

**etherstack**  
wireless innovation



# FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

## **Etherstack plc**

AND CONTROLLED ENTITIES  
COMPANY REGISTRATION NUMBER 07951056  
ARBN 156 640 532

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

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.

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# 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:**

 <p><b>Globally diversified client base across various industries</b></p>	 <p><b>Over 20+ years of complex IP underpinning software</b></p>	 <p><b>Cellular revenues similar to SaaS-like high gross margin revenues</b></p>
 <p><b>High margin core network products</b></p>	 <p><b>Samsung global teaming partnership drives additional growth</b></p>	 <p><b>Solutions typically include long term</b></p>

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

## etherstack PTT TECHNOLOGY

Digital Land Mobile Radio (LMR) networks	Mission Critical Push to Talk (MCPTX) over cellular networks (4G & 5G)	Satellite Push to Talk (PTT) networks
<p><b>Digital wireless terrestrial communication networks, technology licensing to equipment vendors, cryptographic and defence solutions</b></p> <ul style="list-style-type: none"> <li>Increasing number of network deployments</li> <li>SaaS-like high margins</li> <li>Long term support contracts driving recurring revenues</li> </ul>	<p><b>Mission Critical Push to Talk (MCPTX) over LTE for new 4G &amp; 5G networks</b></p> <ul style="list-style-type: none"> <li>Global Teaming Agreement with Samsung</li> <li>Targeting 25+ contract wins over the medium term</li> <li>SaaS-like high gross margin revenues</li> </ul>	<p><b>Developing secure wireless communications software for Satellite over past 3 years</b></p> <ul style="list-style-type: none"> <li>Opportunity to incorporate Etherstack technology into satellite communication suppliers</li> <li>Falling satellite tariff costs the catalyst for change in the communications sector</li> </ul>

# Strategic Report

## 2022 HIGHLIGHTS

(All amounts are in USD unless otherwise stated)



**Revenue growth:** revenue is \$9.681 m representing a \$1.177 m or a 14% increase over FY 2021 revenue of \$8.504 m



**EBITDA increased to \$3.468 m:** up from \$2.611 m in FY 21, a 33 % increase



**NPAT increased to \$2.193 m:** Statutory profit after tax has increased \$0.738 m or 51% over \$1.455 m in FY 21

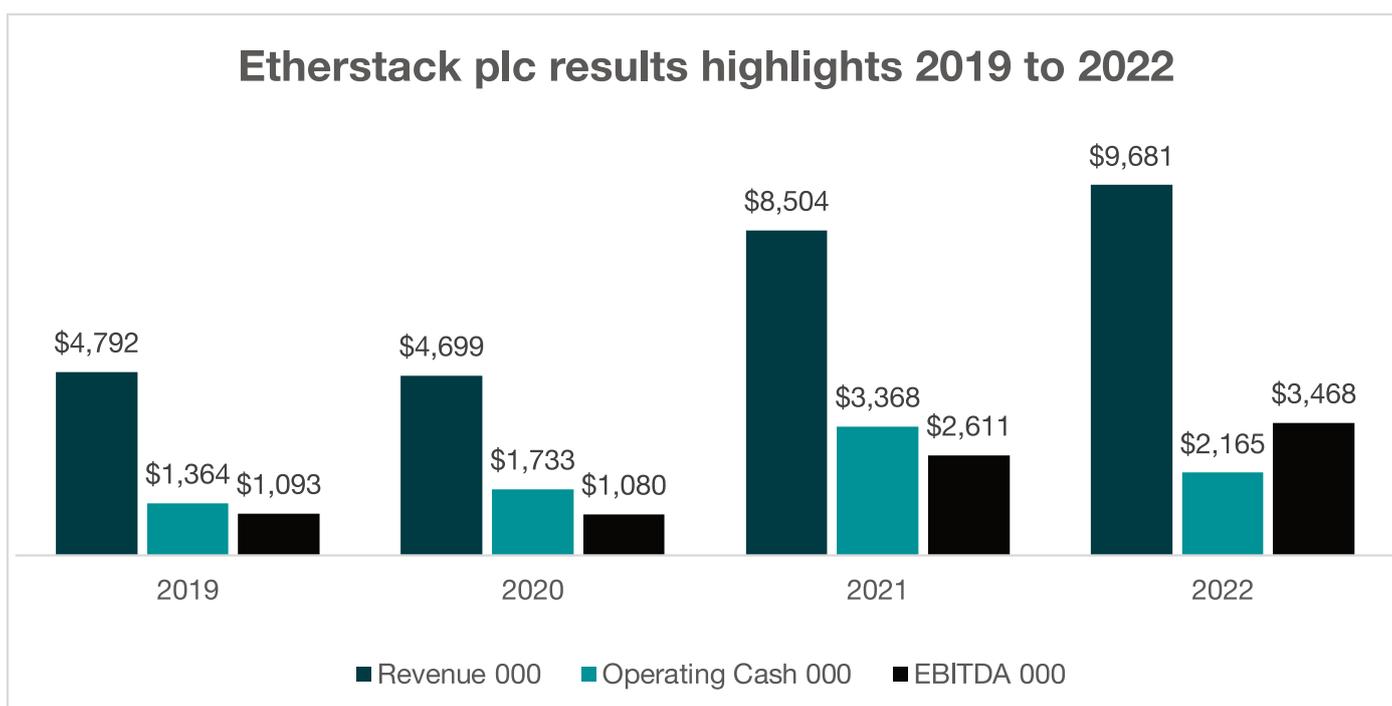


**Sustained Positive Operating Cashflow:** Net operating cash inflow of \$2.165 m. Fifth consecutive year of significant positive operating cashflow



**Strategic Contracts and Business development:** Two new products launched, Samsung relationship extended and new contract with Nokia.

### Etherstack plc results highlights 2019 to 2022



# Strategic Report



## 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 \$27 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.

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

# Strategic Report



## CEO Review

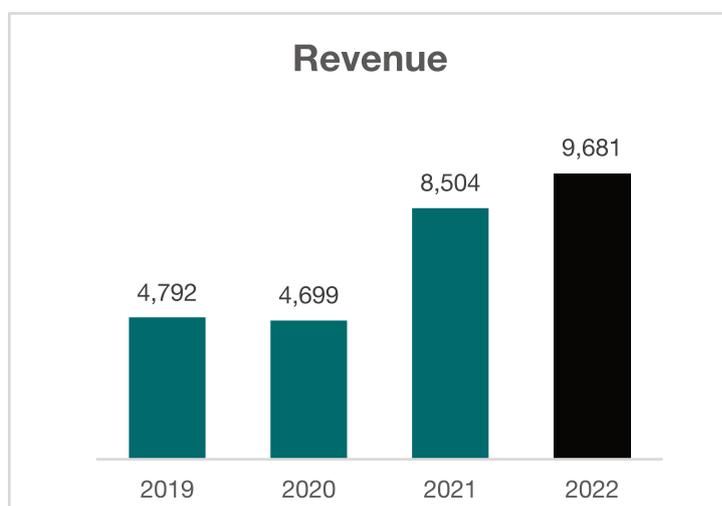
### Revenue

(All amounts are in USD and \$000 unless otherwise indicated)

FY 2022 Revenue is \$9,681. This is an 14% increase over FY 21 revenue of \$8,504. The step change in revenue in FY 21 has been sustained in FY 22.

The key driver of revenue growth in 2022 is increased project activity along with an increase in recurring support revenues (as outlined below).

