etherstack
wireless innovation

Etherstack plc

AND CONTROLLED ENTITIES
COMPANY REGISTRATION NUMBER 07951056
ARBN 156 640 532

Authorised for release by David Deacon, CEO and David Carter, CFO

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Etherstack is a wireless technology company specialising in developing, manufacturing and licensing mission critical radio technologies.

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.

Contents

About Etherstack

What does Etherstack technology do?

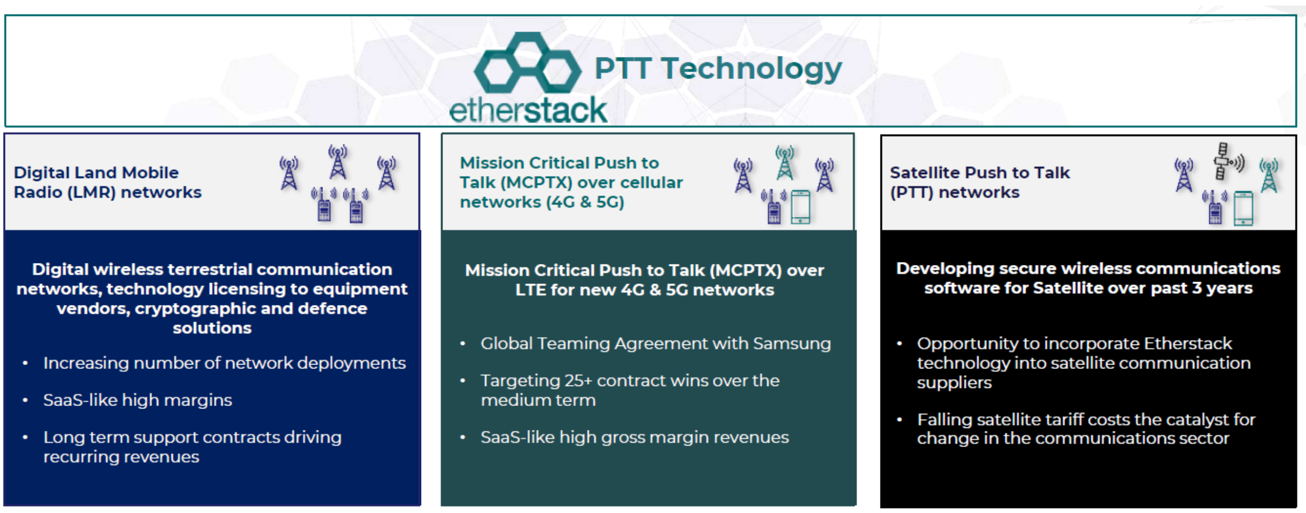
Etherstack is a leading licensor of innovative wireless technology and solutions provider for mission-critical communications

Etherstack technology enables push-to-talk (PTT) communications for essential services, within and across advanced digital land mobile radio (LMR), cellular and satellite networks

Features of the business:

- Globally diversified client base across various industries
- Over 20+ years of complex IP underpinning software
- Cellular revenues similar to SaaS-like high gross margin revenues
- High margin core network products
- Samsung global teaming arrangement to deliver accelerated growth
- Solutions typically include long term support contracts

Etherstack leverages our innovative technology and IP that is adaptable across key platforms; Digital Land Mobile Radio (LMR), Missional Critical Push-to-talk (MCPTX) over cellular and Satellite PTT networks as well as across multiple customers



Strategic Report

2023 Highlights

(all amounts are in USD unless otherwise stated)

- **Revenue of US $9.419 million down 2.7% versus FY2022**
- **FY2023 EBITDA of US $2.673 million down from US $3.291 million[1] in FY22**
- **FY2023 NPAT of US$522,000 vs FY 2022 of US$2.210 million[2]**
- **Sustained positive operating cashflow, 6th successive year**
- **Progress in all three business markets:**

Mission Critical Push To Talk (MCPTT)

- **Key software release of 3GPP MCX Interworking Function (IWF) product provided to Samsung for the AT&T FirstNet® project for US public safety agencies**
- **Direct contract with Telstra to trial of Etherstack's 3GPP MCX IWF for future Australian Public Safety Mobile Broadband (PSMB) initiatives**
- **Second MCX IWF license sale to Samsung**

Digital LMR (Land Mobile Radio)

- **US $2.3 million agreement, following the US $1.35 million agreement in FY2020, to supply Codan business unit in North America**
- **Further deliveries to Rio Tinto projects**
- **Follow-on Australian federal government contracts to multiple departments**

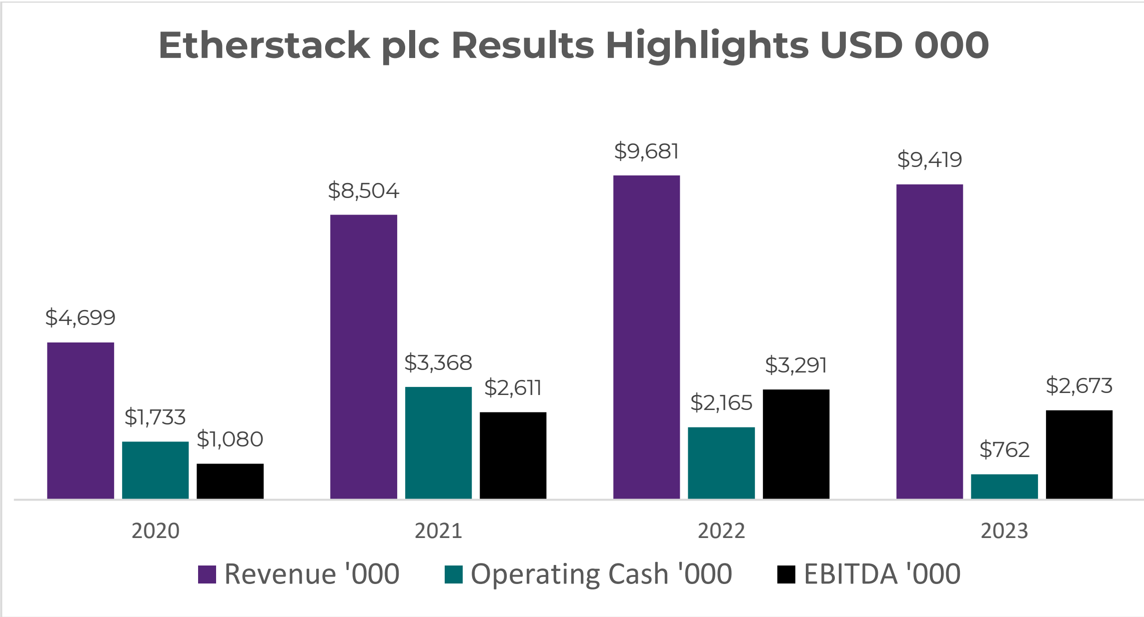
Defence & Government

- **Significant progress on Etherstack's NATO Narrowband Waveform development**
- **Deployment of Etherstack's secure push-to-talk over satellite solution to another Commonwealth nation's defence force**
- **AUD $1.5 million project announced**

[1] FY 2022 EBITDA has been restated – refer note 1.8

[2] FY 2022 NPAT has been restated – refer note 1.8

Strategic Report



Graph 1: Etherstack plc results highlights 2022 to 2023 includes restated 2022 EBITDA

Etherstack Activities and Differentiation

The principal activities of the Group are design, development and deployment of wireless communications software, products and networks.

Etherstack specialises in wireless technology. Specifically, Etherstack develops software for use in transceivers which enable the transceiver to communicate with a radio network and other transceivers. Additionally, Etherstack develops network softswitching software that allows network services to be deployed in data centres such as those used by telecommunications carriers.

Etherstack also licenses its software and designs to companies who manufacture telecommunication equipment primarily for government public safety agencies and utilities.

Etherstack derives revenues from:

- **Mission critical radio products and networks;** these products may carry Etherstack brands or be sold as "white labelled" equipment (where customer puts its own brand on and sells under its own brand).
- **Specialised tactical communications equipment.**
- **Technology licences and royalties;** where Etherstack licenses its software and designs to companies who manufacture telecommunication equipment primarily for government public safety agencies and utilities.
- **System solution sales;** where Etherstack sells its products and software and then provides ongoing support services.
- **Customisation and Integration services;** and
- **Ongoing Support services** provided to the customer.

While the underlying suite of intellectual property is largely common, Etherstack's technology can be used in different types of wireless networks, as illustrated on page 3.

Etherstack has invested over $30 million into our suite of intellectual property assets over an extended period and has developed a substantial intellectual property portfolio that generates a diverse range of revenue streams from multiple technology areas, clients and regions, and from a mix of mature, new and emerging product lines.

Strategic Report

Etherstack seeks to differentiate our Network offerings by:

- Focussing on specific industry sectors where our technology has a track record of uninterrupted performance such as government public safety services, electric utilities and mining & resources
- Providing local support in the Americas, Asia and Europe with global back up
- Ongoing investment in developing new capabilities such as unique "push-to-talk" over satellite and 4G/5G products aimed at the public safety market

Etherstack seeks to differentiate our Specialised Radio Product offerings by:

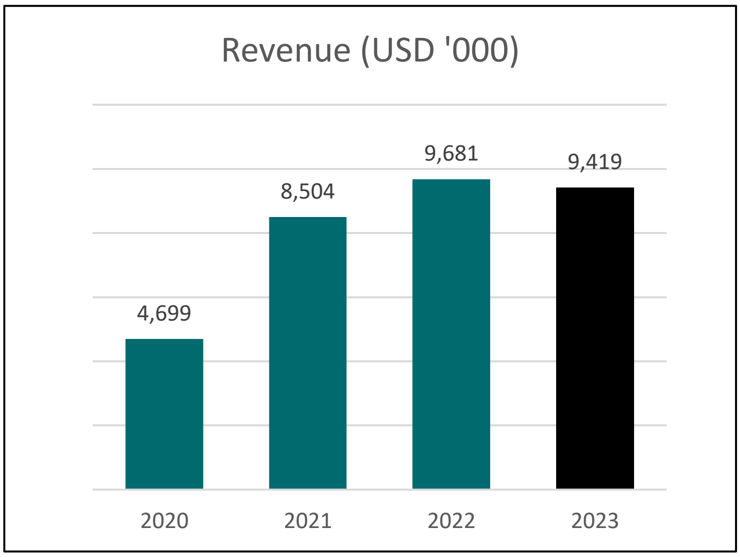
- Identifying and supplying market "gaps" where our products offer a competitive edge in terms of features, functions or price
- Leveraging small company agility to be first to market with innovative products

CEO Review

FY 2023 Revenue is $9,419. This is a 2.7% decrease over FY 2022 revenue of $9,681.

The revenue slippage, impacting the first half when revenue was US $2.916 m, was largely recovered in the second half when Etherstack generated US $6.503 m, meaning the full year revenue of US $9.419 m is just 2.7% below FY 2022 revenue of US $9.681 m.

Project related revenues increased slightly but were offset by reduced Support and Royalty revenues (as outlined below).



Graph 2 – Revenues 2020 to 2023

	2023	2022	
Projects	7,486	7,413	▲
Support	1,800	1,876	▼
Royalties	133	392	▼
	9,419	**9,681**	▼

Project Revenues

Project revenues comprising License fees, installation/integration and supply of wireless communications technology were $7,486 in FY 2023 compared to $7,413 in FY 2022, an increase of $73 or 1%.

As shown in the above graph, FY 2021 saw a step change in revenue driven by project revenues. This step change has been sustained in 2022 and 2023. The main project revenues in 2023 were:

- MCX-IWF revenues in particular those related to the Samsung AT&T FirstNet project
- Supplying Codan in North America
- Federal government projects

Strategic Report

Recurring revenues

Aggregate recurring revenues comprising royalties and support revenue streams are $1,933 for FY 2023 compared to $2,268 for FY 2022. Within this aggregate recurring revenue amount:

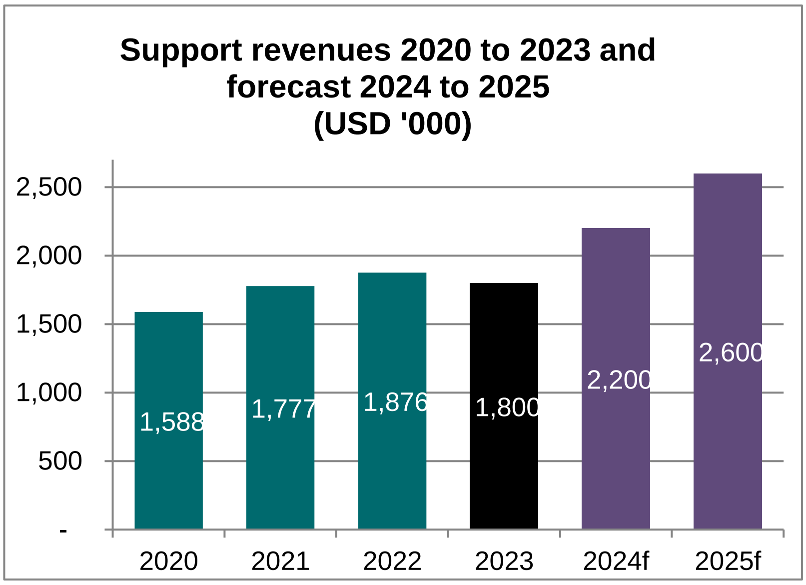
- Support revenues decreased from $1,876 in FY 2022 to $1,800 in FY 2023. This is a $76 or 4% decrease; and
- Royalty revenues decreased from $392 in FY 2022 to $133 in FY 2023 as sales volumes achieved by licenced manufacturers decreased.

Recurring revenues reduce both overall revenue volatility and cash flow volatility. Furthermore, they reduce dependence upon a small number of large contracts where timing of revenue recognition is difficult to accurately forecast given the scale and nature of the projects and end users.

Support revenues

Support revenues decreased in FY 2023 to $1,800 from $1,876 in FY 2022. The net decrease is the outcome of four offsetting factors (a) one contract not renewing; (b) a change in the AUD/USD exchange rate reducing revenue in FY 2023 by $47: (c) increased revenue following the rollout of additional digital radio networks; and (d) CPI based price increases.

On the basis of projects in progress for which support revenues will commence on completion in 2024 and 2025, the Group is forecasting additional support revenue of $400 in FY 2024 and $400 in FY 2025.



Graph 2 - Support Revenues 2020 to 2023 and forecast Support Revenues 2024 and 2025

Result for 2023

Statutory profit after income tax is $522 compared to a profit after income tax of $2,210[3] in FY 2022.

The FY 2023 decrease in statutory profit after tax is due to the combined effects of;

- Decreased revenues, as outlined above.
- Gross margin decreased from 67% in FY 2022 to 55% in FY 2023. Gross margin can vary significantly depending on the mix of Etherstack hardware, software and services content, which are at a higher margin, and third-party products where the margins are lower. In FY 2023:
  - Reduced support and royalty revenues have negatively impacted the gross margin percentage.

[3] FY 2022 profit has been restated – refer note 1.8

Strategic Report

- Cost of sales includes the amortisation charge on the intangible assets. In FY 2023 the amortisation charge increased from $850 in FY 2022 to $1,651 thereby decreasing the gross margin percentage (Etherstack amortises intangibles over a 6 year straight line basis).
- Change in product mix meant additional costs for third party products has reduced the overall gross margin percentage.

- Sales and Marketing Costs have decreased by $33 to $1,220 in FY 2023 over FY 2022.
- Administrative costs increased in FY 2023 by $141 or 4.2% to $3,486
- The Etherstack group has operations in Australia, Europe, Japan, United Kingdom and the United States, as a consequence is exposed to gains and losses from foreign currency fluctuations between the reporting currency, USD, and the other currencies in which transactions are undertaken; Australian dollar, Yen, Euro and GBP. In FY 2023 there was a currency gain of $8 compared to a loss of $17 in FY 2022.

The 2022 statutory profit after tax has been restated as set out in Note 1.8 to the financial statements to reflect restatements of income tax liabilities and a restatement of foreign currency gains and losses. The previously reported result can be reconciled to the restated results as follows:

	2022
Statutory profit after tax as previously reported	2,193
Increase in income tax benefit	194
Net foreign exchange loss	(177)
Statutory profit after tax restated	**2,210**

EBITDA

The Group considers EBITDA to be a useful measure of performance as it excludes items such as the significant non-cash amortisation expense.

EBITDA has decreased to $2,673 from $3,291 in FY 22. The key reasons for the decreased EBITDA, being reduced revenues and changed gross margin are summarised above.

	2023	2022 Restated
Statutory profit after tax	522	2,210
Add back:		
Depreciation	237	184
Depreciation of right-of-use assets	212	235
Amortisation and impairment	1,651	850
Net interest expense	181	101
Less: Income tax benefit	(130)	(289)
EBITDA	**2,673**	**3,291**

Strategic Report

Intellectual property development

Etherstack remains committed to developing new technology and intellectual property assets as well as refreshing, maintaining and enhancing its existing suite of intellectual property assets.

Accordingly, Etherstack continues to invest in intellectual property development and has invested $2,743 in the current year compared to $2,556 in 2022. Etherstack has now invested in excess of $30 million into its portfolio of intellectual property assets.

Etherstack maintains the engineering skillsets and capacities to complete the developments in progress and to develop new technology to respond to opportunities in the future.

Etherstack is actively recruiting engineers across its four research and development locations in support of increased activity and a healthy order book.

