refund cheques will be sent as soon as practicable following the close or termination of the Offer.

8.15. Application to ASX for listing and quotation of Shares

The Company applied to ASX within seven days of the Original Prospectus Date for Admission and quotation of the Shares on ASX. The Company's ASX code is expected to be AHL.

The fact that ASX may admit the Company to the Official List of the ASX is not to be taken as an indication of the merits of the Company or the Shares offered for subscription under the Offer.

If permission is not granted for the quotation of the Shares on ASX within three months after the Original Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

On Admission, the Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

8.16. CHES and issuer sponsored holdings

The Company will apply to participate in ASX's Clearing House Electronic Subregister System (**CHES**) and will comply with the ASX Listing Rules and ASX Settlement Operating Rules. CHES is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHES subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHES or a Shareholder sponsored by a participant in CHES will be registered on the CHES subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number for CHES holders or, where applicable, the Securityholder Reference Number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

CHES holders will receive subsequent statements at the end of each month in which there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHES subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

8. Details of the Offer continued

8.17. Overseas Applicants

No action has been taken to register or qualify the Shares or the Offer in any jurisdiction outside Australia or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The distribution of this Prospectus in jurisdictions outside Australia, except to the extent permitted under this Section 8.17, may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue or transfer of the Shares pursuant to this Prospectus. Lodgement of a duly completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained and that there has been no breach of such laws.

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

8.18. Offer expenses

The Company and the Existing Shareholder will pay all of the costs associated with the Offer, with a proportionate split of 68.2%:31.8% based on \$15 million of the capital raise being apportioned to the Company and \$7 million to the Existing Shareholder under the sell down of the Sale Shares. If the Offer proceeds, the total estimated expenses in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be approximately \$3.6 million (excluding GST) as set out in the table below.

Cost (exclusive of GST)	A\$
Corporate Adviser fees	\$460,000
Joint Lead Managers and Underwriters fees	\$1,100,000
Legal fees	\$521,400
Audit, Assurance and Tax Adviser fees	\$835,867
ASX and ASIC fees	\$218,317
Printing and other costs	\$464,416
Total	\$3,600,000

9. Material Agreements



Brass header plates fitted to Adrad 3-row automotive copper cores (Beverly, SA) during assembly.

9. Material Agreements

Other than the SaleCo Deed summarised in Section 10.5, the Kenworth Australia arrangement summarised in Section 3.5.5, the Capricorn arrangement summarised in Section 3.4.4 and the agreements summarised below, the Directors do not consider that there are any other contracts which are significant or material to the Company.

Summaries of material contracts set out in this Prospectus do not purport to be complete and are qualified by the text of the contracts themselves.

9.1. Underwriting Agreement

The Offer is underwritten by the Underwriters pursuant to the Underwriting Agreement. The Underwriters have been appointed severally and on an exclusive basis to act as joint lead managers, bookrunners and underwriters for the Offer on the terms and conditions of the Underwriting Agreement.

In this Section 9.1, a reference to a 'Director' is a reference to a director of the Company and of SaleCo.

9.1.1. Fully underwritten

The Offer is fully underwritten. The Underwriters must apply for (or procure others to apply for) any shortfall of Shares not taken up under the Offer.

9.1.2. Fees and expenses

(a) The Company must pay, or procure payment to, the Underwriters, in their Respective Fee Proportions, of a:

- (i) management fee of 2.5%; and
 - (ii) selling/underwriting fee of 2.5%,
- of the Offer proceeds.

The 'Respective Fee Proportions' are defined:

- (iii) in respect of the Offer other than the Broker Offer, 50%:50%; and
- (iv) in respect of the Broker Offer, 33% to Bell Potter and 67% to Morgans.

(b) In addition to the fees described above, the Company has agreed to reimburse the Underwriters for certain agreed costs and expenses incurred by the Underwriters in relation to the Offer.

9.1.3. Representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain representations, warranties and undertakings given by the Company and SaleCo to the Underwriters that are considered standard for agreements of this nature.

The representations and warranties given by the Company and SaleCo relate to, amongst other things, matters such as power and authorisations, incorporation, shareholder approvals, information provided by the Company and SaleCo, due diligence (including on-going due diligence), ownership of assets, litigation, financial information, information in this Prospectus, the conduct of the Offer and compliance with the Corporations Act, the ASX Listing Rules and other applicable laws and legally binding requirements.

The Company's undertakings include, amongst other things, that it will:

- (a) notify the Underwriters of any breach of any representation, warranty or undertaking given by it under the Underwriting Agreement;
- (b) during the period following the date of the Underwriting Agreement until 120 days after the expected date of settlement of the issue or transfer of Shares under the Offer:
 - (i) carry on its business in the ordinary course; and
 - (ii) not issue (or agree to issue) any Shares or equity securities without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed), other than an issue of securities by the Company pursuant to the Performance Rights Plan as defined in Section 7.6.1.1.

9.1.4. Termination events not subject to materiality

An Underwriter may at any time prior to the end of the expected date of settlement of the issue or transfer of Shares under the Offer, by notice given to the Company, SaleCo and the other Underwriter, and without any cost or liability to that Underwriter, immediately terminate the Underwriting Agreement if any one or more of the following events occurs:

- (a) **(Offer documents)** an Underwriter forms the view (acting reasonably) that a statement contained in the Offer documents is or becomes misleading or deceptive or likely to mislead or deceive, or a matter required by the Corporations Act is omitted from the Offer documents (having regard to section 710, 711 and 716 of the Corporations Act) or if the issue of the Offer documents becomes misleading or deceptive or likely to mislead or deceive;
- (b) **(section 730 notice)** a person gives a notice to the Company under section 730 of the Corporations Act;
- (c) **(future matters)** there are not, or there ceases to be, reasonable grounds in the opinion of the Underwriters for any statement or estimate in the Offer documents, which relate to a future matter or any statement or estimate in the Offer documents that relate to a future matter is, in the reasonable opinion of the Underwriters, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (d) **(encumbrance)** other than as disclosed in the Prospectus or as required by applicable laws, the Company, SaleCo or any other Group company creates or agrees to create an encumbrance over the whole or a substantial part of its business or property;
- (e) **(market fall)** the S&P/ASX 200 Index published by ASX closes on two consecutive business days at a level that is 10% or more below its level at market close on the business day immediately preceding the date of this Prospectus;
- (f) **(offer of refund to investors)** any circumstance arises after lodgement of the Prospectus that results in the Company either repaying money received from persons who have applied for Shares or offering persons who have applied for Shares an opportunity to withdraw their application for Shares and be repaid their application money;
- (g) **(adverse change)** any material adverse change occurs in the assets, liabilities, share capital, Share structure, financial position or performance, profits, losses or prospects of the Company or the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Group) from those matters as disclosed in the Prospectus;
- (h) **(withdrawal of Prospectus)** either the Company or SaleCo withdraws the Prospectus or terminates the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- (i) **(no certificate)** the Company or SaleCo does not provide a certificate confirming compliance with the terms of the Underwriting Agreement in the manner required by the Underwriting Agreement or a statement in that certificate is untrue in any material respect, incorrect or misleading or deceptive;
- (j) **(insolvency)** a Group company is or becomes insolvent, or an act occurs or an omission is made which may result in a Group company becoming insolvent;
- (k) **(regulatory action)** any of the following occurs in relation to the Offer:
 - (i) ASIC issues proceedings in relation to the Company or SaleCo;
 - (ii) ASIC makes an order or interim order under section 739 or section 1324B of the Corporations Act concerning the Prospectus;
 - (iii) ASIC applies for an order under Part 9.5 of the Corporations Act in relation to the Offer or any Offer document;
 - (iv) ASIC holds, or gives notice of intention to hold, a hearing or investigation in relation to the Offer or any Offer document under the *Australian Securities and Investments Commission Act 2001* (Cth);
 - (v) ASIC prosecutes or gives notice of an intention to prosecute or commences proceedings against, or gives notice of an intention to commence proceedings against, the Company or any of its officers, employees or agents in relation to the Offer or any Offer document; or
 - (vi) any other government agency commences any investigation or hearing in relation to the Offer, or any Offer document;

9. Material Agreements continued

- (l) **(stop order)** ASIC makes an interim order (other than an interim order that does not become public and is dismissed or withdrawn by ASIC within 2 business days) or final stop order in relation to the Prospectus under section 739 of the Corporations Act or holds a hearing (other than a hearing which does not become public and is dismissed or withdrawn by ASIC within 2 business days) under section 739 of the Corporations Act in relation to the Prospectus or makes an application under section 1324 or 1324B of the Corporations Act;
- (m) **(withdrawal of consent)**
 - (i) any person whose consent to the issue of the Prospectus or any supplementary Prospectus is required by section 720 of the Corporations Act and who has previously consented to the issue of the Prospectus or any supplementary prospectus withdraws such consent;
 - (ii) any person gives a notice under section 733(3) of the Corporations Act; or
 - (iii) any person (other than an Underwriter) who has previously consented to the inclusion of their name or any statement in the Prospectus or any supplementary Prospectus withdraws that consent;
- (n) **(Supplementary Prospectus)** the Company lodges a supplementary Prospectus without the consent of the Underwriters or fails to lodge a supplementary Prospectus in a form acceptable to an Underwriter or, in an Underwriter's opinion, becomes required to lodge a supplementary Prospectus because of a circumstance set out in section 719(1) of the Corporations Act;
- (o) **(change in Directors and senior management)** a change in the senior management or in the board of Directors, as named in the documents related to the Offer, occurs without the prior written consent of the Underwriters or any such changes are announced, without the prior written consent of the Underwriter;
- (p) **(material adverse change in financial markets)** any of the following occurs:
 - (i) a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, Hong Kong or any member state of the European Union is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - (ii) trading in securities generally has been suspended or materially limited for at least one trading day, by any of the ASX, the Hong Kong Stock Exchange, the London Stock Exchange or the New York Stock Exchange;
- (q) **(disclosures in due diligence committee report)** the Underwriters form the view, acting reasonably, that the due diligence committee report or any information supplied by or on behalf of the Company or SaleCo to an Underwriter in relation to the Group or the Offer as part of the due diligence process is or becomes misleading or deceptive in a material respect, or information material to the Company or the business conducted by the Group has not been disclosed as part of the due diligence process;
- (r) **(Material Contracts)** if any of the obligations of the relevant parties under any of the material contracts referred to in this Section 9 are not capable of being performed in accordance with their terms (in the reasonable opinion of the Underwriters) or if all or any part of any of the material contracts:
 - (i) is terminated, withdrawn, rescinded, avoided or repudiated;
 - (ii) is altered, amended or varied (other than in the ordinary course of business) without the consent of the Underwriters (acting reasonably);
 - (iii) ceases to have effect, otherwise than in accordance with its terms;
 - (iv) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal; or
 - (v) is breached, or there is a failure by a party to comply;

