

Company details

Name of entity:	Adrad Holdings Limited
ABN:	51121033396
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

			%		\$ m
IFRS financial measures					
Revenues from ordinary activities	Statutory	up	7.6%	to	73.5
	Pro forma ⁽¹⁾	up	7.6%	to	73.5
Profit from ordinary activities after tax attributable to the owners of Adrad Holdings Limited	Statutory	up	66.4%	to	3.1
	Statutory	up	66.4%	to	3.1
Non-IFRS financial measures ⁽²⁾					
Earnings before interest, tax, depreciation and amortisation	Statutory	up	7.7%	to	9.4
	Pro forma ⁽¹⁾	up	8.4%	to	9.9

⁽¹⁾ Pro-forma results include adjustments from statutory results for costs associated with business restructuring and other significant, non-recurring items not incurred in the ordinary course of

⁽²⁾ The directors believe the presentation of non-IFRS financial measures is useful for the users of the financial report as they provide additional and relevant information that reflects the underlying financial performance of the business.

Non-IFRS financial measures contained within this report are not subject to audit or review. Refer to the directors' report for further details.

	31 December 2023 Cents	31 December 2022 Cents
Basic earnings per share	3.81	3.56
Diluted earnings per share	3.81	3.55

Comments

Statutory revenue in 1H FY24 of \$73.5m, increased 7.6% over the prior year's comparative period with growth in both segments – Heat Transfer Solutions (HTS) up 8.2% and Adrad Distribution up 7.0%. HTS benefited from increased volumes to key customers. Adrad Distribution segment's product range continues to expand and incremental benefits are derived from additional facilities added to the distribution network during 2022. There were no pro forma revenue adjustments.

Pro forma earnings before interest, taxes, depreciation and amortisation ("EBITDA") in 1H FY24 was \$9.9m (1H FY23 \$9.1m), an increase of 8.4% despite the impact of inflationary pressures on raw materials, salaries and wages, IT, insurance, along with an increase in lease costs. This reflects strong year-on-year growth in the underlying business operations and a focus on

cost management. HTS delivered a modest increase having been impacted by a number of quality issues which have now been rectified. Adrad Distribution benefitted from higher volumes whilst limiting increases in the cost base.

Pro forma Profit before tax (PBT) in 1H FY24 of \$5.8m was up 11.5% on the prior year's comparative period.

Statutory NPAT in 1H FY24 was \$3.1m, up 66.4% from \$1.9m in the prior year. Statutory PBT increased by \$1.9m or 59.8%

	Pro forma				Statutory			
	1H FY24	1H FY23	Change		1H FY24	1H FY23	Change	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Trading Revenue	73.5	68.3	5.2	7.6%	73.5	68.3	5.2	7.6%
EBITDA ^{(1) (2)}	9.9	9.1	0.8	8.4%	9.4	8.7	0.7	7.7%
PBT ⁽³⁾	5.8	5.2	0.6	11.5%	5.1	3.2	1.9	59.8%
NPAT					3.1	1.9	1.2	66.4%

(1) Pro forma EBITDA is presented on a post AASB-16 basis .

(2) 1H FY24 Pro forma EBITDA has been adjusted for IPO related share based payments plus non-recurring costs associated with manufacturing rationalisation; 1H FY23 has been adjusted for IPO related expenses net of recoveries.

(3) In addition to Note (2), 1H FY23 pro forma PBT has been adjusted for interest expense associated with convertible notes.

Operating activities generated positive cash flow of \$11.1m (1H FY23 \$3.8m); which is reflective of the increase in revenue achieved in 1H FY24 and a reduction in inventory of \$4.7m in the six months to 31 December 2023 due to a concerted focus on inventory management. Further reductions in inventory are expected.

The following transactions impacting the Company's share capital occurred during the period ended 31 December 2023:

- On 8 September 2023, the Company issued 371,688 Fully Paid Ordinary Shares (Shares) for Nil consideration to eligible employees under the Company's Employee Share Plan;
- On 31 October 2023 the Company issued 259,999 Fully Paid Ordinary Shares for Nil consideration to key management personnel following the conversion of vested performance rights; and
- On 11 December 2023, the Company issued 2,186 Fully Paid Ordinary Shares (Shares) for Nil consideration to eligible employees under the Company's Employee Share Plan.

For further explanation of the results refer to the Company's ASX/Media Announcement for the half year ended 31 December 2023 and the accompanying Directors' Report.

3. Net tangible assets

	31 December 2023 Cents	30 June 2023 Cents	31 December 2022 Cents
Net tangible assets per ordinary security	95.70	93.40	88.95

4. Control gained over entities

During the half year ending 31 December 2023 the Company did not gain control over any entities.

5. Loss of control over entities

During the half year ending 31 December 2023 the Company did not lose control over any entities.

6. Dividends

On 23 February 2024 the directors declared a fully franked dividend of \$0.0133 (1.33 cents) per ordinary share payable to shareholders on 3 April 2024 to those who were registered on 20 March 2024.