	2022	2022	
Projects	7,413	6,227	▲
Support	1,876	1,777	▲
Royalties	392	500	▼
	<b>9,681</b>	<b>8,504</b>	▲



Graph 1 – Revenues 2019 to 2022

### Project Revenues

Project revenues comprising Licence fees, installation/integration and supply of wireless communications technology were \$7,413 in FY 22 compared to \$6,227 in FY 21, an increase of \$1,186 or 19%.

2021 saw a step change in revenue driven by activities with Samsung, Australian Defence projects and resource sector deployments. As noted above, this step change in revenue has been sustained in 2022 and increased in 2022, as outlined below.

- In July 2021, the Company announced the first carrier deal with Samsung to supply Etherstack technology to Samsung's first telco carrier customer. The contract value is \$8.5m comprising licences, integration and support. Implementation commenced in 2021 and has continued throughout 2022. There are additional deliveries expected to be made in 2023. Following the delivery of these remaining items, support revenues are expected to commence.
- In December 2020, the Company announced an Australian Defence contract. The first stage was successfully completed in 2022 and in September 2022 the Company announced an AUD \$1.7 million follow on order with the majority of the revenue to be recognised over 2022 and 2023.
- In 2022, the Company announced two further orders (following on from orders in 2020 and 2021) for AUD \$1.65 million for projects located in Western Australia's Pilbara region which were delivered in 2022.
- In August 2022, Etherstack entered into an AUD \$755,000 contract with Nokia Solutions and Networks Australia for a pilot deployment of Etherstack's MCX LMR-IWF product.

# Strategic Report

## Recurring revenues

Aggregate recurring revenues comprising royalties and support revenue streams are \$2,268 for FY 22 compared to \$2,277 for FY 21. Within this aggregate recurring revenue amount:

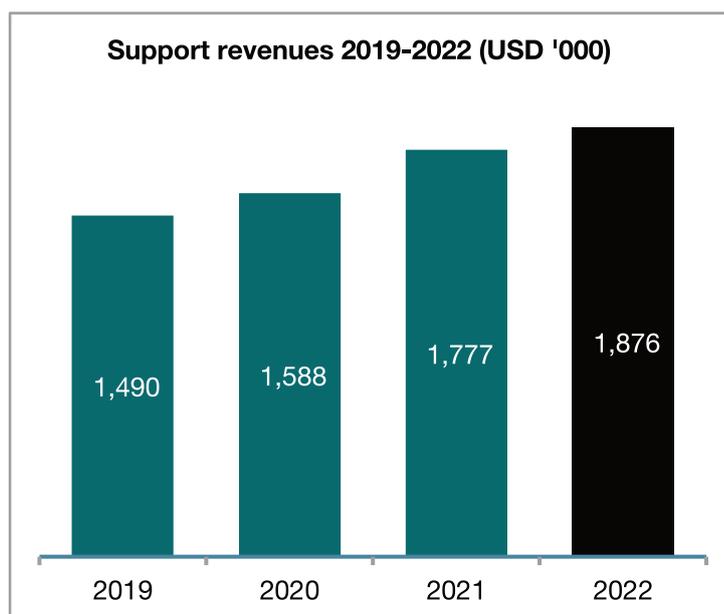
- support revenues increased from \$1,777 in FY 21 to \$1,876 in FY 22. This is a \$99 or 6% increase.; and
- royalty revenues decreased from \$500 in FY 21 to \$392 in FY 22.

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 increased in FY 22 to \$1,876 from \$1,777 in FY 21 following the rollout of additional digital radio networks in FY 21 as well as incremental growth to existing supported networks and continued high levels of contract renewal.

FY 22 is the ninth consecutive year of support revenue growth.



Graph 2 - Support Revenues 2019 to 2021

## Royalty revenues

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.

Royalty revenues decreased in FY 22 from \$500 to \$392. Royalties earned by Etherstack follow the increase or decrease in sales achieved by manufacturers whose products integrate Etherstack technology however royalty revenues can also increase when Etherstack signs a new royalty agreement and the licensee provides minimum guaranteed volumes.

## Strategic Business Wins Across Public Safety, Defence & Resource Sectors

In FY 22 the Company signed a revised Global Teaming Agreement with Samsung. The revised agreement has the following key terms and revisions:

- **Global teaming relationship extended for a further 5 years** - the original Global Teaming Agreement had an initial period of 2 years. The revised Global Teaming Agreement will apply for a minimum of five years - commencing from 30 September 2022 (and includes a mechanism for further extensions).
- **Defined set of telecommunications carrier opportunities** - Etherstack and Samsung have identified a set of customer opportunities and will collaborate in partnership for these opportunities. This revised approach enables Etherstack to pursue a wider pipeline of opportunities to those being pursued with Samsung.
- **Accelerated payment milestones** for the first telecommunications carrier contract - the timing of cash payments has been revised to better reflect Etherstack's development progress and costs to date.

The Company currently has a number of opportunities in progress with Samsung. The revised Global Teaming Agreement with Samsung allows Etherstack to pursue opportunities with other network vendors or directly with telco carriers.

# Strategic Report



**As a consequence, the addressable market for our MCX IWF product has increased significantly.** This is demonstrated by the pilot contract with Nokia. In addition, the company is pursuing opportunities separately with both Samsung and Nokia and is also pursuing opportunities to provide MCX IWF technology directly to telco carriers.

While the market opportunity for the **MCX IWF product** is significant and Etherstack considers it has a first mover advantage within this market, the global opportunities are still evolving in this nascent market and the Company cautions that the timing and volume of wins still remains hard to predict. The largest MCX LMR IWF deployment in the world is the current deployment with Samsung for AT&T FirstNet® and the successful completion of this project is likely to ensure market dynamics remain favourable.

## **Nokia Solutions and Networks**

In August 2022, the Company announced a contract with Nokia Solutions and Networks Australia to supply professional services and a pilot license for the deployment of Etherstack's MCX LMR-IWF product.



This is a critically important step as it (a) demonstrates market demand for the MCX LMR-IWF product and (b) represents the first step in taking the MCX LMR-IWF product to market through a new channel partner.

In addition to pursuing the above opportunity for the next phase of the project with the existing customer, Etherstack and Nokia are jointly pursuing multiple other opportunities globally.

## **Australian Department of Defence**

As noted above, the Company announced an AUD \$1.7 million follow on order with the Australian Department of Defence for the second stage of a technology project following successful completion of the first stage. The Company maintains a close relationship with the Department of Defence and looks forward to additional follow on orders and other related opportunities.