- (s) **(ASX approvals)** any of the ASX approvals obtained to enable the Company and SaleCo to conduct the Offer, and for the Company to be admitted to the Official List are withdrawn, revoked, qualified, amended or withheld without the prior written approval of an Underwriter (or ASX indicates to the Company or the Underwriters that such approval is likely to be withdrawn, revoked, qualified, amended or withheld);
- (t) **(quotation approval)**
- (i) approval for official quotation is refused or not granted, other than subject to standard conditions customarily imposed, or any other conditions accepted in writing by an Underwriter by the approval date for official quotation or if approval is granted, such approval is subsequently withdrawn, qualified (other than subject to standard conditions customarily imposed) or withheld before Completion; or
 - (ii) if reasonable grounds exist for an Underwriter to believe that any ASX conditions to official quotation of the Shares will not be completed, fulfilled or waived by ASX so as to result in the Shares not being granted official quotation by the approval date for official quotation;
- (u) **(unauthorised changes)** the Company or a Group company:
- (i) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus;
 - (ii) ceases or threatens to cease to carry on business;
 - (iii) alters its capital structure, other than as contemplated in the Prospectus; or
 - (iv) amends its constitution or any other constituent document of the relevant company;
- (v) **(charge)** a person charges or encumbers or agrees to charge or encumber, the whole, or a substantial part of the business or property of the Company, SaleCo or the Group, other than pursuant to finance arrangements with BankSA;
- (w) **(action against Directors and senior management)**
- (i) a Director or any member of the senior management of the Group who is named in the Prospectus is charged with a criminal offence relating to any financial or corporate matter;
 - (ii) any government agency commences any public action against a Group company, any of the Directors or any member of the senior management of the Group who is named in the Prospectus, or announces that it intends to take any such action; or
 - (iii) any Director or any member of the senior management of the Group who is named in the Prospectus is disqualified under the Corporations Act from managing a corporation;
- (x) **(fraud)** a Director or a senior member of management of the Company or SaleCo engages in any fraudulent conduct or activity;
- (y) **(unable to proceed)** the Company and SaleCo are or will be prevented from conducting or completing the Offer by or in accordance with the ASX Listing Rules, ASIC, ASX, any applicable laws or an order of a court of competent jurisdiction or otherwise are or will become unable or unwilling to do any of these things;
- (z) **(timetable)** an event specified in the Offer timetable is delayed for more than 1 business day without the prior written approval of the Underwriters;
- (aa) **(Sale Shares)** the SaleCo Deed is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with; or
- (bb) **(voluntary escrow)** a voluntary escrow arrangement is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with.

9. Material Agreements^{continued}

9.1.5. Termination events subject to materiality

An Underwriter may at any time prior to the end of the expected date of settlement of the issue or transfer of Shares under the Offer, by notice given to the Company, SaleCo and the other Underwriter, and without any cost or liability to that Underwriter, immediately terminate the Underwriting Agreement if one or more of the termination events described below occurs or has occurred at any time before the end of the expected date of settlement of the issue or transfer of Shares (or such other time as specified in the termination event) and:

- (a) in the reasonable opinion of the Underwriters the termination event has had or resulted in or could be expected to have or to result in, individually or in aggregate with a separate termination event:
 - (i) a material adverse change in assets, liabilities, financial condition, financial position or performance, profits, losses, earnings, prospects or forecasts of the Company or the Group from those disclosed in the Prospectus, or a material adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus; or
 - (ii) a material adverse effect on the success or outcome of the Offer, or the ability of the Underwriters to market, promote or settle the Offer or the potential market price of the Shares; or
- (b) there is a reasonable possibility that the Underwriters will contravene, be involved in a contravention of, or incur a liability under the Corporations Act or any other applicable law as a result of the termination event.

The relevant termination events are as follows:

- (c) **(material adverse change in financial markets)** any adverse change or disruption occurs to the political conditions or financial markets of Australia, the United Kingdom, the United States of America, Hong Kong or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions;
- (d) **(compliance with regulatory requirements)** the Offer or the Offer documents do not comply with any applicable law or regulatory requirement;
- (e) **(new circumstance)** there occurs a new circumstance that has arisen since the Prospectus was lodged that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged;
- (f) **(litigation)** there is a negative development in litigation matters disclosed in Section 10.12 of the Prospectus;
- (g) **(change in laws)** any of the following occurs which does or is likely to prohibit, materially restrict or regulate the Offer or materially reduce the likely level of valid applications for Shares or materially affects the financial position of the Company or has a material adverse effect on the success of the Offer:
 - (i) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia;
 - (ii) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory or the Reserve Bank of Australia; or
 - (iii) the adoption by ASX or their respective delegates of any regulations or policy;
- (h) **(hostilities)** any of the following occurs:
 - (i) there is an outbreak of hostilities not presently existing, or a major escalation in existing hostilities occurs (in each case, whether or not a war or a national emergency has been declared);
 - (ii) a declaration is made of a national emergency or war (other than a declaration made in relation to pandemics or other health emergencies);
 - (iii) a terrorist act is perpetrated; or
 - (iv) a pandemic, epidemic or large-scale outbreak of a disease not presently existing occurs or in respect of which there is a major escalation, including an escalation resulting in a material shut-down of business,

involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, the People's Republic of China, Hong Kong, Thailand or Singapore, any diplomatic, military, commercial or political establishment of any of these countries elsewhere in the world;

- (i) **(legal proceedings and offence by Directors)** any of the following occurs:
 - (i) legal proceedings are commenced against the Company or SaleCo;
 - (ii) any Director is charged with an indictable offence or any regulatory body commenced any public action against the Director or announced that it intends to take any such action; or
 - (iii) any Director is disqualified from managing a corporation under section 206A, 206B, 206C, 206D, 206E or 206F of the Corporations Act;
- (j) **(compliance with regulatory requirements)** a contravention by the Company or any entity in the Group of the Corporations Act, the ASX Listing Rules, its constitution or any other applicable law or regulation;
- (k) **(Prospectus to comply)** the Prospectus, any Offer document or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- (l) **(public statements):**
 - (i) the Company or an entity in the Group issues a public statement concerning the Offer which has not been approved by an Underwriter; or
 - (ii) any of the public or other media statements is or becomes misleading or deceptive or likely to mislead or deceive;
- (m) **(breach)** the Company or SaleCo breaches any of its undertakings or obligations under the Underwriting Agreement;
- (n) **(false Certificate)** a statement in a certificate confirming compliance provided by the Company or SaleCo in accordance with the terms of the Underwriting Agreement is untrue, incorrect or misleading or deceptive at the time it is given;
- (o) **(representations and warranties)** any representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo is breached or becomes false, misleading or incorrect; or
- (p) **(prescribed occurrence)** an event specified in sections 652C(1) or (2) of the Corporations Act occurs in relation to the Company, SaleCo or any of other Group company.

9.1.6. Indemnity

Subject to certain customary exclusions (including fraud, recklessness, wilful misconduct, gross negligence and criminal penalties or fines arising from a breach of the Corporations Act or any other applicable law), the Company agrees to keep the Underwriters, their respective related bodies corporate, affiliates and each of any of their respective directors, officers, partners, employees, agents and advisers indemnified from losses suffered in relation to the Offer or the Underwriting Agreement.

9. Material Agreements continued

9.2. Convertible Note Deed Poll

The Company has entered into the Convertible Note Deed Poll under which 20 million Convertible Notes were issued to various investors at a face value of \$1 each (**Face Value**). Each Convertible Note was issued on 15 December 2021.

The key terms of the Convertible Note Deed Poll are as follows:

Clause	Term
Maturity Date	<p>The maturity date of the Convertible Notes is 12 months from the date of issue of the Convertible Notes (Maturity Date).</p> <p>The Company can extend the Maturity Date by a further 6 months (Extended Maturity Date) if the Company (acting reasonably) determines that the financial markets are not conducive to an initial public offering (IPO).</p> <p>The Company can extend the Extended Maturity Date for a further 6 months (Final Maturity Date) if the IPO is unable to be completed due to a force majeure event that occurred before the Extended Maturity Date.</p>
Conversion	<p>All of the Convertible Notes are to be converted if the Company notifies the Convertible Noteholders at any time prior to redemption of the Convertible Notes that an IPO or a trade sale of all of the assets or Shares in the Company will occur.</p> <p>In the event of an IPO, the Company must notify Convertible Noteholders if it has received a letter from the ASX advising that the Company has been conditionally admitted to the Official List (Conversion Notice).</p> <p>If the Conversion Notice is provided on or before the Maturity Date, the conversion price will be the lower of:</p> <ul style="list-style-type: none"> (a) the offer price under the prospectus for the IPO less 20% of that price; and (b) a \$125 million equity valuation (on a pre-money basis at the IPO) on a per-Share basis. <p>If the Conversion Notice is provided after the Maturity Date but on or before the Final Maturity Date, the conversion price will be the lower of:</p> <ul style="list-style-type: none"> (c) the offer price under the prospectus for the IPO less 25% of that price; and (d) a \$125 million equity valuation (on a pre-money basis at the IPO) on a per-share basis.
Redemption	<p>On or as soon as practicable after the Maturity Date, the Company must redeem all of the Convertible Notes by paying to the Convertible Noteholder the redemption amount, being:</p> <ul style="list-style-type: none"> (a) 125% of the Face Value if the Convertible Note is redeemed on or before the Maturity Date; or (b) 137.5% of the Face Value if the Convertible Note is redeemed after the Maturity Date but on or before the Final Maturity Date, <p>in respect of that Convertible Noteholder's Convertible Notes if the Convertible Notes have not previously been redeemed or converted.</p>
Interest	No interest is payable by the Company in respect of the Convertible Notes.
Ordinary Share Ranking	Shares issued on conversion will rank equally with, and have all rights, benefits and obligations of the Shares on issue on the date of conversion, except that they will not be entitled to any dividend that has been declared or determined but not paid as at the date of conversion.