	Amount per security Cents	Franked amount per security %
<i>Current period</i>		
Interim dividend	1.33	100.00
<i>Previous corresponding period</i>		
Interim dividend	0.70	100.00
Record date for determining entitlements to the interim dividend		20 March 2024

On 28 August 2023 the directors declared a fully franked final dividend of 1.63 cents per ordinary share in relation to the FY23 full year results. The distribution of \$1.3 million was made on 29 September 2023 and was based on the number of shares outstanding on the date of distribution. The financial effect of this final dividend was brought to account in the consolidated financial statements during the half year ended 31 December 2023.

On 23 February 2024 the directors declared a fully franked interim dividend of 1.33 cents per ordinary share in relation to the financial half-year ending 31 December 2023. The interim dividend represents 35% of NPAT and has a record date of 20 March 2024 to be paid on 3 April 2024. The distribution of \$1.1 million is based on the number of shares outstanding as at 23 February 2024; the financial effect of this dividend has not been brought to account in the consolidated financial statements for the half year ended 31 December 2023.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Financial Report for the half-year ended 31 December 2023.

11. Attachments

Details of attachments (if any):

The Financial Report for Adrad Holdings Limited for the half-year ended 31 December 2023 is attached.

Adrad Holdings Limited

ABN 51121033396

Financial Report for the half-year ended - 31 December 2023



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Directors	Mr. Glenn Davis (Independent Non-Executive Director and Chairman) Mr. Donald McGurk (Independent Non-Executive Director) Mr. Darryl Abotomey (appointed Executive Director and interim Chief Executive Officer on 15 August 2023) Mr. Gary Washington (Executive Director)
Chief Executive Officer	Mr. Don Cormack (resigned 15 August 2023) Mr. Darryl Abotomey (appointed 15 August 2023 as interim Chief Executive Officer)
Company Secretaries	Ms Kaitlin Smith Mr. Roderick Hyslop
Registered office	26 Howards Road Beverley, SA, 5009
Principal place of business	Adrad Holdings Limited 26 Howards Road Beverley, SA, 5009
Share register	Computershare Investor Services Pty Ltd
Auditor	William Buck (SA) Level 6, 211 Victoria Square Adelaide SA 5000
Bankers	Bank SA Level 5, 97 King William Street Adelaide SA 5000
Website	www.adradholdings.com.au
Stock exchange listing	Australian Stock Exchange (ASX Code: AHL)

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'consolidated entity') consisting of Adrad Holdings Limited (referred to hereafter as the 'company', 'AHL' or 'Adrad') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

The following persons were directors of Adrad Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr. Glenn Davis (Independent Non-Executive Director and Chairman)
Mr. Donald McGurk (Independent Non-Executive Director)
Mr. Darryl Abotomey (appointed Executive Director on 15 August 2023 and interim Chief Executive Officer)
Mr. Gary Washington (Executive Director)

Principal activities

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

The company has two key segments:

- Heat Transfer Solutions – Designs and manufactures industrial cooling solutions for use in road transport and heavy vehicles, mining, power generation, data centres and rail industries.
- Distribution – Imports and distributes radiators, mobile and stationary heat exchange products and a variety of automotive parts for the Australian and New Zealand automotive and industrial markets.

The Company has facilities across Australia, New Zealand and Thailand a number of which include warehousing, manufacturing and service facilities capable of responding to urgent customer needs. The company has approximately 500 employees across these locations.

Dividends

On 28 August 2023 the directors declared a fully franked final dividend of 1.63 cents per ordinary share in relation to the FY23 full year results. The distribution of \$1.3 million was made on 29 September 2023 and was based on the number of shares outstanding the date of distribution. The financial effect of this final dividend was brought to account in the consolidated financial statements during the half year ended 31 December 2023.

On 23 February 2024 the directors declared a fully franked interim dividend of 1.33 cents per ordinary share in relation to the current financial half-year ending 31 December 2023. The interim dividend represents 35% of NPAT and has a record date of 20 March 2024 to be paid on 3 April 2024. The distribution of \$1.1 million is based on the number of shares outstanding as at 23 February 2024; the financial effect of this dividend has not been brought to account in the consolidated financial statements for the half year ended 31 December 2023.

Review of operations

Adrad Holdings Limited (AHL):

The operations of the consolidated entity for the half-year ended 31 December 2023 resulted in a net profit after tax of \$3,086,016 (31 December 2022: \$1,854,867). The net assets of the consolidated entity increased to \$119,264,400 at 31 December 2023 (30 June 2023: \$116,886,214). The consolidated entity had net cash inflows from operating activities for the period of \$11,115,474 (31 December 2022: inflows of \$3,791,262).

During the reporting period the Company completed its senior executive appointments. As announced on 11 January 2024 Mr Kevin Boyle was appointed as the Chief Executive Officer who in April 2024 will take over from Mr Darryl Abotomey; Darryl has been operating in an interim Chief Executive Officer capacity since 15 August 2023. Additionally, in January 2024 Mr Richard Rindfleish was appointed GM – Adrad Distribution bringing with him a wealth of experience and expertise in the Australian automotive aftermarket industry. Ms Annie Rafferty has been appointed as GM – People & Culture to drive enhancement in all areas of safety, people development, recruitment and industrial relations. Annie joined the Company in December 2023.

