

30 August 2024

ASX Announcement
ETHERSTACK PLC
("Etherstack" or the "Company")

RESULTS FOR THE HALF YEAR 30 JUNE 2024

Highlights

All amounts are in thousands of USD, unless otherwise specified.

- **Revenue:** revenue increased 14% to \$3,258 from \$2,853 in the restated prior corresponding period (rpcp). The increase is primarily due to project revenues, in particular, from Etherstack's defence customers, and growth in support revenues being offset by reduced royalty revenues
- **EBITDA:** half year EBITDA is (\$177) up 21.7% from (\$226) in the rpcp
- **Operating Cashflow:** the Group had strong cash receipts of \$4,575 in the half year, compared to \$2,889 for the prior corresponding period, and had a positive operating cashflow of \$869
- **Statutory net profit/(loss) after tax:** Statutory net loss after tax is \$1,486 an increase from \$1,150 loss for the rpcp
- **Outlook:** management expects a significantly stronger second half as milestones for contracted projects are delivered, balancing out the full year result as seen in recent years
- **Significant progress made on major projects:** the Group has delivered scheduled milestones on the Australian Department of Defence projects and is currently pursuing follow-on opportunities arising as a result of successful delivery in the half year. The Group has continued to work with Samsung on the MCX-IWF deployment to the AT&T FirstNet® project in the United States however there were no scheduled deliverables in the period and hence no project revenues recognised in the half year. Late in the half year, the Group commenced a support arrangement supporting the on-boarding of public safety agencies onto the AT&T FirstNet® network. Deliverables are scheduled for H2 and hence there is an expectation that these deliveries will generate material project revenues in H2 of 2024 (and beyond).
- **Strategic business development:** in the half year, and up to the date of this report, the Group:
 - Continued to pursue and develop opportunities for our MCX-IWF product in multiple international markets with Samsung, other top-tier communication companies as well as direct opportunities.
 - Continued to pursue and develop opportunities within the defence sector in Australia and the UK and expect to be awarded further projects during H2
 - Delivered a seventh digital land mobile radio network to a major miner in the Pilbara, demonstrating end customer satisfaction with our technical solutions and ongoing support
 - Continued upgrades to existing state and federal government digital radio networks within the public safety sector

David Deacon, Etherstack's Chief Executive Officer, commented:

"Our primary focus in three related market verticals, digital land mobile radio, mission critical push to talk



over cellular and defence communication networks is progressing well with advances in each vertical. While the headline revenue number for the half year is an increase on the prior year, the revenue results for both half year periods reflects some volatility in revenue driven by project revenues derived from a small number of large projects. As an example, 69% of the 2023 revenues were recognised in the second half. We look forward to posting new wins before year end.”

Authorised for release by David Carter, Company Secretary




Enquiries

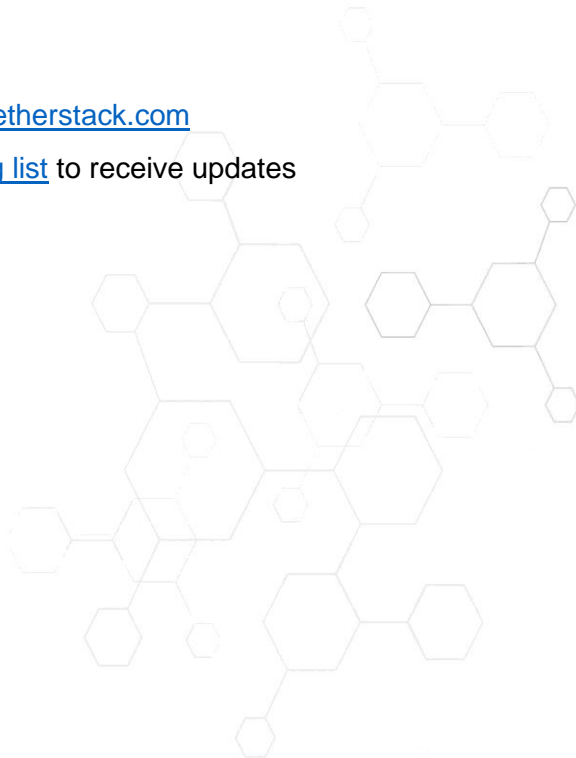
Etherstack
David Carter, Chief Financial Officer
T: +61 2 8399 7500
investor-relations@etherstack.com

Investor Relations:
Melanie Singh
T: +61 439 748 819
melanie@nwrcommunications.com.au

About Etherstack plc (ASX:ESK):

Etherstack is a wireless technology company specialising in developing, manufacturing and licensing mission critical radio technologies for wireless equipment manufacturers and network operators around the globe. With a particular focus in the public safety, defence, utilities, transportation and resource sectors, Etherstack's technology and solutions can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in Reading, Sydney, New York and Yokohama.