4 Year Funding agreement

In FY 2023, Etherstack entered a 4-year loan agreement with its long-term strategic partner in Japan to borrow US$2.5m to strengthen working capital in support of ongoing operations as well as directed product development collaboration between the companies.

Financial Position

At 31 December 2023, the group has net assets of $9,827 an increase of $748 over the prior year reflecting a profit for the year, some modest share issues predominantly in connection with employee performance right plans and movements within shareholders Reserves. The major movements in the year within the consolidated financial position were:

- An increase of $1,092 in Intangible assets as outlined above; and
- 4 year $2,500 funding agreement with Icom also noted above.

In addition, there are some lesser variations within the balance sheet position which reflect the different projects underway at 31 December 2023 and different project status compared to the projects underway at 31 December 2022. This has contributed to the increase in Trade receivables at 31 December 2023 of $4,458 relative to the 2022 position of $3,084 and reduced unearned income which has fallen from $1,356 at 31 December 2022 to $1,016 in 2023.

Key Performance indicators

The primary performance indicator for the Group continues to be revenue. Current year consolidated revenue is $9,419 compared to $9,681 in 2022. The major reasons for the 2.7% revenue decrease have been outlined above.

The second key performance indicator is recurring revenues representing royalty revenues and revenues from support contracts. These revenues are important as they reduce reliance on project-based revenues which, although significant, can be volatile in nature.

- Support revenues have decreased from $1,876 in 2022 to $1,800 in 2023. This is a $76 or 4% decrease. Support revenues over the last 4 years are set out above in Graph 2
- Royalty revenues have dropped from $392 to $133 in 2023 as sales volumes achieved by licenced manufacturers decreased.

The Group expects support income will continue to increase as a result of the commercial maturity of a number of our products and a growing installed base of supported customer networks. Etherstack has less visibility over future Royalty revenues as these revenues are determined by sales by licenced manufacturers of their products contain Etherstack technology.

Another key performance indicator for the Group is the investment in the development of intellectual property assets. Etherstack invested $2,743 (2021 $2,556) representing 29% (2022:26%) of its revenue into intellectual property development in 2023. This is a significant investment in the Groups' most important revenue generating asset.

Strategic Report

2023 Overall

Etherstack is generating positive operating cash, EBITDA and net profit after tax. The Group is demonstrating the ability to consistently generate positive economic results over the longer term and its ability to balance cash resources, debt and investment spending within tight boundaries.

The financial metrics of the business remain vulnerable to some volatility given the dependence on a small number of individually large projects however with a healthy opportunity pipeline, sustained investment in our intellectual property portfolio and highly skilled engineering and sales teams, management believe the Group is poised for further growth in FY 2024 and beyond.

Principal Risks and uncertainties

The management of the business and the execution of the Group's strategy expose it to a number of risks. These risks are formally reviewed by the Board and appropriate processes are put in place to monitor and mitigate them.

Key business risks affecting the Group are set out below.

- **Dependence on key contracts**

Etherstack is dependent on a number of key contracts. Growing the total revenue of the Group will reduce the significance of individual contracts or projects relative to the Groups total revenue. In addition, growth of royalty revenue streams stemming from products reaching commercial maturity and growth of support revenue streams reduces dependence on individually significant contracts. However, the impact of individually significant contracts remains in existence at the balance sheet date.

- **Technology risk**

Etherstack relies on its ability to develop and further commercialise its technology. Etherstack's operations include the design and delivery of products for secure communication, homeland security, defence and aerospace related markets. This is a fast-moving industry and there can be no assurance that future products and systems introduced into the market by the Group will be profitable and cash generative.

To manage this risk, Etherstack closely monitors the markets for our products and is a member of industry associations and Standards Committees. Successfully managing this technology risk and identifying product innovations is a key part of Etherstack operations and receives the appropriate resources to manage the risks.

- **Intellectual property and know-how risk**

Securing rights to the intellectual property and the know-how behind the technologies is an integral part of the value of Etherstack's products. Etherstack ensures legal protection of our intellectual property is included in all customer and employee contracts and ensures that IT controls are in place to control access to sensitive intellectual property and associated documentation and information.

- **Economic and exchange rate risk**

The Group operates in four different countries/regions each using their own currency, as a result, Etherstack is subject to currency and foreign exchange pricing swings, which may have a positive or negative effect on the performance of the Group. General economic conditions, geopolitical matters, movements in interest and inflation rates may have an adverse effect on the Group's activities, as well as on its ability to fund those activities. The Group creates natural hedges which reduce the exposure to currency fluctuations and from time to time enters forward rate agreements in the event that additional currency protection is considered necessary. Further information on these risks is set out in Note 17 to the financial statements.

Strategic Report

- **Product liability**

The Group is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products and technologies. The Group has secured insurance to help manage such risks.

- **Liquidity risk**

The Group aims to mitigate liquidity risk by managing cash generation by its operations. In the event additional risk mitigation is required the Group may supplement operating cash generation by debt funding or raising additional share capital. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate appropriate levels of working capital and when necessary to facilitate fund raising activities.

Section 172 Statement

The Board of Directors of Etherstack plc consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act) in the decisions taken during the year ended 31 December 2023.

The Board recognises that a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of Etherstack employees,
- the need to foster the Group's business
- relationships with suppliers, customers and others,
- the desirability of maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

The Board oversees the business in such a way to ensure the long-term success of the business. The key driver of the long-term success of the business is sustained appropriate investment into technology research and development activities.

In the current year, the Group has continued to invest the intellectual property portfolio with investment of $2,743 compared to $2,556 in 2022. The 2023 investments are mainly in our MCX-IWF technology although investment is also made in other new technologies as well as enhancing existing assets. Etherstack has now invested in excess of $30 million into its portfolio of intellectual property assets. The book value at 31 December 2023 is $8,156 (2022 $7,064).

Also in the current year, Etherstack entered a 4-year loan agreement with its long-term strategic partner in Japan to borrow US$2.5m to strengthen working capital in support of ongoing operations as well as directed product development collaboration between the companies.

Details of stakeholders, primary methods of engagement and the reasons why the Board considers engagement to be important are detailed below:

Strategic Report

Employees

The investment in technology research and development requires building and maintaining the skills of our employees who are fundamental to the success of the business. The health, safety and well-being of our employees is one of our primary considerations in the way we do business. The Board has established the Remuneration Committee which considers a wide range of employee related agenda items.

Customers

Determining which products to develop and where to invest in research and development requires extensive engagement with customers and end-users as well an engaging with the standard setting bodies responsible for developing the standards to which Etherstack technology complies. Due to the scale, complexity and geographic spread of our businesses, customer engagement and participation/contributions to industry associations and standard setting activities mostly takes place at an operational level and the Board is therefore reliant on management to help it fully understand the customer, industry and standards bodies inputs into the technology development and enhancement activities. Through this engagement, the Board is able to gain an understanding of their views, priorities and challenges.

Suppliers

An appropriate and positive relationship with suppliers and customers is a pre-requisite to the successful operation of the Group and exists in all areas of the business. Similarly, due to the scale and geographic spread of Etherstack's businesses, supplier and customer and engagement mostly takes place at an operational level and the Board is therefore reliant on management to help it fully understand the impact of the Group's operations on its suppliers and customers.

All stakeholders

The Board understands the need to act responsibly, to ensure compliance with Government regulations and to apply equal consideration to both shareholders and stakeholders. Furthermore, it understands that good governance includes maintaining a clear, effective, meaningful relationship with all relevant stakeholders, including its customers and colleagues, it's suppliers and the communities and environments in which it operates. In considering its stakeholders the Board takes both a current and long term view, to ensure that the Company's strategic goals continue to be achievable without disregarding the needs and wants of any of its stakeholders.

David Deacon
Chief Executive Officer
22 June 2024

Report of the Directors

Directors and Key Management

Peter Stephens – Non-Executive Chairman

Peter is currently Chairman of Etherstack, a director of various private companies and also runs a venture capital practice. He was previously Head of European Equities Sales at Salomon Brothers and Credit Lyonnais. He raised the initial funding for Tristel plc and remained a director of Tristel plc from flotation on London Stock Exchange's AIM market until 2013. He was Chairman of Getech on flotation on AIM until 2013 and remains a director. Peter was Chairman of True Luxury Travel, a long-haul holiday specialist currently focused on Africa having been Chairman and initial investor in Scott Dunn. He is also Chairman of Boisdale Canary Wharf, a Scottish themed restaurant, Chairman of Noble Rot Fine Wines and a director of ZeroWatt Homes.

He has an MA in Jurisprudence from University of Oxford and qualified and practised as a Barrister in 1978-82.

Peter has been on the board of Etherstack Wireless Limited since September 2007 and was appointed to the Board of Etherstack plc in 2012 as Chairman.

Paul Barnes, MSc. FCCA MCSI – Non-Executive Director

Paul has wide experience in venture development, financial strategy and management, small cap investment management and corporate governance.

Paul started his career with the City of London accounting firm Melman Pryke & Co (now part of Grant Thornton). Following qualification, he worked in both accountancy practice and commerce, specialising in developing businesses in a wide range of activities from software development and commercial property to regulated commodities brokers, taking senior management positions with a successful freight importer and a full-service executive jet aviation company.

Paul co-founded and raised funds for various successful "start-up" businesses in property, telecommunication sectors and more recently in the securities industry and healthcare and biomass renewable sectors.

Paul has been a key member of the teams in the development and admission to the London Stock Exchange's AIM market of both Tristel plc and Oxford Catalysts plc (now Velocys Technologies Limited) where he served as the Executive Finance Director, he was also the Chairman of Tristel plc between 2018 and 2019 and in the establishment of Amersham Investment Management Limited which is both authorised & regulated by the FCA as an Investment Management Firm.

Paul recently graduated as an MSc. Paul is a Fellow of the Association of Chartered Certified Accountants and a member of the UK's Chartered Institute for Securities and Investment.

Paul joined Etherstack in 2002 as Finance Director and CFO, and held these positions throughout the development and expansion of Etherstack until December 2011. Paul was appointed a Director of Etherstack plc in February 2012.

Scott Minehane – Non-Executive Director

Scott is an international regulatory and strategy expert in the telecommunications sector and has been involved in advising investors, operators, Governments and regulators in Australia, Asia, the Pacific and Africa. His expertise extends to spectrum management and new generation fixed and mobile technologies including optical fibre, 4G/LTE and 5G services.

Scott has a separate consultancy practice, through which he has advised a range of leading corporates and organisations including the Commonwealth, South Australian and Victorian Governments, Australian Mobile Telecommunications Association (AMTA), APEC Business Advisory Council, NBNCo, Macquarie Group, World Bank, International Telecommunications Union (ITU), Asian Development Bank (ADB), ASEAN, GSMA, USAid, Australian Competitive Carriers Coalition ('Commpete'), SDPPI (Indonesia's spectrum regulator), ARCIA, Malaysian Communications and Multimedia Commission (MCMC), National

Report of the Directors

Broadcasting and Telecommunications Commission (Thailand), TRA (UAE), KPMG, Telekom Malaysia, Axiata Group, edotco Group, and Telkom South Africa. He is also an telecommunications expert witness in international arbitrations. In 2022, he authored the GSMA's Roadmaps for awarding 5G spectrum in Indonesia, Thailand and Vietnam. He was also a presenter at the 9th Asia-Pacific Spectrum Management Conference in Bangkok in April 2023 on the Best Practice in Spectrum Pricing and at the Meeting of South Asian Telecommunication Regulators' Council (SATRC-24) in October 2023 on Spectrum for Future Satellite services.

Prior to this he was the principal author of the ITU Report Pandemic in the Internet Age: From second wave to new normal, recovery, adaptation, and resilience" (May 2021) and updated report on the partitioning of the 6 GHz band in Asia-Pacific (November 2022). Forthcoming early 2024 papers include with Simon Molloy, a report for ASEAN titled Assessing the relationship between ICT infrastructure and digital skills and the inflow of foreign investment to the ASEAN ICT sector: Policies to support the development of ASEAN's Digital Economy by attracting overseas investment for digital businesses.

Scott has a Bachelor of Economics and a Bachelor of Laws from the University of Queensland and holds a Master of Laws specialising in Communications and Asian Law from the University of Melbourne.

Scott joined the Board as an Independent Non-Executive Director in 2012 and became chairman of the Audit & Risk Management Committee in 2012. In 2016, Scott became chairman of the Remuneration and Nomination committees.

David Deacon – Chief Executive Officer, Executive Director

David has over 20 years' experience in the wireless communications industry. Prior to Etherstack, David founded and ran an Australian wireless technology company, Indian Pacific Communications Pty Ltd, for six years until it was sold to a public company in April 2000. Before this, David led software development teams involved in wireless research and development in Perth and Sydney.

David founded Etherstack in 2002 and has been Chief Executive Officer since that date. In this time, David has overseen Etherstack's growth into a global operation and the development of industry leading wireless communications technology assets.

Senior management

David Carter – Chief Financial Officer and Company Secretary

David worked within the audit and assurance practice of Coopers & Lybrand and PricewaterhouseCoopers for 12 years in Australia and The Netherlands.

David has held senior finance roles in IT companies including Dimension Data and Computer Science Corporation and was CFO and company secretary of a software reseller and engineering services provider before joining Etherstack as CFO in 2011.

David has a Bachelor of Commerce degree from University of New South Wales, is a member of Chartered Accountants Australia and New Zealand, and holds an Executive MBA from the Australian Graduate School of Management.

Report of the Directors

Company Directory

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 Minehane (Non-Executive Director)

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

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Chippendale, NSW, 2008
Australia

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

Stock Exchange Listing
Australian Securities Exchange
(Code: ESK)

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

Computershare Investor Services plc
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Bristol BS99 6ZZ
United Kingdom

Website
www.etherstack.com

Report of the Directors

Directors Report

The Directors present their annual report with the statutory financial statements of the Group for the year ended 31 December 2023. All amounts are in USD $000 unless otherwise indicated.

This report should be read in conjunction with the Strategic Report on pages 5 to 12 which sets out commentary on future developments and intellectual property developments.

1. Board of Directors and Officers of the company

The names of the Directors who held office during the 2023 year and to the date of this report are:

Director Name	Position	Appointed
Peter Stephens	Non-Executive Chairman	2 May 2012
Paul Barnes, FCCA	Non-Executive Director	15 February 2012
David Deacon	Executive Director and CEO	15 February 2012
Scott Minehane	Non-Executive Director	2 May 2012

The joint company secretaries are Paul Barnes and David Carter.

2. Results

The Group recorded a profit after tax for the year of $522 (2022 profit of $2,210 (as restated)).

3. Going Concern

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

Based on existing cash resources, and current and forecasted performance, including consideration of the impacts of macroeconomic uncertainties relevant to the key markets in which Etherstack operates, and a range of mitigating actions that are available, the Directors reasonably expect there to continue to be sufficient cash resources to be able to pay liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

4. Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: $nil).

Report of the Directors

5. Directors’ indemnity insurance

The Group has arranged appropriate Directors’ and Officers’ insurance to indemnify the Directors against liability in respect of proceedings brought about by third parties. Such provisions remain in place at the date of this report.

6. Auditor

Grant Thornton UK LLP were appointed as auditors of Etherstack plc at the Annual General Meeting in June 2023.

7. Financial risk management objectives

The Group’s financial risk management objectives and policies and exposures to risk are outlined in Note 17 to the financial statements.

8. Rounding of amounts and presentational Currency

Amounts in the Directors Report and the accompanying financial report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, unless otherwise expressly stated. The Group financial statements are presented in US Dollars (“$”) which is the Group’s presentational currency.

9. Post Balance Date events

There are no post balance date events.

On behalf of the Board

Paul Barnes FCCA
Director
22 June 2024

Report of the Directors

Corporate Governance Report

The Board of Directors is responsible for the overall strategy, governance and performance of the Etherstack plc Group of companies (the Group). The Group is a wireless communications technology provider whose strategy is to create value through the design, development and deployment of products for radio communication networks used by governments, such as those used by defence and police forces, public safety departments, such as ambulance and fire, and radio networks used by utilities, such as electricity companies and resource companies. The Board has adopted a corporate governance framework, based upon ASX Corporate Governance Principles, which it considers to be suitable given the size and strategy of the Group and its operating environment.

Further details relating to the Company's corporate governance practices can be found on the Company's website at www.etherstack.com in the "Investor" section under "Corporate Governance".

Principle 1: Lay solid foundations for management and oversight

The Board of Directors is responsible for the overall strategy, governance and performance of the Company.

Board Charter

The Board has adopted a formal Board Charter which clearly details its functions and responsibilities and delineates the role of the Board from that of the senior executives. The Board's function and responsibilities include strategy and planning, corporate governance, appointment of the Chief Executive Officer (CEO), remuneration, capital expenditure and financial reporting, performance monitoring, risk management, audit and compliance, developing and monitoring diversity policies and objectives.

Executive Directors are provided with executive contracts of employment and Non-Executive Directors are provided with service agreements setting out the key terms and conditions relative to that appointment.

The Board Charter is available on the website in the "Investors" section under "Corporate Governance".

The Company Secretary is responsible for supporting the effectiveness of the Board and is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Principle 2: Structure the board to add value

Structure of the Board

The Board currently consists of four directors comprising, a Non-executive Chairman, two Independent Non-Executive Directors and one Executive Director:

Peter Stephens, Chair – Non-Executive Director

Paul Barnes – Independent, Non-Executive Director

Scott Minehane – Independent, Non-Executive Director

David Deacon – Chief Executive Officer and Executive Director

The term of office held by each Director is set out in the Directors Report.