As the Company develops and grows a new segment structure has been implemented to reflect the current business and where it is headed. Heat Transfer Solutions will now include all of the group's manufacturing sites. Automotive aftermarket is now referred to as Adrad Distribution, reflective of its focus on the aftermarket distribution business including warehouse, aftermarket sales functions, aftermarket operations including procurement and inventory management. Manufacturing is no longer part of this segment. Prior year segment figures have been restated to reflect the new reporting allocation.

Heat Transfer Solutions (HTS):

During the reporting period HTS enhanced its Thailand manufacturing capability through the addition of 1,000 sqm of additional production space and will now commence construction on a new office and administration area. The facility layout is being redesigned for improved workflow efficiencies and to accommodate new equipment which is currently being installed and commissioned. The new equipment will enable the insourcing of laser cutting and turret punching of components delivering a substantial cost reductions over current practices.

The Thailand expansion has coincided with the successful transfer to Thailand of additional manufacturing previously carried out at the Company's Australian facilities. Efforts have continued to focus on gaining traction in the stationary heat transfer market in SE Asia with a key drive to increase our power generation cooling presence in the market.

The Company's outlook for backup power generation for data centre cooling applications remains robust, with growth opportunities into FY25 in the Australasian market. Local key customers have provided positive forward looking calendar year 2024 estimates above their calendar year 2023 demand.

Strong demand for on road vehicle cooling systems continues to underpin the business.

1H FY24 reported pro forma revenue for HTS of \$40,665,870 (31 December 2022 Restated: \$37,577,860) is up 8.2% from the prior comparative period and a reported statutory EBITDA of \$6,737,523 (31 December 2022 Restated: \$6,469,172) is up 4.1% above the prior comparative period. This reflects the continued growth in the powergen market, demand for on highway applications and efficiency endeavors within our manufacturing operations. EBITDA has been impacted by a higher than normal level of warranty claims.

Organisational changes have been implemented with the aim of removing duplication of processes and improving overall manufacturing management. All manufacturing now falls within the remit of the HTS segment under one general manager. New equipment has been sourced for the operating sites which will expand production capability and reduce manufacturing cost.

The HTS sites continue to prioritise the reduction in raw material inventory in line with their forward production estimates.

Adrad Distribution:

During the half year ended 31 December 2023, the Company continued to grow its existing radiators, intercoolers, air conditioning condensers and compressors ranges. The Company now offers more than 25,000+ parts in its aftermarket product catalogue. In addition to offering the most extensive radiator and heat exchange product range in Australia and New Zealand the Company expanded its automotive products, including the introduction of shock absorbers, suspension parts and other complimentary service parts.

The Company remains the largest aftermarket radiator manufacturer in Australia and continues to penetrate the heavy vehicle and off-highway aftermarket segments through its network of mechanical industrial and automotive workshops and through independent radiator specialists.

This reporting period witnessed increasing cost pressure on all inputs coupled with strong competitive pressure. The Company responded to these circumstances by implementing a drive to reduce inventory holding, introducing more competitive and dynamic product pricing, and maintaining a clear focus on key costs (freight and employment). The impact of cost pressures was further mitigated by higher than normal early season temperatures that contributed to an uplift in cooling product sales in addition to strong demand for on-highway and industrial (agricultural) product.

Along with focusing on cost improvement there has been a drive to increase the sales team's effectiveness in the field. This has resulted in the release of a mobile CRM improving customer communication, transaction of sales and transparency around the sales team's performance in real time.

This resulted in 1H FY24 reported pro forma revenue for the Adrad Distribution business unit of \$32,843,404 (31 December 2022 Restated: \$30,707,994) up 6.8% from the prior comparative period and a reported statutory EBITDA of \$5,105,777 (31 December 2022 Restated: \$4,101,438) being 24.5% above the prior comparative period for the Distribution segment. The result reflects both a continuing growth in revenue but also in EBITDA margin improvement compared to 1H FY23 as the business unit seeks to consolidate its market position and extract greater returns from its recent investments.

The Company is pleased to announce the appointment of Mr Richard Rindfleish as the new GM – Adrad Distribution. Richard

joined the Company in early 2024 having been involved in the automotive aftermarket industry for over two decades and brings an unparalleled wealth of knowledge and industry expertise to the organisation.

Significant changes in the state of affairs

In early 1H FY24, the company introduced an Employee Share Plan, to acknowledge the contribution of the Adrad team members particularly in relation to the successful listing of the Company on the Australian Securities Exchange during FY23. Shares were issued in September 2023 to eligible team members for NIL consideration, at an approximate charge to the company of \$0.3 million in 1H FY24.

On 15 August 2023 it was announced that Adrad's Chief Executive Officer for the last 17 years, Mr Don Cormack would retire. Mr Darryl Abotomey was appointed as the interim Chief Executive Officer until a permanent Chief Executive Officer appointment is made. The appointment of Mr Kevin Boyle as Chief Executive Officer was announced on 11 January 2024 with Kevin to join the Company in April 2024.