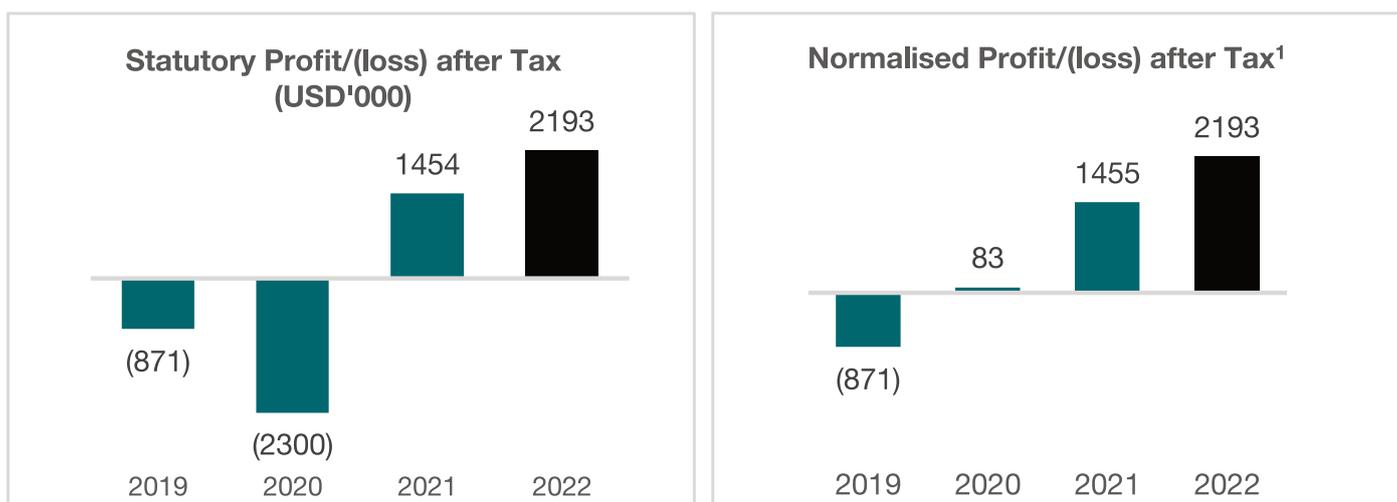
## **Resources sector**

During FY 22, the Company announced two further network deployments in the Pilbara region of north-west Western Australia for Rio Tinto and additional deployments are expected in 2023 and beyond.

These 2022 orders represent the seventh and eighth orders for the Company's digital radio technology for mining projects received from integration partners supplying Rio Tinto as the end-customer. The combined value of these eight orders since May 2020 is in excess of A\$3m. The Company has previously emphasised the importance of growing this strategic customer relationship and is pleased to be able to report further progress in 2022 in terms of new deployments and commencement of support services for previous network deployments.

## Result for 2022

Profit after income tax is \$2,193 compared to a profit after income tax of \$1,455 in 2021.



Note 1: the 2020 Normalised profit excludes the non-cash finance charge of \$2,383 arising on revaluation of convertible notes on 30 June 2020 and is not considered to be part of the underlying result. There are no adjustments in 2019, 2021 or 2022. Normalised profit is a non IFRS performance measure and is unaudited

The 2022 improvement in statutory profit after tax is due to the combined effects of;

- Increased revenues, as outlined above.
- Gross margin increased slightly from 65% in FY 21 to 67% in FY 22. 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. Gross margin includes the amortisation charge, which decreased in FY 22 to \$850 compared to \$1,058 in FY 21. There was no change to amortisation rates however a number of projects became fully amortised leading to a reduced amortisation charge.
- Sales and Marketing costs which have increased in FY 22 over FY 21 as a consequence of higher salary and incentive costs. In addition, Marketing and Trade show activity increased in FY 22 over FY 21 levels which was temporarily reduced as a consequence of the COVID-19 pandemic.
- Administrative costs increased in FY 22 due to:
  - » Increased employment related costs reflecting an increased headcount and higher salary costs in most geographies. In particular, the non-cash expenses connected to Etherstack's incentive programmes and recruitment costs as the Group increased engineering personnel.
  - » Increased travel. The FY 22 increase follows reduced spend in FY 21 as a result of COVID-19 travel constraints.
- The Etherstack group has operations in Australia, United States, United Kingdom, Europe and Japan and 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 22 there was a currency gain of \$160 compared to a loss of \$543 in FY 21.
- Reduced Income tax benefit from Research & Development incentives, notwithstanding an increased investment into intellectual property assets in 2022. The income tax credit in FY 22 is \$95 vs \$391 in FY 21. The incentive calculation includes caps based upon profitability. The increased profitability in FY 22 has caused a reduction in the amount of Research & Development incentive the company is eligible to receive.

# Strategic Report

## EBITDA

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

EBITDA has increased to \$3,468 from \$2,611 in FY 21. The key reasons for the increased EBITDA are summarised above.

	2022	2021
<b>Statutory profit after tax</b>	2,193	1,455
Add back:		
Depreciation	184	66
Depreciation of right-of-use assets	235	257
Amortisation and impairment	850	1,058
Net interest expense	101	166
Less: Income tax benefit	(95)	(391)
<b>EBITDA</b>	<b>3,468</b>	<b>2,611</b>

## 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 \$2,556 in the current year compared to \$2,902 in 2021. Etherstack has now invested in excess of \$27 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.

## Key Performance indicators

The primary performance indicator for the Group continues to be revenue. Current year consolidated revenue is \$9,681 compared to \$8,504 in 2021. The major reasons for the increased revenues 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 increased from \$1,777 in 2021 to \$1,876 in 2022. This is a \$99 or 6% increase. Support revenue growth over the last 4 years is set out above in Graph 2
- Royalty revenues have dropped from \$500 to \$392 in 2022

The Group expects that royalty and 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.

Another key performance indicator for the Group is the investment in the development of intellectual property assets. As noted above, Etherstack invested \$2,556 (2021 \$2,902) representing 26% (2021:34%) of its revenue into intellectual property development in 2022. This is a significant investment in the Groups' most important revenue generating asset.

## 2022 Overall

Etherstack is generating positive operating cash, has a strong EBITDA, significantly improved balance sheet and, importantly, has generated \$2,193 in Statutory profit after tax.

The opportunity pipeline remains healthy and management believe the Group is poised for further growth in FY 2023 and beyond.

The Group looks forward to 2023 with confidence.



## 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. The Group's presentational currency is US\$, 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 has 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. 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 company 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 2022.

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 turn, this investment 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.

Determining which products to develop and where to invest in research and development requires extensive engagement with customers and end-users as well as 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.

# Strategic Report



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.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating to the highest standards of business conduct and good governance.

This intention includes behaving responsibly toward our shareholders, option and performance rights holders and treat them fairly and equally, so they too may benefit from the success of the company.

A handwritten signature in black ink, appearing to read 'David Deacon'.

David Deacon  
Chief Executive Officer  
30 March 2023



# 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 in 2003

and remained a director of Tristel plc from flotation on London Stock Exchange's AIM market in 2005 until 2013. He was Chairman of Getech on flotation on AIM in 2005 until 2013 and remains a director. Peter has recently become Chairman of True Luxury Travel, a long-haul holiday specialist currently focused on Africa having been Chairman and initial investor in Scott Dunn which was sold in 2014 for £77m. He is also Chairman of Boisdale Canary Wharf, a Scottish themed restaurant and Chairman of Noble Rot Fine Wines.

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, FCCA MCSI – Non-Executive Director



Paul has wide experience in venture development, financial strategy and management, corporate finance and M&A disciplines.

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 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, Australian Competitive Carriers Coalition ('Commpete'), SDPPI (Indonesia's spectrum regulator), ARCIA, Macquarie Telecom, Malaysian Communications and Multimedia Commission (MCMC), National Broadcasting and Telecommunications Commission (Thailand), TRA (UAE), KPMG, Telekom Malaysia, Axiata Group, edotco Group, and Telkom South Africa. In the past 12 months, he authored the GSMA's Roadmaps for awarding 5G spectrum in Indonesia, Thailand and Vietnam. He was also a presenter at the ASEAN 5G Conference, Hanoi, Vietnam, 11-12 October 2022, and the ITU, Regional Radiocommunications Seminar (RRS) Asia-Pacific, Nadi, Fiji, 19-20 December 2022.

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 2023 papers include with Simon Molloy, a report for ASEAN on *Post-COVID Digital Policy Priorities: How do COVID-19 and emerging economic drivers change ASEAN digital policy priorities?*

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.