The Convertible Note Deed Poll otherwise contains terms and conditions considered standard for convertible notes.

Each Convertible Note is expected to be converted prior to the Maturity Date via the Convertible Noteholder Offer under this Prospectus.

9.3. Bank Facility Agreement

9.3.1. Background and description

Pursuant to a Facility Agreement dated 13 December 2021 between the Company and BankSA, a division of Westpac Banking Corporation (**Financier**), a number of banking facilities were established (**Facility Agreement**). The Facility Agreement included the following facilities:

- (a) Multi-Option, Trade Refinance, Letter of Credit and Overdraft Facilities (**MO Facilities**);
- (b) Bank Bill Business Loan Facility (**BBBL Facility**);
- (c) Letter of Credit Facility (**LC Facility**);
- (d) Equipment Finance Facility (**Equipment Facility**);
- (e) Visa Business Card Facility (**Visa Facility**);
- (f) Currency Exposure Management Facility (**Currency Facility**); and
- (g) Direct Debit Facility (**Debit Facility**).

The key terms of the Facility Agreement are summarised below.

9.3.2. Amount

The aggregate facility limit under the MO Facilities is \$4,300,000 and the total aggregate limits of all facilities established under the Facility Agreement is \$10,420,000.

The limits of the individual facilities under the Facility Agreement are set out in the table below:

Facility	Limit	Note
MO Facilities	\$4,300,000	
BBBL Facility	\$300,000	Reduced by \$60,000 yearly on the anniversary of the Facility Agreement execution date.
LC Facility	\$1,500,000	
Equipment Facility	\$1,500,000	
Visa Facility	\$50,000	
Currency Facility	\$2,500,000	Or its equivalent in any foreign currency.
Debit Facility	\$270,000	
Total	\$10,420,000	

All facilities may be reduced by the total of all reductions/cancellations in accordance with the Facility Agreement.

9. Material Agreements continued

9.3.3. Repayment dates

Each of the facilities must be repaid in accordance with the below table.

Facility	Repayment Date
MO Facilities	Subject to annual review or such earlier time as notified by the Financier and for Overdraft Facilities repayable on demand.
BBBL Facility	30 November 2022.
LC Facility	Subject to annual review or such earlier time as notified by the Financier.
Equipment Facility	Subject to annual review or such earlier time as notified by the Financier.
Visa Facility	On demand.
Currency Facility	Subject to annual review or such earlier time as notified by the Financier.
Debit Facility	Subject to annual review or such earlier time as notified by the Financier.

9.3.4. Permitted use of funds

The MO Facilities and the BBBL Facility must be used to refinance various facilities provided to the Company and to ensure that the Company has sufficient working capital.

The LC Facility must be used to secure the issue of bank guarantees and performance bonds as required from time to time in accordance with the Company's ordinary course of business.

The Equipment Facility must be used to assist the acquisition of equipment for the Company.

The Visa Facility must be used to assist with the day to day working capital requirements.

The Currency Facility is to settle and hedge the Company's foreign currency exposure.

The Debit Facility is to allow drawing of monthly franchise fees.

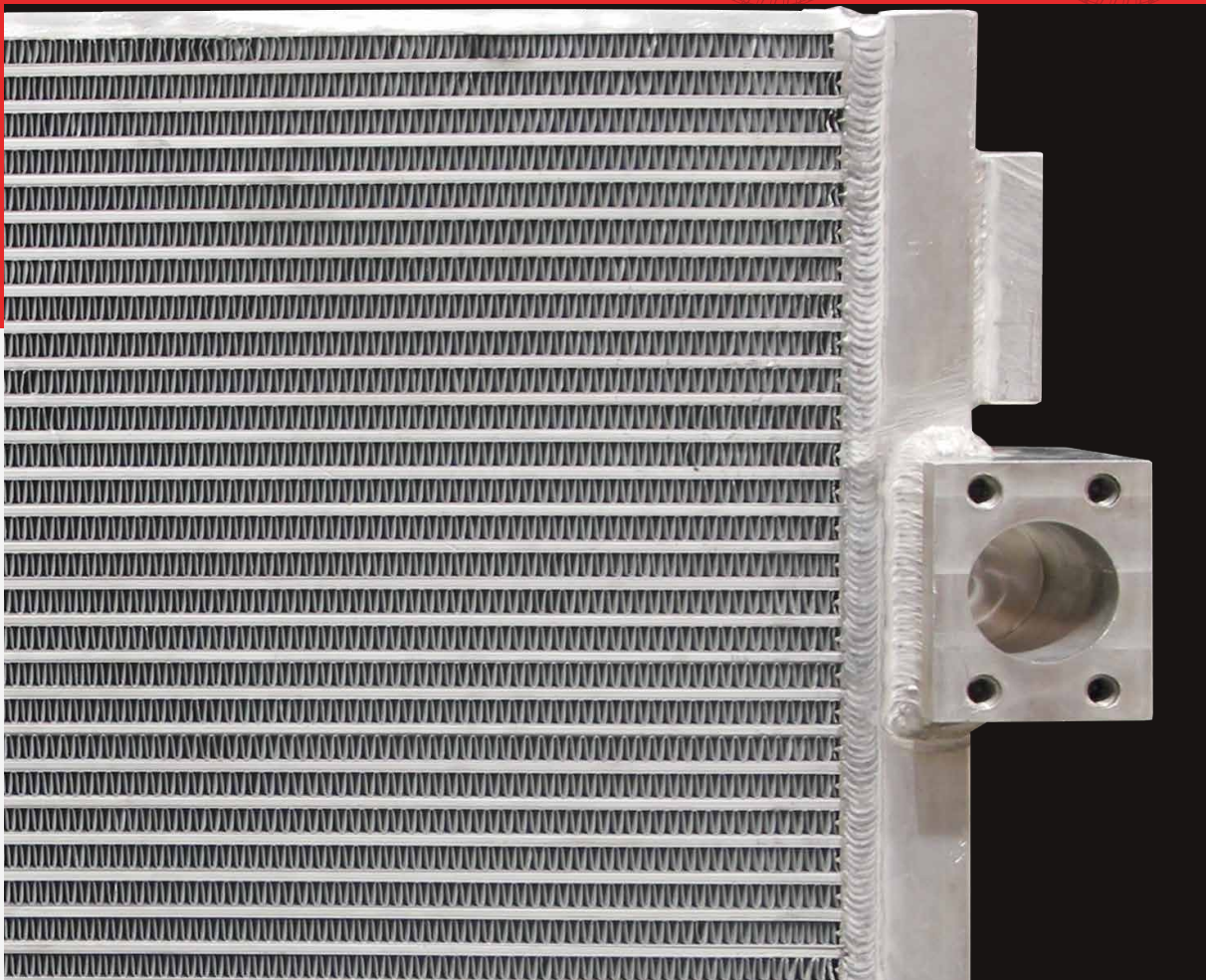
9.3.5. Securities

The Company has entered into general security deeds for each Group entity in favour of the Financier. Each Group company has also provided a guarantee and indemnity in favour of each other Group entity under the Facility Agreement.

Where relevant, the Company has entered into specific security deeds over all plant, equipment and vehicles finances under the Equipment Facility.

The Company has also entered into a flawed asset arrangement in respect of a \$750,000 term deposit held with the Financier.

10. Additional Information



Heavy duty aluminium bar and plate hydraulic oil cooler to suit large earthmoving and excavating equipment.

10. Additional Information

10.1. Registration

The Company was incorporated as a proprietary company limited by shares in Victoria on 2 August 2006. On 5 May 2022, the Company converted to a public company limited by shares.

SaleCo was registered in South Australia on 3 August 2022.