There are no other significant changes in the state of affairs of the consolidated entity during the half-year ended 31 December 2023.

Matters subsequent to the end of the financial half-year

On 11 January 2024 the Company announced the appointment of Mr Kevin Boyle as the new Chief Executive Officer for Adrad Holdings Limited. Kevin will join the Company in April 2024 at which time Mr Darryl Abotomey will step down as interim Chief Executive Officer and revert to his previous position as an independent non-executive director of Adrad Holdings Limited.

On 23 February 2024 the directors declared a fully franked interim dividend of 1.33 cents per ordinary share in relation to the current financial half-year ending 31 December 2023. The interim dividend represents 35% of NPAT and has a record date of 20 March 2024 to be paid on 3 April 2024. The distribution of \$1.1 million is based on the number of shares outstanding as at 23 February 2024; the financial effect of this dividend has not been brought to account in the consolidated financial statements for the half year ended 31 December 2023.

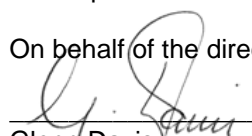
No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration is included on page 6 of this financial report and forms part of this Directors' Report.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Glenn Davis
Non-Executive Director and Chairman

23 February 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Adrad Holdings Limited

As lead auditor for the review of Adrad Holdings Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Adrad Holdings Limited and the entities it controlled during the period.

William Buck

William Buck (SA)
ABN: 38 280 203 274

M. D. King

M. D. King
Partner

Dated this 23rd day of February, 2024



Adrad Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023



		Consolidated	
	Note	31 December 2023	31 December 2022
		\$	\$
Revenue			
Sales revenues		73,509,274	68,306,015
Other income	4	678,098	1,241,467
Expenses			
Raw materials and consumables expenses		(37,035,462)	(33,700,222)
Depreciation and amortisation expense		(3,708,666)	(3,259,350)
Other expenses	5	(7,411,925)	(7,933,725)
Employee expenses		(20,374,561)	(19,214,120)
Operating profit		5,656,758	5,440,065
Finance costs	6	(675,502)	(2,311,839)
Finance income		123,471	66,643
Profit before income tax expense		5,104,727	3,194,869
Income tax expense		(2,018,711)	(1,340,002)
Profit after income tax expense for the half-year attributable to the owners of Adrad Holdings Limited		3,086,016	1,854,867
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign subsidiaries		156,765	461,619
Other comprehensive income for the half-year, net of tax		156,765	461,619
Total comprehensive income for the half-year attributable to the owners of Adrad Holdings Limited		3,242,781	2,316,486
		Cents	Cents
Basic earnings per share	15	3.81	3.56
Diluted earnings per share	15	3.81	3.55

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Adrad Holdings Limited
Consolidated statement of financial position
As at 31 December 2023



		Consolidated	
	Note	31 December 2023 \$	30 June 2023 \$
Assets			
Current assets			
Cash and cash equivalents	7	17,862,813	13,931,145
Trade and other receivables		19,099,081	21,493,220
Inventories		49,562,885	54,257,513
Total current assets		<u>86,524,779</u>	<u>89,681,878</u>
Non-current assets			
Property, plant and equipment		16,338,567	15,042,078
Right-of-use assets		45,894,591	43,308,154
Intangible assets		36,965,654	36,965,654
Deferred tax asset		4,506,345	4,591,115
Total non-current assets		<u>103,705,157</u>	<u>99,907,001</u>
Total assets		<u>190,229,936</u>	<u>189,588,879</u>
Liabilities			
Current liabilities			
Trade and other payables		10,343,283	14,374,523
Borrowings and interest bearing liabilities	8	1,468,746	2,140,963
Lease liabilities		3,716,843	3,620,095
Provisions		8,708,125	9,079,227
Total current liabilities		<u>24,236,997</u>	<u>29,214,808</u>
Non-current liabilities			
Borrowings and interest bearing liabilities	8	789,782	731,305
Lease liabilities		45,548,120	42,396,573
Provisions		390,637	359,979
Total non-current liabilities		<u>46,728,539</u>	<u>43,487,857</u>
Total liabilities		<u>70,965,536</u>	<u>72,702,665</u>
Net assets		<u>119,264,400</u>	<u>116,886,214</u>
Equity			
Contributed equity	9	43,693,739	42,986,191
Reserves	10	(2,392,212)	(2,297,544)
Retained profits		77,962,873	76,197,567
Total equity		<u>119,264,400</u>	<u>116,886,214</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Adrad Holdings Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2023



Consolidated	Contributed Equity \$	Foreign Currency Translation Reserve \$	Common Control Acquisition Reserve \$	Acquisition of Non-Controlling Reserve \$	Share-based payment Reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	3,750,761	(2,358,603)	4,804,650	(5,326,836)	-	71,156,527	72,026,499
Profit after income tax expense for the half-year	-	-	-	-	-	1,854,867	1,854,867
Other comprehensive income for the half-year, net of tax	-	461,619	-	-	-	-	461,619
Total comprehensive income for the half-year	-	461,619	-	-	-	1,854,867	2,316,486
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs	39,276,193	-	-	-	-	-	39,276,193
Options issued	-	-	-	-	37,504	-	37,504
Performance rights issued	-	-	-	-	80,000	-	80,000
Balance at 31 December 2022	<u>43,026,954</u>	<u>(1,896,984)</u>	<u>4,804,650</u>	<u>(5,326,836)</u>	<u>117,504</u>	<u>73,011,394</u>	<u>113,736,682</u>