# 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)

## **United Kingdom Registered Office**

3rd Floor South,  
30-31 Friar Street,  
Reading, Berkshire,  
RG1 1DX  
United Kingdom

## **Australian Office**

64 Rose Street  
Chippendale, NSW, 2008  
Australia

## **Auditor**

Grant Thornton UK LLP  
Statutory Auditor  
London, UK

## **Stock Exchange Listing**

Australian Securities Exchange  
(Code: ESK)

## **Share Registrars**

### **Computershare Investor Services Pty Limited**

452 Johnston Street  
Abbotsford, VIC, 3067  
Australia

### **Computershare Investor Services plc**

The Pavilions, Bridgwater Road  
Bristol BS99 6ZZ  
United Kingdom

## **Website**

[www.etherstack.com](http://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 2022. All amounts are in USD \$000 unless otherwise indicated.

This report should be read in conjunction with the Strategic Report on pages 4 to 13 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 2022 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 \$2,193 (2021 profit of \$1,455).

#### *Earnings per share*

Basic earnings per share from continuing operations of 1.68 US cents in 2022 compares to 2021 Basic earnings per share from continuing operations of 1.12 US cents.

### 3. Going Concern

Based on existing cash resources, and current and forecasted performance, 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 2022 (2021: \$nil).

### 5. Directors' indemnity insurance

The Company 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 2022 and Grant Thornton UK LLP will be proposed for re- appointment at the next Annual General Meeting.

# Report of the Directors



## 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

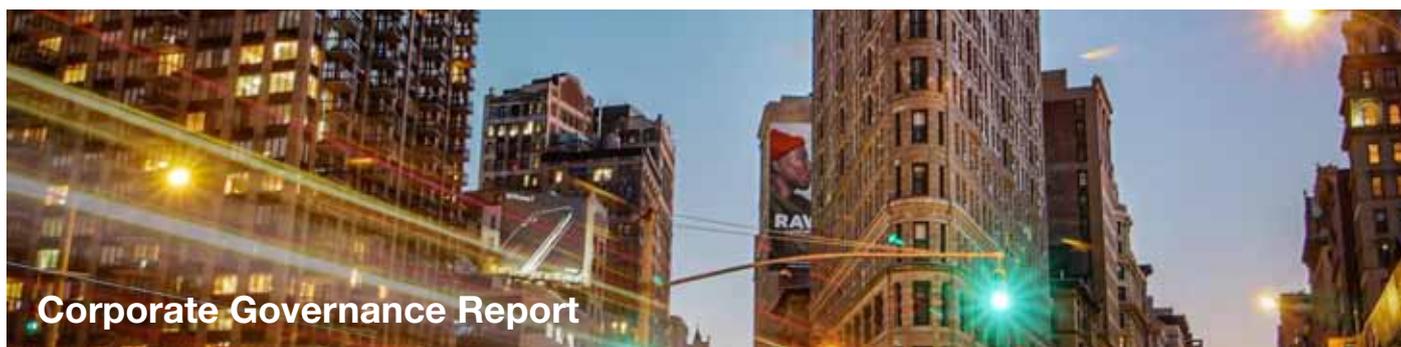


**Paul Barnes FCCA Director**

30 March 2023



# Report of the Directors



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 Company 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](http://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 14 and 15. 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 Company'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 Company. 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 2022 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 Company'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 Company's operations and any recent developments.

## **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:

# Report of the Directors



- all Directors have unrestricted access to company 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	4	5	4	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

# Report of the Directors

## ***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.

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: 4 female, 36 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.

# Report of the Directors



Source: NASA Earth Observatory,  
NASA EOSDIS/LANCE and GIBS/Worldview

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 4 meeting 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.

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 apprised 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".

# Report of the Directors



## **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 2022.

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.

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.

# Report of the Directors



Source: (CC BY 4.0) Queensland Fire and Emergency Services

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:

### **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.

# Report of the Directors

## **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.

## **Directors' remuneration**

The Directors earned the following remuneration:

2022	Salary/fees	Long-term benefits	Deferred Equity Compensation	Total
	USD	Superannuation USD	(Note1) USD	USD
<b>Executive Directors</b>				
David Deacon	260,000	2,829	66,711	329,540
	260,000	2,829	66,711	329,540
<b>Non-Executive Directors</b>				
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
<b>TOTAL</b>	<b>407,068</b>	<b>7,244</b>	<b>86,724</b>	<b>501,036</b>
<b>2021</b>				
2021	Salary/fees	Long-term benefits	Deferred Equity Compensation	Total
	USD	Superannuation USD	(Note1) USD	USD
<b>Executive Directors</b>				
David Deacon	260,000	4,818	39,142	303,960
	260,000	4,818	39,142	303,960
<b>Non-Executive Directors</b>				
Peter Stephens	55,146	-	3,914	59,060
Paul Barnes	58,510	-	3,914	62,424
Scott Minehane	46,587	4,542	3,914	55,043
	160,243	4,542	11,742	176,527
<b>TOTAL</b>	<b>420,243</b>	<b>9,360</b>	<b>50,884</b>	<b>480,487</b>

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:

Director	31 December 2022		31 December 2021	
	Ordinary Shares	Performance rights	Ordinary Shares	Performance rights
David Deacon	48,241,850	1,500,000	48,241,850	1,500,000
Peter Stephens	11,573,161	150,000	17,677,651	150,000
Paul Barnes	6,850,000	150,000	6,850,000	150,000
Scott Minehane	81,875	150,000	81,875	150,000



# Report of the Directors

## 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 consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

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 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**

30 March 2023



# 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 2022 which comprise the 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 2022 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 as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 and the parent company's ability to continue to adopt the going concern basis of accounting included:

- audit of cash as at 31 December 2022 and assessment of cash position subsequent to the year-end up to 28 February 2023;
- obtaining and evaluating management's assessment of going concern assumptions included within their prepared budgets and forecasts, including but not limited to recurring and contracted revenues and cash flows, and associated sensitivity analysis;
- 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;
- 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 2024 and corroborating inputs to supporting evidence;
- challenging the reasonableness of key assumptions used in preparing the cashflow forecasts and projections by corroborating to supporting evidence and considered the existence of any contradictory evidence;

# Independent auditor's report to the members of Etherstack plc

- considering the appropriateness of downside sensitivity scenarios modelled by management, taking into account current economic conditions (such as inflation) and the group's historic performance;
- consideration of post balance sheet events and checking if any of these events have an impact on cashflow forecasts and projections; and
- assessment of the adequacy of disclosures related to going concern within 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 inflationary pressures, 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



### Overview of our audit approach

Overall materiality:

Group: \$145,000 which represents 1.5% of the group's revenue.

Parent company: \$108,000, which represents 1.5% of the parent company's total assets, capped at 75% of the group materiality.

Key audit matters remain the same as the prior year and were identified as:

- capitalisation of development costs;
- carrying value of intangible assets; and
- revenue recognition.

We performed:

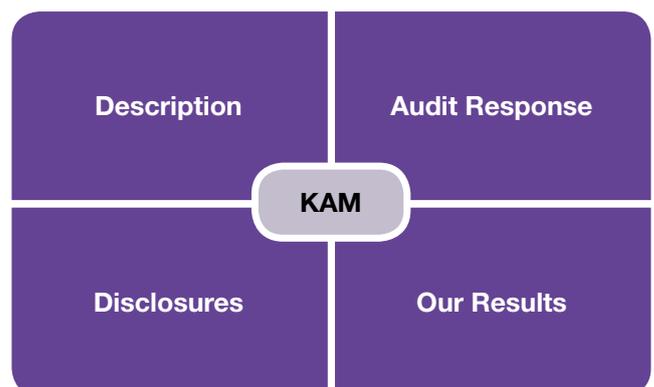
- audits of the financial information using component materiality of the parent company Etherstack plc and significant component Etherstack Wireless Limited (full-scope audit procedures);
- specified audit procedures on the financial information on four components; and
- analytical procedures on the financial information for the remaining component of the group.

