

Appendix 4E

Preliminary final report

Name of Entity: Etherstack plc
ARBN: 156 640 532

1. Reporting Period (“current period”): Year ended 31 December 2012
Previous corresponding period: Year ended 31 December 2011

2. Results for announcement to the market

				\$USD 000
Revenue	down	51%	to	7,051
(Loss)/Profit from ordinary activities after tax attributable to members	down	128%	to	(1,107)
Net (Loss)/Profit for the period attributable to members	down	128%	to	(1,107)

Summary

- FY2012 Revenue USD\$7.1m, with a loss of USD\$1.1m (NPAT) on a marginally negative EBITDA (USD\$0.1m) when listing costs and other one off charges considered.
- FY2013 Revenue and NPAT expected to return to FY2011 levels, and the company is currently estimating revenue guidance of USD\$14.8m and NPAT of USD\$4.1m.
- FY2013 outlook strong on current and expected order flow from existing and new clients, with a return to dividend in FY2013 expected accordingly.
- New JVCKENWOOD technology licensing contract in Japan announced in Dec 2012 progressing to schedule.
- First ever quarterly Cisco royalty announced in Dec 2012. Further Cisco royalties reported since. Quarterly royalty flow from Cisco expected to increase in 2013.

Results Commentary

During the FY2012 year, the Company expanded its management and engineering team, relocated its largest engineering facility in Sydney (300% increase in space), and successfully listed on the Australian Stock Exchange (ASX) on 7th Sep 2012 in preparation for growth activities in 2013 & 2014.

Further variances between FY2012 and FY2011 performance relate primarily to a shift in focus from shorter term returns on engineering effort towards longer term returns associated with development of sustainable product lines of higher future revenue potential. Benefits of this shift are expected to become apparent in positive FY2013 results through increased revenue from higher margin product business and increased royalty streams with longer payment tails.

Initial guidance for FY2013 predicts that results will be in line, or slightly better than FY2011 numbers, which were USD\$14.5m in revenue and USD\$4.0m in NPAT.

Appendix 4E
Preliminary final report Etherstack plc

Should FY2013 continue to present in line with FY2011, the Board expects that the company will return to paying dividends in FY2013.

The company has substantial sales pipeline activity entering FY2013 from a blend of existing and new clients.

Dividends

No dividends are proposed.

Record date for determining entitlements to the dividends

Not applicable

3. Consolidated statement of comprehensive income

	Current Period	Previous Corresponding Period
	USD \$000	USD \$000
Revenues	7,051	14,514
Cost of sales	(2,632)	(3,238)
Gross profits	4,419	11,276
Foreign exchange gains/(losses)	(167)	360
Other administrative expenses	(5,619)	(7,038)
Total administrative costs	(5,786)	(6,678)
Operating profit/(loss)	(1,367)	4,598
Investment revenues	-	1
Finance costs	(104)	(32)
(Loss)/Profit before tax	(1,471)	4,567
Income Tax	364	(579)
(Loss)/Profit for the period	(1,107)	3,988
Other Comprehensive income		
Foreign currency translation	(78)	(76)
Total comprehensive (loss)/income attributable to owners of the parent	(1,185)	3,912
Earnings per share		
-Basic (in cents)	(3.6)	14.0
-Diluted (in cents)	(3.6)	13.9
Revenue	Current Period	Previous Corresponding Period
	USD \$000	USD \$000
Licence fees, Design, development and supply of wireless communications technology	6,083	13,530
Royalties	757	874
Grant receipts	211	110
	7,051	14,514

Appendix 4E
Preliminary final report Etherstack plc

Expenses	Current Period	Previous Corresponding Period
	USD \$000	USD \$000
Depreciation	211	239
Operating lease costs	691	517
Amortisation of internally generated intangible assets	768	263
Amortisation of acquired customer relationships	25	62
Foreign exchange – third party	160	(66)
Foreign exchange - intercompany	7	(221)
Finance costs – interest on loans	104	32