Consolidated	Contributed Equity \$	Foreign Currency Translation Reserve \$	Common Control Acquisition Reserve \$	Acquisition of Non-Controlling Reserve \$	Share-based payment Reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2023	42,986,191	(2,064,295)	4,804,650	(5,326,836)	288,937	76,197,567	116,886,214
Profit after income tax expense for the half-year	-	-	-	-	-	3,086,016	3,086,016
Other comprehensive income for the half-year, net of tax	-	156,765	-	-	-	-	156,765
Total comprehensive income for the half-year	-	156,765	-	-	-	3,086,016	3,242,781
<i>Transactions with owners in their capacity as owners:</i>							
Share-based payments (note 16)	341,815	-	-	-	114,300	-	456,115
Vested Share-based payments	365,733	-	-	-	(365,733)	-	-
Dividends Paid	-	-	-	-	-	(1,320,710)	(1,320,710)
Balance at 31 December 2023	<u>43,693,739</u>	<u>(1,907,530)</u>	<u>4,804,650</u>	<u>(5,326,836)</u>	<u>37,504</u>	<u>77,962,873</u>	<u>119,264,400</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Adrad Holdings Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2023



	Note	Consolidated	
		31 December 2023	31 December 2022
		\$	\$ Restated
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		83,932,438	75,609,450
Payments to suppliers and employees (inclusive of GST)		(70,053,512)	(67,230,737)
Finance cost		(29,587)	(653,500)
Income tax paid		(2,857,336)	(3,933,951)
		<u>10,992,003</u>	<u>3,791,262</u>
Interest received		123,471	-
		<u>11,115,474</u>	<u>3,791,262</u>
Cash flows from investing activities			
Payments for property, plant & equipment		(2,968,346)	(1,713,294)
Payment for term deposit		-	(10,000,000)
Proceeds from disposal of property, plant and equipment		181,299	-
		<u>(2,787,047)</u>	<u>(11,713,294)</u>
Cash flows from financing activities			
Proceeds from issue of shares	9	-	15,000,000
Payment for IPO related costs		-	(723,807)
Dividends paid		(1,320,710)	-
Proceeds from/ (repayment of) borrowings		(613,740)	(1,537,820)
Repayment of lease liabilities		(2,462,309)	(2,268,830)
		<u>(4,396,759)</u>	<u>10,469,543</u>
Net cash from/(used in) financing activities			
Net increase in cash and cash equivalents		3,931,668	2,547,511
Cash and cash equivalents at the beginning of the financial half-year		13,931,145	3,477,672
		<u>17,862,813</u>	<u>6,025,183</u>
Cash and cash equivalents at the end of the financial half-year			

Prior year cash flows from operating activities has been restated due classification of income tax paid being previously reported in payments to suppliers value. No change to total net cash from operating cash.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Adrad Holdings Limited as a consolidated entity consisting of Adrad Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Adrad Holdings Limited's functional and presentation currency.

Adrad Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia. The principal activities of the consolidated entity during the half-year ended 31 December 2023 were the design and manufacture of heat transfer solutions for OE customers globally and the importation and distribution of automotive parts for the aftermarket.

The registered office and principal place of business of Adrad Holdings Limited is located at 26 Howards Road, Beverley SA 5009.

The consolidated annual financial statements of the Company as at and for the year ended 30 June 2023 are available from the Company's website (www.adradholdings.com.au) or upon request from the Company's registered office.

These financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation

Statement of compliance

These general purpose financial statements for the half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements are presented in Australian dollars, which is also the Company's functional currency.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on differences in products and services provided: automotive aftermarket parts and heat transfer solutions (original equipment (OE)) manufacturing. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The other segment represents the investment holdings of the operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Heat Transfer Solutions (HTS)	Original equipment manufacturing
Adrad Distribution	Automotive aftermarket parts

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 December 2023	Heat Transfer Solutions \$	Adrad Distribution \$	Corporate \$	Total \$
Revenue				
Sales to external customers	40,665,870	32,843,404	-	73,509,274
Total segment revenue	40,665,870	32,843,404	-	73,509,274
Total revenue	40,665,870	32,843,404	-	73,509,274
EBITDA	6,737,523	5,105,777	(2,477,876)	9,365,424
Depreciation and amortisation				(3,708,666)
Finance income				123,471
Finance costs				(675,502)
Profit before income tax expense				5,104,727
Income tax expense				(2,018,711)
Profit after income tax expense				3,086,016

Consolidated - 31 December 2022	Heat Transfer Solutions Restated \$	Adrad Distribution Restated \$	Corporate \$	Total Restated \$
Revenue				
Sales to external customers	37,577,860	30,707,994	20,161	68,306,015
Total revenue	37,577,860	30,707,994	20,161	68,306,015
EBITDA	6,469,172	4,101,438	(1,871,196)	8,699,414
Depreciation and amortisation				(3,259,350)
Finance income				66,644
Finance costs				(2,311,839)
Profit before income tax expense				3,194,869
Income tax expense				(1,340,002)
Profit after income tax expense				1,854,867

Restated segment to reflect the change in the Company's structure for all manufacturing operations being identified under Heat Transfer Solutions. Refer to *Review of operations* in Directors' report for further information.