-  Follow us on [LinkedIn](#)
-  Visit our website: www.etherstack.com
-  Subscribe to our [mailing list](#) to receive updates



English Registered Company No. 07951056 | ARBN 156 640 532

Sydney (GMT+10) . P: +61 2 8399 7500 . E: info-au@etherstack.com
London (GMT) . P: +44 207 734 0200 . E: info-eu@etherstack.com
Yokohama (GMT +9) . P: +81 45 342 9050 . E: info-jp@etherstack.com
New York (GMT-5) . P: +1 917 661 4110 . E: info-na@etherstack.com

For personal use only

**Etherstack plc
and controlled entities**

Appendix 4D
Half Year report under ASX listing Rule 4.2A.3
Half Year ended on 30 June 2024

ARBN 156 640 532

Previous Corresponding Period: Half
Year ended on 30 June 2023

Results for Announcement to the market				USD\$'000
Revenue from ordinary activities ²	increased	14%	to	3,258
EBITDA ^{1,2}	increased	22%	to	(177)
Loss from ordinary activities after tax attributable to members ²	increased	29%	to	(1,486)
Net Loss attributable to members ²	increased	29%	to	(1,486)
Note 1 - EBITDA is a non-IFRS measure used by management of the company to assess the operating performance of the business. Non-IFRS measures are not subject to audit or review. A reconciliation of EBITDA to Net profit after tax is included in the Directors report				
Note 2 – The EBITDA, Profit/(Loss) from ordinary activities after tax attributable to members and Net Profit/(Loss) attributable to members for the previous corresponding period have been restated. The restatement is detailed in Note 4.1 to the accounts.				

Dividends

There were no dividends declared or paid during the period (30 June 2023: \$nil) and the Directors do not recommend any dividend be paid.

	30 June 2024 US cents	30 June 2023 US cents
Net tangible assets per share		
Net tangible assets per share	(0.2)	(0.2)

Explanation of Results

A detailed review and analysis of operations and financial results is set out within the Directors' Report.

The unaudited condensed consolidated interim financial report for the half year ended 30 June 2024 dated 30 August 2024, forms part of and should be read in conjunction with this Half Year Report (Appendix 4D). The unaudited condensed consolidated interim financial report has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting.



David Deacon, Director
29 August 2024

Etherstack plc AND CONTROLLED ENTITIES

ARBN 156 640 532

INTERIM CONDENSED FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2024

For personal use only



CONTENTS

Directors' Report	2-4
Independent auditor's review report on Interim Financial Information to Etherstack plc	5-6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11-16
Directors' Declaration	17
Corporate Information	18

Etherstack is a wireless technology company specialising in developing, manufacturing and licensing mission critical radio technologies for wireless equipment manufacturers and network operators around the globe. With a particular focus in the public safety, defence, utilities, transportation and resource sectors, Etherstack's technology and solutions can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in London, Sydney, Annapolis and Yokohama

DIRECTORS' REPORT

The directors present the interim condensed consolidated financial report of Etherstack plc (the "Company" or "Etherstack") and its controlled entities (together referred to as "the Group") for the half year ended 30 June 2024. All amounts are in thousands of USD, unless otherwise specified.

Directors

The names of the Company's directors in office during the half year and until the date of this report are set out below. Directors were in office for the entire period:

- Peter Stephens Non-Executive Chairman
- David Deacon Executive Director and Chief Executive Officer
- Paul Barnes Non-Executive Director
- Scott W Minehane Non-Executive Director