The skills, experience and expertise of each Director are set out on pages 13 and 14. At all times, the Board is to have a complementary mix of financial, industry and technical skills. The Board believes the current members have the necessary knowledge and experience to direct the Group. A summary of Board members skills is set out below.

Report of the Directors

Experience and skills	Number of directors
International business	4
Strategy and innovation	4
Management and leadership	4
Accounting, finance and banking	2
Equity, capital markets, mergers and acquisitions	4
Corporate governance	2
Regulatory and compliance	2
IT/Technology	4
Legal	2
Chief Executive Officer, Chief Financial Officer or Chief Operating Officer experience	4

Chairman's responsibilities and independence

The Board Charter provides that the Chairman of the Board is responsible for the leadership of the Board, ensuring the Board is effective, setting the agenda of the Board, conducting Board meetings and conducting shareholder meetings.

The Chairman of the Board, Peter Stephens, is a Non-Executive Director.

In 2016, following participation in the Entitlement issue and shortfall offer in which Peter Stephens increased his shareholding, Peter Stephens is no longer considered an independent director. Peter Stephens was an independent director from the date of his appointment in 2012 through to 2016. Peter Stephens remains as Chairman of the Board of Directors of Etherstack plc.

Board independence

An independent Director, in the opinion of the Board, must be independent of management and have no business or other relationship that could materially interfere with – or could reasonably be perceived materially to interfere with – the independent exercise of that director's judgement. Any independent Director will meet the definition of what constitutes independence as set out in the ASX Recommendations. The materiality thresholds are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

At this time, there are two Directors the Board has classified as independent - Paul Barnes and Scott Minehane. Accordingly, the Board does not have a majority of independent Directors however the Board composition is considered appropriate for the Company in its current circumstances.

Paul Barnes is a significant shareholder holding 5.2% of the issued capital of Etherstack plc however the Board is of the opinion this shareholding does not compromise Paul Barnes' independence. The Board has formed this view on the basis of Paul Barnes ability to demonstrate the judgements required of an independent director from his appointment as a director of Etherstack plc in 2012 up to 2016 when participation in Entitlement issue and shortfall offer led to Paul Barnes' shareholding exceeding 5%.

The Board Charter states that the Board aims to have at all times a Board of directors with at least two independent Non-Executive Directors and having the appropriate mix of skills, experience, expertise and diversity relevant to the Group's businesses and the Board's responsibilities.

Report of the Directors

Board committees

To assist the Board in carrying out its functions, the Board has established:

- an Audit and Risk Management Committee (refer Principle 4 summary);
- a Remuneration Committee (refer Principle 8 summary); and
- a Nomination Committee.

Each Committee is established according to a Charter that is approved by the Board. Each Committee is entitled to the resources and information it requires to discharge its responsibilities, including direct access to senior executives, employees and advisers as needed. Terms of reference of each committee, explaining its role and the authority delegated to it by the Board, are available on the Etherstack website. The committee chairmen report regularly to the whole board and are required to confirm that the committees have sufficient resources to undertake their duties.

Nomination Committee

The Nomination Committee must have a majority of independent Directors. Peter Stephens, Scott Minehane, and Paul Barnes are members of this committee. Scott Minehane acts as Chairman of the committee. When appointing members of each committee, the Board shall take account of the skills and experience appropriate for that committee as well as any statutory or regulatory requirements. The responsibilities of the committee include assessing the skills, diversity and necessary industry, technical or functional experience required by the Board, recommending directors for re-election and conducting searches for new Board members when required.

Director selection process and Board renewal

The composition of the Board is reviewed regularly to ensure the appropriate mix of skills, diversity and expertise is present to facilitate successful strategic direction.

As detailed in the Board Charter, in appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Group. Consideration will also be given to achieving a Board with a diverse range of backgrounds.

The process used for selecting new members for the Board, as set out in the Board Charter, may be assisted by the use of external search organisations as appropriate. An offer of a Board appointment will be made by the Chairman of the Board only after having consulted all Directors. Detailed background information in relation to a potential candidate is provided to all Directors.

Board, Committee and Director performance evaluation

The Board undertakes ongoing self-assessment. The review process in 2023 included an assessment of the performance of the Board, the Board Committees, and each Director. The review:

- compared the performance of the Board and each Committee with the requirements of its Charter;
- critically reviewed the composition of the Board; and
- reviewed the Board and each Committee Charter to consider whether any amendments to the Charters were deemed necessary or appropriate.

The Board discussed the results of the review and follow up actions on matters relating to Board process and priorities.

Induction

The Company Secretary facilitates an induction program for new Directors. The program will include meetings with senior executives, briefings on the Group's strategy and operations, provision of all relevant corporate governance material and policies and discussions with the Chairman and other Directors.

Continuing education

Directors are provided with continuing education opportunities to update and enhance their skills and knowledge. This consists of regular updates for the Board from management, separate to Board meetings to ensure Non-Executive Directors are well-informed of the Group's operations and any recent developments.

Report of the Directors

Access to information, indemnification and independent advice

The Company Secretary provides assistance to the Board and Directors also have access to senior executives at any time to request any relevant information. The Board Charter provides that:

- all Directors have unrestricted access to all records and information except where the Board determines that such access would be adverse to the Company's interests;
- all Directors may consult management and employees, as required, to enable them to discharge their duties as Directors; and
- the Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

Conflicts of interest

The Constitution and Code of Business Conduct and Ethics sets out the obligations of Directors in dealing with any conflicts of interest. Pursuant to the Constitution and the Code of Business Conduct and Ethics, Directors are obliged to:

- disclose to the Board any actual or potential conflicts of interest which may exist as soon as they become aware of the issue;
- take any necessary and reasonable measures to resolve the conflict; and
- comply with all laws in relation to disclosure of interests and restrictions on voting.

Unless the Board determines otherwise, a Director with any actual or potential conflict of interest in relation to a matter before the Board, does not:

- receive any Board papers in relation to that matter; and
- participate in any discussion or decision making in relation to that matter.

Operation of the Board

The Board met 5 times during the year. The agenda for each meeting allows an opportunity for the Chairman and Non-Executive Directors to meet without executives present. The agenda and relevant briefing papers are distributed by the Company Secretary on a timely basis.

The following table summarises the number of board and committee meetings held during the year and the attendance record of each directors:

	Board meetings		**Audit and Risk Committee**		**Remuneration Committee**		**Nomination Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Peter Stephens	5	5	5	5	1	1	1	1
Paul Barnes	5	5	5	5	1	1	1	1
David Deacon	5	5	-	-	-	-	-	-
Scott Minehane	5	5	5	5	1	1	1	1

Principle 3: Promote ethical and responsible decision making

Corporate Code of conduct

The Company has implemented a corporate Code of Business Conduct and Ethics (the Code) which applies to Directors and employees. The Code provides a framework for decisions and actions for ethical conduct. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The Code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from Directors and employees.

Employees are encouraged to raise any matters of concern in good faith with the head of their business unit without fear of retribution. Where the matter is inappropriate to be raised with the head of their business unit, employees are able to raise the matter with the CEO or CFO as appropriate.

Report of the Directors

The CFO reviews and reports directly to the Board on any material breaches of the Code. The Audit and Risk Committee oversees procedures for whistleblower protection.

A copy of the Code is available on the Company's website in the "Investor" section under "Corporate Governance".

Dealings in securities

The Company has a Securities Trading Policy which covers dealings in the Company's securities by its Key Management Personnel (Directors and those employees reporting to the CEO). The Securities Trading Policy sets out the guidelines for trading in the Company's securities, including closed periods, exceptions and approval and notification requirements.

A copy of the Securities Trading Policy is available on the Company's website in the "Investor" section under "Corporate Governance".

Diversity

The Company has implemented a Diversity Policy.

The Company considers that the gender ratio of employees reflects the gender ratio of the qualified engineer pool. The Company does not, therefore, believe that establishing measurable objectives for achieving gender diversity would provide any benefit above that already achieved via the Diversity Policy.

At the date of this report, the gender ratio is as follows:

- 4 Board members: all male,
- Workforce (excluding executive directors); 40 Employees: 2 female, 38 male

The Diversity Policy is available on the Company's website in the "Investor" section under "Corporate Governance".

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee governed by the Audit and Risk Committee Charter, which is available on the Company's website in the "Investor" section under "Corporate Governance".

The objective of the Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. The Audit and Risk Management Committee's responsibilities include:

- Oversee the Company's relationship with the external auditor and the external audit function generally;
- Oversee the preparation of the financial statements and reports;
- Oversee the Company's financial controls and systems;
- Review, monitor and approve risk management policies, procedures and systems; and
- Manage the process of identification and assessment of any material financial and nonfinancial risks (including enterprise risks and risks in relation to occupational health and safety) that may impact the business.

Audit and Risk Management Committee composition

The Audit and Risk Management Committee consists only of Non-Executive Directors and the Chairman is not the Chairman of the Board. The members of the Audit and Risk Management Committee are Scott Minehane, Chair of the Committee, Peter Stephens and Paul Barnes. Both Scott Minehane and Paul Barnes are Independent Non-Executive Directors.

During the year, 4 meetings of the Committee were attended by the external audit partner and, by invitation, the Chief Executive Officer and the Chief Financial Officer attended 5 meetings and 5 meetings respectively.

The Board of Directors has received from the Chief Executive Officer and the Chief Financial Officer a declaration the financial information included in the annual report is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Report of the Directors

Etherstack's external auditor attends the Company's Annual General Meeting and is available to answer questions which shareholders may have about the conduct of the external audit for the relevant financial year and the preparation and content of the Audit Report.

Principle 5: Make timely and balanced disclosure

The Company is committed to ensuring:

- compliance with the requirements of the ASX Listing Rules, all relevant regulations and the ASX Recommendations;
- facilitation of an efficient and informed market in the Company's securities by keeping the market appraised through ASX announcements of all material information.

The Company has implemented a Disclosure Policy which is designed to support the commitment to a fully informed market in the Company's securities by ensuring that announcements are:

- made to the market in a timely manner, are factual and contain all relevant material information; and
- expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The Disclosure Policy is available on the Company's website in the "Investor" section under "Corporate Governance".

Principle 6: Respect the rights of shareholders

The Company has adopted a Communications Policy which aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders through:

- half yearly and annual reports;
- disclosures and announcements made to the Australian Securities Exchange (ASX);
- notices and explanatory memoranda of Annual General Meetings and Extraordinary General Meetings and addresses or presentations made at those meetings; and
- the Company's website.

The Board also encourages participation by shareholders at all shareholder meetings.

The Communications Policy is available on the Company's website in the "Investor" section under "Corporate Governance".

Principle 7: Recognise and manage risk

The Company is committed to ensuring that:

- its culture, processes and structures facilitate realisation of the Company's business objectives whilst material risks are identified, managed, monitored and wherever appropriate and possible, mitigated; and
- to the extent practicable, its systems of risk oversight, management and internal control comply with ASX Recommendations.

The Board determines the Company's risk profile and is responsible for overseeing and approving the Company's risk management strategy and policies, internal compliance and internal control.

The Board has delegated to the Audit and Risk Management Committee responsibility for implementing the risk management system and reporting to the Board. Key business risks affecting the Group have been outlined in the Strategic Report.

The Audit and Risk Committee reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound and such a review has taken place in relation to 2023.

The Company does not have an internal audit function. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report to the Audit and Risk Management Committee.

Report of the Directors

Etherstack does not have any material exposure to environmental and social sustainability risks.

A copy of the Company's risk management policy is available on the Company's website in the "Investor" section under "Corporate Governance".

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee, which is governed by the Remuneration Committee Charter. The Charter is available on the Company's website in the "Investor" section under "Corporate Governance".

The primary purpose of the Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:

- reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- recommending to the Board the remuneration of executive Directors;
- fairly and responsibly rewarding executives having regard to the performance of the Company, the performance of the executive and the prevailing remuneration expectations in the market;
- reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- reviewing and approving the remuneration of direct reports to the Chief Executive Officer, and as appropriate other senior executives and conducting an annual review of remuneration by gender; and
- reviewing and approving any equity based plans and other incentive schemes.

A performance evaluation was undertaken in the year in accordance with the periodic performance evaluation process.

The Remuneration Committee consists only of Non-Executive Directors. The members of the Remuneration Committee are Peter Stephens, Paul Barnes and Scott Minehane, Chair of the Committee. Scott Minehane and Paul Barnes are Independent Non-Executive Directors.

There is no regulatory requirement, other than Companies Act 2006 disclosure requirements, for Etherstack plc to disclose information on the remuneration arrangements in place for Directors and Executives of Etherstack plc, however the Remuneration Committee is committed to good corporate standards and has disclosed information considered relevant to the shareholders.

Remuneration policy for Executive Directors

The remuneration policy for Executive Directors has been designed to ensure Executive Directors receive appropriate incentive and reward given their performance, responsibility and experience. When assessing this, the Remuneration Committee seeks to ensure the policy aligns the interests of the Executive Directors with those of the shareholders.

The Company's remuneration policy for Executive Directors is to:

- Consider the individuals experience and the nature and complexity of their work in order to set a competitive salary that attracts and retains management of the highest quality;
- Link individual remuneration packages to the Group's long term performance through both bonus schemes and share option plans; and
- Provide post-retirement benefits through payment into pension schemes.

Remuneration package for Executive Directors

Executive Directors' remuneration packages are considered annually by the Remuneration Committee in line with Company policy, with a view to attracting, retaining and motivating Executive Directors of the calibre necessary to deliver the strategic milestones of the Board. Remuneration packages comprise a number of elements as follows:

Report of the Directors

Base salary

The base salary is reviewed annually. Within the review process, which is undertaken by the Remuneration Committee, regard is given to the profitability and on-going development of the Group and the contribution that each individual makes. Consideration is also given to the need to retain and motivate individuals, with reference made to available information on salary levels in comparable organisations as well as that of the wider workforce of the company. To assist in this process the Remuneration Committee may draw on the findings of external salary surveys and undertakes its own research.

Annual performance incentive

The Executive Directors are eligible to receive, at the discretion of the Remuneration Committee, an annual bonus. The Remuneration Committee considers the implementation of bonus awards based upon both corporate and personal performance targets and measures, which align to the long term interests of shareholders.

Pensions and other benefits

The Group does not operate a Group pension scheme; instead individuals receive contributions to their private pension plans.

Share options/performance rights

Executive Directors may, at the discretion of the Remuneration Committee, be awarded share options or performance rights.

The performance of Executive Directors is evaluated by the Remuneration Committee on an annual basis with a view to ensuring that there is a sufficiently strong link between performance and reward. The results of performance evaluations are taken into consideration as part of the annual remuneration review.

Remuneration policy for Non-Executive Directors

Non-Executive Directors are paid a fixed annual fee for acting as a Director of Etherstack plc which is paid for services rendered as a Director. Additionally, under the Articles of Association, a Director may also be paid such special or additional remuneration as the Directors decide, if the Director performs extra services or makes special exertions for the benefit of the company. Such amounts do not form part of the aggregate remuneration permitted under the Articles of Association (the current aggregate remuneration may not exceed $300,000 per annum).

The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on a review of current practices in other equivalent companies. The Non-Executive Directors each have service agreements that are reviewed annually by the Board.

Report of the Directors

Directors' remuneration
The Directors earned the following remuneration:

2023	Salary/fees	Long-term benefits Superannuation	Deferred Equity Compensation (Note1)	Total
	USD	USD	USD	USD
Executive Directors				
David Deacon	283,034	30,561	63,802	377,397
	283,034	30,561	63,802	377,397
Non-Executive Directors				
Peter Stephens	58,338	-	6,380	64,718
Paul Barnes	59,130	-	6,380	65,510
Scott Minehane	51,308	5,524	6,380	63,212
	168,776	5,524	19,140	193,440
TOTAL	**451,810**	**36,085**	**82,942**	**570,837**

2022	Salary/fees	Long-term benefits Superannuation	Deferred Equity Compensation (Note1)	Total
	USD	USD	USD	USD
Executive Directors				
David Deacon	260,000	2,829	66,711	329,540
	260,000	2,829	66,711	329,540
Non-Executive Directors				
Peter Stephens	50,466	-	6,671	57,137
Paul Barnes	53,531	-	6,671	60,202
Scott Minehane	43,071	4,415	6,671	54,157
	147,068	4,415	20,013	171,496
TOTAL	**407,068**	**7,244**	**86,724**	**501,036**

Note1: The amount disclosed is the amount of the fair value of rights and options recognised as an expense in each reporting period. The ability to exercise the rights and options is subject to vesting conditions

Report of the Directors

Directors' interests

The Directors' interests in shares and other securities in Etherstack plc are set out below:

	31 December 2023		31 December 2022	
Director	**Ordinary Shares**	**Performance rights**	**Ordinary Shares**	**Performance rights**
David Deacon	48,378,304	1,500,000	48,241,850	1,500,000
Peter Stephens	10,466,838	150,000	11,573,161	150,000
Paul Barnes	6,850,000	150,000	6,850,000	150,000
Scott Minehane	81,875	150,000	81,875	150,000

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have to prepare the financial statements in accordance with UK-adopted International accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Paul Barnes FCCA, Director

22 June 2024

Independent auditor's report to the members of Etherstack plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Etherstack plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023, which comprise Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements (group and parent) have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- obtaining and evaluating management's assessment of going concern assumptions included within their prepared budgets and forecasts, for a period up to 30 June 2025, including but not limited to recurring and contracted revenues and cash flows, and associated sensitivity analysis covering downside and reverse stress test scenarios;
- checking the arithmetical accuracy of inputs into management's forecasts and projections and related sensitivity analysis and reverse stress test for the period until 30 June 2025 and corroborating inputs to supporting evidence;

Independent auditor's report to the members of Etherstack plc

- challenging the key assumptions used in preparing the cashflow forecasts and projections by corroborating to supporting evidence and considering the existence of any contradictory evidence;
- challenging management's assessment of downside sensitivity scenarios modelled, taking into account current economic conditions and the group's historic performance;
- assessing management's accuracy of forecasting by comparing forecasts and actual performance of prior years, investigating any material variances and considering the impact on the current year forecasts;
- consideration of post balance sheet events and checking if any of these events have an impact on cashflow forecasts and projections alongside checking the cash position subsequent to the year-end;
- assessment of the adequacy of disclosures related to going concern and assessing the appropriateness of the use of the going concern basis in preparing the financial statements.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as high inflation 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 and the parent company's financial resources or ability to continue operations over the going concern period.
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

Grant Thornton

Overview of our audit approach

Overall materiality:

Group: $141,000 which represents 1.5% of the group's revenue.