Note 4. Other income

	Consolidated 31 December 2023 \$	31 December 2022 \$
Gain from disposal of property, plant and equipment	-	15,072
Rental	18,000	22,657
Grant	255,200	-
IT service	105,553	-
Other	299,345	165,300
Reimbursement of IPO costs from related party (Adcore)	-	1,038,438
	<u>678,098</u>	<u>1,241,467</u>

Note 5. Other expenses

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Advertising	227,303	224,756
ASX related	98,340	77,997
IT & communications	734,560	785,761
Freight	3,195,150	3,107,361
Motor vehicle	255,004	276,795
Professional fees	486,659	454,539
Insurance	677,768	593,869
Repairs & maintenance to assets	254,224	163,003
Occupancy	128,368	92,271
Energy	237,874	193,330
Warranty	1,129,267	557,360
Foreign exchange loss	65,949	23,434
IPO related	-	1,210,254
Other (net of internal recoveries)	(78,541)	172,995
	<u>7,411,925</u>	<u>7,933,725</u>

Note 6. Finance cost

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Interest and finance charges paid/payable	29,587	93,525
Interest and finance charges paid/payable on lease liabilities	645,915	626,617
Finance costs - convertible notes	-	1,591,697
	<u>675,502</u>	<u>2,311,839</u>

Note 7. Cash and cash equivalents

	Consolidated	
	31 December 2023	30 June 2023
	\$	\$
Cash on hand	8,613	5,042
Cash at bank	12,854,200	8,926,103
Term deposits	5,000,000	5,000,000
	<u>17,862,813</u>	<u>13,931,145</u>

Note 8. Borrowings and interest bearing liabilities

	Consolidated	
	31 December 2023 \$	30 June 2023 \$
<i>Current liabilities</i>		
Trade refinance- secured	1,349,826	1,912,467
Equipment finance liability- secured	118,920	228,496
	<u>1,468,746</u>	<u>2,140,963</u>
<i>Non-current liabilities</i>		
Equipment finance liability- Secured	<u>789,782</u>	<u>731,305</u>

The trade refinance is at 6.80%p.a. up to 180 days terms.

Pursuant to a Facility Agreement dated 13 December 2021 between the Company and BankSA, a division of Westpac Banking Corporation (Financier), a number of banking facilities were established (Facility Agreement).

The Facility Agreement included the following facilities:

- (a) Multi-Option, Trade Refinance, Letter of Credit and Overdraft Facilities (MO Facilities);
- (b) Bank Bill Business Loan Facility (BBBL Facility) which was repaid and closed during the year ending 30 June 2023;
- (c) Letter of Credit Facility (LC Facility);
- (d) Equipment Finance Facility (Equipment Facility);
- (e) Visa Business Card Facility (Visa Facility);
- (f) Currency Exposure Management Facility (Currency Facility); and
- (g) Direct Debit Facility (Debit Facility).

The key terms of the Facility Agreement are summarised below.

The aggregate facility limit under the MO Facilities is \$4,300,000 and the total aggregate limits of all facilities established under the Facility Agreement is \$10,235,000.

Note 9. Contributed equity

	Consolidated			
	31 December 2023 Shares	30 June 2023 Shares	31 December 2023 \$	30 June 2023 \$
Ordinary shares - fully paid	<u>81,287,340</u>	<u>80,653,485</u>	<u>43,693,739</u>	<u>42,986,191</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	80,653,485		42,986,191
Issued shares from Employee share plan *	8 September 2023	371,688	\$0.91	339,817
Issued shares from exercise of performance rights	31 October 2023	259,999	\$1.41	365,733
Issued shares from Employee share plan *	11 December 2023	<u>2,186</u>	\$0.91	<u>1,998</u>
Balance	31 December 2023	<u>81,287,340</u>		<u>43,693,739</u>

* The issue price was based on a 5-day VWAP leading up to issue date. Shares are held in trust for 3 years from issue date (holding lock period) unless an employee leaves before the three-year period has expired whereupon the shares will be transferred to them.

Note 9. Contributed equity (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 10. Reserves

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$	\$
Foreign currency translation reserve	(1,907,530)	(2,064,295)
Acquisition of non-controlling interest reserve	(5,326,836)	(5,326,836)
Common control acquisition reserve	4,804,650	4,804,650
Share-based payments	37,504	288,937
	<u>(2,392,212)</u>	<u>(2,297,544)</u>

The foreign currency translation is used to record the conversion of foreign subsidiaries with different functional currency into Australian dollars.

The acquisition of non-controlling interest reserve is used to record the difference in the capital purchase of the remaining 34% shareholding of Air Radiators Thailand Ltd, which amounts to \$5,326,836.