2024 First Half Highlights

- **Revenue:** revenue increased 14% to \$3,258 from \$2,853 in the restated prior corresponding period (rpcp). The increase is primarily due to project revenues, in particular, from Etherstack's defence customers, and growth in support revenues being offset by reduced royalty revenues
- **EBITDA:** half year EBITDA is (\$177) up 21.7% from (\$226) in the rpcp
- **Operating Cashflow:** the Group had strong cash receipts of \$4,575 in the half year, compared to \$2,889 for the prior corresponding period, and had a positive operating cashflow of \$869
- **Statutory net profit/(loss) after tax:** Statutory net loss after tax is \$1,486 an increase from \$1,150 loss for the rpcp
- **Outlook:** management expects a significantly stronger second half as milestones for contracted projects are delivered, balancing out the full year result as seen in recent years
- **Significant progress made on major projects:** the Group has delivered scheduled milestones on the Australian Department of Defence projects and is currently pursuing follow-on opportunities arising as a result of successful delivery in the half year. The Group has continued to work with Samsung on the MCX-IWF deployment to the AT&T FirstNet® project in the United States however there were no scheduled deliverables in the period and hence no project revenues recognised in the half year. Late in the half year, the Group commenced a support arrangement supporting the on-boarding of public safety agencies onto the AT&T FirstNet® network. Deliverables are scheduled for H2 and hence there is an expectation that these deliveries will generate material project revenues in H2 of 2024 (and beyond).
- **Strategic business development:** in the half year, and up to the date of this report, the Group:
 - Continued to pursue and develop opportunities for our MCX-IWF product in multiple international markets with Samsung, other top-tier communication companies as well as direct opportunities.
 - Continued to pursue and develop opportunities within the defence sector in Australia and the UK and expect to be awarded further projects during H2
 - Delivered a seventh digital land mobile radio network to a major miner in the Pilbara, demonstrating end customer satisfaction with our technical solutions and ongoing support
 - Continued upgrades to existing state and federal government digital radio networks within the public safety sector

DIRECTORS' REPORT Continued

Principal activities

The principal activities of the Group throughout the period were design, development manufacturing and deployment of wireless communications software and products.

Etherstack has a substantial intellectual property portfolio that generates a diverse range of revenue from multiple technology areas and clients, and a mix of mature, new and emerging product lines.

Etherstack derives revenues from:

- Mission critical digital land mobile radio network products
- Specialised communications equipment
- Technology licences and royalties
- System solution sales
- Customisation and Integration services; and
- Ongoing support services.

Etherstack differentiation	Customer Benefit
Etherstack is focused on bringing the latest standards-compliant technology developments to communications markets globally.	Delivering standards-compliant solutions at lower price-points than equivalent in-house customer developments are a key benefit of sourcing from Etherstack.
Extensive partnership networks and use of non-proprietary interfaces.	Etherstack product and service offerings are designed from the ground-up to enable interoperability with other vendors' products, ensuring clients can select from the best solutions available to meet their needs and reducing or eliminating customer lock-ins.
Etherstack has developed domain expertise in communications technologies and participated in standards bodies globally for over 20 years.	Deploying Etherstack standards-compliant products and services accelerates customer timelines and reduces customer risk.
Etherstack has a global staffing presence of expert support engineers in all major client markets with, allowing follow-the-sun, 24/7/365 customer support capabilities.	Deploying Etherstack products and services is enhanced with through-life service and support, ensuring customers have a successful experience.
Extensive R&D investment over 20 years ensures continuous improvement of our intellectual property products.	Etherstack appreciates that technology does not stand still. Deploying Etherstack products and services ensures that customer access to the very latest in technological developments.

For personal use only

DIRECTORS' REPORT Continued

Review of operations and financial results

Revenues

Revenues for the half year are \$3,258 which is an increase of \$405 or 14% from the restated prior half year. Revenue comprises three key types of revenue:

	Half year ended 30 June 2024	Half year ended 30 June 2023	Increase/ (decrease)
		Restated – note 4.1	
Project revenues: comprising Licence fees, installation/integration and supply of wireless communications technology	2,185	1,754	431
Support revenues	1,023	968	55
Royalty revenues	50	131	(81)
Total revenue	3,258	2,853	405

The overall revenue increase is due to:

- Increased level of project activity:** in the half year project revenues of \$2,185 were earned compared to \$1,754 for the pcp, a 25% increase. Noting the nature of Etherstack's business means project revenues are typically driven by a small number of large contracts which can produce volatile revenues, depending upon project activity and deliveries, within a particular financial period.
 - The 2023 H1 revenue was impacted by project delays which in turn results in a corresponding 2024 increase.
 - An increase in scheduled deliverables for Etherstack's defence business which generated \$1,455 in the half year compared to \$303 in the pcp
 - Deliverables for the Australian Department of Home Affairs – Australian Border Force
 - Multiple Western Australian resources project follow-on orders
 - There were no project deliverables scheduled for the Samsung project with AT&T FirstNet® in the half year and hence no revenues recognised in H1 2024. The company expects further deliverables and revenue in H2. Support revenues connected to this project commenced in the half – see comments below.