Parent company: $105,000, which represents 1.5% of the parent company's total assets, capped at 75% of the group materiality.

Key audit matters identified included the following :

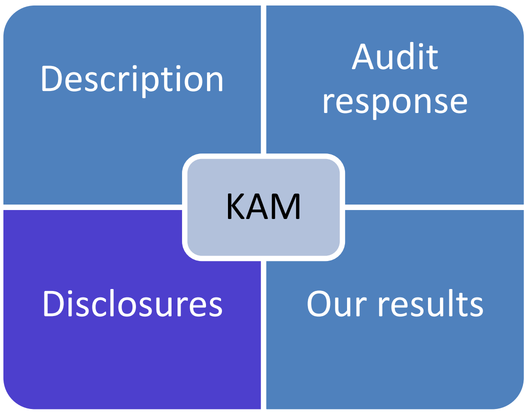
- capitalisation of development costs; (same as previous year)
- revenue recognition (change in scope)
  The prior year Key Audit Matter applied to the full revenue population but this year we have excluded Product revenues, Support revenues and Royalty revenue streams as these are deemed to be less complex and required less relative auditor attention. The remaining population includes contracts that require a greater degree of judgement and estimation particularly concerning the determination of performance obligations and the recognition of revenue.
- Application of functional currency (new in current year)

Independent auditor’s report to the members of Etherstack plc

	Our auditor’s report for the year ended 31 December 2022 included one key audit matter that we have not reported as a key audit matter in the current year’s report. This relates to the carrying value of intangible assets. For the year ended 31 December 2023 the relative auditor attention required in performing the audit was such that this was not considered to be one of the most significant areas in our audit of the financial statements.
	We performed: - an audit of the financial information using component materiality of the parent company Etherstack plc, Etherstack Wireless Limited, Etherstack Inc and Auria Wireless Limited (full-scope audit procedures); - specified audit procedures on the financial information of Etherstack Pty Limited and - analytical procedures using group materiality on the financial information of the remaining components of the group. The key change in the scope of the Group audit from the prior period was the inclusion of Etherstack Inc and Auria Wireless Limited being the subject of full-scope audit procedures using component materiality, due to the fact that the individual components are considered financially significant, as they account for a substantial percentage of key benchmarks. Procedures were performed remotely from the United Kingdom, with the Group’s accounting records being kept in Sydney, Australia, with physical stock counts being observed by staff from Grant Thornton International member firms in Australia. In total our audit procedures covered 90% of Group revenue.

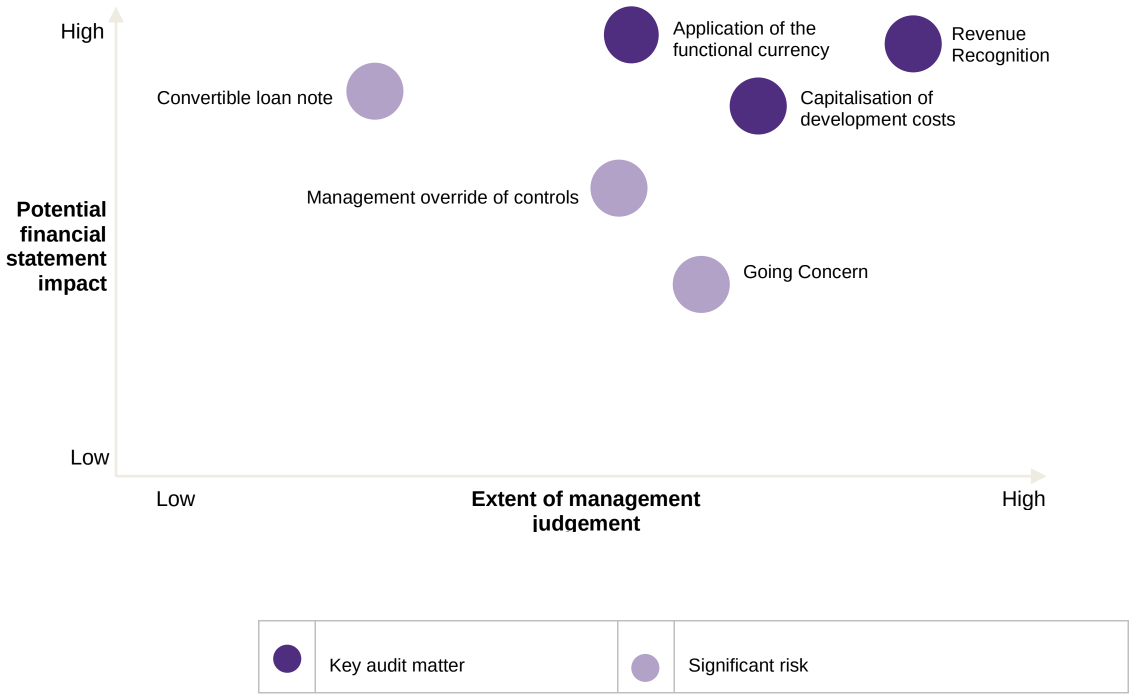
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters



In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.

Independent auditor's report to the members of Etherstack plc



Key Audit Matter – Group

Capitalisation of development costs

We have identified the capitalisation of development costs, specifically those incurred during the year, as one of the most significant risks of material misstatement due to error and fraud.

The group has capitalised significant intangible assets, including development costs and engineering software, which involve key areas of judgement such as determining whether the costs meet the criteria for capitalisation.

As of the year-end, the group had $7.93 million (2022: $6.85) of capitalised development costs. During 2023, $2.65 million (2022: $2.46 million) of internal costs were capitalised.

IAS 38 sets out the criteria for recognising and measuring intangible assets and requires disclosures about them. The process for assessing whether development costs incurred are capitalised when all the relevant conditions have been met can be judgemental and is therefore susceptible to error and fraud.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- Challenged management's assessment of the relevant projects for which costs have been capitalised by corroborating information with individuals outside of finance and assessed whether these have been accounted for in line with IAS 38;
- Selected a sample of costs capitalised during the year and corroborated to supporting evidence such as timesheet data and payroll records, along with discussions with project managers and third-party invoices;
- For all sampled projects, assessed and challenged whether the group has the intention and ability to complete, use and sell the assets through discussions with individuals outside of finance including the CEO and relevant project managers;
- Where projects were completed during the year, checked that capitalisation of costs stopped and amortisation commenced in line with accounting policy;

Independent auditor's report to the members of Etherstack plc

Key Audit Matter – Group	How our scope addressed the matter – Group
	• Assessed the appropriateness of the accounting policy and disclosure in accordance with the financial reporting framework, including IAS 38 'Intangible Assets'.
Relevant disclosures in the Financial Report • Financial statements: Note 9, Intangible assets and accounting policies, Strategic Report – CEO Review	**Our results** Our testing did not identify any material misstatements concerning the capitalisation of intangible assets in accordance with stated accounting policies and IAS 38.
Revenue recognition We have identified revenue recognition as a significant risk of material misstatement due to fraud and error]. For this assessment we excluded Product revenues, Support revenues, and Royalty revenue streams as revenue generated from these streams does not require significant judgement or estimation and as such were considered non-complex. All remaining revenue streams were considered complex and where we have pinpointed the significant risk. During 2023 the group generated $9.41m (2022: $9.68m) of total revenue. Among this total, revenue streams considered complex and as such a significant risk accounted for $5.35m (FY22: $5.7m). Under ISA 240 (UK), there is a presumed risk that revenue may be misstated due to improper recognition. The revenue cycle may involve manipulation, leading to misstatements such as incorrect amounts associated with contract assets or liabilities and transactions being recognised in incorrect accounting period. IFRS 15 requires that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We have evaluated our risk as significant risk of material misstatement for complex revenue streams. These streams have complexities such as multiple performance obligations, and require management to apply a higher level of judgement and estimation such as identifying the correct performance obligations, determining whether performance obligations have been met and allocating the transaction price to those obligations, which therefore have a greater susceptibility to material misstatement.	In responding to the key audit matter, we performed the following audit procedures: • We have assessed managements analysis of the recognition of revenue for a sample of contracts to check revenue recognition is in accordance with accounting policies and the detailed criteria within IFRS 15, corroborating key judgements made or specifics of these contracts with individuals outside of the finance team and with third party where applicable; • For a sample of contracts, we have corroborated to appropriate supporting evidence such as signed contracts, milestone delivery confirmations, inquiries with individuals outside finance team and third-party confirmation if applicable; • For the sample of contracts we checked the performance obligations, transaction price and key judgements had been made and recognised appropriately including any associated contract assets & liabilities in these contracts; • We have made the inquiries of CEO and project managers to obtain an understanding of the performance of the contracts throughout the period and at the period end; • We have evaluated the accounting policies implemented by management, to check their compliance with the requirements of IFRS 15.

Independent auditor's report to the members of Etherstack plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Financial Report • Financial statements: Note 2, Revenue and accounting policies, • Strategic Report – Project Revenues	**Our results** Our audit work did not identify any material misstatements in revenue recognised for the complex revenue streams.

Key Audit Matter – Group & Parent Company	How our scope addressed the matter – Group & Parent Company
Application of functional currency We identified the application of functional currency as one of the most significant assessed risks of material misstatement due to error. The group has components in multiple different geographical locations and transacts in a number of currencies. This creates an increased risk of material misstatement due to error in relation to the application of the recognition requirements of IAS 21. While performing our audit testing, we identified inconsistencies with functional currencies applied across the group. Management performed analysis of each component's functional currency and produced an assessment of the impact of the inconsistencies. The full extent of the challenges presented did not become apparent until later in the audit process. We accordingly reassessed the risk of material misstatement to the financial statements based upon our revised understanding. As a result of the inconsistencies identified, the risk in relation to the application of functional currency was elevated to that of a significant risk due to the increased risk of error which was deemed a Key Audit Matter as a result of the increased auditor attention.	In responding to the key audit matter, we performed the following audit procedures: • We have assessed managements analysis of each component's functional currency and checked that this had been considered in line with IAS 21. • The key judgements in this analysis included: ○ the currency that mainly influences the sales prices for the entity's goods and services ○ the impact of costs being in multiple currencies which the audit team corroborated to work performed throughout the current and prior year audits and knowledge of the business. • Compared whether management's initial application of currency translation when preparing the financial statements was consistent with the conclusions of their functional currency analysis. • Challenged managements application and assessed management's workings related to the current and prior period restatement to correct the application, including checking the logic, accuracy and completeness of those calculations. Assessed whether the disclosures of the prior year restatement were in line with IAS 8
Relevant disclosures in the Financial Report • Financial statements: Note 2, Revenue and accounting policies, • Strategic Report – Project Revenues	**Our results** Based on our audit work we are satisfied that following the restatements, for the amounts within the financial statements, the application of functional currency is not materially misstated.

Independent auditor's report to the members of Etherstack plc

We did not identify any key audit matters specific to the audit of the financial statements of the parent company.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	\$141,000 (2022: \$145,000) which represents 1.5% of group's revenue. The range of component materialities used across the group was \$61,000 to \$105,000	\$105,000 (2022: \$108,000) which represents 1.5% of the parent company total assets, capped at 75% of the group materiality
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • We selected revenue as the most appropriate benchmark due to it being the key performance indicator used to measure the performance of the group and is of primary interest to the users of the financial statements and due to its stability in comparison to profit before tax; • We gained an understanding of the industry landscape within which Etherstack operates and assessed the risk level of the industry; • We selected 1.5% based on our knowledge of the business from prior year audits and align with our firm's methodology; Materiality for the current year is lower than the level that we determined for the year ended 31 December 2022 to reflect the decrease in the group's revenue for the year.	In determining materiality, we made the following significant judgements: • We considered total assets to be the most appropriate benchmark given that the Parent Company does not trade, and its primary purpose is that of holding investments for the Group. • We have gained an understanding of the industry landscape within which Etherstack operates and assessed the risk level of the industry; • The percentage specified here around capped of 75% stands appropriate given the size and nature of parent company and same as prior year. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2022 based on the decrease in group materiality given the use of this number for capping company materiality.

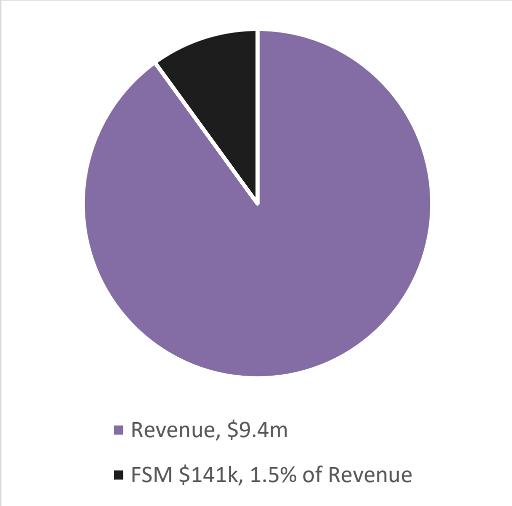
Independent auditor's report to the members of Etherstack plc

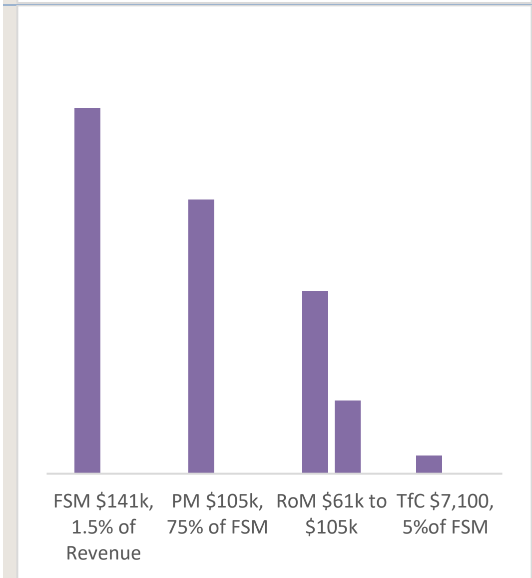
<table>
<tr><th>Materiality measure</th><th>Group</th><th>Parent company</th></tr>
<tr><td>Performance materiality used to drive the extent of our testing</td><td colspan="2">We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</td></tr>
<tr><td>Performance materiality threshold</td><td>$105,000 (2022: $108,000) which is 75% (2022:75%) of financial statement materiality</td><td>$78,000 (2022: $81,000) which is 75% (2022: 75%) of financial statement materiality.</td></tr>
<tr><td>Significant judgements made by auditor in determining performance materiality</td><td>In determining performance materiality, we made the following significant judgements:
• Whether there were any significant adjustment made to the group financial statement in the prior years;
• Whether there were any significant control deficiencies identified in prior years;
• The information systems utilised by the Group are considered consistent, with no significant changes observed</td><td>In determining performance materiality, we made the following significant judgements:
• Whether there were any significant adjustment made to the group financial statement in the prior years;
• Whether there were any significant control deficiencies identified in prior years;
• The information systems utilised by the Group are considered consistent, with no significant changes observed</td></tr>
<tr><td>Specific materiality</td><td colspan="2">We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.</td></tr>
<tr><td></td><td>We determined a lower level of specific materiality for following:
• Transactions with Directors</td><td>We determined a lower level of specific materiality for following:
• Transactions with Directors</td></tr>
<tr><td>Communication of misstatements to the audit committee</td><td colspan="2">We determine a threshold for reporting unadjusted differences to the audit committee.</td></tr>
<tr><td>Threshold for communication</td><td>• $7,100 (2022: $7,250) which represents 5% of financial statement materiality and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.</td><td>$5,200 (2022: $5,400) which represents 5% of financial statement materiality and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.</td></tr>
</table>

Independent auditor's report to the members of Etherstack plc

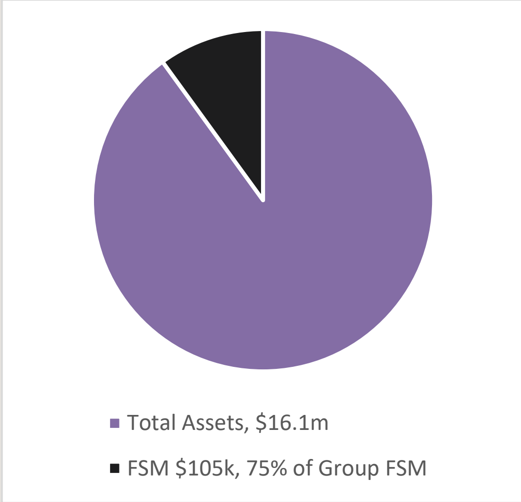
The graph below illustrates how performance materiality and the range of component materiality interacts with our overall materiality and the threshold for communication to the audit committee.

