



24 August 2023

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

**RESULTS FOR THE HALF YEAR 30 JUNE 2023**

**Highlights**

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

- **Revenue:** revenue was \$2,916 down 40% on the prior corresponding period ("pcp"). The decrease is primarily due to project delays outside of Etherstack's control but also reflects the inherent nature of Etherstack's revenues which may be volatile when driven by a small number of large projects and associated milestones which often balance out in the subsequent half
- **EBITDA:** EBITDA is (\$543) down from \$2,216 in the pcp
- **Statutory net profit/(loss) after tax:** Statutory net loss after tax is (\$1,467) a decrease from \$1,654 for the pcp
- **Full year guidance:** notwithstanding the project related decrease in first half revenue, management expects delayed first half milestones on a major project to be realised in the second half balancing out the full year result. Management has provided full year guidance to the market of revenue between \$9,100 and \$10,100 based on contracted revenues and discussions with existing customers in relation to second half deliveries and expects the company to remain profitable and operating cashflow positive as in the past several years
- **Significant progress made on major projects:** the Group has delivered scheduled milestones on the LMR-IWF deployment with Samsung for the AT&T Firstnet project in the United States and are moving into the "Controlled Introduction" stage of the project in H2
- **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 conjunction with Samsung including the second MCX-IWF licence transaction announced 4<sup>th</sup> October 2022. This generates \$1 million for Etherstack's H2 revenues
  - Continued to pursue and develop opportunities within the Australian defence sector. Activity has commenced on the follow-on project for the Defence project announced on 7 September 2022 with major deliverables scheduled for H2 and additional deliverables next financial year
  - Continued to pursue and develop opportunities in the digital land mobile radio sector. Collectively, resource projects in this sector contributed more than \$620 in the half year although none were individually large enough to be separately announced.
  - Awarded contracts by new public safety agency clients in Western Australia and a Commonwealth nation for our innovative PTT (push-to-talk)-over-Satellite product known as the IVX

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English Registered Company No. 07951056 | ARBN 156 640 532

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- **Secured medium term funding:** a funding agreement was completed with Icom Inc on 29 June 2023 securing 4 year funding terms for Etherstack to provide additional working capital in support of growth objectives.

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

“Our primary focus in three related market verticals, digital mobile radio, mission critical push to talk over cellular and defence communications is progressing well with material advances in all areas. The headline revenue number for the half does not reflect the underlying health and achievements of the business during the period. Due to an end customer project timing issue beyond Etherstack's control, the company was unable to deliver key milestones during H1. These milestones are expected to be delivered in H2 and form the basis of our full year guidance as recently advised to the market.

We look forward to posting new wins before year end.”

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*Authorised for release by David Carter, Company Secretary*




## Enquiries

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## 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.

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-  Visit our website: [www.etherstack.com](http://www.etherstack.com)
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**Etherstack plc  
and controlled entities**

Appendix 4D  
Half Year report under ASX listing Rule 4.2A.3  
Half Year ended on 30 June 2023

ARBN 156 640 532

**Previous Corresponding Period: Half  
Year ended on 30 June 2022**

Results for Announcement to the market				USD\$'000
Revenue from ordinary activities	decreased	40%	to	2,916
EBITDA <sup>1</sup>	decreased	125%	to	(543)
Profit/(Loss) from ordinary activities after tax attributable to members	decreased	189%	to	(1,467)
Net Profit/(Loss) attributable to members	decreased	189%	to	(1,467)
<p><b>Notes 1</b> - 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.</p>				

**Dividends**

There were no dividends declared or paid during the period (30 June 2022: \$nil) and the Directors do not recommend any dividend be paid.

Net tangible assets per share	30 June 2023 US cents	30 June 2022 US cents
Net tangible assets per share	(0.2)	0.9

**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 2023 dated 24 August 2023, 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**  
24 August 2023

## **Etherstack plc** AND CONTROLLED ENTITIES

ARBN 156 640 532

INTERIM CONDENSED FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 30 JUNE 2023



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***Etherstack is a wireless technology company specialising in licensing mission critical radio technologies to 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 can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in London, Sydney, New York 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 2023. 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