As in the prior year, revenue in the second half is expected to exceed H1 revenues with the full year 2024 revenue figure expected to be broadly comparable with 2023 with opportunity for upside improvement. 69% of the 2023 revenues were recognised in the second half.

- Support revenues:** for first half of FY2024 was up by \$55 or 5.7% to \$1,023 compared to \$968 for the first half of FY2023. The main reason for the increase was commencement in May 2024 of support services to Samsung Electronics America Inc in connection with introduction of the first public safety agencies onto the AT&T FirstNet® network.
- Royalty revenues:** royalty revenues for the first half of FY2024 are \$50 compared to \$131 for pcp. The decrease resulted from reduced sales achieved by licensed manufacturers.

DIRECTORS' REPORT Continued

EBITDA and Statutory Net profit/(loss) after tax

	30 June 2024	30 June 2023 Restated Note 4.1
Statutory Net profit/(loss) after tax	(1,486)	(1,150)
Add back:		
Depreciation	221	227
Amortisation	1,010	760
Interest expense	96	59
Income tax	(18)	(122)
Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)	<u>(177)</u>	<u>(226)</u>

The key drivers of the result for the half year were:

- Increased revenues, as outlined above
- The slightly decreased gross margin of \$1,075 in H1 2024 vs \$1,111 H1 2023 is due to the combined effect of:
 - Increased revenues of \$405 however the sales mix also influenced the gross margin. The reduced royalty revenue and increased project revenue in the half tends to increase the overall cost of sales. Etherstack continues to highlight that gross margin fluctuates between periods based on the revenue mix – in particular, the value of low-margin third-party hardware relative to the high-margin Etherstack software products. In the current half year there has been a change in the revenue mix with support and royalties making up 33% of the total compared to 39% in the pcp.
 - Increased in the non-cash amortisation cost included in Direct costs – the H1 2024 amortisation expense is \$1,010 compared to \$760 in the pcp. This expense has increased as new intellectual property assets were completed in 2022 and 2023 have been amortised for the whole of the half year.
- Sales and Marketing costs of \$652 comparable to the pcp costs of \$646. There has not been any significant change in the sales and marketing programmes or activities.
- Administrative costs have increased over the prior period. The current half year expense is \$1,892 which is an increase of \$197 or 11.6%. The increase is primarily due to increases in salary costs, travel costs and professional fees.
- The net income tax credit arising from research & development incentives has decreased due to a decreased investment in our Intellectual Property assets, of \$1,364 in H1 vs \$1,435 in the pcp and changes to the incentive programmes which reduce the amount of this investment which is eligible for the incentives.

DIRECTORS' REPORT Continued

Cash flows

Operating cash flows: Operating cash inflows were \$869 for the half year which is an increase of \$1,160 relative to the pcp (\$291 outflow). This is partially due to increased revenues but mainly due to the timing of collection of project cashflows which differs from revenue recognition where there are upfront payments or milestone payment plans. Receipts from customers in the half year were \$4,575 compared to \$2,889 in the pcp.

Investing cashflows: The Group has invested a further \$1,364 (H1 2023 \$1,435) into its suite of intellectual property assets to develop new assets and enhance existing assets as the major part of investing cashflows which totalled \$1,403. This is a decrease of \$103 from the pcp.

Financing Cashflows: The key financing cash flows relate to:

- Cashflows pursuant to unmarketable parcel Chess Depositary Interest (CDI) buy back of \$42 (\$nil in the pcp); and
- lease payments connected to leasehold premises of \$116 (\$113 in the pcp).

In the prior period, there was a significant financing cash inflow of \$3,116 primarily connected to a funding agreement (refer Note 6).

Rounding of amounts

Amounts in the Directors Report and the accompanying financial report have been rounded to the nearest thousand dollars, unless otherwise expressly stated.

Signed in accordance with a resolution of the directors



David Deacon, Director
30 August 2024

Independent review report to Etherstack plc

Conclusion

We have been engaged by Etherstack Plc (the 'company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the Consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows and related notes. We have read the other information contained in the half-yearly financial report which comprises Director's report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard (IAS) 34, 'Interim Financial Reporting'.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with UK- adopted International Accounting Standard 34, 'Interim Financial Reporting'.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's business model including effects arising from macro-economic uncertainties such as the cost of living crisis and rising interest rates, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's financial resources or ability to continue operations over the going concern period.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with UK-adopted International Accounting Standard (IAS) 34, 'Interim Financial Reporting'.