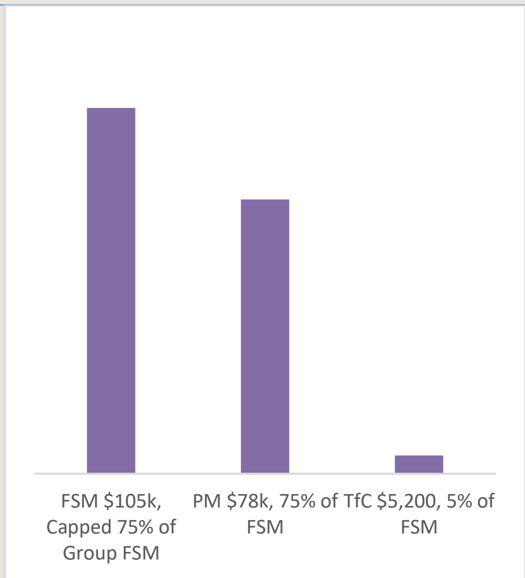
Overall materiality - Group





Overall materiality - Parent





FSM: Financial statement materiality, PM: Performance materiality, RoM: Range of materiality at components, TfC: Threshold for communication to the audit committee

Independent auditor's report to the members of Etherstack plc

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The group has centralised processes and controls over the key areas of our audit focus. Group management are responsible for all judgemental processes and significant risk areas. All accounting is centralised and we tailored our audit response accordingly with all audit work being undertaken by the group audit team. In assessing the risk of material misstatement to the group financial statements we considered the transactions undertaken by each entity and therefore where the focus of our work was required;
- We have gained a understanding of the group's business processes, including an evaluation of its operational environment and controls, including IT general controls. This approach enabled us to effectively assess the risk of material misstatement at the group level.
- Performed walkthrough tests to assess the design and implementation of the controls around key audit matters;

Identifying significant components

- Component significance was determined based on their relative share of the key Group financial metric of revenue. This metric was used to identify components classified as 'individually financially significant to the Group' and an audit of the financial information of the component using component materiality (full-scope audit) was performed.
- We also considered whether any components were likely to include significant risks of material misstatement to the Group financial statements due to their specific nature or circumstances.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Audits of financial information using component materiality (full-scope audits) were performed on Etherstack plc (parent entity), Etherstack Wireless Limited, Etherstack Inc, and Auria Wireless Limited;
- Specified audit procedures were performed on the financial information of Etherstack Pty Ltd;
- Analytical procedures using group materiality were performed on the financial information for the remaining components of the group;
- All key audit matters identified were addressed with the full-scope audit procedures. The procedures performed in respect of these have been included in the key audit matters section of our report.

Performance of our audit

All audit procedures across all components were performed by the group audit team in line with the scope described; all audit procedures were conducted remotely from London, United Kingdom, with the accounting records kept in Sydney, Australia, with the exception of the use of staff from Grant Thornton International Limited member firms to observe physical stock counts in Australia.

Audit approach	No. of components	% coverage revenue
Full-scope audit	4	90%
Specified audit procedures	1	0%
Analytical procedures	2	10%
Total	**7**	**100%**

Independent auditor's report to the members of Etherstack plc

Changes in approach from previous period

- The key change in the scope of the Group audit from the prior period was Etherstack Inc and Auria Wireless Limited being the subject of full scope audit procedures using component materiality, due to them being considered individually financially significant to the Group in the current year.

Other information

The other information comprises the information included in the financial report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the financial report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out in Report to Directors (Page 27), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Etherstack plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and the parent company and the industry in which they operate. We identified areas of laws and regulations from our experience and through discussions with the directors and management. We determined that the most significant laws and regulations were as UK adopted international accounting standards, Companies Act 2006 and Australian Securities Exchange (ASX) Listing Rules applicable to a listed business in Australia.
- We inquired of management, the finance team, legal counsel and the board of directors about the Group's and parent company's policies and procedures relating to:
    - The identification, evaluation and compliance with laws and regulations;
    - The detection and response to risks of fraud; and
    - The establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We obtained an understanding of the Group's policies and procedures implemented to prevent and detect non-compliance with laws and regulations by inquiry of management, those responsible for legal and compliance procedures including the company secretary. We corroborated our inquiries through our reading of board meeting minutes;
- We enquired with management on any non-compliance, notification from local governing authorities and legal notices during the year. We checked the entity's legal and professional expense ledger to identify any solicitor or other professional fees that would indicate any instances of non-compliance;
- We assessed the susceptibility of the group's and parent company's financial statements to material misstatement, including how fraud might occur by meeting with management from different areas of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. Audit procedures performed by the audit team in connection with the risks identified included:
    - evaluating the design and implementation of controls that management has put in place to prevent and detect fraud;
    - testing of journal entries including manual journal entries processed at the year-end for financial statement preparation; and
    - challenging the assumptions and judgements made by management in its significant accounting estimates;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed that the audit team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. This was completed through

Independent auditor's report to the members of Etherstack plc

an understanding of their practical experience with audits of a similar nature and complexity and through appropriate training; and

- We communicated relevant laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Page
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
22 June 2024

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	2023 $'000	2022 Restated -refer Note 1.8 $'000
Revenue from Contracts with Customers	2,3	9,419	9,681
Cost of sales		(4,263)	(3,170)
Gross Profit		5,156	6,511
Other income	2	115	126
Sales and Marketing expenses		(1,220)	(1,253)
Other administrative expenses		(3,486)	(3,345)
Net foreign exchange gains/(losses)		8	(17)
Group operating profit from continuing operations		573	2,022
Net finance expense	7	(181)	(101)
Profit before taxation		392	1,921
Income tax benefit	8	130	289
Profit after taxation for the year attributable to the equity holders of the parent		522	2,210
Other comprehensive income/(loss)			
Items that may be classified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(92)	(96)
Total comprehensive profit for the year attributable to the equity holders of the parent		**430**	**2,114**
		Cents	Cents
Basic earnings per share	22	0.40	1.69
Diluted earnings per share	22	0.39	1.64

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	2023 $'000	2022 Restated – refer Note 1.8 $'000	2021 Restated – refer Note 1.8 $'000
Current assets				
Cash and cash equivalents		2,061	1,918	3,038
Trade and Other receivables	13	4,606	3,417	2,353
Inventories	12	294	431	320
		6,961	5,766	5,711
Non-current assets				
Property, plant and equipment	11	414	544	619
Trade and Other receivables	13	504	172	276
Intangible assets	9	8,156	7,064	5,358
Right-of-use assets	18	188	403	506
		9,262	8,183	6,759
TOTAL ASSETS		16,223	13,949	12,470
Current liabilities				
Trade and other payables	14	1,570	2,041	2,263
Current tax liabilities		93	113	110
Employee entitlements	15	659	585	477
Unearned revenue	16	1,016	1,356	2,047
Lease liabilities	18	223	233	239
		3,561	4,328	5,136
Non-current liabilities				
Employee entitlements	15	39	20	14
Unearned revenue	16	321	249	168
Lease liabilities	18	50	273	405
Borrowings	19	2,425	-	-
		2,835	542	587
TOTAL LIABILITIES		**6,396**	**4,870**	**5,723**
NET ASSETS		**9,827**	**9,079**	**6,747**
Capital and reserves				
Share capital	20	751	745	745
Share premium account	21	16,042	16,017	16,007
Other equity		84	-	-
Merger reserve	21	3,497	3,497	3,497
Share based payment reserve		1,131	928	676
Foreign currency translation reserve	21	(2,898)	(2,806)	(2,666)
Retained earnings		(8,780)	(9,302)	(11,512)
TOTAL EQUITY		**9,827**	**9,079**	**6,747**

The financial statements of Etherstack plc (company registration 07951056) were approved by the Board of Directors and authorised for issue on 22 June 2024. Signed on behalf of the Board of Directors by:

Paul Barnes FCCA, Director

The accompanying notes form an integral part of the financial statements

Company Statement of Financial Position

as at 31 December 2023

	Note	2023 $'000	2022 $'000 Restated refer Note 1.8	2021 $'000 Restated refer Note 1.8
Current assets				
Cash and cash equivalents		22	12	1
Trade and other receivables	13	49	52	54
		71	64	55
Non-current Assets				
Investments in subsidiaries	10	-	-	-
Trade and Other receivables	13	17,544	14,165	13,501
		17,544	14,165	13,501
TOTAL ASSETS		**17,615**	**14,229**	**13,556**
Current Liabilities				
Trade and other payables	14	307	221	267
		307	221	267
Non-current liabilities				
Borrowings	19	2,425	-	-
		2,425	-	-
TOTAL LIABILITIES		**2,732**	**221**	**267**
NET ASSETS		**14,883**	**14,008**	**13,289**
Capital and reserves				
Share capital	20	751	745	745
Share premium account	21	16,042	16,017	16,007
Other equity		84	-	-
Merger reserve	21	6,742	6,742	6,742
Foreign currency reserve	21	-	-	-
Share-based payment reserve		1,131	928	676
Retained earnings		(9,867)	(10,424)	(10,881)
TOTAL EQUITY		**14,883**	**14,008**	**13,289**

As permitted by section 408 of the Companies Act 2006, the income statement of the parent company, Etherstack plc, is not presented as part of the financial statements. The parent company's profit for the financial year was $557,000 (2022 $457,000 - restated).

The financial statements of Etherstack plc (company registration number 07951056) were approved by the Board of Directors and authorised for issue on 22 June 2024.

Signed on behalf of the Board of Directors

Paul Barnes FCCA, Director

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

At 31 December 2023

	Share Capital $'000	Share Premium Account $'000	Other Equity $'000	Merger Reserve $'000	Share Based Payment Reserve $'000	Foreign Currency Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 January 2022	**745**	**15,686**	**-**	**3,497**	**676**	**(2,569)**	**(11,523)**	**6,512**
Restatement – refer Note 1.8	**-**	**321**	**-**	**-**	**-**	(97)	11	**235**
Restated balance at 1 January 2022	**745**	**16,007**		**3,497**	**676**	**(2,666)**	**(11,512)**	**6,747**
Profit for the year	**-**	**-**	**-**	**-**	**-**	-	2,210	2,210
Other comprehensive income						(140)		(140)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(140)**	**2,210**	**2,070**
Issue of Share Capital	-	10	-	-	-	-	-	10
Share based payments	-	-	-	-	252	-	-	252
Transactions with owners	**-**	**10**	**-**	**-**	**252**	**-**	**-**	**262**
Balance at 31 December 2022	**745**	**16,017**	**-**	**3,497**	**928**	**(2,806)**	**(9,302)**	**9,079**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	522	522
Other comprehensive income						(92)	-	(92)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(92)**	**522**	**430**
Issue of Share Capital	6	25	-	-	-	-	-	31
Value of conversion rights	-	-	84	-	-	-	-	84
Share based payments	-	-	-	-	203	-	-	203
Transactions with owners	**6**	**25**	**84**	**-**	**203**	**-**	**-**	**318**
Balance at 31 December 2023	**751**	**16,042**	**84**	**3,497**	**1,131**	**(2,898)**	**(8,780)**	**9,827**

The accompanying notes form an integral part of the financial statements.

Company Statement of Changes in Equity

	Share capital $'000	Share premium account $'000	Other Equity $'000	Merger Reserve $'000	Share based payment reserve $'000	Foreign currency reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2022	**745**	**15,686**	**-**	**6,742**	**676**	**100**	**(11,853)**	**12,096**
Restatement – refer Note 1.8	-	321	-	-	-	(100)	972	1,193
Restated balance at 1 Jan 2022	**745**	**16,007**	**-**	**6,742**	**676**	**-**	**(10,881)**	**13,289**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**457**	**457**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**457**	**457**
Issue of Share Capital	-	10	-	-	-	-	-	10
Share based payments	-	-	-	-	252	-	-	252
Transactions with owners	**-**	**10**	**-**	**-**	**252**	**-**	**-**	**262**
Balance at 31 December 2022	**745**	**16,017**	**-**	**6,742**	**928**	**-**	**(10,424)**	**14,008**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**557**	**557**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**557**	**557**
Issue of Share Capital	6	25	-	-	-	-	-	31
Value of conversion rights	-	-	84	-	-	-	-	84
Share based payments	-	-	-	-	203	-	-	203
Transactions with owners	**6**	**25**	**84**	**-**	**203**	**-**	**-**	**318**
Balance at 31 December 2023	**751**	**16,042**	**84**	**6,742**	**1,131**	**-**	**(9,867)**	**14,883**

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		7,466	8,162
Payments to suppliers and employees		(7,160)	(6,346)
Interest paid		(90)	(105)
Government grants and tax incentives		651	573
Income tax paid		(105)	(119)
Net cash generated from operating activities		**762**	**2,165**
Cash flow from Investing activities			
Additions to intangible assets	9	(2,743)	(2,556)
Payments for property, plant and equipment	11	(106)	(146)
Net cash flow (used in) investing activities		**(2,849)**	**(2,702)**
Cash flows Financing activities			
Proceeds from issue of shares		32	-
Share issue cost		(4)	(1)
Proceeds from loans		3,122	-
Principal element of lease payments		(228)	(265)
Repayments of loan		(622)	(148)
Interest paid		(87)	-
Net cash flow (used in)/generated from financing activities		**2,213**	**(414)**
Net increase/ (decrease) in cash and cash equivalents		**126**	**(951)**
Effect of foreign exchange rate changes		17	(169)
Cash and cash equivalents at 1 January		**1,918**	**3,038**
Cash and cash equivalents at 31 December		**2,061**	**1,918**

The accompanying notes form an integral part of the financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2023

	2023 $'000	2022 $'000 Restated refer Note 1.8
Cash flows from operating activities		
Intercompany receipts	283	296
Payments to suppliers and employees	(236)	(284)
Income tax refund	-	9
Net cash generated from/ (used in) operating activities	**47**	**21**
Cash flows Financing activities		
Intercompany loan advances	(31)	(2)
Interest paid	(5)	-
Net cash flow generated/ (used in) from financing activities	**(36)**	**(2)**
Net increase in cash and cash equivalents	**11**	**19**
Effect of foreign exchange rate changes	(1)	(8)
Cash and cash equivalents at 1 January	**12**	**1**
Cash and cash equivalents at 31 December	**22**	**12**

The accompanying notes form an integral part of the financial statements.

Notes to the Consolidated and Company Financial Statements

Notes to the Consolidated and Company Financial Statements

Section I: Basis of Accounting

1 Basis of Accounting

1.1 General Information

The financial statements of Etherstack plc and its subsidiaries (the Group) for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 22 June 2024 and the Statement of Financial Position was signed on the Board's behalf by Mr Paul Barnes. Etherstack plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares, when held as a Chess Depository Interest (CDI) and registered on the CDI register, are tradable on the Australian Securities Exchange (ASX). Ordinary shares on the UK share register cannot be traded on the ASX.

1.2 Basis of Preparation

The Group's financial statements have been prepared in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006 as they apply to the financial statements of the Group for the year ended 31 December 2023.

The Group and Company financial statements are presented in US Dollar ("$") which is the Group's presentational currency. The Group operates in international markets and the US Dollar provides the most comparable currency for peer companies.

The functional currency for the Company is USD.

All values are rounded to the nearest thousand dollars ($000) except where otherwise indicated.

1.3 Basis of consolidation

The Group financial statements consolidate the financial statements of Etherstack plc and the entities it controls (its subsidiaries) drawn up to 31 December each year.

Control is achieved over an entity when the Group is exposed to, or has rights to, variable returns from its involvement and has the ability to affect those returns through its power over the entity. Subsidiary undertakings' results are adjusted, where appropriate, to conform to group accounting policies.

1.4 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also further describes the Group's objectives, policies and processes for financial risk management, including dependence on key contracts, economic and exchange risk, and liquidity risk.

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

Based on existing cash resources, and current and forecasted performance, including consideration of the impacts of macroeconomic uncertainties relevant to the key markets in which Etherstack operates, the Directors reasonably expect there to continue to be sufficient cash resources to be able to pay liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Consolidated and Company Financial Statements

1.5 Foreign currency translation

US$ has been adopted as the presentational currency in these financial statements. The Directors have considered the appropriate functional currency for each individual operation.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Net exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

1.6 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

- Capitalisation of development costs
- Impairment of intangible assets
- Timing and measurement of revenue
- Selection of the functional currency and treatment of foreign exchange differences arising on consolidation related to the net investment in subsidiaries

These judgements and estimates are further explained in the applicable notes.

1.7 Material Accounting Policies

Material accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. In addition, changes to accounting policies are set out in Note 26.

Notes to the Consolidated and Company Financial Statements

1.8 Restatement of prior periods

Etherstack plc Consolidated

(a) Intercompany foreign exchange gains and losses have been recalculated to ensure compliance with the requirements of IAS 21 in respect of the valuation of USD denominated items in the books of group companies where the ledger is not held in USD. In addition, foreign currency translation reserve entries have been recalculated to ensure the appropriate treatment of foreign currency gains and losses arising on intercompany loan balances and translation of these items for the purposes of preparing consolidated accounts. Previous entries had allocated foreign currency gains and losses on intercompany balances to other comprehensive income where those entities have subsequently been identified as incorrectly translating transactions as outlined at the outset of this note.