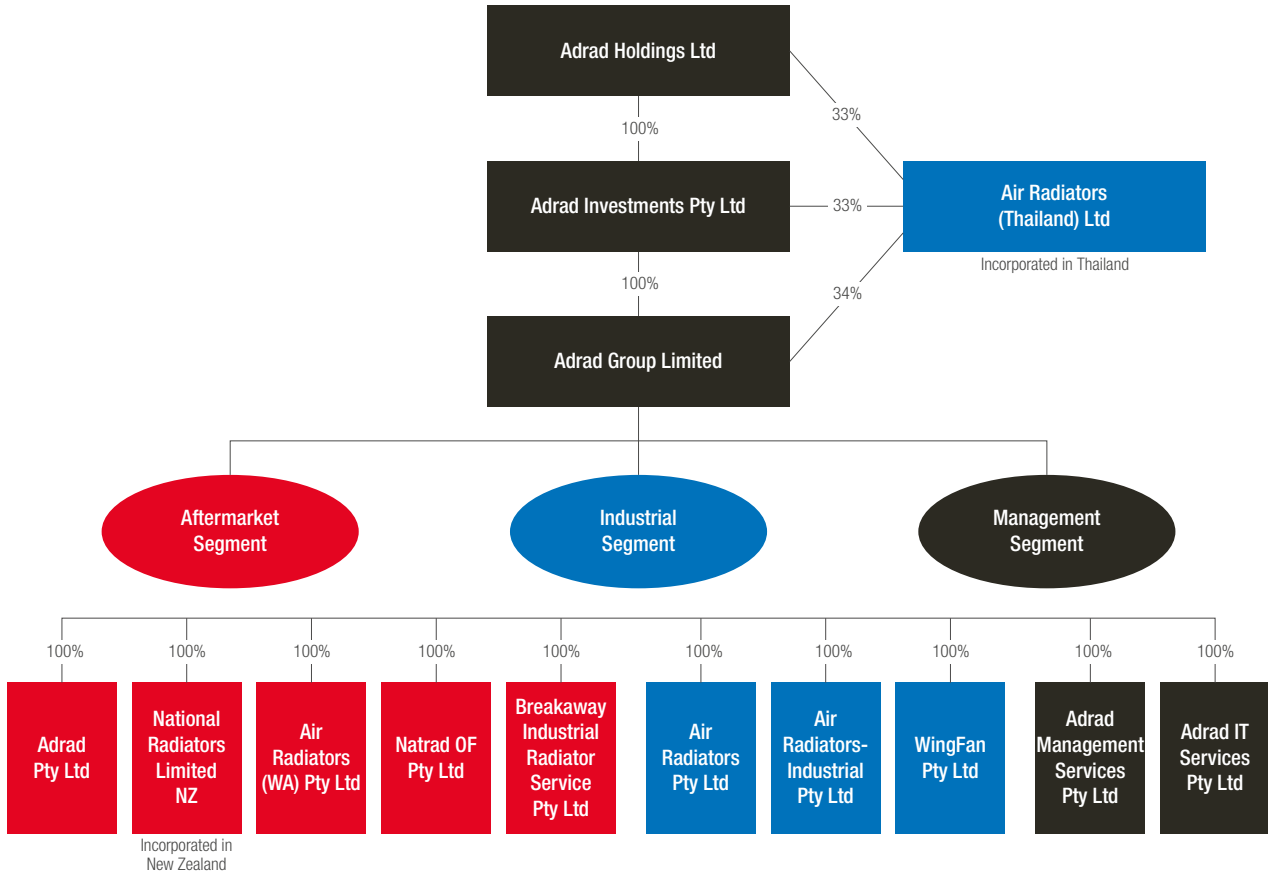
10.2. Company tax status and financial year

The Company will be taxed as an Australian tax resident public company for the purposes of Australian income tax law.

The Company's financial year ends on 30 June annually.

10.3. Corporate structure

The corporate structure of the Company and its subsidiaries is as follows:



10.4. Capital structure

The capital structure of the Company following Completion is summarised in Table 25 below:

Table 25: Capital structure

Securities	Number
Shares	
Shares on issue as at the Prospectus Date	53,986,781
Shares to be issued under the Offer	10,000,000
Shares to be issued on conversion of the Convertible Notes	16,666,704
Total Shares on issue at Admission	80,653,485
Convertible Notes	
Convertible Notes on issue as at the Prospectus Date	20,000,000
Convertible Notes to be converted to Conversion Shares prior to Admission	20,000,000
Total Convertible Notes on issue at Admission	Nil
Options	
Options on issue as at the Prospectus Date	Nil
Options to be issued to Adelaide Equity Partners Ltd prior to Admission	403,268
Total Options on issue at Admission	403,268
Performance Rights	
Initial Performance Rights on issue as at the Prospectus Date	213,333
Performance Rights to be issued under the Offer	Nil
Total Performance Rights on issue at Admission	213,333

Note: As described in Section 7.6.1.2, following Admission the Company intends to offer an additional 126,666 Performance Rights to certain key management personnel and other employees.

10.5. Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, was established to facilitate the Existing Shareholder's sale of a portion of their Existing Shares under the Offer. The Existing Shareholder has entered into the SaleCo Deed, pursuant to which it has irrevocably offered to sell to SaleCo 4,666,667 (being 8.64)% of its Existing Shares (being the Sale Shares), which will be available for sale by SaleCo into the Offer, free from encumbrances and third party rights and conditional on Completion of the Offer.

The Sale Shares which SaleCo acquires from the Existing Shareholder will be transferred to successful Applicants at the Offer Price. The price payable by SaleCo to the Existing Shareholder for these Sale Shares is the net proceeds of the sale of Sale Shares to successful Applicants, being the total amount received by SaleCo from successful Applicants less the proportion of the Offer costs agreed to be borne by the Existing Shareholder. As noted in Section 8.18, the Existing Shareholder has agreed to pay 31.8% of the Offer costs.

SaleCo has no material assets, liabilities or operations other than in respect of:

- (a) buying Sale Shares from the Existing Shareholder and selling them under the Offer; and
- (b) performing its rights and obligations under the Underwriting Agreement and the SaleCo Deed.

The shareholders and directors of SaleCo are Mr Glenn Davis, Mr Gary Washington and Mr Donald McGurk and the Company Secretary of SaleCo is Ms Kaitlin Smith (the **Individual Indemnified Parties**).

10. Additional Information continued

The Company has agreed to indemnify each Individual Indemnified Party (in their respective capacities as a shareholder and/or director or secretary of SaleCo) and SaleCo for any loss suffered or incurred directly or indirectly by them that arises from any claim that they have any liability under the Corporations Act (including Part 6D.3) or any other law in relation to the Offer.

This indemnity does not apply to the extent the loss:

- (a) arises from any criminal, fraudulent, dishonest or malicious act or omission of the Individual Indemnified Party or SaleCo (as applicable); or
- (b) is recoverable from any third party, including under any insurance policy that the Company or SaleCo may take out in respect of the Individual Indemnified Party as a director or officer of the Company or SaleCo.

The Existing Shareholder has agreed to indemnify the Company and SaleCo against any claim which the Company or SaleCo pays, suffers, incurs or is liable for in respect of any representation or warranty provided by the Existing Shareholder in the SaleCo Deed being untrue, inaccurate or otherwise misleading or deceptive, or any breach of the SaleCo Deed by the Existing Shareholder.

10.6. Shareholding structure

Details of the ownership of Shares on Completion of the Offer are set out in the table below.

Shareholder	Prospectus Date		Completion of the Offer	
	# of Shares	%	# of Shares	%
Existing Shareholder	53,986,781	100%	49,320,114	61.15%
New Shareholders (including Convertible Noteholders)	Nil	0%	31,333,371	38.85%
Total	53,986,781	100%	80,653,485	100%

The Existing Shareholder has advised that it does not intend to apply for Shares under this Prospectus. As set out in the table above, the Existing Shareholder will retain a relevant interest in 5% or more of the Shares on issue as at Completion. HSBC Custody Nominees (Australia) Limited (a Convertible Noteholder which will receive Conversion Shares under the Convertible Noteholder Offer) will also hold a relevant interest in at least 7.03% of the Shares on issue as at Completion. Certain other New Shareholders may also acquire a relevant interest in 5% or more of the Shares on issue as at Completion and become substantial shareholders of the Company. The Existing Shareholder, HSBC Custody Nominees (Australia) Limited and any other New Shareholder which becomes a substantial Shareholder will need to disclose their substantial shareholding to the Company in accordance with the Corporations Act.

10.7. Deeds of indemnity, access and insurance

The Company has entered into deeds of indemnity, access and insurance with each Director. Under these deeds, the Company indemnifies each Director against any and all liabilities (including reasonable legal costs) incurred by that Director as an officer of a body corporate in the Group and any and all reasonable legal costs incurred by a Director in defending an action for a liability incurred or allegedly incurred by a Director as an officer of a body corporate in the Group, in each case to the extent permitted by law.

The indemnities given by the Company under each deed of indemnity, access and insurance do not apply to any liabilities or legal costs incurred by a Director as an officer of a body corporate in the Group that have arisen from conduct by the Director that was not in good faith.

The Company is also required to maintain insurance policies for the benefit of the relevant Director and must allow the Directors to inspect board papers in certain circumstances. The deeds are considered standard for documents of this nature.

10.8. Harrop Engineering arrangement

Harrop Engineering Australia Pty Ltd ACN 134 196 080 (**Harrop Engineering**) is a related party of the Company. Harrop Engineering's sole shareholder is the Existing Shareholder, and Mr and Mrs Washington are also directors of Harrop Engineering.

Harrop Engineering was previously a wholly owned subsidiary of the Company. It was transferred to the Existing Shareholder as part of the restructure which occurred in October 2021, and is no longer part of the Group.

The Company and Harrop Engineering are parties to a longstanding supply arrangement under which the Company supplies certain heat exchange products to Harrop Engineering. Prior to the disposal of Harrop Engineering to the Company in October 2021 (which predated the Company's conversion from a proprietary company to a public company), the Company supplied these products to Harrop Engineering on discounted terms (at cost) under its group intercompany trading policy.

The Company has agreed to supply products to Harrop Engineering on the following terms:

- (a) the price for products supplied to Harrop Engineering is calculated at cost plus a markup which equates to a relevant gross margin of approximately 24.8% for the Company;
- (b) there is no fixed term;
- (c) Harrop Engineering periodically submits purchase orders to the Company, which are filled in the usual course of business; and
- (d) the Company's standard terms of supply otherwise apply.

The above terms are substantially the same as the terms on which the Company trades with its third party customers, other than the agreed pricing structure.

The revenue generated from the sale of products to Harrop Engineering in FY21 was \$1,071,066. This represents less than 1% of the Company's total revenue in FY21. The aggregate benefit received by Harrop Engineering in FY21 under the above arrangement was approximately \$100,000, when compared with what could have been achieved had the Company sold the products on arm's length terms.