4. Condensed consolidated balance sheet

		Current Period USD \$000	Previous Corresponding Period USD \$000
Current Assets			
Inventories	7	371	202
Trade and other receivables	8	4,082	3,411
Cash and Bank balances		272	2,660
		4,725	6,273
Non-Current assets			
Intangible assets	9	9,405	5,394
Property, plant and equipment	10	384	239
Trade and other receivables	8	948	-
		10,737	5,632
		15,462	11,905
Total assets			
Current Liabilities			
Trade and other payables	11	2,409	1,910
Current tax liabilities	11	438	811
		2,847	2,721
Non-Current liabilities			
Trade and other payables	11	1,903	-
		4,750	2,721
Total Liabilities			
Net Current Assets		1,878	3,552
Net Assets		10,712	9,184
Equity			
Share capital	12	250	226
Share premium account		5,891	3,519
Merger reserve		(191)	(191)
Share based payment reserve		290	48
Other capital reserve		75	-
Retained earnings		4,397	5,582
Total equity		10,712	9,184

5. Condensed consolidated statement of cash flows

	Current Period	Previous Corresponding Period
	USD \$000	USD \$000
Cash from operating activities	(922)	4,439
Investing activities		
Interest received	-	1
Purchase of subsidiary	-	(1,258)
Purchase of intangible assets	(4,789)	(3,064)
Purchases of property plant and equipment	(352)	(102)
Net cash used in investing activities	(5,141)	(4,423)
Financing activities		
Increase/(decrease) loans	(205)	92
Net proceeds on issue of shares	2,396	848
Net proceeds on issue of convertible notes	1,547	-
Net cash from financing activities	3,738	940
Net increase/(decrease) in cash and cash equivalents	(2,325)	956
Cash and cash equivalents at beginning of year	2,660	1724
Effect of foreign exchange rate differences	(63)	(20)
Cash and cash equivalents at end of year	272	2,660

Reconciliation of cash from operating activities

	Current Period	Previous Corresponding Period
	USD \$000	USD \$000
Operating (Loss)/profit after tax	(1,107)	4,598
Adjustments for:		
Depreciation of property, plant & equipment	211	239
Amortisation of intangible assets	793	325
Debts written off	7	
Equity settled share based transactions	242	-
Decrease in income tax payable	(373)	
Operating cashflows before movements in working capital	(227)	5,162
(Increase)/decrease in Inventories	(169)	533
(Increase) in Receivables	(1,188)	(398)
Increase/(decrease) in payables	704	(764)
Cash generated by operations	(880)	4,533
Income taxes paid	(42)	(962)
Interest paid	-	(32)
Net cash (used in)/generated by operating activities	(922)	4,439

Appendix 4E
Preliminary final report Etherstack plc

6. Statement of changes in equity

	Share Capital	Share Premium	Own Shares	Share Based payment	Merger reserve	Other capital reserves	Retained earnings	Total
	USD \$000	USD \$000	USD \$000	USD \$000	USD \$000	USD \$000	USD \$000	USD \$000
Balance at 1 January 2011	222	2,799	(124)	49	(191)	-	1,670	4,425
Profit for the year	-	-	-	-	-	-	3,988	3,988
Other Comprehensive income	-	-	-	-	-	-	(76)	(76)
Total Comprehensive income	-	-	-	-	-	-	3,912	3,912
Issue of ordinary shares	4	844	-	-	-	-	-	848
Own shares cancelled	-	(124)	124	-	-	-	-	-
Share based payments charge	-	-	-	(1)	-	-	-	(1)
Balance at 31 December 2011	226	3,519	-	48	(191)	-	5,582	9,184
Profit for the year	-	-	-	-	-	-	(1,107)	(1,107)
Other Comprehensive income	-	-	-	-	-	-	-	-
Effect of foreign exchange	10	159	-	2	-	-	(78)	93
Total Comprehensive income	10	159	-	2	-	-	(1,185)	(1,014)
Issue of ordinary shares	14	2,213	-	-	-	-	-	2,227
Issue of Convertible Notes	-	-	-	-	-	75	-	75
Share based payments charge	-	-	-	240	-	-	-	240
Balance at 31 December 2012	250	5,891	-	290	(191)	75	4,397	10,712

7. Inventories

	2012	2011
	\$000	\$000
Finished goods and work in progress	371	202
	<u>371</u>	<u>202</u>

8. Trade and other receivables

	2012	2011
	\$000	\$000
Current		
Trade debtors	1,157	715
Accrued income from contracts in progress	1,981	1,940
Other debtors	944	756
	<u>4,082</u>	<u>3,411</u>
Non-current		
Accrued income from contracts in progress	517	-
Other debtors	431	-
	<u>948</u>	<u>-</u>