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

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report.

Our conclusion, including our Conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

30 August 2024

For personal use only

**Consolidated Statement of Comprehensive Income
For the period ended 30 June 2024**

	Note	Half year 30 June 2024 USD \$'000 (unaudited)	Half year 30 June 2023 USD \$'000 (unaudited) Restated: Note 4.1
Revenue from Contracts with Customers	7	3,258	2,853
Direct costs		(2,183)	(1,742)
Gross Profit		1,075	1,111
Other income		87	53
Sales and marketing costs		(652)	(646)
Other Administrative expenses		(1,892)	(1,695)
Net foreign exchange gains / (losses)		(26)	(36)
Operating (loss) from continuing operations		(1,408)	(1,213)
Finance expense-borrowing costs		(96)	(59)
Net finance expense		(96)	(59)
<i>(Loss) before taxation</i>		(1,504)	(1,272)
Income tax benefit		18	122
<i>(Loss) after taxation for the period attributable to the equity holders of the parent</i>		(1,486)	(1,150)
<i>Other comprehensive income/ (loss)</i>			
Items that may be classified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(2)	238
Total comprehensive (loss) / income for the period attributable to the equity holders of the parent		(1,488)	(912)
		Cents	Cents
Basic (loss) / earnings per share		(1.13)	(0.88)
Diluted (loss) / earnings per share		(1.13)	(0.88)

The results above relate to continuing operations.

**Consolidated Statement of Financial Position
As at 30 June 2024**

	Note	30 June 2024 USD \$'000 (unaudited)	31 December 2023 USD \$'000 (audited)
Current assets			
Cash and bank balances		1,356	2,061
Trade and other receivables		3,465	4,606
Inventories		350	294
		<u>5,171</u>	<u>6,961</u>
Non-current assets			
Property, plant and equipment		326	414
Trade and other receivables		506	504
Intangible assets	5	8,510	8,156
Right-of-use assets		146	188
		<u>9,488</u>	<u>9,262</u>
TOTAL ASSETS		<u>14,659</u>	<u>16,223</u>
Current liabilities			
Trade and other payables		1,509	1,570
Current tax liabilities		154	93
Employee entitlements		746	659
Unearned revenue		832	1,106
Lease liabilities		162	223
		<u>3,403</u>	<u>3,561</u>
Non-current liabilities			
Employee entitlements		35	39
Unearned revenue		359	321
Lease liabilities		54	50
Borrowings	6	2,433	2,425
		<u>2,881</u>	<u>2,835</u>
TOTAL LIABILITIES		<u>6,284</u>	<u>6,396</u>
NET ASSETS		<u>8,375</u>	<u>9,827</u>
Capital and reserves			
Share capital	7	751	751
Share premium account		16,042	16,042
Other Equity	6	84	84
Merger reserve		3,497	3,497
Share based payment reserve		1,209	1,131
Foreign currency translation reserve		(2,900)	(2,898)
Retained Earnings		(10,308)	(8,780)
TOTAL EQUITY		<u>8,375</u>	<u>9,827</u>

For personal use only

Consolidated Statement of Changes in Equity
For the period ended 30 June 2024

	Share Capital USD \$'000	Share Premium Account USD \$'000	Other Equity USD \$'000	Merger Reserve USD \$'000	Share Based Payment Reserve USD \$'000	Foreign Currency Translation Reserve USD \$'000	Retained Earnings USD \$'000	Total Equity USD \$'000
<i>For the half-year ended 30 June 2023</i>								
Balance at 1 January 2023	745	16,017	-	3,497	928	(2,806)	(9,302)	9,079
Issue of Share Capital	5	24	-	-	-	-	-	29
Value of conversion rights (Note 6)	-	-	84	-	-	-	-	84
Share based payment charge	-	-	-	-	94	-	-	94
Transactions with owners	5	24	84	-	94	-	-	207
Profit/(loss) for the period	-	-	-	-	-	-	(1,150)	(1,150)
Other comprehensive income for the period	-	-	-	-	-	238	-	238
Total comprehensive income for the period	-	-	-	-	-	238	(1,150)	(912)
Balance at 30 June 2023 (unaudited)	750	16,041	84	3,497	1,022	(2,568)	(10,452)	8,374
<i>For the half-year ended 30 June 2024</i>								
Balance at 1 January 2024	751	16,042	84	3,497	1,131	(2,898)	(8,780)	9,827
Issue of Share Capital	-	-	-	-	-	-	-	-
Share based payment charge	-	-	-	-	78	-	-	78
Unmarketable parcel Chess Depository Interest (CDI) buy back (Note 7)	-	-	-	-	-	-	(42)	(42)
Transactions with owners	-	-	-	-	78	-	(42)	36
Profit/(loss) for the period	-	-	-	-	-	-	(1,528)	(1,528)
Other comprehensive income for the period	-	-	-	-	-	(2)	-	(2)
Total comprehensive income for the period	-	-	-	-	-	(2)	(1,528)	(1,528)
Balance at 30 June 2024 (unaudited)	751	16,042	84	3,497	1,209	(2,900)	(10,308)	8,375