### 2023 First Half Highlights

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

- **Revenue:** revenue was \$2,916 down 40% on the prior corresponding period ("pcp"). The decrease is primarily due to project delays outside of Etherstack's control but also reflects the inherent nature of Etherstack's revenues which may be volatile when driven by a small number of large projects and associated milestones which often balance out in the subsequent half
- **EBITDA:** EBITDA is (\$543) down from \$2,216 in the pcp
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- **Significant progress made on major projects:** the Group has delivered scheduled milestones on the LMR-IWF deployment with Samsung for the AT&T Firstnet project in the United States and are moving into the "Controlled Introduction" stage of the project in H2
- **Strategic business development:** in the half year, and up to the date of this report, the Group:
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  - Continued to pursue and develop opportunities within the Australian defence sector. Activity has commenced on the follow-on project for the Defence project announced on 7 September 2022 with major deliverables scheduled for H2 and additional deliverables next financial year
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  - Awarded contracts by new public safety agency clients in Western Australia and a Commonwealth nation for our innovative PTT (push-to-talk)-over-Satellite product known as the IVX

## DIRECTORS' REPORT Continued

- **Secured medium term funding:** a funding agreement was completed with Icom Inc on 29 June 2023 securing 4 year funding terms for Etherstack to provide additional working capital in support of growth objectives

### Principal activities

The principal activities of the Group throughout the period were design, development 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 radio network products
- Specialised communications equipment
- Technology licences and royalties
- System solution sales
- Customisation and Integration services; and
- Ongoing Support services.

Etherstack licences innovative technology across three key platforms:



Etherstack seeks to differentiate our offerings by:	What this means for the customer
Leveraging small company agility to provide flexible and customised solutions	Superior flexibility, service and technology
Identifying and supplying market “gaps” where our products offer a competitive edge in terms of features, functions or price	Best of breed technology
Focusing on specific industry sectors where our technology has a track record of uninterrupted performance	Low risk
Providing local support in North America, Asia and Europe with global back up	Superior service
Ongoing investment in developing new capabilities	Best of breed technology



## DIRECTORS' REPORT Continued

### Review of operations and financial results

#### Revenues

Revenues for the half year are \$2,916 which is a decrease of \$1,941 or 40% from the prior half year.

Revenue comprising three key types of revenue:

	Half year ended 30 June 2023	Half year ended 30 June 2022	Increase/ (decrease)
Project revenues: comprising Licence fees, installation/integration and supply of wireless communications technology	1,817	3,815	(1,998)
Support Revenue	968	927	41
Royalty Revenue	131	115	16
<b>Total revenue</b>	<b>2,916</b>	<b>4,857</b>	<b>(1,941)</b>

The overall revenue decrease is due to:

- **Decreased level of project activity:** in the first half of FY2023 resulting in project revenues of \$1,817 compared to \$3,815 for the pcp, a 52% increase. Key reasons for this decrease are:
  - 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. For example, the \$1 million licence transaction as announced on 4 October 2022 was recognised on 10 July 2023 and payment received 21 days later. This demonstrates the volatility that can arise. If this agreement was concluded 10 days earlier the results for the half year would be significantly different.
  - Slower than expected delivery on a major customer project due to factors outside of Etherstack's control. This is a large complex multi-party project and the *timing* of Etherstack's deliveries and revenues have been impacted. There is no negative change to the contracted revenue for the project and management expects a modest increase in revenue associated with the project to help offset costs the Company incurred associated with the delay beyond our control.

As advised in the recent trading update and full year guidance, overall revenue in the second half is expected to rebound with the full year revenue figure in broad alignment with the previous year with significant opportunity for upside improvement.

Key projects deliveries in the half year include:

- Further deliverables under the contract with Samsung for the AT&T Firstnet deployment in North America as announced in July 2021
- Deliverables for the Australian Department of Home Affairs – Australian Border Force;
- Multiple Western Australian resources project follow-on orders; and
- a sizeable but not singularly material order by a public safety agency in a Commonwealth nation for the Company's innovative PTT-over-Satellite solution



## DIRECTORS' REPORT Continued

- **Support revenue:** for first half of FY2023 was up by 4% to \$968 compared to \$927 for the first half of FY2022. There were no major networks deployed in the half year and therefore no significant new support streams for the period. The reported Support revenue increased slightly due to
  - Support commencing on smaller network deployments
  - CPI price increases on renewals

Management expects a significant new long term support revenue stream to commence in H2 this year as a major deployment with Samsung goes live.