In total, our audit procedures covered 100% of the group's revenue.

There were no changes in scope from the prior year.

### 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.



# Independent auditor's report to the members of Etherstack plc

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



## Key Audit Matter – Group

### Capitalisation of development costs

We identified the existence of capitalised development costs, specifically the capitalisation of development costs during the year, as one of the most significant assessed risks of material misstatement due to error.

The group has capitalised significant intangible assets including development costs and engineering software. These have the potential to be misstated.

At the year end the group had \$6.85m (2021: \$5.16m) of capitalised development costs. During 2022 \$2.46m (2021: \$2.90m) of internal costs were capitalised.

The directors and management assess each project according to the capitalisation criteria set out in the International Accounting Standard (IAS) 38 'Intangible Assets' throughout the project life.

Judgement is required to determine whether the criteria are met, in particular whether future economic benefits will be generated and the intention of the group to complete development and use or sell the asset. These judgements are dependent on expectations of future events.

## How our scope addressed the matter – Group

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

- obtaining an understanding of the process and controls governing the capitalisation of intangible assets, and assessing the design and implementation of the processes and controls applied;
- testing a sample of projects capitalised during the year by assessing the basis of the costings by corroborating amounts capitalised to timesheet data. For the same projects, we assessed the qualifying nature of the projects through discussions with management and project managers, checking that the capitalisation is in accordance with the criteria in IAS 38;
- for sampled projects, assessing and challenging whether the group has the intention and ability to complete, use and sell the assets through discussions with management and relevant project managers. We checked the feasibility of the project, steps to completion and whether there is an observable market for the project;
- where projects completed during the year, checking that capitalisation of costs stopped and amortisation commenced in line with accounting policy;
- obtaining management's discounted cashflow forecasts and testing that for amounts capitalised future income generation exceeds book value;
- assessing management's forecasting ability based on comparing historic forecasts to results achieved; and

# Independent auditor's report to the members of Etherstack plc

## Key Audit Matter – Group

### Relevant disclosures in the Annual Report and Accounts 2022

Financial statements: Note 9, Intangible assets and accounting policies

### Carrying value of intangible assets

We identified the carrying value (valuation and allocation) of intangible assets as one of the most significant assessed risks of material misstatement due to error.

At year end the group held \$7.06m (2021: \$5.36m) of intangible assets. The capitalised intangible assets have the potential to be impaired. The group is required to perform an impairment review of assets not brought into use and to consider other assets for indicators of impairment in accordance with International Accounting Standard (IAS) 36 'Impairment of Assets'.

The group is profitable in 2022 however, has a history of losses in prior years which could indicate potential impairment and a risk that carrying value of these assets may be higher than the recoverable amount.

The group's impairment review of its intangible assets incorporated significant judgements in assumptions such as, timing and extent of future revenues, gross margin and discount rate used.

The directors consider that there is one cash generating unit (CGU) and all intangibles are allocated to this CGU.

### Relevant disclosures in the Annual Report and Accounts 2022

Financial statements: Note 9, Intangible assets and accounting policies

## How our scope addressed the matter – Group

- assessing the appropriateness of the accounting policy and disclosure in accordance with the financial reporting framework, including IAS 38 'Intangible Assets'.

### Our results

Our testing did not identify any material misstatements with the capitalisation of intangible assets in accordance with stated accounting policies and IAS 38. The detailed calculations and supporting evidence were consistent with the amounts capitalised.

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

- obtaining an understanding of the process and controls governing the valuation and allocation, and impairment of intangible assets, and assessing the design and implementation of the processes and controls applied;
- obtaining management's assessment of impairment indicators and conclusions reached;
- examining management's impairment analysis, challenging and corroborating the assumptions therein to ensure they are reasonable and inline with the requirements of IAS 36;
- evaluating management's sensitivity analysis, considering a number of factors both internal and external and the likelihood that, when sensitised, the assumptions could indicate an impairment of the intangible assets;
- comparing the forecasts provided during the prior year audit to the actual results achieved with particular focus on pipeline revenues and cost assumptions in the current inflationary environment;
- for all assumptions made in the current year, challenging and, corroborating to source documentation; and
- assessing whether the single CGU determination is still appropriate by obtaining and challenging management's assessment, corroborating key judgements to supporting evidence, such as the single chief decision making officer, board minutes, results reported and forecasts prepared.

### Our results

Our testing did not indicate that the capitalised intangible assets were materially impaired nor that the carrying value of intangible assets was materially misstated.

# Independent auditor's report to the members of Etherstack plc

## Key Audit Matter – Group

### Revenue recognition

We identified the occurrence of revenue recognition as one of the most significant assessed risks of material misstatement due to fraud.

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. The revenue cycle may include fraudulent transactions and transactions not recognised in the correct accounting period, specifically revenue recognised and/or deferred around year end.

During 2022 the group generated \$9.68m (2021: \$8.50m) of revenue. The group has three material income streams: supply of wireless communication technology (“projects”), support services and royalties.

The audit team has determined this risk to be significant in projects spanning year end and royalty revenues.

The amount of revenue to be recognised can require management to make significant judgements around timing and extent of recognition, ensuring all revenue is recognised in accordance with International Financial Reporting Standard (IFRS) 15 ‘Revenue from Contracts with Customers’. Specifically that project revenue spanning year end and royalty revenue is recognised in accordance with the terms of the contract, in comparison to support services, which are recognised straight line over the contract term.

### Relevant disclosures in the Annual Report and Accounts 2022

Financial statements: Note 2, Revenue and accounting policies

## How our scope addressed the matter – Group

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

- obtaining an understanding of the process and controls governing revenue recognition and assessing the design and implementation of the processes and controls applied;
- assessing whether the accounting policies adopted are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies;
- testing a sample of transactional revenue items, checking whether revenue recognised is in line with contracts, including assessment of bill and hold arrangements;
- For 100% of royalty revenue, corroborating amounts to post year end information received from customers such as remittance statements;
- for a selection of contracts, testing appropriateness of revenues recognised around the year end, checking contract details and delivery of obligations against revenue deferred or accrued at the year end; and
- challenging project managers and management’s assumptions underpinning the recognition of revenue and corroborated inputs to timesheets.

### Our results

Our audit work did not identify any material misstatements in revenue recognised in the year or any material instances of revenue not being recognised in accordance with stated accounting policies.

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
<b>Materiality for financial statements as a whole</b>	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	\$145,000 which represents 1.5% of the group’s revenue.	\$108,000 which represents 1.5% of the parent company’s total assets, capped at 75% of the group materiality.