For personal use only

**Consolidated Statement of Cash Flows
For the period ended 30 June 2024**

	Note	Six months 30 June 2024 USD \$000 (unaudited)	Six months 30 June 2023 USD \$000 (unaudited)
Cash flows from operating activities			
Receipts from customers		4,575	2,889
Payments to suppliers and employees		(3,594)	(3,116)
Interest paid		(102)	(53)
Income tax (paid) / refunded		(10)	(11)
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		869	(291)
Cash flow from Investing activities			
Additions to intangible assets	5	(1,364)	(1,435)
Payments for property, plant and equipment		(39)	(71)
		<hr/>	<hr/>
Net cash flow (used in) investing activities		(1,403)	(1,506)
Cash flows Financing activities			
Proceeds from issue of shares	7	-	32
Share issue costs		-	(4)
Payment for CDI cancellation pursuant to a minimum holding buy back		(42)	-
Principal element of lease payments		(116)	(113)
Proceeds from borrowings		-	3,116
Repayments of borrowings		-	(308)
		<hr/>	<hr/>
Net cash flow (used in) / generated by financing activities		(158)	2,723
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		(692)	926
Effect of foreign exchange rate changes		(13)	43
Cash and cash equivalents at 1 January		2,061	1,918
		<hr/>	<hr/>
Cash and cash equivalents at end of period		1,356	2,887
		<hr/> <hr/>	<hr/> <hr/>

For personal use only

Notes to the Condensed Consolidated Financial Statements

1. General information

Etherstack plc (“the Company”) is a public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The registered office is Suite 3.03, 40 Caversham Road Reading RG1 7EB United Kingdom.

The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2024 comprises the Company and its subsidiaries (together referred to as ‘the Group’). The principal activities of the Group throughout the period were design, development, manufacturing and deployment of wireless communications software and hardware products. The principal activity of Etherstack plc (the “Company”) is that of a holding company. These financial statements are presented in US\$ because the Group operates in international markets and the US\$ provides the most comparable currency for peer companies. All amounts are in USD and \$000 unless otherwise indicated.

2. Basis of preparation

The condensed consolidated interim financial report has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2023.

This condensed consolidated interim financial report does not include all the information required for full financial statements prepared in accordance with International Financial Reporting Standards, (IFRS) as adopted by the UK and should be read in conjunction with the consolidated financial statements at 31 December 2023. The condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 30 August 2023.

2.1 Financial reporting period

The interim financial information for the period from 1 January 2024 to 30 June 2024 is unaudited. In the opinion of the Directors, the interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period in accordance with IAS 34. The accounts incorporate comparative figures for the interim period 1 January 2023 to 30 June 2023 and the audited financial year to 31 December 2023. The financial information contained in this interim report does not constitute statutory accounts as defined by section 435 of the Companies Act 2006.

The comparatives for the full year ended 31 December 2023 are not the Company’s full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor’s report on those accounts was unqualified.

2.2 Going concern

The Directors have prepared cash flow forecasts in order to assess going concern. The forecasts take account of potential and realistic changes in amount and timing of cashflows. In addition, the Directors have undertaken sensitivity testing of the forecasts including changes to timing of receipt of cashflows, where on the basis of historical support renewals or legislation, the cashflows are considered to be highly likely, and contracted cashflows. The Directors have also considered the mitigating actions and alternative sources of funding that could be taken in the event there are significant delays in the receipt of these forecasted cashflows. The scenarios considered include a scenario where no revenues outside the highly likely cashflows and contracted cashflows are received. In this scenario, the business would be close to cash flow break-even point, and mitigating actions and alternative sources of funding are available, however this scenario suggesting no revenues other than the highly likely and contracted cashflows, is considered unlikely.