- **Royalty revenues:** royalty revenues for the first half of FY2022 are \$131 compared to \$115 for pcpc. The slight increase resulted from higher sales achieved by licensed manufacturers.

### EBITDA and Statutory Net profit/(loss) after tax

	30 June 2023	30 June 2022
<b>Statutory Net profit/(loss) after tax</b>	(1,467)	1,654
Add back:		
Depreciation	227	199
Amortisation	760	408
Interest expense	59	52
Income tax	(122)	(97)
<b>Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)</b>	<u>(543)</u>	<u>2,216</u>

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

- Decreased revenues, as outlined above
- The decreased gross margin of \$1,149 in H1 2023 vs \$3,529 H1 2022 is due to the combined effect of:
  - Reduced revenues
  - Increased in the non cash amortisation cost included in Direct costs – the H1 2023 amortisation expense is \$760 compared to \$408 in the pcpc. This expense has increased as new intellectual property assets were completed in 2022 and have been amortised for the whole of the half year.
  - 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 38% of the total compared to 21% in the pcpc.
- Sales and Marketing costs of \$646 comparable to the pcpc costs of \$650. There has not been any significant change in the sales and marketing programmes or activities.
- Administrative costs are also very comparable to the prior period. The current half year is \$1,695 which is an increase of \$45 or 2.7%. This reflects a generally consistent cost base.

## DIRECTORS' REPORT Continued

- The Group is exposed to foreign currency fluctuations resulting in a foreign exchange loss of \$391 in the period compared to a gain of \$318 in the pcp, a negative turnaround of \$709.
- The net income tax credit arising from Research & Development incentives has increased due to a combination of increased investment, \$1,434 vs \$1,324 in the pcp and reduced profitability in the half year increasing the amount of the claim.

### Cash flows

**Operating cash flows:** Operating cash outflows are \$291 for the half year which is an increase relative to the pcp (\$880 outflow) notwithstanding reduced revenues. This is due to the timing of collection of project cashflows which differs from revenue recognition where there are upfront payments or milestone payment plans. Further, operating cashflows can be skewed within periods where there may be a major delivery late in the accounting period. In addition, timing of collection (or non-collection) of support contracts that renew after 1 July can also lead to variation in half year operating cashflows.

The 31 December 2022 receivables balance was higher than the pcp and in combination with earlier collection of Half 1 2023 revenues compared to Half 1 2022 revenues has led to the increased operating cashflow notwithstanding a reduction in revenue.

**Financing Cashflows:** The key financing flows were:

- proceeds of \$2,500 from the Funding agreement signed on 29 June 2023 and a short term loan of \$616 was drawn and then partially repaid (\$308); and
- lease payments connected to leasehold premises.

**Investing cashflows:** The Group has invested a further \$1,434 (H1 2022 \$1,324) into its suite of intellectual property assets to develop new assets and enhance existing assets.

### 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  
24 August 2023

## Independent auditor's review report on Interim Financial Information to Etherstack plc

### Conclusion

We have reviewed the condensed set of financial statements in the half-yearly financial report of Etherstack plc (the 'company') for the six months ended 30 June 2023 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.

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 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

### Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) (ISRE (UK)) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (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 IFRSs. 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".

We have read the other information contained in the half-yearly financial report, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### 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 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.

## Independent auditor's review report on Interim Financial Information to Etherstack plc continued

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors

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.

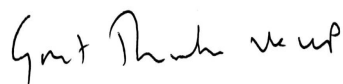
### Auditor's Responsibilities for the review of the financial information

Our responsibility is to express a conclusion to the company on the condensed set of financial statements in the half-yearly financial report based on our review.

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, as a body, 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 as a body, for our review work, for this report, or for the conclusion we have formed.



Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London

24 August 2023

**Consolidated Statement of Comprehensive Income  
For the period ended 30 June 2023**

	Note	Half year 30 June 2023 USD \$'000 (unaudited)	Half year 30 June 2022 USD \$'000 (unaudited) Restated Note (a)
<b>Revenue from Contracts with Customers</b>	7	2,916	4,857
Direct costs		(1,767)	(1,328)
<b>Gross Profit</b>		<b>1,149</b>	<b>3,529</b>
Other income		53	62
Sales and marketing costs		(646)	(650)
Other Administrative expenses		(1,695)	(1,650)
Net foreign exchange gains / (losses)		(391)	318
Operating (loss) / profit from continuing operations		(1,530)	1,609
Finance expense-borrowing costs		(59)	(52)
Net finance expense		(59)	(52)
<i>(Loss) / Profit before taxation</i>		(1,589)	1,557
Income tax benefit		122	97
<i>(Loss) / Profit after taxation for the period attributable to the equity holders of the parent</i>		(1,467)	1,654
<i>Other comprehensive income/ (loss)</i>			
Items that may be classified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		399	(351)
<b>Total comprehensive (loss) / income for the period attributable to the equity holders of the parent</b>		<b>(1,069)</b>	<b>1,303</b>
		Cents	Cents
Basic (loss) / earnings per share		(1.12)	1.27
Diluted (loss) / earnings per share		(1.12)	1.23

Note (a) The presentation of expenses in the 2022 Statement of Comprehensive Income has been restated to present the Statement of Comprehensive Income functionally in line with IAS 1. There is no change to the profit after tax however items in 2022 have been reclassified to be consistent with 2023 presentation and classification methodology. Further information is set out in Note 4.1

The results above relate to continuing operations.

**Consolidated Statement of Financial Position  
As at 30 June 2023**

	Note	30 June 2023 USD \$'000 (unaudited)	31 December 2022 USD \$'000 (audited)
<b>Current assets</b>			
Cash and bank balances		2,887	1,918
Trade and other receivables		3,617	3,309
Inventories		434	431
		<u>6,938</u>	<u>5,658</u>
<b>Non-current assets</b>			
Property, plant and equipment		489	544
Trade and other receivables		175	172
Intangible assets	5	7,739	7,064
Right-of-use assets		288	403
		<u>8,691</u>	<u>8,183</u>
<b>TOTAL ASSETS</b>		<b><u>15,629</u></b>	<b><u>13,841</u></b>
<b>Current liabilities</b>			
Trade and other payables		2,372	2,362
Current tax liabilities		161	113
Unearned revenue		1,288	1,356
Employee entitlements		597	585
Lease liabilities		233	233
Borrowings	6	321	-
		<u>4,972</u>	<u>4,649</u>
<b>Non-current liabilities</b>			
Unearned revenue		275	249
Employee entitlements		27	20
Lease liabilities		150	273
Borrowings	6	2,416	-
		<u>2,868</u>	<u>542</u>
<b>TOTAL LIABILITIES</b>		<b><u>7,840</u></b>	<b><u>5,191</u></b>
<b>NET ASSETS</b>		<b><u>7,789</u></b>	<b><u>8,650</u></b>
<b>Capital and reserves</b>			
Share capital	7	750	745
Share premium account		15,720	15,696
Other Equity	6	84	-
Merger reserve		3,497	3,497
Share based payment reserve		1,022	928
Foreign currency translation reserve		(2,487)	(2,886)
Retained Earnings		(10,797)	(9,330)
<b>TOTAL EQUITY</b>		<b><u>7,789</u></b>	<b><u>8,650</u></b>

**Consolidated Statement of Changes in Equity**  
**For the period ended 30 June 2023**

	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 2022</i>								
<b>Balance at 1 January 2022</b>	745	15,686	-	3,497	676	(2,569)	(11,523)	6,512
Share based payment charge	-	-	-	-	71	-	-	71
<b>Transactions with owners</b>	-	-	-	-	71	-	-	71
Profit for the period	-	-	-	-	-	-	1,654	1,654
Other comprehensive income for the period	-	-	-	-	-	(351)	-	(351)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(351)	1,654	1,303
<b>Balance at 30 June 2022 (unaudited)</b>	745	15,686	-	3,497	747	(2,920)	(9,869)	7,886
<i>For the half-year ended 30 June 2023</i>								
<b>Balance at 1 January 2023</b>	745	15,696	-	3,497	928	(2,886)	(9,330)	8,650
Issue of Share Capital	5	24	-	-	-	-	-	29
Value of conversion rights (Note 6)	-	-	84	-	-	-	-	84
Share based payment charge	-	-	-	-	94	-	-	94
<b>Transactions with owners</b>	5	24	84	-	94	-	-	207
Profit/(loss) for the period	-	-	-	-	-	-	(1,467)	(1,467)
Other comprehensive income for the period	-	-	-	-	-	399	-	399
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2023 (unaudited)</b>	750	15,720	84	3,497	1,022	(2,487)	10,797	7,789