Correction of FX Gains/Losses as a result of correct denomination in individual entities	2022	2021	Pre 2021
Original Retained earnings	-	-	
Restated Retained earnings	(177)	460	
Increase/(decrease)	**(177)**	**460**	
Cumulative Retained earnings Increase/(decrease)	**(729)**	**(552)**	**(1,012)**

Correction of amounts in OCI for entities with the same functional and presentational currency	2022	2021	Pre 2021
Comprehensive Income	-	-	(649)
Retained earnings	-	-	649
Cumulative Retained earnings Increase/(decrease)	**649**	**649**	**649**

Overall impact on foreign currency reserve	2022	2021	Pre 2021
Original Foreign currency translation reserve	(2,886)	(2,569)	
Restated Foreign currency translation reserve	(2,806)	(2,666)	
Increase/(decrease)	**80**	**(97)**	**1,661**

(b) During 2023, the Group discovered the income tax liability for a subsidiary company covering income tax years 2016 to 2022 was understated. This impacts upon amounts receivable under research and development incentive programmes for which the subsidiary company is eligible. In addition, the income tax benefit change as a consequence of the foreign currency translation transactions above. The impact of this item is:

	2022	2021
Original income tax benefit	95	391
Restated income tax benefit	289	410
Increase/(decrease)	**194**	**19**
Original Current Trade and Other receivables	3,309	2,439
Restated Current Trade and Other receivables	3,417	2,353
Increase/(decrease)	**108**	**(86)**
Statement of Comprehensive Income increase/(decrease)	194	19
Cumulative Retained earnings increase/(decrease)	**108**	**(86)**

Notes to the Consolidated and Company Financial Statements

(c) The Group discovered an error in amounts payable, which was overstated by $321 as result of an unprocessed non-cash accounting entry when the directors took up rights in the 2016 rights issue. The Share Premium account was understated by the same amount. The director related party information as set out in the Notes to the Financial Statements and directors' interests' information in the Report of the Directors has been correct at all times.

	2022	2021
Original Current Trade and Other payables	2,362	2,584
Restated Current Trade and Other payables	2,041	2,263
Increase/(decrease)	**(321)**	**(321)**
Original Share Premium reserve	15,696	15,686
Restated Share Premium reserve	16,017	16,007
Increase/(decrease)	**321**	**321**
Cumulative Trade and Other payables Increase/(decrease)	(321)	(321)
Cumulative Share premium reserve Increase/(decrease)	**321**	**321**

(d) The 2022 amounts for Right of Use assets have been restated to include the disposal of the fully depreciated right of use assets relating to leased premises where the lease expired in 2022.

The cost of the asset was $472 however as the asset was fully depreciated, there is no impact on the Statement of Comprehensive income or Statement of Financial Position.

The aggregate adjustment to 1 January 2022 retained earnings set out on the consolidated statement of changes in equity comprises:

Adjustment to income tax benefit – note b above	(86)
Adjustment to Intercompany Net foreign exchange gains (note a above)	(552)
Adjustment to Comprehensive Income (note a above)	649
Aggregate adjustment to 1 January 2022	**11**

Etherstack plc Company

(a) Intercompany foreign exchange gains and losses have been recalculated to ensure compliance with the requirements of IAS 21 in respect of the valuation of USD denominated items where the ledger is not held in USD. In addition, entries have been recalculated to ensure the appropriate treatment of foreign currency gains and losses arising on intercompany loan balances. Previous entries had allocated foreign currency gains and losses on intercompany balances to other comprehensive income and these entries have subsequently been identified as incorrectly translating transactions as outlined at the outset of this note.

Notes to the Consolidated and Company Financial Statements

	2022	2021
Original intercompany receivable balance	12,016	12,308
Restated intercompany receivable balance	15,028	14,070
Increase/(decrease)	**3,012**	**1,762**
Increase/(decrease) comprises:		
Share Premium reserve adjustment (item (b) below	321	321
Share Based payments adjustments (item (c) below	(765)	(504)
Retained earnings adjustment of FX	3,456	1,945
	3,012	**1,762**
Original retained earnings	(12,352)	(11,853)
Restated retained earnings	(9,561)	(10,312)
Increase/(decrease)	**2,788**	**1,541**

	2022	2021	Pre 2021
Original Foreign currency reserve	100	100	100
Restated Foreign currency reserve	-	-	-
Cumulative Increase/(decrease) in foreign currency reserve	**(100)**	**(100)**	**(100)**

(b) As noted above, an error was discovered in Share Premium amounts, which were understated by $321 as result of a non-cash unprocessed accounting entry when the directors took up rights in the 2016 rights issue. The director related party information as set out in the Notes to the Financial Statements and directors' interests' information in the Report of the Directors has been correct at all times. As the directors liabilities were recorded in a subsidiary company the corresponding adjustment is to the intercompany receivables and included in (a) above.

	2022	2021
Original Share Premium reserve	15,696	15,686
Restated Share Premium reserve	16,017	16,007
Increase/(decrease)	321	321
Cumulative Share premium reserve Increase/(decrease)	**321**	**321**

(c) In the current year, Etherstack plc corrected its prior period application of the requirements of IFRS 2 "Share Based Payments" relating to share based payment expenses recognised on share issues by Etherstack plc to employees of subsidiary companies. This standard requires the issue of shares to be treated as an investment in the subsidiary companies and to recognise the expense in the subsidiary companies. Etherstack plc has then recognised an impairment against the investment of the same amount.

Notes to the Consolidated and Company Financial Statements

The aggregate adjustment to 1 January 2022 retained earnings set out on the Company statement of changes in equity comprises:

Adjustment to Intercompany Net foreign exchange gains (note a above)	1,945
Adjustment to Foreign currency reserve (note a above)	100
Adjustment to Share Based Payments Accounting	(504)
Aggregate adjustment to 1 January 2022	**1,541**

The errors have been corrected by restating each of the affected financial statement line items for the prior period.

Earnings per share	**2022 Restated**	**2021 Restated**
Original Earnings per share Basic (in US cents)	1.68	1.12
Restated Earnings per share Basic (in US cents)	1.69	1.49
Original Earnings per share Diluted (in US cents)	1.63	1.09
Restated Earnings per share Basic (in US cents)	1.64	1.45

(d) Non-cash items were incorrectly included resulting in a change to the Company Statement of Cash Flows: There was no impact to the cash and cash equivalents as a result of this change.

	2022
Original intercompany receipts	533
Restated intercompany receipts	296
Increase/(decrease)	**(237)**
Original payments to suppliers and employees	(512)
Restated payments to suppliers and employees	(284)
(Increase)/decrease	**228**
Original Intercompany loan advances	(18)
Restated Intercompany loan advances	(2)
(Increase)/ decrease	**16**
The impact on net cash from Operating activities and Net cash used in Financing is as follows:	
Original cash generated from operating activities	12
Restated cash generated from operating activities	21
Increase/(decrease)	**9**
Original cash used in financing activities	(1)
Restated cash used in financing activities	(2)
(Increase)/decrease	**(1)**
Original Effect of foreign exchange rate changes	0
Restated Effect of foreign exchange rate changes	(8)
(Increase)/decrease	**(8)**

Notes to the Consolidated and Company Financial Statements

Section II: Revenue and Expenses

2. Revenue and Other income

An analysis of the Group's revenue and Other income is as follows:	2023 $'000	2022 $'000
Revenue from Contracts with Customers		
Supply of wireless communications technology	7,486	7,413
Support contracts	1,800	1,876
Royalties	133	392
	9,419	**9,681**
Other income		
Government grants– research and development incentives	115	126

Timing of revenue recognition	2023 $'000 At a point in time	2023 $'000 Over time	2023 $'000 Total	2022 $'000 At a point in time	2022 $'000 Over time	2022 $'000 Total
Revenue from Contracts with Customers						
Supply of wireless communications technology	7,385	101	**7,486**	7,313	100	**7,413**
Support services	-	1,800	**1,800**	-	1,876	**1,876**
Royalties	133	-	**133**	392	-	**392**
	7,518	**1,901**	**9,419**	**7,705**	**1,976**	**9,681**
Other income						
Grant receipts – research and development Incentives	-	115	**115**	-	126	**126**

Revenue recognition accounting policies

The Group recognises revenue in accordance with IFRS 15 Revenue from Contracts with Customers.

Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, supply of hardware, software licences including royalties, installation/integration services and support services.

The Group evaluates the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if, in the context of a contract with a customer, both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (ie the Group does not provide a significant service integrating, modifying or customising it).

To determine whether to recognise revenue, the Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied

The Group enters into transactions involving a range of the Group's products and services, for example for the delivery of hardware, software and related services. In such cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Notes to the Consolidated and Company Financial Statements

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as Deferred revenue in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Licence fees and revenue from the sale of goods

Revenue from the sale of goods, including manufactured equipment sales and white labelled equipment sales, is recognised at a point in time when the performance obligations are satisfied.

Technology access licence revenues are recognised at a point in time on the same basis as the sale of goods unless there are ongoing performance obligations associated with them. Revenue attributable to any ongoing performance obligation is recognised as the ongoing performance is fulfilled.

Rendering of services

Services include wireless technology design, customisation and integration services.

Depending on the circumstances of the agreement and the performance obligations identified within the contract, revenue from these services may be recognised either on a time-and-materials basis as the services are provided or where the Group enters into a contract for a fixed fee, the related revenue will be recognised over time. Revenue is recognised over time as the asset does not have an alternative use and the Group has a right to receive payment for work to date. To determine when and to what extent revenue can be recognised on a fixed fee arrangement, the Group measures its progress towards satisfaction of the performance obligation by comparing actual time spent to date with the total estimated time.

Revenue from support contracts

Revenue from support contracts is recognised evenly over the period of the support contract as the customer receives and consumes the benefit as the Group performs support. The unearned support revenue liability is that portion of support revenue that Etherstack has not yet earned in profit or loss as it represents support services to be provided by Etherstack after the balance date.

Royalties

Royalties that are sales or usage based are recognised at a point in time at the later of when the sale or usage occurs or the performance obligation is satisfied. Minimum royalty commitments are recognised as Royalty revenue when licences are granted as these are not dependent on sales or usage. Royalty revenues are generated from licence agreements whereby equipment manufacturers pay Etherstack a licence fee per item manufactured, for the use of Etherstack technology in their products, such as digital radio base stations and radio handsets.

Government grants

Government grants are recognised over time when it is reasonable to expect that the grants will be received and that all related conditions will be met. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Key Judgements: revenue recognition

Judgement may be required in determining the timing and measurement across all revenue streams at contract commencement, including:

- unbundling revenues,
- determining the separable or distinct nature of performance obligations,
- determining the role as either principal or agent,
- assigning revenue to separate and distinct deliverables, and

Notes to the Consolidated and Company Financial Statements

- determining stand-alone selling prices. For a particular project, judgements may be based upon comparisons with similar contracts (or proposals) or upon internal estimates of the engineering efforts required to deliver the projects.

3. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive Officer, being the chief operating decision maker to allocate resources and to assess performance. The Group is operational in geographical locations including the United Kingdom, United States, Japan and Australia. The Group operates and reports as one operating segment and is not analysed by management in either separate functions or geographical regions, as due to the nature of the work and complexity of the software, there is a large degree of collaboration and integration across countries for any given project.

Notes to the Consolidated and Company Financial Statements

Geographical information

Revenue from external customers	2023 $'000	2022 $'000
Country of domicile		
United States of America	1,360	715
Canada	2,024	674
Australia	3,881	5,007
South Korea	1,892	2,730
Other	262	555
	9,419	**9,681**

Non-current assets		
Country of domicile		
United States	125	107
Australia	419	690
United Kingdom	8,686	7,297
Other	32	89
	9,262	**8,183**

Revenues from a single customer amounting to more than 10% of Group revenue	2023 $'000	2022 $'000
Customer A	1,891	2,730
Customer B	1,523	1,716
Customer C	1,066	-
Customer D	-	1,315
	4,480	**5,761**

Revenues from customers which do not amount to more than 10% of Group revenue in a particular period are not disclosed.

4. Group operating profit

This is stated after charging:

	2023 $'000	2022 $'000
Depreciation of property, plant and machinery	237	184
Depreciation of Right-of-use-assets	212	235
Rental expense	98	143
Inventory costs charged to costs of sales	1,329	483
Amortisation of intangible assets	1,651	850

Notes to the Consolidated and Company Financial Statements

5. Auditor's remuneration

The Group paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Group:

	2023 $'000	2022 $'000
Grant Thornton UK LLP		
Fees payable to the company auditors for the audit of the company's annual accounts	194	136
Fees payable to the company's auditors and its associates for other services		
Audit of the accounts of subsidiaries	42	33
Audit related assurance services	44	35
Tax compliance services	8	8
	288	**212**

6. Staff costs and Directors' emoluments

a) Staff costs (Excluding Directors' emoluments)	2023 $'000	2022 $'000
Wages and salaries	5,221	5,486
Social security costs	125	147
Pension costs	297	281
	5,643	**5,914**

$203 share-based payments included in wages and salaries for the current year (2022: $261).

The staff costs set out above include $2,245 (2022 $2,012) which have been capitalised in accordance with the accounting policies outlined in Note 9.

The average number of employees during the year was:

	2023 Number	2022 Number
Executive Directors	1	1
Engineering	27	27
Management, sales & administrative	10	10
	38	**38**

Notes to the Consolidated and Company Financial Statements

b) Directors' emoluments	2023 $'000	2022 $'000
Remuneration	452	407
Pension costs	36	7
Deferred equity compensation	83	87
	571	501

In respect of the highest paid director:		
Remuneration	283	260
Company contributions to pension schemes	31	3
Deferred equity compensation	64	67
	378	330

	2023 Number	2022 Number
The number of directors who are accruing benefits under:		
Defined contribution schemes	2	2

Employee benefits and retirement benefits - Accounting policies

Short-term employee benefits

The cost of short-term employee benefits, (those expected to be settled wholly within 12 months after the service is rendered, such as paid annual leave and sick leave, bonuses and non-monetary benefits), are recognised in the period in which the service is rendered and are not discounted.

Long-term employee benefits

Liabilities for long service leave expected to be settled within the next 12 months are recognised in the provision for long service leave and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for long service leave expected to be settled more than 12 months from the balance date are also recognised in the provision for long service leave and consider expected employee service periods, and salary increases and are measured at a discounted amount based upon estimated settlement dates.

Employee benefit on-costs

A liability is also carried for related costs, including payroll tax and other insurances, in respect of provisions for certain employee benefits which attract these costs.

Payments to defined contribution retirement benefit schemes

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Notes to the Consolidated and Company Financial Statements

7. Finance Costs

	2023 $'000	2022 $'000
Related party loans (Note 24)	5	-
Borrowings	90	-
Interest- Right-of-Use assets	55	82
Other interest	36	23
Interest income	(5)	(4)
	181	**101**

8. Taxation

Tax (credited)/charged in the statement of comprehensive income	**2023 $'000**	**2022 $'000** Restated see Note 1.8
Current income tax:		
UK corporation tax and income tax	(215)	(424)
Foreign tax	102	122
Current income tax benefit	(113)	(302)
Amounts under / (over) provided in previous years	(17)	13
Tax (income) in the statement of comprehensive income	**(130)**	**(289)**

	2023 $'000	**2022 $'000**
The tax (income) in the statement of comprehensive income is disclosed as follows:		
Income tax (income) on continuing operations	(130)	(289)

Reconciliation of the total tax (credit)

The tax benefit in the statement of comprehensive income varies from the prima facie tax charge based on the standard rate of corporation tax in the UK of 23.5% (2022 19%). The differences are reconciled below:

Profit before income tax	392	1,921
Tax at the UK corporation tax rate of 23.5% (2022: 19%)	92	365
Expenses not deductible for tax purposes	62	65
Additional deductions for R&D expenditure	(304)	(431)
Surrendered tax losses for R&D tax credit refund	402	77
Tax losses not previously recognised	(280)	(488)
Difference in overseas tax rates	(85)	62
Deferred tax liability	-	-
Amounts under / (over) provided in previous years	(17)	61
Total tax (benefit) in the statement of comprehensive income	(130)	(289)

Notes to the Consolidated and Company Financial Statements

Accounting policies

The tax currently payable is based on taxable profit or loss for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all material taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

No deferred tax liabilities have been recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. The UK corporate income tax rate is expected to change to 25% with effect from 2023. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity or when it relates to items in other comprehensive income, in which case it is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group is subject to income and other tax in the UK, USA, Australia, Japan and other countries. Judgement is required in determining the provision for income and other taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made. Deferred tax assets are recognised relating to tax losses only to the extent that it is probable future taxable profits will arise in that jurisdiction.

Unrecognised tax losses

The Group has tax losses in the United Kingdom of $7,296 (2022 $8,740) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. A deferred tax asset has been recognised in connection with these losses to the extent that deferred tax liabilities have arisen in connection with temporary differences. These deferred taxation balances are summarised below. No deferred tax asset has been recognised in respect of losses carried forward as it is not considered probable that these will reverse in the near future. No deferred tax liability is recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences.

Income tax incentives

There has been a significant income tax benefit realised by the Group in 2023 and 2022 as a consequence of research and development activities by UK resident companies in the Group. The benefit is recognised in the year in which the research and development activities are undertaken. There may be judgement required in determining the likely benefit to be received. Eligible expenditure gives rise to enhanced tax deductions which has created tax losses. Under current legislation, a portion of these losses may be

Notes to the Consolidated and Company Financial Statements

surrendered in return for cash refunds. The tax effect of losses surrendered in 2023 were $402 and in 2022 were $77.