Based on existing cash resources, and current and forecasted performance, including consideration of the impacts of macroeconomic uncertainties relevant to the key markets in which Etherstack operates, the Directors reasonably expect there to continue to be sufficient cash resources to be able to pay

Notes to the Condensed Consolidated Financial Statements

liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2023.

4. Material accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2023.

4.1 Restatement

The consolidated statement of comprehensive income for the comparative period has been restated. Intercompany foreign exchange gains and losses have been recalculated to ensure compliance with the requirements of IAS 21 in respect of the valuation of USD denominated items in the books of group companies where the ledger is not held in USD.

The impact on the comparative half year period is:

	Previously reported	Revised	Difference
Net foreign exchange gains / (losses)	(391)	(36)	355
<i>Other comprehensive income/ (loss)</i>			
Exchange differences on translation of foreign operations	399	238	161

In addition, a restatement has been made to the timing of revenue (and associated direct costs) on a particular contract. The revenue and costs, which were previously reported in the half year ended 30 June 2023 have been revised to report the revenue and costs as 2022 items.

	Previously reported	Revised	Difference
Revenue from Contracts with Customers - half year 2023	2,916	2,853	(63)
Direct Costs - half year 2023	(1,767)	(1,742)	25

Notes to the Condensed Consolidated Financial Statements

5. Intangible assets

Intangible assets comprise costs incurred on the development of specific products that meet the criteria set out in IAS 38 Intangible Assets. The amortisation period for development costs incurred on the Group's intellectual property developments is over the useful life estimate of 3 to 6 years. Amortisation does not take place until the asset is fully completed. Included in capitalised development costs are costs of \$1,482 (31 December 2023 costs of \$587) for intangible assets which are not yet complete and hence there is no amortisation charge on these developments. At balance date the Group reviewed the carrying value of intangible assets to determine whether any impairment indicators exist. The outcome of the review was that no impairment indicators exist.

Engineering software is amortised over its expected useful life of 5 years.

	Capitalisation of development costs USD \$'000	Engineering software USD \$'000	Total USD \$'000
Cost:			
At 1 January 2023	27,357	749	28,106
Additions	1,412	23	1,435
At 30 June 2023	28,769	772	29,541
At 1 January 2024	30,007	842	32,032
Additions	1,317	47	1,364
At 30 June 2024	31,324	889	33,396
Accumulated amortisation			
At 1 January 2023	20,506	536	21,042
Charge for the period	719	41	760
At 30 June 2023	21,225	577	21,802
At 1 January 2024	22,075	618	23,876
Charge for the period	948	62	1,010
At 30 June 2024	23,023	680	24,886
Carrying amount			
At 30 June 2024	8,301	209	8,510
At 31 December 2023	7,932	224	8,156

Note 5.1 – the columns for fully amortised and impaired intangible assets represented by goodwill and customer contracts have been removed from the table above. There is no impact on the statement of financial position, statement of comprehensive income or statement of cashflows.

Notes to the Condensed Consolidated Financial Statements

6. Borrowings

	Half year ended 30 June 2024	Year ended 31 December 2023 Audited
	USD \$000	USD \$000
Non current		
Borrowings at amortised cost (Note a)	<u>2,433</u>	<u>2,425</u>

Note (a) Borrowings are a funding agreement which commenced on 29 June 2023. Key terms are as follows:

- Principal is USD 2,500;
- Unsecured;
- 6.5% interest payable quarterly in arrears;
- Maturity date is 29 June 2027;
- Associated option agreement allows the lender, at any time prior to maturity, to exercise the option for the issue of 6,491,228 fully paid ordinary Etherstack plc shares in full settlement of the debt; and
- Etherstack may repay the debt in full at any time prior to maturity on 30 days written notice to the lender.

The initial fair value of the liability portion of the borrowings was determined using a market interest rate for an equivalent non-convertible borrowing at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity and not subsequently remeasured.

The amount shown as Other Equity of \$84 is the value of the conversion rights relating to the borrowing detailed above.