**Consolidated Statement of Cash Flows  
For the period ended 30 June 2023**

	Note	Six months 30 June 2023 USD \$000 (unaudited)	Six months 30 June 2022 USD \$000 (unaudited)
<b>Cash flows from operating activities</b>			
Receipts from customers		2,889	2,365
Payments to suppliers and employees		(3,116)	(3,172)
Interest paid		(53)	(52)
Income tax (paid) / refunded		(11)	(21)
		<hr/>	<hr/>
<b>Net cash (used in)/generated from operating activities</b>		<b>(291)</b>	<b>(880)</b>
<b>Cash flow from Investing activities</b>			
Additions to intangible assets	5	(1,435)	(1,324)
Payments for property, plant and equipment		(71)	(73)
		<hr/>	<hr/>
<b>Net cash flow (used in) investing activities</b>		<b>(1,506)</b>	<b>(1,397)</b>
<b>Cash flows Financing activities</b>			
Proceeds from issue of shares	7	32	-
Share issue costs		(4)	-
Principal element of lease payments		(113)	(145)
Proceeds from borrowings		3,116	-
Repayments of borrowings		(308)	-
		<hr/>	<hr/>
<b>Net cash flow (used in) / generated by financing activities</b>		<b>2,723</b>	<b>(145)</b>
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>926</b>	<b>(2,422)</b>
Effect of foreign exchange rate changes		43	(45)
Cash and cash equivalents at 1 January		1,918	3,038
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>		<b>2,887</b>	<b>571</b>
		<hr/> <hr/>	<hr/> <hr/>

## Notes to the Condensed Consolidated Financial Statements

### 1. General information

Etherstack plc is a public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The registered office is 3<sup>rd</sup> Floor South 30-31 Friar Street Reading, Berkshire RG1 1DX, UK.

The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2023 comprises the Company and its subsidiaries (together referred to as 'the Group'). The principal activities of the Group throughout the period were design, development and deployment of wireless communications software and 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 2022.

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 2022. The condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 24 August 2023.

### 2.1 Financial reporting period

The interim financial information for the period from 1 January 2023 to 30 June 2023 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 2022 to 30 June 2022 and the audited financial year to 31 December 2022. 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 2022 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.

### 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 2022.

### 4. Significant accounting policies

There is one additional significant accounting policy in connection with the accounting treatment for borrowings. Other than the new accounting policy outlined below, 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 2022.

#### Borrowings

The funding agreement entered into by the Company on 29 June 2023 includes an option for the lender to convert the loan into equity. The initial fair value of the liability portion of the borrowings was

## Notes to the Condensed Consolidated Financial Statements

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.

### 4.1 Restatement within the Statement of Comprehensive Income

The presentation of expenses in the 2022 Statement of Comprehensive Income has been restated to present the Statement of Comprehensive Income functionally in line with IAS 1. There is no change to the profit after tax however items in 2022 have been reclassified to be consistent with 2023 presentation and classification methodology.

<b>Expense</b>	<b>2022 \$000</b>	<b>2022 Restated \$000</b>	<b>Difference \$000</b>
Sales and Marketing expenses (previously included in Administrative expenses and now disclosed as a separate item)	0	(650)	650
Amortisation and Impairment of intangibles (previously disclosed as a separate item and now included within Cost of sales)	(408)	0	(408)
Administrative expenses (the decrease is due to reclassification of Sales and Marketing costs, as above, offset by a reclassification of \$185 from Cost of sales to Administrative expenses)	(2,115)	(1,650)	(465)
Cost of sales (the increase is due to reclassification of Amortisation and Impairment of intangibles, as above, offset by a reclassification of \$185 from Cost of sales to Administrative expenses)	(1,105)	(1,328)	223
	Profit after tax impact		0

## 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 \$1,103 (31 December 2022 costs of \$3,074) for intangible assets which are not yet complete and hence there is no amortisation charge on these developments.