Common control acquisition reserve is to record the purchase of assets from Adcore Holdings Pty Ltd ATF the Gary Washington Family Trust where the purchase price was less than the book value of assets and liabilities acquired for the amount of \$4,804,650.

Initial Performance Rights issued to Key Management Personnel (KMP) have met all conditions and has vested to contributed equity. Balance of share-based payments reserve relates to options issued to Adelaide Equity Partners Ltd. The options are exercisable at \$2.10 for a period of three years from the date of Admission (30 September 2022).

Note 11. Contingent liabilities

In addition to the amounts provided for in the consolidated statement of financial position's provisions account, the consolidated entity has given bank guarantees as at 31 December 2023 of \$898,485 to various landlords and \$50,499 to various Customers for Defects Liability.

WorkSafe Victoria have completed their investigation in respect of Air Radiators Pty Ltd (a subsidiary of the Company) (Air Radiators) in relation to an incident that occurred at Air Radiators' manufacturing facility located in Victoria, as a result of which an employee of Air Radiators suffered fatal injuries (Incident). WorkSafe Victoria has reviewed the available evidence in the context of its General Prosecution Guidelines and has decided to take no further action against Air Radiators at this time.

HTS has been notified by one of its customers of a defect in certain products supplied by HTS to that customer. The defect relates to a failing sealing mechanism used in a radiator assembly. The issue is isolated to Heat Transfer Solutions products manufactured for and supplied to this particular customer and does not affect the consolidated entity's broader Distribution product range or other Heat Transfer Solutions customers.

The consolidated entity maintains a Product Recall insurance policy. HTS proposes to make a claim under this policy in relation to the costs associated with the above rectification work and is in the process of compiling that insurance claim. If the claim is accepted by the consolidated entity's insurer, the consolidated entity's exposure would be reduced from \$0.7 million to the excess payable under that insurance policy, being \$0.25 million.

Note 12. Related party transactions

The following entities are related parties of the Consolidated Entity due to being controlled by Gary and Karen Washington:

- Harrop Engineering Australia Pty Ltd (Harrop)
- Adcore Holdings Pty Ltd ATF The Gary Washington Family Trust (Adcore)
- Harlaxton Pty Ltd ATF Washington Family Trust (Harlaxton)
- Arlyngton Pty Ltd ATF Beverley Property Unit Trust (Arlyngton)

The Company and Harrop are parties to a longstanding supply arrangement under which the Company supplies certain heat exchange products to Harrop. Prior to the disposal of Harrop by the Company in October 2021 (which predated the Company's conversion from a proprietary company to a public company), the Company supplied these products to Harrop on discounted terms (at cost) under its group intercompany trading policy. The Company now supplies Harrop at cost plus basis.

The Company purchased the business operations of Adcore on 31 October 2021.

Harlaxton is party to six separate leases with Adrad Pty Ltd and Air Radiators Pty Ltd, which are wholly owned subsidiaries of the Company (Harlaxton Leases). Arlyngton is party to a lease with Adrad Pty Ltd (Arlyngton Lease).

The Harlaxton Leases and Arlyngton Lease relate to commercial properties used by the Company for its manufacturing and business operations.

Each of the Harlaxton Leases and the Arlyngton Lease are on substantially similar terms and in a market standard form, consistent with other commercial leases that the Company has entered into with third party lessors.

The following entity is a related party of the consolidated entity due to Glenn Davis being a principal.

- DMAW Lawyers Pty Ltd ("DMAW Lawyers")

Note 12. Related party transactions (continued)

DMAW Lawyers has previously provided legal services to the Company however nil transactions (excluding Mr Davis' Director fees) have occurred in current period. The Company is not party to any ongoing retainer or other agreement with DMAW Lawyers.

Loans to/from and transactions with related parties

The following transactions occurred during the half year with related parties:

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
<i>Sales revenue:</i>		
Harrop Engineering Australia Pty Ltd	561,346	475,881
<i>Other income:</i>		
Adcore Holdings Pty Ltd ATF the Gary Washington Family Trust	-	1,038,438
Arlyngton ATF The Beverley Property Unit Trust	-	-
Harrop Engineering Australia Pty Ltd	-	5,456
Harlaxton Pty Ltd ATF The Washington Family Trust	-	-
<i>Occupancy expenses:</i>		
Arlyngton Pty Ltd ATF Beverley Property Unit Trust	198,801	191,155
Harlaxton Pty Ltd ATF Washington Family Trust	1,194,345	1,132,120
<i>Raw materials and consumables expenses:</i>		
Harrop Engineering Pty Ltd	1,260	-
	21,763	-
<i>Professional fees (excluding Director's fees):</i>		
DMAW Lawyers Pty Ltd	-	3,698

The following balances are outstanding at the reporting date with related parties:

	Consolidated	
	31 December 2023	30 June 2023
	\$	\$
<i>Right of use assets (Net of depreciation):</i>		
Arlyngton Pty Ltd ATF Beverley Property Unit Trust	5,022,261	5,223,152
Harlaxton Pty Ltd ATF Washington Family Trust	28,330,233	29,442,577
<i>Current lease liabilities:</i>		
Arlyngton Pty Ltd ATF Beverley Property Unit Trust	-	-
	273,251	261,979
Harlaxton Pty Ltd ATF Washington Family Trust	1,690,601	1,592,781
<i>Non-current lease liabilities:</i>		
Arlyngton Pty Ltd ATF Beverley Property Unit Trust	5,162,793	5,304,240
Harlaxton Pty Ltd ATF Washington Family Trust	28,987,702	29,796,839

All lease transactions were made on normal commercial terms and conditions and at market rates.