7. Issued Capital

	Half year ended 30 June 2024	Year ended 31 December 2023 Audited
	USD \$000	USD \$000
Issued, allotted and fully paid 131,693,884 (31 December 2023; 131,907,002) ordinary shares of 0.4p each	<u>751</u>	<u>751</u>

During the half year the Company announced a buy back (the "Buy Back") of unmarketable parcels of Chess Depositary Interests (CDI's) held by certain investors. The average price of the unmarketable parcels amounted to AUD 0.226 (USD 0.147) and is treated as a distribution to Shareholders. In total through this program, the Company paid USD \$42,000 to 211 shareholders in buying back 293,118 CDI's.

As a UK registered entity, the Company is subject to regulations and requirements of the UK Companies Act 2006 (the "Act") which, to protect all investors, has specific provisions to cover any distributions to shareholders.

As a result of the Buy Back, and despite the best intentions of the Company to assist those with unmarketable parcels of CDI's, as the Company had insufficient distributable profits to make the distribution it is necessary to remedy this position by following a UK set of procedures laid down in the Act.

Notes to the Condensed Consolidated Financial Statements

Upon becoming aware of the issue, the Board took immediate action to remedy this technical oversight by engaging with UK lawyers to assist in this matter.

To this end, the Company will be issuing shortly a circular to all shareholders, detailing the position and calling a General Meeting where a series of resolutions will be put to Shareholders to cover a proposed new issue of shares, specifically to finance the purchase of the underlying shares represented by the CDI's in the Buy Back by way of a purchase agreement between the Company and the Chess Depository holder.

The forthcoming General Meeting will also consider deeds of release in favour of the directors of the Company in approving the distribution and those shareholders who have received the Buy Back proceeds.

80,000 ordinary shares were issued on conversion of performance rights issued under the Etherstack plc performance rights plan. Consideration for the issue of the shares is the satisfaction of performance hurdles, linked to targets relevant to the particular employee. There were no material cash inflows arising from share issues arising from performance right conversions.

8. Revenue

	Half year ended 30 June 2024	Half year ended 30 June 2023
		Restated: 4.1
Project revenues: comprising Licence fees, installation/integration and supply of wireless communications technology	2,185	1,754
Support Revenue	1,023	968
Royalty Revenue	50	131
Total revenue	3,258	2,853

9. Related party transactions

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

David Deacon is a director of the company.

At 30 June 2024, \$156 remains owing to David Deacon (31 December 2023 \$156). The amount due is represented by deferred wages is unsecured interest free and is not subject to specific repayment terms. There were no advances or payments in the half year period.

Peter Stephens is a director of the company.

At 30 June 2024, \$74 (31 December 2023 \$82) is owing to Peter Stephens. The amount due is represented by deferred wages is unsecured, not subject to specific repayment terms and interest free.

There were no advances made in the period. Payments of \$8 were made in the half year period.

Notes to the Condensed Consolidated Financial Statements

Paul Barnes is a director of the company.

At 30 June 2024, \$9 (31 December 2023 \$68) is owing to Paul Barnes. The amount due is represented by deferred wages is unsecured, not subject to specific repayment terms and interest free.

There were no advances made in the half year period. Payments of \$59 were made in the half year period.

For personal use only

Directors Declaration

In the opinion of the Directors:

- (a) The interim financial statements and notes of Etherstack plc and its subsidiaries (the Group) set out on pages 7 to 16 are in accordance with the Corporations Act 2001, and:
 - (i) comply with International Accounting Standard IAS 34 Interim Financial Reporting as adopted by the UK and the Corporations Regulations 2001;
 - (ii) give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the six months ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



David Deacon
Director

30 August 2024

For personal use only

Corporate Information

Company Registration No. 07951056

ARBN 156 640 532

Directors

Peter Stephens (Non-Executive Chairman)
David Deacon (Executive Director and Chief Executive Officer)
Paul Barnes FCCA (Non-Executive Director)
Scott W. Minehane (Non-Executive Director)

Company Secretaries

Paul Barnes FCCA (United Kingdom)
David Carter (Australia)

United Kingdom Registered Office

Suite 3.03, 40 Caversham Road
Reading RG1 7EB
United Kingdom

Australian Registered Office

64 Rose Street
Chippendale, NSW, 2008
Australia

Auditor

Grant Thornton UK LLP
30 Finsbury Square
Statutory Auditor
London, United Kingdom

Stock Exchange Listing

Australian Securities Exchange
(Code: ESK)

Share Registrars

Computershare Investor Services Pty Limited
6 Hope St, Ermington NSW 2115
Australia

Computershare Investor Services plc

The Pavilions, Bridgwater Road
Bristol BS99 6ZY
United Kingdom

Website

www.etherstack.com