For the purposes of Chapter 2E of the Corporations Act, prior to the Prospectus Date the Company obtained shareholder approval from the Existing Shareholder for the above arrangements with Harrop Engineering. The Company obtained relief from ASIC to enable the Existing Shareholder to pass the resolution granting such approval.

10.9. Related party lease agreements

As outlined in Section 7.4.4(f), the Company operates part of its business on premises leased from related parties of the Company.

Those related parties are:

- (a) Harlaxton Pty Ltd (ACN 058 185 760) (**Harlaxton**); and
- (b) Arlyngton Pty Ltd (ACN 058 716 573) (**Arlyngton**).

Each of Harlaxton and Arlyngton is wholly owned by Gary and Karen Washington, who are also its directors. As Mr and Mrs Washington are related parties of the Company, both Harlaxton and Arlyngton are also related parties.

Harlaxton is party to six separate leases variously with Adrad Pty Ltd and Air Radiators Pty Ltd, which are wholly owned subsidiaries of the Company (**Harlaxton Leases**). Arlyngton is party to a lease with Adrad Pty Ltd (**Arlyngton Lease**).

The Harlaxton Leases and Arlyngton Lease relate to commercial properties used by the Company for its manufacturing and business premises. Harlaxton and Arlyngton have longstanding commercial leasing relationships with Adrad Pty Ltd and Air Radiators Pty Ltd. The current terms of the Harlaxton Leases and Arlyngton Lease were negotiated and agreed prior to the conversion of the Company to a public company.

Each of the Harlaxton Leases and the Arlyngton Lease are on substantially identical terms and in a market standard form, consistent with other commercial leases that the Group has entered into with third party lessors.

10. Additional Information continued

The material terms of the Harlaxton Leases and Arlyngton Lease, including starting rental, are summarised in the table below. The rent payable under the Harlaxton Leases and Arlyngton Lease increases by 4% per annum, subject to periodic market review.

The Company obtained an independent valuation to inform negotiations concerning rent payable under the Harlaxton Leases and Arlyngton Lease. The negotiated annual rent, when aggregated across the Harlaxton Leases and Arlyngton Lease, is approximately \$295,465 above the valuation obtained.

For the purposes of Chapter 2E of the Corporations Act, prior to the Prospectus Date the Company obtained shareholder approval from the Existing Shareholder for the above arrangements with Harlaxton and Arlyngton. The Company obtained relief from ASIC to enable the Existing Shareholder to pass the resolution granting such approval.

Location	Lessee	Term (including any options to extend)	Commencement rent per annum	Expiry
28-50 Howards Road, Beverley SA	Adrad Pty Ltd	Initial term – 5 years Lessee has two options to renew of 5 years each	\$1,130,025	30 June 2026
41-51 Howards Road, Beverley SA	Adrad Pty Ltd	Initial term – 5 years Lessee has two options to renew of 5 years each	\$367,605	30 June 2026
45 Heales Road, Corio VIC	Air Radiators Pty Ltd	Initial term – 5 years Lessee has two options to renew of 5 years each	\$455,700	30 June 2026
70 Long Street, Smithfield NSW	Adrad Pty Ltd	Initial term – 5 years Lessee has two options to renew of 5 years each	\$238,875	30 June 2026
Unit 1, 231 Collier Road, Bayswater WA	Adrad Pty Ltd	Initial term – 5 years Lessee has two options to renew of 5 years each	\$97,168	30 June 2026
Units 2-4, 231 Collier Road, Bayswater WA	Adrad Pty Ltd	Initial term – 5 years Lessee has two options to renew of 5 years each	\$114,817	30 June 2026
4 Barnett Place, Molendinar QLD	Adrad Pty Ltd	Initial term – 5 years Lessee has two options to renew of 5 years each	\$143,325	30 September 2026

10.10. Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

10.10.1. Introduction

The rights and liabilities attaching to Shares are set out in the Constitution and are, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights and liabilities attaching to the Shares and the other material provisions of the Constitution is set out below. This summary is non-exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice. The summary assumes that the Company is admitted to the Official List of the ASX.

10.10.2. Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares in the Company (at present, there is only one class of shares), at a general meeting of the Company:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every Shareholder present in person or by proxy, attorney or representative has one vote (unless a Shareholder has appointed more than one proxy); and
- (c) on a poll, every Shareholder present in person or by proxy, attorney or representative has one vote for each fully paid Share held (with adjusted voting rights for partly paid shares).

If the votes are equal on a proposed resolution, the chair of the meeting does not have a second or casting vote and the matter is decided in the negative.

10.10.3. Dividends

Subject to the Corporations Act and in accordance with the Constitution, the Board may determine that a dividend is payable and to declare a dividend. Subject to the terms of issue of any Shares, the Company may pay a dividend on one class of Shares to the exclusion of another class.

A summary of the Dividend Policy can be found in Section 4.10.

10.10.4. Issue of further Shares

Subject to the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board may issue or grant options for, or otherwise dispose of, Shares to any person on the terms, with the rights, and at the times that the Board decides.

10.10.5. Variation of class rights

In addition to the requirements under the Corporations Act and ASX Listing Rules, the procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. The rights attached to a class of Shares may be varied or cancelled by:

- (a) the holders of at least 75% of the issued Shares in the class consenting in writing; or
- (b) a special resolution passed at a separate meeting of the holders of Shares in that class.

10.10.6. Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Share, Shares may be transferred by any means permitted by the Corporations Act or by law. The Company must comply with the obligations imposed on it by the ASX Listing Rules or the ASX Operating Rules.

For any transfer of a Share, the Board:

- (a) may refuse to register that transfer only if that refusal would not contravene the ASX Listing Rules or the ASX Operating Rules;
- (b) may, subject to the Corporations Act, the ASX Listing Rules or the ASX Operating Rules, refuse if the registration of the transfer would create a new holding of an unmarketable parcel;
- (c) must not, subject to section 259C of the Corporations Act, register a transfer to a subsidiary of the Company; and
- (d) must not register a transfer if the Corporations Act, the ASX Listing Rules or the ASX Operating Rules forbids registration.

If the Board refuses to register a transfer, the Company must give the lodging party notice of the refusal and the reasons for it within five business days after the date on which the transfer was delivered to it.

10. Additional Information^{continued}

10.10.7. General meetings

A meeting of members:

- (a) may be convened at any time by the Board or a Director; and
- (b) must be convened by the Board when required by section 249D or 250N of the Corporations Act or by order made under section 249G of the Corporations Act.

Each Shareholder is entitled to receive notice of, attend and vote, at general meetings of the Company. The Company must give at least 28 days' written notice of a general meeting.

The Board may postpone, cancel or change the place of a meeting of shareholders in accordance with section 249D and 250N of the Corporations Act and the Constitution.

10.10.8. Winding up

Subject to the Constitution, the Corporations Act and any preferential rights attaching to any class or classes of Shares, on the Company being wound up, Shareholders will be entitled to any surplus assets of the Company in proportion to the Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- (a) divide the whole or part of the Company's property among Shareholders;
- (b) decide how the division is to be carried out as between Shareholders or different classes of Shareholders; and
- (c) vest assets of the Company in trustees on any trust for the benefit of the Shareholders as the liquidator thinks fit.

10.10.9. Unmarketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares which constitute less than a marketable parcel by following the procedures set out in the Constitution.

10.10.10. Proportional takeover provisions

The Constitution requires Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless they are renewed by Shareholders passing a special resolution by the third anniversary of either the date that those rules were adopted or the date those rules were last renewed.

10.10.11. Directors – appointment and removal

Under the Constitution, the Board must be comprised of a minimum of three Directors. Directors can be elected or re-elected at general meetings of the Company.

No Director (excluding any managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected or three years, whichever is longer. The Board may also appoint a Director in addition to the existing Directors or to fill a casual vacancy on the Board, and that Director (apart from the managing director) must not hold office past the next annual general meeting of the Company.

10.10.12. Directors – voting

Items to be considered at a meeting of the Board must be decided by a majority of votes cast by the Directors entitled to vote on the resolution. If the votes are equal on a proposed resolution, the chair of the meeting does not have a second or casting vote and the matter is decided in the negative.

10.10.13. Directors' – remuneration

Under the Constitution, the Board may decide the remuneration which each Director is entitled for his or her services as a Director. However, the total amount provided to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by shareholders in general meeting. The remuneration of a Director (who is not a managing director or an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue.

Directors may be paid for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from meetings of Directors or committees or general meetings.

Details of the remuneration of the Directors are set out in Section 7.4.2 and 7.4.3.

10.10.14. Powers and duties of Directors

The business of the Company is to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the Company's power and the powers that are not required by law or by the Constitution to be exercised by the Company's shareholders in general meeting.

10.10.15. Preference Shares

The Company may issue preference shares, including preference shares that are liable to be redeemed with the sanction of a resolution, in accordance with the Corporations Act. There are no preference shares on issue as at the Prospectus Date.

10.10.16. Amendment

The Constitution may be modified, repealed or replaced only by a special resolution passed by Shareholders.

10.11. Interests of advisers

The Company and SaleCo have engaged the following professional advisers in relation to the Offer. The amounts that the Company has paid, or agreed to pay, to these advisers is set out below.

Bell Potter and Morgans have acted as Joint Lead Managers and Underwriters to the Offer. The Company has paid, or agreed to pay, fees in accordance with the Joint Lead Managers Mandate, as summarised in Section 9, for these services as at the Prospectus Date.

HWL Ebsworth Lawyers has acted as Australian legal adviser to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters). The Company has paid, or agreed to pay, approximately \$475,000 (excluding disbursements and GST) for these services as at the Prospectus Date. Further amounts may be paid to HWL Ebsworth Lawyers in accordance with their normal time-based charge-out rates.