Deferred taxation balances

Net deferred tax liabilities arise in connection with the following items:

	2023 $000	2022 $000
Deferred tax assets arising through temporary differences of:		
Employee entitlements	168	111
Other	29	16
Tax losses (Note 1)	1,842	1,215
Deferred tax liabilities arising through temporary differences of:		
Intangible assets	2,039	1,342
Net deferred tax liability	-	-

Reconciliation of deferred tax liabilities, net

	2023 $000	2022 $000
As of 1 January	-	-
Tax expense recognised in profit or loss:		
Intangible assets	(697)	(324)
Employee entitlements	57	22
Other	13	8
Benefit of tax losses not previously recognised (Note 1)	627	294
As at 31 December	-	-

Note 1 - Deferred tax assets have been recognised to the extent that deferred tax assets can be utilised against the deferred tax liabilities.

Notes to the Consolidated and Company Financial Statements

SECTION III: ASSETS

9. Intangible assets (Group)

	Capitalised development costs $000	Engineering software $000	Total $000 Note 9.1
Cost			
At 1 January 2022	24,898	656	25,554
Additions	2,459	97	2,556
Disposals	-	(4)	(4)
At 31 December 2022	27,357	749	28,106
Additions	2,650	93	2,743
Disposals	-	-	-
Exchange differences	-	-	-
At 31 December 2023	30,007	842	30,849
Accumulated amortisation and impairment			
At 1 January 2022	19,739	457	20,196
Charge for the year	767	83	850
Disposals	-	(4)	(4)
Exchange differences	-	-	-
At 31 December 2022	20,506	536	21,042
Charge for the year	1,569	82	1,651
Disposals	-	-	-
Exchange differences	-	-	-
At 31 December 2023	22,075	618	22,693
Carrying amount			
At 31 December 2023	**7,932**	**224**	**8,156**
At 31 December 2022	**6,851**	**213**	**7,064**

Note 9.1 – the columns for fully amortised and impaired intangible assets represented by goodwill and customer contracts have been removed from the table above. There is no impact on the statement of financial position, statement of comprehensive income or statement of cashflows.

Intangible assets accounting policies

Intangible assets comprise internal and external costs incurred on the development of intellectual property assets that meet the criteria under IAS 38 Intangible assets, Acquired customer relationship assets, goodwill and engineering software.

Notes to the Consolidated and Company Financial Statements

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's intellectual property development is recognised if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- technical feasibility of completing the asset so that it will be available for use or sale;
- the Group intends to complete the asset and use or sell it;
- the Group has available adequate technical, financial and other resources to complete the development and to use or sell the asset;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

These criteria are assessed on a project by project basis from the outset and continually through to project completion. This assessment requires management judgement to determine whether the criteria are met, which is often reliant on expectations of future events, in particular, potential customer contracts and technical feasibility assessments in project management reports.

Internally-generated intangible assets have a finite useful life, and are amortised on a straight-line basis over their useful life estimate. The useful life of these assets is estimated as the shorter of 6 years or the estimated delivery model. Where material research and development expenditure is incurred to increase the functionality or performance of an existing asset and thereby extend the useful commercial life of the existing asset, this additional expenditure is capitalised and amortised over the shorter of 3 years and the estimated useful life. Amortisation of the asset begins when development is complete and the asset is available for use, such that it can be deployed to customers. The amortisation charge is included in cost of sales. During the period of development, the asset is tested for impairment annually.

Engineering software

Purchased engineering software (including licences) is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over 5 years from the date the software is installed. The asset is tested for impairment where there are indicators of impairment.

Impairment testing of intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, a line by line assessment of individual assets is undertaken to identify assets that no longer meet the recognition criteria under IAS 38 or have been otherwise abandoned. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated and Company Financial Statements

As part of the impairment testing at each balance sheet date, the Group assesses the number of cash-generating units in operation. In 2023, all assets have been considered to be part of one cash-generating unit (CGU) (2022 one cash-generating unit).

Intangible Assets: Significant judgements

Capitalisation and recoverability of Development costs

During the year, the Group recognised internally-generated intangible assets totalling $2,650 (2022 $2,459) and there were $nil (2022 $nil) development costs expensed. Significant judgement is required in assessing whether development costs met the conditions for capitalisation as set out in the Group's accounting policy.

Impairment Testing

As noted above, at balance date the Group reviewed the carrying value of intangible assets to determine whether any impairment indicators exist. The outcome of the review was that no impairment indicators exist.

In addition, the Group reviewed the carrying value of developments which have not been completed and the asset is not yet available for use, for any impairment indicators. The Group considers the intentions to proceed with planned and in progress developments amongst other factors when reviewing for indicators of impairment. The outcome of this 2023 review is a $Nil (2022 $nil) impairment adjustment. Judgement is required in (a) forecasting future revenues from projects which are incomplete at the balance sheet date and (b) assessing the technical feasibility of the incomplete projects.

10. Subsidiary undertakings	**Company 2023**	**Company 2022 Restated**
	$000	**$000**
Subsidiary undertakings at cost	8,402	8,199
Less impairment provision	(8,402)	(8,199)
	-	-

The Company's investments at 31 December 2023 in the share capital of other companies comprises:

Subsidiary undertakings	Holding	Class of share	Country of incorporation	Registered Address
Etherstack Wireless Limited	100%	Ordinary	England and Wales	Suite 3.03 40 Caversham Road, Reading RG1 7EB United Kingdom
Indian Pacific Nederland BV *	100%	Ordinary	Netherlands	Kerkstraat 408-1, 1017 JC Amsterdam, Netherlands
Etherstack Inc.*	100%	Ordinary	USA	16 Madison SQ W New York NY 10010 United States
Etherstack Pty Limited *	100%	Ordinary	Australia	64 Rose St, Chippendale NSW 2008 Australia

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Auria Wireless Pty Limited*	100%	Ordinary	Australia	64 Rose St, Chippendale NSW 2008 Australia
Etherstack Japan Limited *	100%	Ordinary	Japan	12F Daiwa Jisho Building 74-1 Yamashita-cho Naka-ku Yokohama Kanagawa 231-0023 Japan

* These companies are owned via another Group entity, with Etherstack plc the ultimate parent company of the Group.

All of the companies in the Group develop and sell wireless software communications products.

Accounting policies: Investments in subsidiaries

Investments are carried at their historic cost, and are reviewed annually for impairment. Any impairment losses are booked in the year that they arise.

Subsidiaries are consolidated from the date of their acquisition. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-Group balances and transactions, including unrealised profits arising from them, are eliminated in full.

Significant judgement: Impairment adjustment

There is an impairment adjustment in 2023 of $203 (2022 $ 261). The Directors have considered:

- the book value of the loans made to subsidiary companies and the estimated credit loss provision that has been made against these loans to subsidiary companies, as outlined in Note 13 below; and
- the net asset position of Etherstack plc is greater than the consolidated net asset position,

and, on this basis, has made the judgement to impairment the amount recorded as investments in subsidiaries.

Accounting policy: Translation differences arising on net investment in a subsidiary

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the consolidated financial statements that include the foreign operation and the reporting entity, such exchange differences are recognised in other comprehensive income.

Significant judgement: determining the items which form the net investment in a foreign operation

Judgement may be required in determining which items form the net investment in a foreign operation. Long term loans funding the operations of the foreign operations have been considered as part of the net investment.

Notes to the Consolidated and Company Financial Statements

11. Property, plant and equipment (Group)

	Leasehold property improvements $'000	Furniture and equipment $'000	Computer equipment $'000	Work in progress- Leasehold property improvements $'000	Total $'000
Cost					
At 1 January 2022	27	274	541	351	1,193
Additions	-	44	67	35	146
Reclassification	370	-	-	(370)	-
Exchange differences	(11)	(18)	(46)	(16)	(91)
At 31 December 2022	386	300	562	-	1,248
Additions	-	84	22	-	106
Disposals	-	(2)	-	-	(2)
Exchange differences	4	3	18	-	25
At 31 December 2023	390	385	602	-	1,377
Accumulated depreciation					
At 1 January 2022	27	158	389	-	574
Charge for the year	86	33	65	-	184
Disposals	-	-	-	-	-
Exchange differences	(4)	(14)	(36)	-	(54)
At 31 December 2022	109	177	418	-	704
Charge for the year	123	45	69	-	237
Disposals	-	(2)	-	-	(2)
Exchange differences	5	3	16	-	24
At 31 December 2023	237	223	503	-	963
Carrying amount					
At 31 December 2023	**153**	**162**	**99**	**-**	**414**
At 31 December 2022	**277**	**123**	**144**	**-**	**544**

Accounting policy:

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write-off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	over 5 years (or the length of the lease, whichever is shorter)
Computer equipment	over 3 years
Furniture and equipment	over 5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Notes to the Consolidated and Company Financial Statements

12. Inventories

	2023 $'000	2022 $'000
Work in Progress	294	431
	294	**431**

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

13. Trade and Other receivables

	Group		Company	
	2023 $'000	2022 $'000 Restated – refer Note 1.8	2023 $'000	2022 $'000
Current				
Trade debtors	3,201	1,273	-	-
Contract assets	675	1,213	-	-
Other debtors	582	598	49	52
Research and development incentives	148	333	-	-
	4,606	**3,417**	**49**	**52**
Non-current				
Contract asset	504	172	-	-
Amounts receivable from Group undertakings		-	18,479	15,100
Less: Impairment		-	(935)	(935)
	504	**172**	**17,544**	**14,165**

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Accounting policy

Trade receivables disclosed above are classified as financial assets at amortised cost.

Contract assets from contracts in progress represents income derived from contracts in progress at the end of the period.

The average credit period taken on sales of goods is 19 days (2022: 22). No interest is charged on the receivables for the first 30 days from the date of the invoice. Thereafter, the Group reserves its right to charge interest at various rates on the outstanding balance. The Group recognises, where appropriate, an allowance for expected credit losses. Before accepting a new customer, the Group assesses the likely credit risk of the potential customer principally by reference against the complexity and nature of the project.

There are 4 (2022: 5) customers who each represent more than 5 per cent of the total balance of trade receivables.

Expected credit losses: Trade and other debtors

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. There is no history of credit losses from Trade and Other debtors. The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Expected credit losses: Amounts receivable from Group undertakings

Similarly, the Company applies the IFRS 9 simplified approach to measuring expected credit losses. The expected loss rates are based on the forecast ability of Group undertakings to generate future cashflows and the cash position of the Group undertakings at year end. There are no historical losses as repayment of the Amounts receivable from Group undertakings has not been sought. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors in particular the profitability of the Group undertakings in 2022 and 2023.

Notes to the Consolidated and Company Financial Statements

SECTION IV: LIABILITIES

14. Trade and other payables

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current				
Trade payables	416	452	124	9
Directors' payable	307	448	-	-
Accruals	537	589	179	212
Other taxes and social security costs	310	552	4	-
	1,570	**2,041**	**307**	**221**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

15. Employee Entitlements

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current				
Leave entitlements	550	480	-	-
Retirement benefits	89	88	-	-
Other	20	17	-	-
	659	**585**	**-**	**-**
Non-current				
Leave entitlements	39	20	-	-
	39	**20**	**-**	**-**

16. Unearned Revenue

	Group	
	2023 $'000	2022 $'000
At 1 January	1,605	2,215
Deferred during the year	4,026	4,616
Released to the income statement during the year	(4,294)	(5,226)
At 31 December	**1,337**	**1,605**
Current	**1,016**	**1,356**
Non-current	**321**	**249**

Notes to the Consolidated and Company Financial Statements

17. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Financial assets at amortised cost'. The Group's financial assets comprise of trade and other receivables which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and fixed-term deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash.

Other financial liabilities

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Capital risk management
The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders. The Group has funded itself through share issues, convertible note issues, short term related party loans and cash generation from the business. The capital structure of the Group consists of equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained profits as disclosed in Notes 20 and 21 and the Statement of Changes in Equity.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements

Notes to the Consolidated and Company Financial Statements

Categories of financial instruments

	Group: Carrying value		Company: Carrying value	
	2023	2022	2023	2022 Restated
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Cash and cash equivalents	2,061	1,918	22	12
Trade debtors	3,201	1,273	-	-
Contract assets	1,179	1,385	-	-
Other debtors	582	598	49	52
Receivable from Group undertakings	-	-	17,544	14,165
	7,023	**5,174**	**17,615**	**14,229**
Financial liabilities at amortised cost				
Borrowings at amortised cost	2,425	-	2,425	-
Lease liabilities	273	506	-	-
Trade payables	416	452	124	9
Related party loans	307	448		
Accruals	537	589	179	212
	3,958	**1,995**	**2,728**	**221**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities based on undiscounted payments:

Group: Year ended 31 December 2023	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables and accruals	-	416	-	-	-	416
Other payables	-	844	-	-	-	844
Borrowings at amortised cost	-	-	-	2,425	-	2,425
Lease liabilities	-	-	223	50	-	273
	-	**1,260**	**223**	**2,475**	**-**	**3,958**

Group: Year ended 31 December 2022	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables and accruals	-	452	-	-	-	452
Other payables (as restated – Note 1.8 (c))	-	1,589	-	-	-	1,589
Lease liabilities	-	-	233	273	-	506
	-	**2,041**	**233**	**273**	**-**	**2,547**

Notes to the Consolidated and Company Financial Statements

Company: Year ended 31 December 2023	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables and accruals	-	124	-	-	-	124
Other payables	-	183	-	-	-	183
Borrowings at amortised cost	-	-	-	2,425	-	2,425
	-	**307**	**-**	**2,425**	**-**	**2,732**

Company: Year ended 31 December 2022	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables and accruals	-	9	-	-	-	9
Other payables	-	212	-	-	-	212
	-	**221**	**-**	**-**	**-**	**221**

Group and Company Financial risk management objectives

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk evaluations which analyse exposure by degree and magnitude of risks. These risks include market risk, including currency risk, credit risk and liquidity risk.

The Group may use derivative financial instruments to hedge these risk exposures although no derivatives were used in 2023 (2022 $nil). The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

A sensitivity analysis has been prepared for foreign currency exchange rates in the foreign currency risk section.

Credit risk management

Credit risk refers to the risk a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised below:

	2023 $'000	**2022 $'000**
Trade and other debtors - Current (Note 13)	3,783	1,871
- Non-Current (Note 13)	-	-
Cash and cash equivalents	2,061	1,918
	5,844	3,789

Notes to the Consolidated and Company Financial Statements

Trade receivables consist of a number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and at year end the trade receivables are assessed on an individual basis for any expected credit losses. The expected credit loss for trade and other receivables is immaterial (2022 immaterial).

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company's exposure to credit risk is limited to the amounts advanced to subsidiary companies $18,479 (2022 $15,100). The Company assesses the recoverability of these receivables by reference to the cash flow forecast prepared for assessing the recoverable amount of the intangible assets and judgements of the probability of defaults and the loss in the event of default. The Company considers a range of possible scenarios and outcomes over the timeframe likely to be required for the subsidiaries to generate the cash to repay the loans and from this range of reasonably likely outcomes selects a conservative position for balance date.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking (cash) facilities, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Foreign currency risk

The Group operates in the United Kingdom, Europe, North America, Australia, and Japan and has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The Group and Company also have trade and other receivables (including intergroup balances) and trade and other payables (including intergroup balances) denominated in foreign currencies; and also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group closely monitors foreign currency risk and enters into hedging transactions when deemed necessary. No hedging transactions were entered into in 2023 (2022 nil).

The Group's and Company's currency exposure is as follows:

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Pound sterling and Australian dollar exchange rates, with all other variables held constant for the Group. The impact on the Group's and the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's and Company's exposure to foreign currency changes for all other currencies is not considered material.

	Change in USD/GBP rate	**Effect on profit before tax $000**	**Effect on other components of equity $000**
2023	+10%	(15)	-
	-10%	15	-
2022	+10%	(339)	136
	-10%	339	(136)
	Change in USD/AUD rate	**Effect on profit before tax $000**	**Effect on other components of equity $000**
2023	+10%	250	(56)
	-10%	(250)	56
2022	+10%	487	(2)
	-10%	(487)	2

Notes to the Consolidated and Company Financial Statements

18. Leases

Right-of-use assets

Right-of-use assets are presented in the statement of financial position as follows:

	Group	
	2023	**2022** Restated Note (a)
	$'000	**$'000**
At 1 January	**697**	**1,092**
Additions	-	167
Disposals – note (a)	-	(472)
Exchange Differences	3	(90)
At 31 December	**700**	**697**
Depreciation		
At 1 January	**(294)**	**(586)**
Charge for the year	(212)	(235)
Disposals – note (a)	-	472
Exchange Differences	(6)	55
At 31 December	**(512)**	**(294)**
Carrying amount 31 December	**188**	**403**

Note (a) – the 2022 amounts have been restated to include the Disposal of the fully depreciated right of use assets relating to leased premises where the lease expired in 2022. As the asset was already fully depreciated, there is no impact on the Statement of Comprehensive income or Statement of Financial Position.