# Independent auditor's report to the members of Etherstack plc

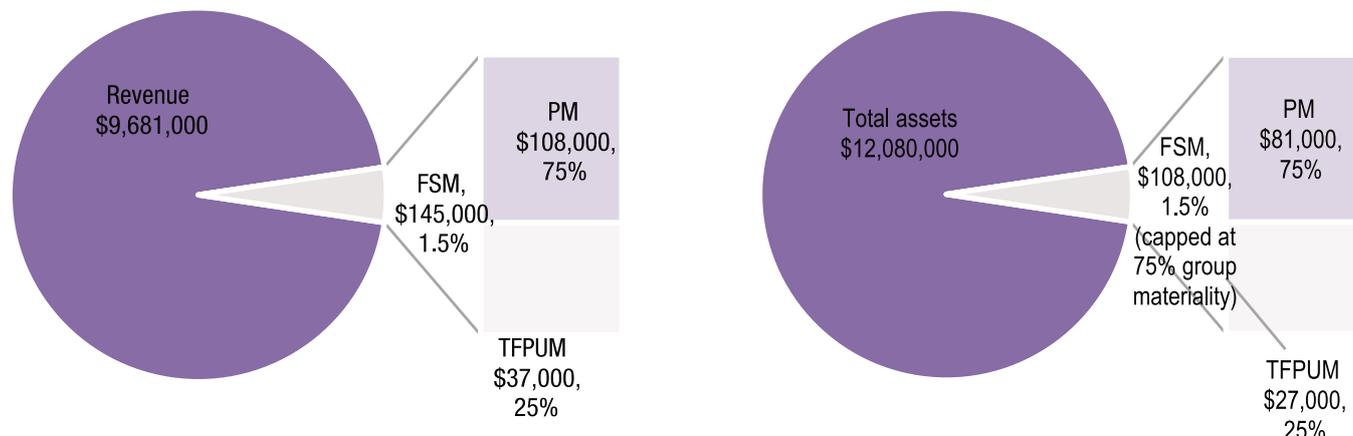
Materiality measure	Group	Parent company
Significant judgements made by auditor in determining the materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>we selected revenue as the most appropriate benchmark due to it being a 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; and</li> <li>1.5% was considered to be an appropriate percentage as it is consistent with industry practice.</li> </ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 to reflect the increase in the group's revenue for the year.</p>	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>the parent entity is non-trading and holds investments in other group trading entities; and</li> <li>we have capped materiality at 75% of group materiality.</li> </ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 based on the increase in group materiality.</p>
<b>Performance materiality used to drive the extent of our testing</b>	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.	
Performance materiality threshold	\$108,000 which is 75% of financial statement materiality.	\$81,000 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>We identified limited misstatements in the prior year audit which in aggregate had an immaterial impact on overall financial statements and no significant control deficiencies</li> </ul>	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>The parent is a non-trading entity and holds investments in other group trading entities. There were no complex transactions entered into within the current year; and</li> <li>There were no misstatements identified in the prior year audit.</li> </ul>
<b>Specific materiality</b>	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.	
Specific materiality	We determined a lower level of specific materiality for related party transactions and directors remuneration.	We determined a lower level of specific materiality for related party transactions and directors remuneration.
<b>Communication of misstatements to the audit committee</b>	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	\$7,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	\$5,400 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

# Independent auditor's report to the members of Etherstack plc

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

## An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company'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;
- Performing walkthrough tests to assess the design and implementation of the controls around key audit matters;

### Identifying significant components

- We considered the size and risk profile of each component, any changes in business and other factors when determining the level of work to be performed on the financial information of each component. Financial significance of each component was determined based on percentage of the group's revenues.

### Type of work to be performed on financial information of parent and other components

- Audits of financial information using component materiality (full-scope audits) were performed on Etherstack plc (parent entity) and Etherstack Wireless Limited;
- Specified audit procedures were performed on the financial information of the components (specified audit procedures) of Etherstack Pty Ltd, Auria Wireless Pty Ltd, Etherstack Inc and Etherstack Japan KK;
- Analytical procedures on the financial information for the remaining component of the group
- All three 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.;

Audit approach	No. of components	% coverage revenue
Full-scope audit	2	85%
Specified audit procedures	4	15%
Analytical procedures	1	-

### Performance of our audit

- We considered the size and risk profile of each component, any changes in business and other factors when determining the level of work to be performed on the financial information of each component. Financial significance of each component was determined based on percentage of the group's revenues.

# Independent auditor's report to the members of Etherstack plc

## 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 set out on page 29 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK). 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 detailed below:
  - » UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006; and
  - » Australian Securities Exchange (ASX) Listing Rules applicable to a listed business in Australia.
- We understand from enquires with management that the finance team ensures compliance with applicable laws and regulations. Management review compliance with laws and regulations on a regular basis. Management maintain a compliance schedule to ensure completeness of all compliance obligations which we examined. We also corroborated the results of our enquires to board minutes to evidence reviews of compliance;
- We enquired with management on any non-compliance, notification from local governing authorities and legal notices during the year. We reviewed 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 audit 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Independent auditor's report to the members of Etherstack plc

## 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

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

30 March 2023

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

		<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Note</b>		Restated - note (a)
<b>Revenue from Contracts with Customers</b>	2,3	9,681	8,504
Cost of sales		(3,170)	(2,991)
<b>Gross Profit</b>		<u>6,511</u>	<u>5,513</u>
Other income	2	126	121
Sales and Marketing expenses		(1,253)	(934)
Other administrative expenses	4	(3,345)	(2,927)
Net foreign exchange gains/(losses)	4	160	(543)
Group operating profit from continuing operations		<u>2,199</u>	<u>1,230</u>
Net finance expense	7	(101)	(166)
<i>Profit before taxation</i>		2,098	1,064
Income tax benefit	8	95	391
<i>Profit after taxation for the year attributable to the equity holders of the parent</i>		<u>2,193</u>	<u>1,455</u>
<i>Other comprehensive income/(loss)</i>			
Items that may be classified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(317)	414
<b>Total comprehensive profit for the year attributable to the equity holders of the parent</b>		<u><u>1,876</u></u>	<u><u>1,869</u></u>
		Cents	Cents
Basic earnings per share	21	1.68	1.12
Diluted earnings per share	21	1.63	1.09

Note (a): the profit and loss presentation for 2021 has been restated to present the Statement of Comprehensive income functionally, in line with IAS 1. There is no change to the result however items in 2021 have been reclassified to be consistent with 2022 presentation and classification methodology. Further details are set out in Note 1.8.

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

## Consolidated Statement of Financial Position

as at 31 December 2022

	Note	2022 \$'000	2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents		1,918	3,038
Trade and Other receivables	13	3,309	2,439
Inventories	12	431	320
		5,658	5,797
<b>Non-current assets</b>			
Property, plant and equipment	11	544	619
Trade and Other receivables	13	172	276
Intangible assets	9	7,064	5,358
Right-of-use assets	17	403	506
		8,183	6,759
<b>TOTAL ASSETS</b>		<b>13,841</b>	<b>12,556</b>
<b>Current liabilities</b>			
Trade and other payables	14	2,362	2,584
Current tax liabilities		113	110
Employee entitlements	15	585	477
Unearned revenue	16	1,356	2,047
Lease liabilities	18	233	239
		4,649	5,457
<b>Non-current liabilities</b>			
Employee entitlements	15	20	14
Unearned revenue	16	249	168
Lease liabilities	18	273	405
		542	587
<b>TOTAL LIABILITIES</b>		<b>5,191</b>	<b>6,044</b>
<b>NET ASSETS</b>		<b>8,650</b>	<b>6,512</b>
<b>Capital and reserves</b>			
Share capital	19	745	745
Share premium account	20	15,696	15,686
Merger reserve	20	3,497	3,497
Share based payment reserve		928	676
Foreign currency translation reserve	20	(2,886)	(2,569)
Retained earnings		(9,330)	(11,523)
<b>TOTAL EQUITY</b>		<b>8,650</b>	<b>6,512</b>

Note (a): the statement of financial position for 31 December 2021 has been restated to reclassify Right-of-Use assets as non-current assets. Further details are set out in Note 1.9.