Note 13. Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Controlled entities that form part of the consolidated entity are;	Country of incorporation	Ownership interest	
		31 December 2023	30 June 2023
		%	%
Adrad Investments Pty Ltd	Australia	100.00%	100.00%
Adrad Group Limited	Australia	100.00%	100.00%
Adrad Management Services Pty Ltd	Australia	100.00%	100.00%
Adrad IT Services Pty Ltd	Australia	100.00%	100.00%
Adrad Pty Ltd	Australia	100.00%	100.00%
National Radiators Ltd	New Zealand	100.00%	100.00%
Air Radiators Pty Ltd	Australia	100.00%	100.00%
Air Radiators Beverley Pty Ltd*	Australia	100.00%	100.00%
Air Radiators Industrial Pty Ltd	Australia	100.00%	100.00%
Air Radiators (Thailand) Limited	Thailand	100.00%	100.00%
Air Radiators (WA) Pty Ltd	Australia	100.00%	100.00%
Breakaway Industrial Radiators Pty Ltd	Australia	100.00%	100.00%
Wingfan Pty Ltd	Australia	100.00%	100.00%

*Air Radiators Beverley Pty Ltd was formerly known as Natrad OF Pty Ltd and changed its name on 3 January 2023.

Note 14. Events after the reporting period

On 11 January 2024 the Company announced the appointment of Mr Kevin Boyle as the new Chief Executive Officer for Adrad Holdings Limited. Kevin will join the Company in April 2024 at which time Mr Darryl Abotomey will step down as interim Chief Executive Officer and revert to his previous position as a non-executive director of Adrad Holdings Limited.

On 23 February 2024 the directors declared a fully franked interim dividend of 1.33 cents per ordinary share in relation to the current financial half-year ending 31 December 2023. The interim dividend represents 35% of NPAT and has a record date of 20 March 2024 to be paid on 3 April 2024. The distribution of \$1.1 million is based on the number of shares outstanding as at 23 February 2024; the financial effect of this dividend has not been brought to account in the consolidated financial statements for the half year ended 31 December 2023.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Earnings per share

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Profit after income tax attributable to the owners of Adrad Holdings Limited	3,086,016	1,854,867
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	80,973,648	52,175,837
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	-	107,286
Weighted average number of ordinary shares used in calculating diluted earnings per share	80,973,648	52,283,123

Note 15. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	3.81	3.56
Diluted earnings per share	3.81	3.55

Note 16. Share-based payments

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Share-based payment	<u>456,115</u>	<u>117,504</u>

The Company, on Admission (30 September 2022) to the ASX issued 213,333 Initial Performance Rights to Key Management Personnel (KMP) in recognition of their efforts towards the successful IPO. In addition, during FY23 46,666 Initial Performance Rights were issued to other KMP in recognition of their efforts towards the successful IPO. These one-off non-recurring grants of Performance Rights were made in recognition of the significant additional work KMP have undertaken to assist the Company to achieve Admission to the Official List of the ASX. The Initial Performance Rights vested on the first anniversary of the date of the Company's Admission and have been converted into fully paid ordinary shares.

On 8 September 2023, the Company issued 371,688, Fully Paid Ordinary Shares (Shares) for Nil consideration to eligible employees under the Company's Employee Share Plan. The issue price of 0.91 cents was based on a 5-day VWAP leading up to issue date. Shares are held in trust for 3 years from issue date (holding lock period) unless an employee leaves before the three-year period has expired whereupon the shares will be transferred to them. Refer to note 9.

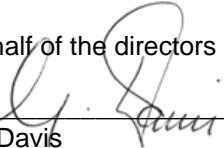
On 11 December 2023, the Company issued 2,186, Fully Paid Ordinary Shares (Shares) for Nil consideration to eligible employees under the Company's Employee Share Plan. The issue price of 0.91 cents was based on a 5-day VWAP leading up to issue date. Shares are held in trust for 3 years from issue date (holding lock period) unless an employee leaves before the three-year period has expired whereupon the shares will be transferred to them. Refer to note 9.

In the directors' opinion:

- the attached financial statements and notes comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Glenn Davis
Non-Executive Director and Chairman

23 February 2024

Independent auditor's review report to the members of Adrad Holdings Limited

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Adrad Holdings Limited (the Company), and its subsidiaries (the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including a summary of significant accounting policies and other explanatory information/material accounting policy information, and
- the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



William Buck (SA)
ABN 38 280 203 274



M.D. King
Partner

Dated this 23rd day of February, 2024.