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	Group	
	2022	**2022**
	$'000	**$'000**
Current	223	233
Non-current	50	273
Total	**273**	**506**

With the exception of short-term leases and leases of low-value underlying assets, leases are reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Notes to the Consolidated and Company Financial Statements

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases of office buildings, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	Number of Right-of-use assets leased	Range of remaining lease term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Office building	3	1-2 years	0.7 years	3	0	2	0

The lease liabilities are secured by the related underlying assets. Future minimum lease payments are as follows:

	Within 1 year	1-2 years	After 2 years
31 December 2023			
Lease payments	246	51	-
Interest charges	(23)	(1)	-
Net present values	223	50	-

	Within 1 year	1-2 years	After 2 years
31 December 2022			
Lease payments	290	246	50
Interest charges	(57)	(23)	-
Net present values	233	223	50

Additional information on the right-of-use assets is as follows:

	Carrying amount	Depreciation expense	Impairment
31 December 2023			
Office buildings	188	212	-
31 December 2022			
Office buildings	403	235	-

Notes to the Consolidated and Company Financial Statements

19. Borrowings

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Non-current				
Borrowings at amortised cost	2,425	-	2,425	-
	2,425	-	**2,425**	-

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.

Accounting treatment

The funding agreement entered into by the Company includes an option for the lender to convert the loan into equity. 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. This interest rate is a Level 3 input and was estimated to be 7.5% based on rates applicable to comparable loans without conversion rights. 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 as the Value of Conversion Rights, and not subsequently remeasured.

Notes to the Consolidated and Company Financial Statements

SECTION V: SHARE CAPITAL

20. Called up share capital

	Company 2023 $'000	Company 2022 $'000
Issued, allotted and fully paid		
131,907,002 (2022; 130,759,502) ordinary shares of 0.4p each	751	745

In the current year there was 1,147,500 share issues.

- On 23 January 2023, 257,500 fully paid ordinary shares were issued as a result of the exercise of performance rights.
- On 31 March 2023, 45,000 fully paid ordinary shares were issued as a result of the exercise of performance rights.
- On 31 May 2023, 140,000 fully paid ordinary shares were issued as a result of the exercise of performance rights.
- On 6 June 2023, 500,000 fully paid ordinary shares were issued as a result of the exercise of options.
- On 13 July 2023, 15,000 fully paid ordinary shares were issued as a result of the exercise of performance rights.
- On 17 July 2023, 30,000 fully paid ordinary shares were issued as a result of the exercise of performance rights.
- On 10 August 2023, 10,000 fully paid ordinary shares were issued as a result of the exercise of performance rights.
- On 25 Sept 2023, 50,000 fully paid ordinary shares were issued as a result of the exercise of performance rights.
- On 13 October 2023, 100,000 fully paid ordinary shares were issued as a result of the exercise of performance rights.

The Company has one class of ordinary shares which carry no rights to fixed income. Each ordinary share carries the right to a vote at Shareholder meetings, rights to dividends and a right to participate in any surplus on the winding up of the Company.

21. Reserves

Details of movements in reserves are included in the Consolidated and Company Statements of changes in equity respectively.

Merger Reserve

A merger reserve was originally created upon the acquisition of a commonly controlled entity in 2006 and increased as part of the Group reorganisation on 19 March 2012.

Share Premium Account

The share premium account is used to record the premium of the issue price for new issues of shares over the par value of those shares. The share premium account also records the costs directly attributable to the issue of new shares.

Foreign currency translation reserve

The Group foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Notes to the Consolidated and Company Financial Statements

22. Share based payments

The Group has an equity settled share option scheme. Details of the share options outstanding are as follows:

	2023		2022	
	Number of share options	Weighted average exercise price (AUD)	Number of share options	Weighted average exercise price (AUD)
Outstanding at beginning of year	2,000,000	0.10	2,000,000	0.10
Granted during the year	-		-	
Forfeited during the year	-		-	
Exercised during the year	(500,000)		-	
Outstanding at end of year	1,500,000	0.10	2,000,000	0.10
Exercisable at end of year	1,500,000		2,000,000	

During the year, 500,000 (2022: Nil) options were exercised.

There were 3,000,000 options issued on 10 August 2016 with an exercise price of AUD$0.10 and expiring on 10 August 2026.

The options outstanding at 31 December 2023 had a weighted average exercise price of AUD 0.10 (2022 AUD 0.10), and a weighted average remaining contractual life of 2.6 years (2022: 3.6 years).

In addition, the Group operates the Etherstack Long Term Incentive plan under which performance rights are granted.

Set out below are summaries of performance rights granted under the Etherstack Long term Incentive plan

Grant Date	Expiry Date	Balance at start of year	Granted	Vested	Expired/ forfeited / other	Balance at end of year
11 February 2021	31 January 2023	30,000	-	(30,000)	-	-
16 June 2021 Tranche 1	31 December 2026	1,050,000	-	-	-	1,050,000
16 June 2021 Tranche 2	31 December 2026	1,050,000	-	-	-	1,050,000
7 July 2021	30 November 2024	67,500	-	(57,500)	-	10,000
21 November 2021	21 November 2026	15,000	-	-	-	15,000
4 March 2022	31 December 2025	55,000	-	(45,000)	-	10,000
1 July 2022	1 July 2024	15,000	-	(15,000)	-	-
1 July 2022	31 December 2024	15,000	-	(15,000)	-	-
2 September 2022	2 September 2024	120,000	-	(120,000)	-	-

Notes to the Consolidated and Company Financial Statements

5 September 2022	5 September 2024	10,000	-	(10,000)	-	-
5 September 2022	31 December 2024	10,000	-	(10,000)	-	-
5 September 2022	31 December 2025	10,000	-	-	-	10,000
5 September 2022	5 September 2026	15,000	-	-	-	15,000
12 September 2022	12 September 2024	35,000	-	(35,000)	-	-
12 September 2022	1 July 2025	20,000	-	(20,000)	-	-
16 September 2022	16 September 2024	30,000	-	(30,000)	-	-
21 October 2022	21 October 2024	60,000	-	(60,000)	-	-
21 October 2022	31 December 2025	60,000	-	-	-	60,000
3 November 2022	30 June 2026	60,300	-	-	-	60,300
13 December 2022	13 December 2024	60,000	-	(60,000)	-	-
13 December 2022	30 June 2025	10,000	-	(10,000)	-	-
14 December 2022	1 July 2025	30,000	-	(30,000)	-	-
14 December 2022	1 July 2026	30,000	-	-	-	30,000
14 December 2022	30 June 2025	20,000	-	(20,000)	-	-
28 February 2023	28 February 2026	-	10,000	-	-	10,000
6 March 2023	6 March 2027	-	15,000	-	-	15,000
28 June 2023	30 June 2026	-	10,000	-	-	10,000
12 July 2023	31 December 2026	-	250,000	(80,000)	-	170,000
25 September 2023	30 September 2027	-	20,000	-	-	20,000
18 October 2023	31 October 2026	-	10,000	-	-	10,000
18 October 2023	31 October 2027	-	10,000	-	-	10,000
13 November 2023	1 July 2026	-	20,000	-	-	20,000
		2,877,800	**345,000**	**(647,500)**	**-**	**2,575,300**

Notes to the Consolidated and Company Financial Statements

	2023 Number of performance rights	Weighted average exercise price (AUD)	2023 Number of performance rights	Weighted average exercise price (AUD)
Outstanding at beginning of year	2,877,800	0.007	2,282,500	.007
Granted during the year	345,000		635,300	
Forfeited during the year	-		-	
Exercised during the year	(647,500)		(40,000)	
Outstanding at end of year	2,575,300	0.007	2,877,800	0.007
Exercisable at end of year	105,000		442,500	

The performance rights outstanding at 31 December 2023 had a weighted average exercise price of AUD 0.007 (2022 AUD 0.007), and a weighted average remaining contractual life of 3.1 years (2022: 3.1 years).

There were no performance rights issued in the current year with market based vesting conditions. Vesting of all performance rights issued in the year are based upon non market based conditions. All performance rights issued in 2022 and 2023 were issued with GBP 0.4p exercise price.

Vesting of these rights is based upon service conditions, such as retention periods and project related goal achievement and therefore the fair value of these performance rights is based upon the ASX market price at the date of grant.

For performance rights granted in 2021 which included Market based performance conditions, the valuation inputs used to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Fair value at grant date	Market based performance condition	Other inputs where applicable
16 June 2021	31 December 2026	AUD 0.39	AUD $2.00 share price	These performance rights vest upon a market-based performance condition. Inputs are the market price and volatility of Etherstack plc CDIs as traded on the Australian Securities exchange (ASX) and assumptions of (i) nil dividends and (ii) 0.7% per annum as the risk free interest rate.
16 June 2021	31 December 2026	AUD 0.32	AUD $3.00 share price	

The performance rights vest once the holder of the right has satisfied various performance conditions set out in the offer letter. The performance conditions may include one or more of:

(i) service to the Company of a minimum period of time;

(ii) achievement of specific performance conditions by the participant and/or by the Company;

(iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest; or

(iv) such other performance conditions as the Board may determine and set out in the Offer.

The Board in its absolute discretion determines whether performance conditions have been met.

The Group recognized total expenses of $203 (2022 $261) relating to equity-settled share-based payment transactions.

Notes to the Consolidated and Company Financial Statements

Share-based payments accounting policy

Equity-settled share-based compensation benefits are provided to employees including employees directly employed by controlled entities. Equity-settled transactions are awards of shares, performance rights or options over shares that are provided to employees in exchange for the rendering of services.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Where performance rights vest upon market based conditions, fair value is determined using a Monte Carlo simulation that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Where performance rights vest upon non market based conditions such as such as retention periods and project related goal achievement, the fair value is based upon the market price of Etherstack plc shares at the date of the grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification. If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Where Equity-settled share-based compensation benefits are provided to employees employed by controlled entities then expenses and any subsequent adjustments determined in accordance with the above policy are transferred to the entity employing the person receiving the Equity-settled share-based compensation benefits.

23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (before deducting interest on the convertible shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Notes to the Consolidated and Company Financial Statements

Reconciliation of earnings used in the calculation of earnings per share	2023 Basic $'000	2023 Diluted $'000	2022 Restated Basic $'000	2022 Restated Diluted $'000
Net profit attributable to equity holders of the parent	**522**	**522**	**2,210**	**2,210**
	'000	'000	'000	'000
Weighted average number of ordinary shares for basic earnings per share	131,464	131,464	130,721	130,721
Options*	-	3,615	-	4,211
Weighted average number of ordinary shares adjusted for the effect of dilution	**131,464**	**135,080**	**130,721**	**134,932**
Earnings per share (cents)	**0.40**	**0.39**	**1.69**	**1.64**

* options have been excluded from the calculation of diluted earnings per share where they are anti-dilutive.

There are no ordinary share transactions or potential ordinary share transactions occurring after the year end but before the financial statements are authorized for issue that would significantly change the ordinary shares or potential ordinary shares outstanding if those transactions had occurred before the end of the year.

Notes to the Consolidated and Company Financial Statements

Section VI: Other Notes

24. 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.

Remuneration of key management personnel

The remuneration of the Directors and Chief Financial Officer, who are the key management personnel of the Group and the Company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2023 $'000	2022 $'000
Short-term employee benefits	638	602
Post-employment benefits (defined contribution schemes)	56	25
Deferred Equity Compensation	98	117
	792	**813**

Loans to/ from related parties

The Company has provided its subsidiaries with loans at 5% (2022 5%) interest rates. The Company provided loans to its subsidiaries and, at balance date, an amount of $19,441 (2022 $15,842) was receivable. From time to time, operating expenses of Etherstack plc are settled by Group companies and the cost passed back to Etherstack plc. During the year $716 (2022 $744) of operating expenses were paid for by Group companies.

Directors and Director-related entities

David Deacon is a director of the company. During the year:

- Repayments of $nil (2022 $nil) were made by the company.
- Interest accrued in the year is nil.

At 31 December 2023 the amount due being $156 (31 December 2022 $156) represented by deferred wages and expenses is unsecured, not subject to specific repayment terms and interest free.

Peter Stephens is a director of the company. During the year:

- A short term loan of $622 (2022 $Nil) was advanced and repaid in full.
- Interest of $5 (2022 $Nil) was accrued on the short term loan and paid
- Repayments of $89 (2022 $86) were made

At 31 December 2023, $82 (2022 $171) is owing to Peter Stephens. The amount due being $82 represented by deferred wages and expenses is unsecured, not subject to specific repayment terms and interest free.

Paul Barnes is a director of the company. During the year $54 (2022 $62) repayments were made. At 31 December 2023, $68 (2022 $122) is owing to Paul Barnes. The amount due being $68 represented by deferred wages and expenses is unsecured, not subject to specific repayment terms and interest free.

Other related parties

QFDJG LLP, an incorporated Limited liability partnership registered in the UK of which Paul Barnes is a director and shareholder has provided certain payroll support services to the Group in the year. The services totalled $4 (2022 $3) and were provided under arm's length terms and conditions. At 31 December 2023 $Nil (2022 $nil) was due to QFDJG LLP.

Notes to the Consolidated and Company Financial Statements

25. Reconciliation of financial liabilities and borrowings arising from financing activities

Group	Short term borrowings $'000	Long term borrowings $'000	Lease liabilities $'000	Total $'000
At 1 January 2023	**-**	**-**	**506**	**506**
Cash-flows				
Principal elements of lease payments	-	-	(228)	(228)
Proceeds from borrowings	622	2,500	-	3,122
Repayments of borrowings	(622)	-	-	(622)
Interest paid	(5)	(82)	-	(87)
Non-cash				
Interest on borrowings	5	82	-	87
Amortisation of conversion rights	-	8	-	8
Reclassification	-	(83)	-	(83)
Exchange difference	-	-	(5)	(5)
At 31 December 2023	**-**	**2,425**	**273**	**2,698**
At 1 January 2022	**-**	**-**	**644**	**644**
Cash-flows:				
Principal elements of lease payments	-	-	(265)	(265)
Non-cash:				
Addition to lease liabilities	-	-	170	170
Exchange difference	-	-	(43)	(43)
At 31 December 2022	**-**	**-**	**506**	**506**

Company	Short term borrowings	Long term borrowings	Lease liabilities	Total
At 1 January 2023				
Cash-flows				
Interest paid	(5)	(82)	-	(87)
Non-cash	-	-	-	-
Proceeds from borrowings (Received by Group Company(s))	622	2,500	-	3,122
Repayments of borrowings (Paid by Group Company(s))	(622)	-	-	(622)
Interest on borrowings	5	82	-	87
Amortisation of conversion rights	-	8	-	8
Reclassification	-	(83)	-	83
Exchange difference	-	-	(5)	(5)
At 31 December 2023	**-**	**2,425**	**-**	**2,425**
At 1 January 2023	**-**	**-**	**-**	**-**
Cash-flows	**-**	**-**	**-**	**-**
Non-cash	-	-	-	-
At 31 December 2023	**-**	**-**	**-**	**-**

26. Changes in accounting policy and disclosures

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published. None of these Standards or amendments to existing Standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

ASX additional information

Shareholdings

The issued capital of the Company as at 22 May 2024 is 131,693,884 fully paid ordinary shares.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Ordinary

Range	Total Holders	Number of shares	% of Issued capital
1 - 1,000	27	7,602	0.0%
1,001 – 5,000	500	1,178,832	0.9%
5,001 – 10,000	139	1,124,014	0.9%
10,001 – 100,000	211	6,291,265	4.8%
100,001 and over	72	123,092,171	93.5%
Total			**100.0%**

As at 22 May 2024 there were 23 shareholders holding less than a marketable parcel of AUD $500.

Substantial shareholders as at 22 May 2024

There were 3 shareholders who held a substantial shareholding within the meaning of the Corporations Act. A person has a substantial holding if the total votes that they or their associates have relevant interests in is five per cent of more of the total number of votes.

	No of shares	% of issued capital
MR DAVID DEACON	48,191,850	36.6
MR PETER STEPHENS	10,466,838	7.9
MR PAUL BARNES	6,850,000	5.2

ASX additional information

Top 20 shareholders as at 22 May 2024

		No of shares	% of issued capital
1	MR DAVID ANDREW DEACON	47,741,850	36.2%
2	CITICORP NOMINEES PTY LIMITED	15,122,259	11.5%
3	MR PAUL BARNES	6,850,000	5.2%
4	BOND STREET CUSTODIANS LIMITED <DD9 - D91730 A/C>	6,210,509	4.7%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,961,810	3.8%
6	MR BILL EASON	4,065,506	3.1%
7	VERONICA STEPHENS	3,500,000	2.7%
8	BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	3,068,244	2.3%
9	LACHMAC PTY LTD	2,606,951	2.0%
10	CITICORP NOMINEES PTY LIMITED <DPSL A/C>	2,098,473	1.6%
11	MR ANDREW SCOTT	2,231,670	1.7%
12	CHEEKY BOYS PTY LTD <MEHARNEHAAL SUPER A/C>	1,897,872	1.4%
13	MR PETER STEPHENS	1,290,323	1.0%
14	MR DAVID ROBERT CARTER	1,135,000	0.9%
15	GIGA PALACE LIMITED	1,909,994	1.4%
16	MS CARRIE LARISSA HORNBECK	935,000	0.7%
17	MR JEREMY JON DAVIES	909,000	0.7%
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	766,208	0.6%
19	INTERPRAC FINANCIAL PLANNING PTY LTD	672,636	0.5%
20	INJINUP PTY LTD DCD SUPERANNUATION FUND	650,000	0.5%

Limitations on the Acquisition of Securities

Etherstack plc is subject to the City Code on Takeovers and Mergers (the Code) as a public company incorporated in England and Wales.

Australian law similarly permits compulsory acquisition by persons holding a 90% interest in the relevant securities.

Etherstack plc is not subject to the provisions of the Corporations Act relating to changes in control and takeover of public companies.