The financial statements of Etherstack plc (company registration 07951056) were approved by the Board of Directors and authorised for issue on 30 March 2023. 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 2022

	Note	2022 \$'000	2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents		12	1
Trade and other receivables	13	52	54
		<u>64</u>	<u>55</u>
<b>Non-current Assets</b>			
Investments in subsidiaries	10	-	-
Trade and Other receivables	13	12,016	12,308
		<u>12,016</u>	<u>12,308</u>
<b>TOTAL ASSETS</b>		<b><u>12,080</u></b>	<b><u>12,363</u></b>
<b>Current Liabilities</b>			
Trade and other payables	14	221	267
		<u>221</u>	<u>267</u>
<b>TOTAL LIABILITIES</b>		<b><u>221</u></b>	<b><u>267</u></b>
<b>NET ASSETS</b>		<b><u>11,859</u></b>	<b><u>12,096</u></b>
<b>Capital and reserves</b>			
Share capital	19	745	745
Share premium account	20	15,696	15,686
Merger reserve	20	6,742	6,742
Foreign currency reserve	20	100	100
Share-based payment reserve		928	676
Retained earnings		(12,352)	(11,853)
<b>TOTAL EQUITY</b>		<b><u>11,859</u></b>	<b><u>12,096</u></b>

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 loss for the financial year was \$499,000 (2021 profit \$326,000).

The financial statements of Etherstack plc (company registration number 07951056) were approved by the Board of Directors and authorised for issue on 30 March 2023. 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 2022	Share Capital	Share Premium Account	Merger Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
<b>At 1 January 2021</b>	\$'000 739	\$'000 15,212	\$'000 3,497	\$'000 609	\$'000 (2,983)	\$'000 (12,978)	\$'000 4,096
Profit for the year	-	-	-	-	-	1,455	1,455
Other comprehensive income	-	-	-	-	414	-	414
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>414</b>	<b>1,455</b>	<b>1,869</b>
Issue of Share Capital	6	474	-	-	-	-	480
Share based payments	-	-	-	67	-	-	67
<b>Transactions with owners</b>	<b>6</b>	<b>474</b>	<b>-</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>547</b>
<b>Balance at 31 December 2021</b>	<b>745</b>	<b>15,686</b>	<b>3,497</b>	<b>676</b>	<b>(2,569)</b>	<b>(11,523)</b>	<b>6,512</b>
Profit for the year	-	-	-	-	-	2,193	2,193
Other comprehensive income	-	-	-	-	(317)	-	(317)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(317)</b>	<b>2,193</b>	<b>1,876</b>
Issue of Share Capital	-	10	-	-	-	-	10
Share based payments	-	-	-	252	-	-	252
<b>Transactions with owners</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>252</b>	<b>-</b>	<b>-</b>	<b>262</b>
<b>At 31 December 2022</b>	<b>745</b>	<b>15,696</b>	<b>3,497</b>	<b>928</b>	<b>(2,886)</b>	<b>(9,330)</b>	<b>8,650</b>

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

## Company Statement of Changes in Equity

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

	Share capital \$'000	Share premium account \$'000	Merger Reserve \$'000	Share based payment reserve \$'000	Foreign currency reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 January 2021</b>	739	15,212	6,742	609	100	(12,179)	11,223
Profit for the year	-	-	-	-	-	326	326
<b>Total comprehensive income</b>	-	-	-	-	-	326	326
Issue of Share Capital Share based payments	6	474	-	-	-	-	480
	-	-	-	67	-	-	67
<b>Transactions with owners</b>	6	474	-	67	-	-	547
<b>Balance at 31 December 2021</b>	745	15,686	6,742	676	100	(11,853)	12,096
Profit for the year	-	-	-	-	-	(499)	(499)
<b>Total comprehensive income</b>	-	-	-	-	-	(499)	(499)
Issue of Share Capital Share based payments	-	10	-	-	-	-	10
	-	-	-	252	-	-	252
<b>Transactions with owners</b>	-	10	-	252	-	-	262
<b>Balance at 31 December 2022</b>	745	15,696	6,742	928	100	(12,352)	11,859

## Consolidated Statement of Cash Flows

For the year ended 31 December 2022

		2022 \$'000	2021 \$'000
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Receipts from customers		8,162	8,242
Payments to suppliers and employees		(6,346)	(5,155)
Interest paid		(105)	(120)
Government grants and tax incentives		573	461
Income tax paid		(119)	(60)
		<u>2,165</u>	<u>3,368</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flow from Investing activities</b>			
Additions to intangible assets	9	(2,556)	(2,902)
Payments for property, plant and equipment	11	(146)	(632)
		<u>(2,702)</u>	<u>(3,534)</u>
<b>Net cash flow (used in) investing activities</b>			
<b>Cash flows Financing activities</b>			
Share issue cost		(1)	(4)
Principal element of lease payments		(265)	(167)
Repayments of loan		(148)	(634)
		<u>(414)</u>	<u>(805)</u>
<b>Net cash flow (used in)/generated from financing activities</b>			
<b>Net increase/ (decrease) in cash and cash equivalents</b>			
Effect of foreign exchange rate changes		(169)	(171)
<b>Cash and cash equivalents at 1 January</b>		<u>3,038</u>	<u>4,180</u>
<b>Cash and cash equivalents at 31 December</b>		<u><u>1,918</u></u>	<u><u>3,038</u></u>

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

## Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>		
Intercompany receipts	533	1,041
Intercompany payments	(18)	(33)
Payments to suppliers and employees	(512)	(351)
Income tax refund	9	-
	<hr/>	<hr/>
<b>Net cash generated from/ (used in) operating activities</b>	<b>12</b>	<b>657</b>
<b>Cash flows Financing activities</b>		
Share issue costs	(1)	(4)
Re-payments of loan	-	(228)
Interest paid	-	(427)
	<hr/>	<hr/>
<b>Net cash flow (used in)/generated from financing activities</b>	<b>(1)</b>	<b>(659)</b>
	<hr/>	<hr/>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>11</b>	<b>(2)</b>
Effect of foreign exchange rate changes	-	(1)
<b>Cash and cash equivalents at 1 January</b>	<b>1</b>	<b>4</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	<b>12</b>	<b>1</b>
	<hr/> <hr/>	<hr/> <hr/>

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

## **Notes to the Consolidated and Company Financial Statements**

### **Section I: Basis of Accounting**

Note 1: Basis of Accounting

### **Section II: Revenue and Expenses**

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# 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 2022 were authorised for issue by the Board of Directors on 30 March 2023 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 International accounting standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Group for the year ended 31 December 2022.

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.

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 where the Group has the power to govern the financial and operating policies of a Group undertaking so as to obtain economic benefits from its activities. 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 and include reverse stress testing of the forecasts. 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.

#### 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.

## Notes to the Consolidated and Company Financial Statements

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

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

### 1.7 Other Accounting Policies

Significant and other 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 25.

### 1.8 Restated Expense presentation in Profit & Loss

The presentation of expenses in the 2021 Statement of Comprehensive Income has been restated to present the Statement of Comprehensive Income functionally in line with IAS 1. There is no change to the profit after tax however items in 2021 have been reclassified to be consistent with 2022 presentation and classification methodology. The differences are summarised below.

Expense	2021 \$000	2021 Restated \$000	Difference \$000
Sales and Marketing expenses (previously included in Administrative expenses and now disclosed as a separate item)	0	(934)	934
Amortisation and Impairment of intangibles (previously disclosed as a separate item and now included within Cost of sales)	(1,058)	0	(1,058)
Administrative expenses (the decrease is due to reclassification of Sales and Marketing costs, as above, offset by a reclassification of \$373 from Cost of sales to Administrative expenses)	(3,488)	(2,927)	(561)
Cost of sales (the increase is due to reclassification of Amortisation and Impairment of intangibles, as above, offset by a reclassification of \$373 from Cost of sales to Administrative expenses)	(2,306)	(2,991)	685
		Profit after tax impact	0

There is no impact on EPS.