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

	Capitalisation of development costs USD \$'000	Engineering software USD \$'000	Acquired Customer relationship USD \$'000	Goodwill USD \$'000	Total USD \$'000
<b>Cost:</b>					
At 1 January 2022	24,898	656	830	353	26,737
Additions	1,324	-	-	-	1,324
Exchange differences	-	-	(42)	-	(42)
<b>At 30 June 2022</b>	<b>26,222</b>	<b>656</b>	<b>788</b>	<b>353</b>	<b>28,019</b>
<b>At 1 January 2023</b>	<b>27,357</b>	<b>749</b>	<b>830</b>	<b>353</b>	<b>29,289</b>
Additions	1,412	23	-	-	1,435
<b>At 30 June 2023</b>	<b>28,769</b>	<b>772</b>	<b>830</b>	<b>353</b>	<b>30,724</b>
<b>Accumulated amortisation</b>					
At 1 January 2022	19,739	457	830	353	21,379
Charge for the period	367	41	-	-	408
Exchange differences	-	-	(42)	-	(42)
At 30 June 2022	20,106	498	788	353	21,745
<b>At 1 January 2023</b>	<b>20,506</b>	<b>536</b>	<b>830</b>	<b>353</b>	<b>22,225</b>
Charge for the period	719	41	-	-	760
Exchange differences	-	-	-	-	-
<b>At 30 June 2023</b>	<b>21,225</b>	<b>577</b>	<b>830</b>	<b>353</b>	<b>22,985</b>
<b>Carrying amount</b>					
<b>At 30 June 2023</b>	<b>7,544</b>	<b>195</b>	<b>-</b>	<b>-</b>	<b>7,739</b>
<b>At 31 December 2022</b>	<b>6,851</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>7,064</b>

## Notes to the Condensed Consolidated Financial Statements

### 6. Borrowings

	Half year ended 30 June 2023	Year ended 31 December 2022 Audited
	USD \$000	USD \$000
<b>Current</b>		
Related party borrowings (Note 9)	321	-
	<u>321</u>	<u>-</u>
<b>Non current</b>		
Borrowings at amortised cost (Note a)	2,416	-
	<u>2,416</u>	<u>-</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 2023	Year ended 31 December 2022 Audited
	USD \$000	USD \$000
Issued, allotted and fully paid 131,702,002 (31 December 2022; 130,759,502) ordinary shares of 0.4p each	<u>750</u>	<u>745</u>

During the period:

- 500,000 shares were issued on conversion of options raising cash of \$32
- 442,500 shares were issued on conversion of performance rights issued under the Etherstack plc performance rights plan. Consideration for the issue of shares is the satisfaction of performance hurdles. There were no material cash inflows arising from share issues arising from performance right conversions.

## Notes to the Condensed Consolidated Financial Statements

### 8. Revenue

	Half year ended 30 June 2023	Half year ended 30 June 2022
Project revenues: comprising Licence fees, installation/integration and supply of wireless communications technology	1,817	3,815
Support Revenue	968	927
Royalty Revenue	131	115
<b>Total revenue</b>	<b>2,916</b>	<b>4,857</b>

### 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 2023, \$156 remains owing to David Deacon (31 December 2022 \$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 period.

Peter Stephens is a director of the company.

At 30 June 2023, \$152 (31 December 2022 \$171) 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 \$19 were made in the half year.

In addition, Peter Stephens advanced a short-term GBP denominated loan of USD \$616 which was partially repaid in the period (\$308) with the remainder of \$321 repaid on 3 July 2023 with interest and fees of \$8. Interest of 6.5% per annum applied to the debt and a facility fee of \$3.

Paul Barnes is a director of the company.

At 30 June 2023, \$118 (31 December 2022 \$122) 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 period. Payments of \$4 were made in the half year.

## 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 9 to 17 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 2023 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

**24 August 2023**



## 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

3<sup>rd</sup> Floor South  
30-31 Friar Street  
Reading Berkshire RG1 1DX  
United Kingdom

### Australian Registered Office

64 Rose Street  
Chippendale, NSW, 2008  
Australia

### Auditor

Grant Thornton UK LLP  
Statutory Auditor  
London, United Kingdom

### Stock Exchange Listing

Australian Securities Exchange  
(Code: ESK)

### Share Registrars

#### Computershare Investor Services Pty Limited

452 Johnston Street  
Abbotsford, VIC, 3067  
Australia

#### Computershare Investor Services plc

The Pavilions, Bridgwater Road  
Bristol BS99 6ZY  
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### Website

[www.etherstack.com](http://www.etherstack.com)