MinterEllisonRuddWatts has acted as New Zealand legal adviser in relation to the legal due diligence investigations conducted into the Company's New Zealand subsidiary, National Radiators Limited's New Zealand operations for the purposes of the Offer. The Company has paid, or agreed to pay, approximately \$25,500 (including disbursements) for these services as at the Prospectus Date. Further amounts may be paid to MinterEllisonRuddWatts in accordance with their normal time-based charge-out rates.

DFDL has acted as Thai legal adviser to the Company within the work scope agreed with the Company in relation to legal due diligence investigations into general legal compliance matters relating to its Thai subsidiary. The Company has paid, or agreed to pay, approximately \$20,900 (including disbursements and VAT) for these services as at the Prospectus Date. Further amounts may be paid to DFDL in accordance with their normal time-based charge-out rates.

Grant Thornton Corporate Finance Pty Ltd has acted as the Investigating Accountant and has prepared the Investigating Accountant's Report for inclusion in the Prospectus. The Company has paid, or agreed to pay, approximately \$450,867 (excluding disbursements and GST) for these services as at the Prospectus Date. Further amounts may be paid to Grant Thornton Corporate Finance Pty Ltd for other work in accordance with a separate scope of work and associated fees that may be agreed by the Company and Grant Thornton Corporate Finance Pty Ltd from time to time.

10. Additional Information^{continued}

Grant Thornton Audit Pty Ltd has acted as auditor to the Company. The Company has paid, or agreed to pay, approximately \$105,000 (excluding GST) for IPO-related services as at the Prospectus Date. Further amounts may be paid to Grant Thornton Audit Pty Ltd in accordance with their normal time-based charge-out rates.

Grant Thornton Australia Limited has acted as Australian tax adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$280,000 (excluding disbursements and GST) for these services as at the Prospectus Date. Further amounts may be paid to Grant Thornton Australia Limited in accordance with their normal time-based charge-out rates.

The Company has paid, or agreed to pay, approximately \$460,000 to Adelaide Equity Partners Ltd for corporate advisory services as at the Prospectus Date, including approximately \$20,000 per month in retainers and a success fee of \$220,000 (being 1.0% of the total amount raised under the Offer). Further amounts may be paid to Adelaide Equity Partners Ltd for other work in accordance with a separate scope of work and associated fees that may be agreed by the Company and Adelaide Equity Partners Ltd from time to time. The Company has also agreed to issue Adelaide Equity Partners Ltd with 403,268 options to be issued Shares (**Options**). This number is equal to 0.5% of the total number of Shares on issue in the capital of the Company at Admission. The Options will be unquoted and will be exercisable at \$2.10, being a 40% premium to the Offer Price, for a period of three years from the date of Admission.

10.12. Litigation and claims

10.12.1. Workplace incident

WorkSafe Victoria is currently undertaking an investigation in respect of Air Radiators Pty Ltd (a subsidiary of the Company) (**Air Radiators**) in relation to an incident that occurred at Air Radiators' manufacturing facility located in Victoria, as a result of which an employee of Air Radiators suffered fatal injuries (**Incident**).

WorkSafe Victoria has to date issued two improvement notices to Air Radiators in respect of the Incident and may elect to prosecute in respect of the Incident.

Air Radiators has notified its insurer of the Incident and is working with and being advised by the insurer's legal counsel in respect of potential liabilities.

10.12.2. Warranty claim

Air Radiators has been notified by one of its customers of a defect in certain products supplied by Air Radiators to that customer. The defect relates to a failing sealing mechanism used in a radiator assembly. The issue is isolated to OE products manufactured for and supplied to this particular customer, and does not affect the Group's broader Aftermarket product range or other OE customers.

Air Radiators is working with the customer to undertake the required rework. The Company estimates that this rectification work will be undertaken over a period of 18 months to two years, at a cost of approximately \$900,000 to the Group.

As noted in Section 6.1.11, the Group maintains a Public and Products Liability insurance policy. Air Radiators proposes to make a claim under this policy in relation to the costs associated with the above rectification work, and is in the process of compiling that insurance claim. If the claim is accepted by the Group's insurer, the Group's exposure would be reduced from \$900,000 to the excess payable under that insurance policy, being \$250,000.

10.12.3. Other litigation and claims

So far as the Directors are aware, as at the Prospectus Date and other than as disclosed in this Section 10.12, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

10.13. Summary of tax issues

10.13.1. Summary of tax issues for Australian tax resident investors

The comments in this Section 10.13 provide a general outline of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and that hold Shares in the Company on capital account for Australian income tax purposes. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts and complying superannuation funds that hold their Shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, insurance companies, banks, managed investment trusts, partnerships, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, Shareholders who are exempt from Australian tax, or Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

The summary in this Section is general in nature and is non exhaustive of all Australian tax consequences that could apply in all circumstances of any given Shareholder. The individual circumstances of each Shareholder may affect the taxation implications of the investment of the Shareholder.

It is recommended that all investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.

The summary in this Section is based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority as at the Prospectus Date. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in these summaries do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

This summary does not constitute financial product advice as defined in the Corporations Act.

10.13.2. Dividends paid on Shares

Dividends may be paid to Shareholders by the Company. The Company may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked. The dividend should be included in each Shareholder's assessable income for the relevant year of income.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

To the extent that franking credits are attached to a dividend, Australian tax resident Shareholders should include in their assessable income an amount equal to the franking credits (in addition to the dividend paid) in the income year in which the dividend is paid or credited.

Australian tax resident Shareholders should be entitled to a tax offset equal to the franking credits attached to the dividend so long as they are a "qualified person". A "qualified person" is a Shareholder who, in broad terms, hold Shares in the Company "at risk" for a period of more than 45 days within a period beginning on the day after the date on which the Shareholder acquired the Shares and ending on the 45th day after the date on which the Shares became "ex dividend". An individual may also be a "qualified person" where their total franking credit entitlement in the relevant income year is below \$5,000 for the relevant year.

In some cases, an amount of a tax offset not applied against an Australian tax resident Shareholder's tax liability can be refunded to that Shareholder. Whether this is available depends on the particular circumstances of the Shareholder, including their entity type.

10. Additional Information^{continued}

10.13.3. Australian capital gains tax (CGT) implications for Australian tax resident Shareholders on a disposal of Shares

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian CGT provisions in respect of the disposal of their Shares. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the cost base is the amount paid to acquire the Share plus any (non-tax deductible) transaction costs incurred in relation to the acquisition or disposal of the Shares). In the case of an arm's length on-market sale, the capital proceeds should be the total amount of the money and property received from the sale of the Shares. A CGT discount may be applied against the capital gain (after first deducting any available capital losses, see below) where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share (the reduced cost base is determined by a similar (although not identical) calculation to the cost base) exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other forms of assessable income.

10.13.4. Withholding tax

Resident Shareholders may, if they choose, notify the Company of their tax file number (TFN), ABN, or a relevant exemption from withholding tax with respect to dividends.

In the event that the Company is not so notified, Australian tax may be required to be deducted at the maximum marginal tax rate plus the Medicare levy from the cash amount of the unfranked portion (if any) of the dividends. No amount is required to be deducted by the Company in respect of fully franked dividends. The rate of withholding is currently 47%.

The Company is required to withhold and remit to the Australian Taxation Office such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident Shareholders will be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on the dividends in their individual income tax returns.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

10.13.5. Stamp duty

Shareholders should not be liable for stamp duty in respect of their initial subscription for Shares.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

10.13.6. Australian Goods and Services Tax (GST)

Under current Australian law, no GST should be payable by Shareholders in respect of the issue, acquisition, disposal or transfer of their Shares in the Company regardless of whether or not the Shareholder is registered for GST. Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

10.14. Consents to be named

Chapter 6D of the Corporations Act imposes a liability regime on the Company and SaleCo (as offerors of the Shares), the Directors, persons named in the Prospectus with their consent as having made a statement in the Prospectus and the persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company and SaleCo bear the primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements in it.

Each of the parties referred to in this Section (each a **Consenting Party**):

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section.
- (b) has not authorised or caused the issue of this Prospectus, does not make any offer of Shares.
- (c) in light of the above, only to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus or any omissions from this Prospectus, other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Each Consenting Party has given and has not, before the Prospectus Date, withdrawn its consent, to being named in this Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent (and all other references to those statements):

- (a) Grant Thornton Corporate Finance Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant Report in this Prospectus.
- (b) Grant Thornton Audit Pty Ltd has given its written consent to being named as auditor for FY19, FY20, FY21 and H1 FY22 and in this Prospectus and to the inclusion of the Financial Information included in Section 4.
- (c) Grant Thornton Australia Limited has given its written consent to being named as the tax adviser to the Company in this Prospectus in the form and context in which it is named.
- (d) HWL Ebsworth Lawyers has given its written consent to being named as the Australian legal adviser to the Company in this Prospectus in the form and context in which it is named.
- (e) MinterEllisonRuddWatts has given its written consent to being named as the New Zealand legal adviser in this Prospectus in the form and context in which it is named.
- (f) DFDL has given its written consent to being named as the Thai legal adviser to the Company in this Prospectus in the form and context in which it is named.
- (g) Bell Potter has given its written consent to being named as a Joint Lead Manager and Underwriter to the Company in this Prospectus in the form and context in which it is named. Bell Potter was not involved in the preparation of any part of this Prospectus and makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offer.
- (h) Morgans has given its written consent to being named as a Joint Lead Manager and Underwriter to the Company in this Prospectus in the form and context in which it is named. Morgans was not involved in the preparation of any part of this Prospectus and makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offer.
- (i) Adelaide Equity Partners Ltd has given its written consent to being named as Corporate Adviser to the Company in this Prospectus in the form and context in which it is named.
- (g) Computershare has given its written consent to being named as the Share Registry in this Prospectus in the form and context in which it is named.