Appendix 4E
Preliminary final report Etherstack plc

9. Intangible Assets

	Capitalisation of development costs USD \$000	Engineering software USD \$000	Acquired customer relationships USD \$000	Total USD \$000
Cost				
At 1 January 2011	1,403	306	-	1,709
Additions	3,064	20	1,122	4,206
Exchange differences	-	1	-	1
At 31 December 2011	4,467	327	1,122	5,916
Additions	4,559	220	-	4,779
Exchange differences	-	(11)	22	11
At 31 December 2012	9,026	536	1,144	10,706
Accumulated amortisation				
At 1 January 2012	277	183	62	522
Charge for the year	617	151	25	793
Exchange differences	(19)	3	2	(14)
At 31 December 2012	875	337	89	1,301
Carrying amount				
At 31 December 2012	8,151	199	1,055	9,405
At 31 December 2011	4,190	143	1,060	5,394

10. Property, Plant and equipment

	Leasehold property \$'000	Furniture and equipment \$'000	Computer equipment \$'000	Total \$'000
Cost				
At 1 January 2012	97	159	682	938
Additions	146	178	47	371
Exchange differences	-	-	(11)	(11)
At 31 December 2012	<u>243</u>	<u>337</u>	<u>718</u>	<u>1,298</u>
Accumulated depreciation				
At 1 January 2012	71	135	494	700
Charge for the year	38	30	143	211
Exchange differences	-	-	2	2
At 31 December 2012	<u>109</u>	<u>166</u>	<u>639</u>	<u>914</u>
Carrying amount				
At 31 December 2012	<u>134</u>	<u>171</u>	<u>79</u>	<u>384</u>
At 31 December 2011	<u>26</u>	<u>19</u>	<u>188</u>	<u>238</u>

11. Trade and other payables

	2012 \$'000	2011 \$'000
Current		
Trade creditors and accruals	1,176	1,002
Other creditors	379	430
Other taxes and social security costs	541	10
Other loans	313	468
Corporation Tax	438	-
	<u>2,847</u>	<u>1,910</u>
Non -current		
Liability component of convertible notes	1,472	-
Deferred income	431	-
	<u>1,903</u>	<u>-</u>

Appendix 4E
Preliminary final report Etherstack plc

12. Share capital

	2012	2011
	Number	Number
Authorised		
Ordinary shares of 0.4p each (2011: £0.10 each)	62,500,000	2,500,000
	2012	2011
	\$000	\$000
Called up, allotted and fully paid		
31,980,784 ordinary shares of 0.4p each (2011:		
1,184,327 ordinary shares of £0.10 each)	250	226
	<u>250</u>	<u>226</u>
	<u><u>250</u></u>	<u><u>226</u></u>

13. Earnings per share

Details of basic and diluted EPS are as follows:

	2012	2011
	\$'000	\$'000
Profit/(loss) for the year	(1,107)	3,988
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	30,491,480	28,460,399
Dilutive effects of options	602,100	32,100
Weighted average number of ordinary shares for diluted earnings per share	<u>31,093,580</u>	<u>28,492,499</u>

14. Dividends

There are no dividends paid or proposed in respect of the current period or the prior period.

15. Dividend Reinvestment Plans

There are no dividend or distribution reinvestment plans in operation.

16. Net tangible assets

	Current Period		Previous Corresponding Period
	USD cents		USD cents
Net tangible asset backing per ordinary share	4.1		13.3

17. Details of entities over which control has been gained or lost

There are no entities over which control was gained or lost in the current period.

18. Details of associates and joint venture entities

Not applicable

19. Any other significant information

Etherstack plc was incorporated on 15 February 2012 and acquired 100% of the issued share capital of Etherstack London Limited, through a share for share exchange. This transaction is a group reorganisation and the accounting treatment reflects the economic substance of the transaction. Accordingly, the preliminary final report of Etherstack plc has been drawn up as a continuation of the financial statements of Etherstack London Limited.

20. Accounting standards

The preliminary final report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited financial report. The financial report has been prepared in accordance with measurement and recognition (but not disclosure) requirements of International Financial Reporting Standards (IFRS).

As such, this preliminary final report does not include all the notes of the type included in an annual financial report.

The preliminary final report is presented in United States Dollars (USD).

21. Post balance date events

A further \$1.52m of Convertible Notes were issued in January 2013.

22. The report is based on accounts which are in the process of being audited.