10. Additional Information^{continued}

10.15. ASIC relief and modifications and ASX waivers

ASX has advised the Company that, upon receiving an application from the Company for Admission to the Official List, it would be likely to grant a waiver from ASX Listing Rule 1.1 Condition 12 to the extent necessary to permit the Company to have the Initial Performance Rights on issue with an exercise price that is less than \$0.20. These Initial Performance Rights do not require exercise at the time of vesting, and no amount is payable by the holders when the Initial Performance Rights vest, as further described at Section 7.6.1.2.

The Company is not relying on any specific ASIC relief in relation to the Offer, this Prospectus or the Admission of the Company to the ASX.

The Company is relying on the class relief granted by ASIC under ASIC Class Order 13/520 in order to be able to enter into the voluntary escrow agreements summarised in Section 8.13 without breaching the takeover provisions in Chapter 6 of the Corporations Act. As noted in Section 8.13.3, the Company will acquire a relevant interest in each of the Escrowed Shares as a result of the voluntary escrow agreements. At Admission, the Company will have a relevant interest in 78.1% of its own Shares. ASIC Class Order 13/520 allows the Company to acquire this relevant interest without breaching the 20% takeovers threshold, provided that the terms of the voluntary escrow agreements comply with a number of conditions. The voluntary escrow agreements referred to in Section 8.13 have been drafted to comply with the conditions of ASIC Class Order 13/520.

10.16. Governing law

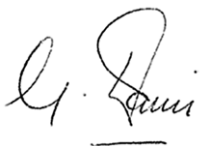
This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in South Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of South Australia and of the Commonwealth of Australia.

10.17. Authorisation of this Prospectus

Each Director and each director of SaleCo has authorised the issue of this Prospectus and has consented to its lodgement with ASIC and has not withdrawn that consent as at the Prospectus Date.

Dated 26 August 2022

Signed for and on behalf of the Company and SaleCo



Glenn Davis
Chair

11. Glossary



Adrad's Aftermarket engine cooling parts range includes radiators, intercoolers, oil coolers, exhaust gas recirculation coolers, coolant expansion tanks and water pumps.

11. Glossary

Term	Meaning
\$, A\$ or AUD	Australian dollars.
Admission	The Company's admission to the Official List of the ASX, following Completion.
Adrad or the Company	Adrad Holdings Limited ACN 121 033 396.
AEST	Australian Eastern Standard Time.
Applicant	A person who submits an Application Form.
Application	An application to acquire Shares under this Prospectus.
Application Form	An application form included in or accompanying this Prospectus (including the electronic form) relating to the Offer or the Convertible Noteholder Offer.
Application Monies	Application monies for Shares under the Offer, calculated by multiplying the number of Shares applied for by the Offer Price.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
ASX Listing Rules	The official listing rules of ASX.
ASX Operating Rules	The official operating rules of ASX.
ASX Recommendations	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition).
ASX Settlement Operating Rules	The official operating rules of ASX Settlement Pty Ltd ACN 008 504 532.
Bell Potter	Bell Potter Securities Limited ACN 006 390 772 (AFSL 243480).
BEV	Battery Electric Vehicle.
Board	The board of Directors of the Company.
Broker	Any ASX participating organisation selected by the Joint Lead Managers and the Company to act as Broker to the Offer.

Term	Meaning
Broker Offer	The Offer of Shares under this Prospectus to Australian resident investors who are not Institutional Investors and have received a firm allocation from their Broker, as described in Section 8.8.
CHESS	Clearing House Electronic Subregister System, operated by ASX Settlement Pty Ltd ACN 008 504 532.
Closing Date	The date on which the Offer closes, being 15 September 2022, subject to variation by the Company and the Joint Lead Managers without prior notice.
Company or Adrad	Adrad Holdings Limited ACN 121 033 396.
Completion	The completion of the Offer, being the date on which Shares are issued or transferred to successful Applicants in accordance with the terms of the Offer.
Computershare	Computershare Investor Services Pty Limited ABN 48 078 279 277.
Constitution	The constitution of the Company from the date of Admission as amended from time to time.
Conversion Shares	Shares issued to Convertible Noteholders under the Convertible Noteholder Offer to facilitate the conversion of their Convertible Notes pursuant to the terms of the Convertible Note Deed Poll.
Convertible Note Deed Poll	The Convertible Note Deed Poll executed by the Company on or about 12 November 2021, the key terms of which are summarised in Section 9.2.
Convertible Noteholder Offer	The offer to Convertible Noteholders described in Section 8.11.
Convertible Noteholders	The holders of the Convertible Notes.
Convertible Notes	The convertible notes issued under the Convertible Note Deed Poll.
Corporate Adviser	Adelaide Equity Partners Ltd ABN 59 119 059 559 (AFSL 313143).
Corporate Directory	The Corporate Directory at Section 12 of this Prospectus.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of the Company from time to time.
Escrowed Shareholders	The holders of the Escrowed Shares, as detailed in Section 8.13.

11. Glossary continued

Term	Meaning
Escrowed Shares	The Shares subject to voluntary escrow arrangements, as detailed in Section 8.13.
Existing Shareholder	Adcore Holdings Pty Ltd as trustee for the Gary Washington Family Trust.
Existing Shares	The 53,986,781 Shares held by the Existing Shareholder as at the Prospectus Date.
Exposure Period	The seven day period after lodgement of this Prospectus with ASIC, unless modified by ASIC, beginning on 18 August 2022.
Financial Information	The Historical Financial Information and Forecast Financial Information.
Forecast Financial Information	The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information, each of which are explained in Section 4.1.
Group	The Company and each of its subsidiaries.
Harrop Engineering	Harrop Engineering Australia Pty Ltd ACN 134 196 080.
Historical Financial Information	The Statutory Historical Financial Information and the Pro Forma Historical Financial Information, each of which are explained in Section 4.1.
IPO	Initial public offering.
Initial Performance Rights	The 133,333 Performance Rights granted to Mr Don Cormack and the 80,000 Performance Rights granted to Mr Jamie Baensch prior to Admission, the terms of which are summarised in Sections 7.5.2, 7.5.4 and 7.6.1.
Institutional Investor	<p>An investor to whom offers or invitations in respect of securities can be made without the need for a prospectus (or other formality, other than a formality with which the Company is willing to comply), including:</p> <ul style="list-style-type: none"> (a) in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (other than section 708(1)); and (b) in New Zealand, it (and any such person) is a person who (i) is an investment business within the meaning of clause 37 of Schedule 1 of the <i>Financial Markets Conduct Act 2013</i> (New Zealand) (FMC Act), (ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act, (iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act, (iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act or (v) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act (and, if an eligible investor, have provided the necessary certification).
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 8.10.

Term	Meaning
Investigating Accountant	Grant Thornton Corporate Finance Pty Ltd ACN 003 265 987.
Investigating Accountant's Report	The report prepared by the Investigating Accountant in Section 5.
Joint Lead Managers	Bell Potter and Morgans.
Morgans	Morgans Corporate Limited (ACN 010 539 607) (AFSL 235407).
New Shares	The new Shares to be issued by the Company under the Offer.
OE	Original Equipment.
OEM	Original Equipment Manufacturer.
Offer	The offer of 14,666,667 Shares for the Offer Price under this Prospectus.
Offer Period	The period of time in which Applications for the Shares under this Offer may be made, beginning on the Opening Date and ending on the Closing Date.
Offer Price	\$1.50 per Share.
Official List	The official list of securities permitted quotation and so, trading on, ASX.
Opening Date	The date on which the Offer opens, being 25 August 2022.
Options	The 403,268 unquoted options over Shares issued by the Company to Adelaide Equity Partners Ltd on the terms summarised in Section 10.11.
Original Prospectus Date	means the date that the original Prospectus was lodged with ASIC, being 17 August 2022.
Performance Rights	Performance Rights issued under the Company's Performance Rights Plan, the key terms of which are summarised in Section 7.6.1.
Priority Offer	The offer described in Section 8.9.
Prospectus	This document (including the electronic form of this prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date that this Prospectus was lodged with ASIC, being 26 August 2022.

11. Glossary continued

Term	Meaning
Sale Shares	The Existing Shares offered for sale by SaleCo under this Prospectus.
SaleCo	Adrad Holdings IPO SaleCo Ltd ACN 661 437 501.
SaleCo Deed	The SaleCo Deed dated on or around 17 August 2022 between SaleCo, the Existing Shareholder and the Company as described in Section 10.5.
Share	A fully paid ordinary share in the Company.
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277.
Shareholder	A holder of Shares in the Company.
SKU	Stock keeping unit.
Underwriters or Joint Underwriters	Bell Potter and Morgans.
Underwriting Agreement	The Underwriting Agreement between the Company and the Underwriters dated 17 August 2022 and described in Section 9.1.
U.S. Securities Act	The U.S. Securities Act of 1933, as amended.

Adrad Holdings Limited

ACN 121 033 396

Share Registry:



(within Australia) 1800 430 896
(outside Australia) +61 3 9415 4036

Broker Offer Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker, accountant or other professional advisers without delay. You should read the prospectus issued by Adrad Holdings Limited (**Company**) dated 17 August 2022 and any relevant supplementary or replacement prospectus (**Prospectus**), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus (whether in paper or electronic form). Capitalised terms used in this Application Form and not otherwise defined have the same meaning given to them in the Prospectus.

A I/we apply for

Shares at \$1.50 per Share or such lesser number of Shares which may be allocated to me/us.

B I/we lodge full Application Monies

\$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name Given Name(s)

Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter the postal address - include State and Postcode

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town

State

Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours

()

Email address

F CHESS Participant

Holder Identification Number (HIN)

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the issuer sponsored subregister.

G Payment details - Please follow the payment instructions provided to you. If paying by cheque, provide your cheque details below.

Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

\$

Cheques should be drawn according to the instructions provided by your Broker.

By submitting this Application Form:

- I/we declare that this Application is complete and lodged according to the Prospectus and the declarations/statements on the reverse of this Application Form;
- I/we declare that all details and statements made by me/us (including the declaration/statements on the reverse of this Application Form) are complete and accurate; and
- I/we agree to be bound by the Constitution of the Company.

See overleaf for completion guidelines →

How to complete this Application Form

A Number of Shares applied for

Enter the number of Shares you wish to apply for. The Application must be for at least 1,334 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Offer Price of \$1.50.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Company and Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Please enter your contact details in full - including your telephone number and area code, email address and contact name. This will assist us if we need to contact you regarding this Application.

F CHES

The Company will participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES subregister, enter your CHES HIN. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to the Company's issuer sponsored subregister. Otherwise, leave this section blank and on issue, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

You should ask your Broker for information about how and when to lodge this Application Form, and lodge this Application Form and your payment with your Broker in accordance with their instructions.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application Form relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in the Company is upon and subject to the terms of the Prospectus and the constitution of the Company, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Your Broker must receive your completed Application Form and Application Monies in time to arrange settlement on your behalf by the Closing Date for the Broker Offer. Applicants should allow sufficient time for this to occur and are therefore encouraged to submit their Applications as early as possible.

Acceptance of the Offer

By returning this Application Form with your Application Monies to your Broker in accordance with their instructions:

- you represent and warrant that you have read and understood the Prospectus to which this Application Form relates in full;
- you declare that this Application is completed and lodged according to the Prospectus and subject to the acknowledgements in this Application Form and the Prospectus, including the acknowledgements set out in Section 8.12 of the Prospectus; and
- you make the acknowledgements contained in this Application Form and the Prospectus, including the acknowledgements set out in Section 8.12 of the Prospectus.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as the Share Registry for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Company may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the Company for whom we maintain securities registers or to third parties upon direction by the Company where related to the Company's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. The name of the beneficiary or any non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

Adrad Holdings Limited

ACN 121 033 396

Share Registry:



(within Australia) 1800 430 896
(outside Australia) +61 3 9415 4036

Broker Offer Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker, accountant or other professional advisers without delay. You should read the prospectus issued by Adrad Holdings Limited (**Company**) dated 17 August 2022 and any relevant supplementary or replacement prospectus (**Prospectus**), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus (whether in paper or electronic form). Capitalised terms used in this Application Form and not otherwise defined have the same meaning given to them in the Prospectus.

A I/we apply for

Shares at \$1.50 per Share or such lesser number of Shares which may be allocated to me/us.

B I/we lodge full Application Monies

\$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation

<input type="text"/>	<input type="text"/>
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Joint Applicant 3 or Account Designation

<input type="text"/>	<input type="text"/>
----------------------	----------------------

D Enter the postal address - include State and Postcode

Unit	Street Number	Street Name or PO Box/Other information
<input type="text"/>	<input type="text"/>	<input type="text"/>

City/Suburb/Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

E Enter your contact details

Contact Name

<input type="text"/>

Telephone Number - Business Hours

()

Email address

F CHESS Participant

Holder Identification Number (HIN)

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the issuer sponsored subregister.

G Payment details - Please follow the payment instructions provided to you. If paying by cheque, provide your cheque details below.

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>

Cheques should be drawn according to the instructions provided by your Broker.

By submitting this Application Form:

- I/we declare that this Application is complete and lodged according to the Prospectus and the declarations/statements on the reverse of this Application Form;
- I/we declare that all details and statements made by me/us (including the declaration/statements on the reverse of this Application Form) are complete and accurate; and
- I/we agree to be bound by the Constitution of the Company.

See overleaf for completion guidelines →

How to complete this Application Form

A Number of Shares applied for

Enter the number of Shares you wish to apply for. The Application must be for at least 1,334 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Offer Price of \$1.50.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Company and Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Please enter your contact details in full - including your telephone number and area code, email address and contact name. This will assist us if we need to contact you regarding this Application.

F CHES

The Company will participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES subregister, enter your CHES HIN. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to the Company's issuer sponsored subregister. Otherwise, leave this section blank and on issue, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

You should ask your Broker for information about how and when to lodge this Application Form, and lodge this Application Form and your payment with your Broker in accordance with their instructions.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application Form relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in the Company is upon and subject to the terms of the Prospectus and the constitution of the Company, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Your Broker must receive your completed Application Form and Application Monies in time to arrange settlement on your behalf by the Closing Date for the Broker Offer. Applicants should allow sufficient time for this to occur and are therefore encouraged to submit their Applications as early as possible.

Acceptance of the Offer

By returning this Application Form with your Application Monies to your Broker in accordance with their instructions:

- you represent and warrant that you have read and understood the Prospectus to which this Application Form relates in full;
- you declare that this Application is completed and lodged according to the Prospectus and subject to the acknowledgements in this Application Form and the Prospectus, including the acknowledgements set out in Section 8.12 of the Prospectus; and
- you make the acknowledgements contained in this Application Form and the Prospectus, including the acknowledgements set out in Section 8.12 of the Prospectus.

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Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

12. Corporate Directory

Directors

Chair and Independent Non-Executive Director

Glenn Stuart Davis

Non-Executive Director

Donald McGurk

Executive Director

Gary Washington

Company Secretaries

Kaitlin Louise Smith
Christopher Allan Newman

Proposed ASX Code

AHL

Registered office

26 Howards Road
BEVERLEY SA 5009

Joint Lead Managers and Underwriters

Bell Potter Securities Limited

Level 29, 101 Collins Street
MELBOURNE VIC 3000

Morgans Corporate Limited

Riverside Centre
Level 29, 123 Eagle Street
BRISBANE CITY QLD 4000

Australian Legal Adviser

HWL Ebsworth Lawyers

Level 21, 91 King William Street
ADELAIDE SA 5000

Investigating Accountant

Grant Thornton Corporate Finance Pty Ltd

Collins Square, Tower 5
Level 22, 727 Collins Street
MELBOURNE VIC 3008

Auditor

Grant Thornton Audit Pty Ltd

Collins Square, Tower 5
Level 22, 727 Collins Street
MELBOURNE VIC 3008

Corporate Adviser

Adelaide Equity Partners Ltd

Ground Floor, 70 Hindmarsh Square
ADELAIDE SA 5000

Share Registry

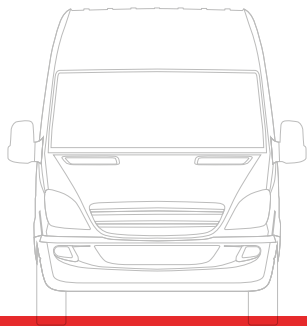
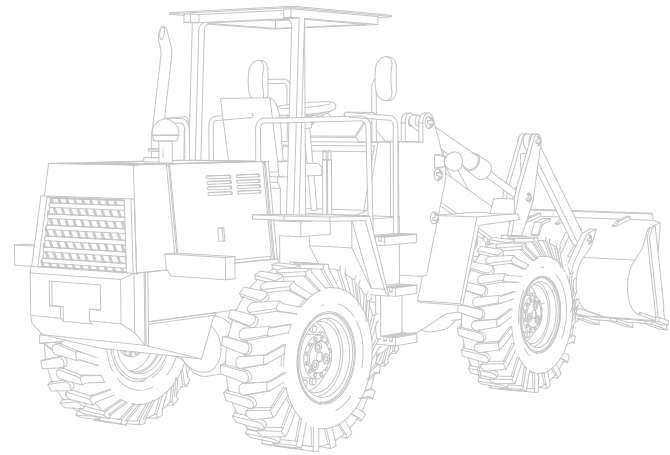
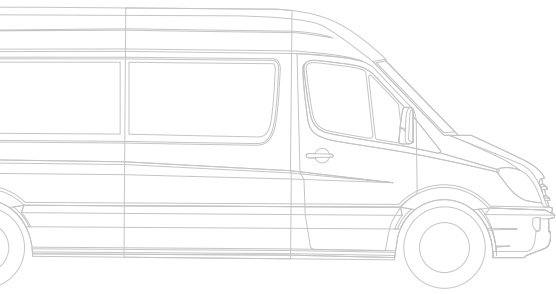
Computershare Investor Services Pty Limited

Adrad Holdings Limited Offer Information Line

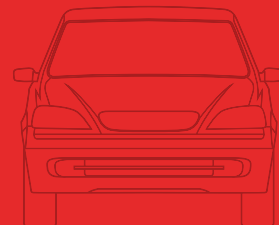
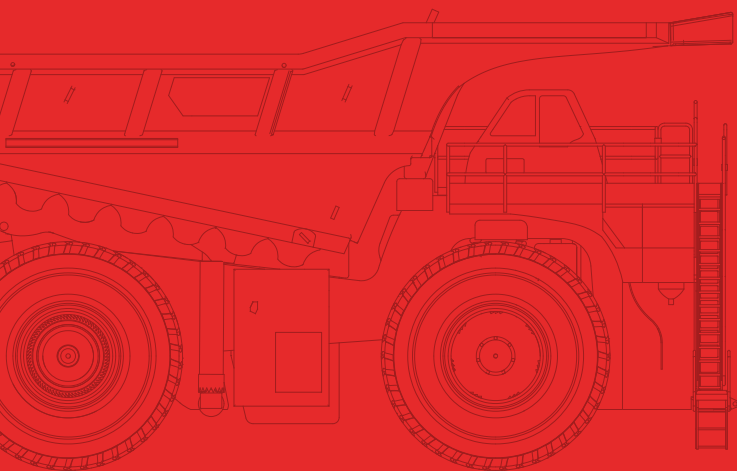
1800 430 896 (within Australia)
+61 3 9415 4036 (outside Australia)

Company Website

www.adradholdings.com.au



ADRAD™



adradholdings.com.au