### 1.9 Reclassification of Right of Use assets in 31 December 2021 Statement of Financial position

The 31 December 2021 statement of financial position incorrectly classified \$210 of right of use assets as a current asset. The 31 December 2021 comparative financial information has been restated to classify these assets as non current.

## 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:	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from Contracts with Customers</b>		
Supply of wireless communications technology	7,413	6,227
Support contracts	1,876	1,777
Royalties	392	500
	<u>9,681</u>	<u>8,504</u>
<b>Other income</b>		
Government grants– research and development incentives	126	121

Timing of revenue recognition	2022 \$'000			2021 \$'000		
	At a point in time	Over time	Total	At a point in time	Over time	Total
<b>Revenue from Contracts with Customers</b>						
Supply of wireless communications technology	7,313	-	7,313	6,227	-	6,227
Support services	-	1,876	1,876	-	1,777	1,777
Royalties	392	-	392	500	-	500
	<u>7,705</u>	<u>1,876</u>	<u>9,581</u>	<u>6,727</u>	<u>1,777</u>	<u>8,504</u>
<b>Other income</b>						
Grant receipts – research and development Incentives	-	126	126	-	121	121

#### 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 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.

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.

## Notes to the Consolidated and Company Financial Statements

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, in unbundling revenues and assigning revenue to separate and distinct deliverables or in estimating costs to complete. 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.

## Notes to the Consolidated and Company Financial Statements

### 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.

#### Geographical information

Revenue from external customers by region	2022 \$'000	2021 \$'000
<b>Country/region of domicile</b>		
North America	1,389	3,010
Australia	5,007	3,610
United Kingdom	163	121
Other Asian countries	3,122	1,361
	<b>9,681</b>	<b>8,504</b>

#### Non-current assets by region

Country/region of domicile		
North America	107	99
Australia	690	946
United Kingdom	7,297	5,666
Other Asian countries	89	48
	<b>8,183</b>	<b>6,759</b>

#### Revenues from a single customer amounting to more than 10% of Group revenue

	2022 \$'000	2021 \$'000
Customer A	2,730	1,263
Customer B	1,716	1,200
Customer C	1,315	996
Customer D	-	944
	<b>5,761</b>	<b>4,403</b>

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:

	2022 \$'000	2021 \$'000
Depreciation of property, plant and machinery	184	66
Depreciation of Right-of-use-assets	235	257
Rental expense	143	183
Inventory costs charged to costs of sales	483	945
Amortisation of intangible assets	850	1,058

### 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:

## Notes to the Consolidated and Company Financial Statements

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Grant Thornton UK LLP</b>		
Fees payable to the company auditors for the audit of the company's annual accounts	136	154
Fees payable to the company's auditors and its associates for other services		
Audit of the accounts of subsidiaries	33	30
Audit related assurance services	35	34
Tax compliance services	8	6
	<u>212</u>	<u>224</u>

### 6. Staff costs and Directors' emoluments

a) Staff costs	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	5,486	4,859
Social security costs	147	143
Pension costs	281	237
	<u>5,914</u>	<u>5,239</u>

\$261 share-based payments included in wages and salaries for the current year (2021: \$308).

The staff costs set out above include \$2,012 (2021 \$2,180) which have been capitalised in accordance with the accounting policies outlined in Note 9.

The average number of employees during the year was:

	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>
Executive Directors	1	1
Engineering	27	21
Management, sales & administrative	10	11
	<u>38</u>	<u>33</u>

## Notes to the Consolidated and Company Financial Statements

b) Directors' emoluments	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Remuneration	407	420
Pension costs	7	9
Deferred equity compensation	87	51
	<hr/>	<hr/>
	501	480
	<hr/> <hr/>	<hr/> <hr/>
In respect of the highest paid director:		
Remuneration	260	260
Company contributions to pension schemes	3	5
Deferred equity compensation	67	39
	<hr/>	<hr/>
	330	304
	<hr/> <hr/>	<hr/> <hr/>
The number of directors who are accruing benefits under:	<b>2022</b>	<b>2021</b>
Defined contribution schemes	<b>Number</b>	<b>Number</b>
	2	2
	<hr/> <hr/>	<hr/> <hr/>

### 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 on-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

	2022 \$'000	2021 \$'000
Related party loans (Note 23)	-	36
Convertible Notes	-	3
Interest-Leased assets	82	100
Other interest	23	22
Interest income	(4)	(2)
Revaluation of embedded derivative	-	7
	<u>101</u>	<u>166</u>

### 8. Taxation

<i>Tax (credited)/charged in the statement of comprehensive income.</i>	2022 \$'000	2021 \$'000
<i>Current income tax:</i>		
UK corporation tax and income tax	(230)	(451)
Foreign tax	122	106
	<u>(108)</u>	<u>(345)</u>
Current income tax benefit	(108)	(345)
Amounts under / (over) provided in previous years	13	(46)
	<u>(95)</u>	<u>(391)</u>
<b>Tax (income) in the statement of comprehensive income</b>	<b>(95)</b>	<b>(391)</b>

	2022 \$'000	2021 \$'000
<i>The tax (income) in the statement of comprehensive income is disclosed as follows:</i>		
Income tax (income) on continuing operations	(95)	(391)
	<u>(95)</u>	<u>(391)</u>

#### *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 19% (2021 19%). The differences are reconciled below:

	2022 \$'000	2021 \$'000 Restated
Profit before income tax	2,098	1,064
Tax at the UK corporation tax rate of 19% (2021: 19%)	399	202
Expenses not deductible for tax purposes	65	19
Additional deductions for R&D expenditure	(431)	(417)
Surrendered tax losses for R&D tax credit refund	77	156
Tax losses not previously recognised	(294)	(324)
Difference in overseas tax rates	28	53
Deferred tax liability	-	(14)
Amounts under / (over) provided in previous years	61	(66)
	<u>(95)</u>	<u>(391)</u>
<b>Total tax (benefit) in the statement of comprehensive income</b>	<b>(95)</b>	<b>(391)</b>

**Restatement:** Reconciliation of the total tax (credit) has been restated to disaggregate material line items previously shown under "Tax losses not recognised" in the prior period.

## 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 \$8,740 (2021 \$8,648) 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 2022 and 2021 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 surrendered in return for cash refunds. The tax effect of losses surrendered in 2022 were \$327 and in 2021 were \$657.

## Notes to the Consolidated and Company Financial Statements

### Deferred taxation balances

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

	2022	2021
	\$000	\$000
<b>Deferred tax assets arising through temporary differences of:</b>		
Employee entitlements	111	89
Other	16	8
Tax losses (Note 1)	1,215	921
<b>Deferred tax liabilities arising through temporary differences of:</b>		
Intangible assets	1,342	1,018
Net deferred tax liability	-	-

### Reconciliation of deferred tax liabilities, net

	2022	2021
	\$000	\$000
<b>As of 1 January</b>	-	-
Tax expense recognised in profit or loss:		
Intangible assets	(324)	(350)
Employee entitlements	22	26
Other	8	-
Benefit of tax losses not previously recognised (Note 1)	294	324
<b>As at 31 December</b>	-	-

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	Customer contract intangible \$000	Goodwill \$000	Total \$000
<b>Cost</b>					
At 1 January 2021	22,221	431	881	353	23,886
Additions	2,678	224	-	-	2,902
Exchange differences	(1)	1	(51)	-	(51)
At 31 December 2021	24,898	656	830	353	26,737
Additions	2,459	97	-	-	2,556
Disposals	-	(4)	-	-	(1,187)
Exchange differences	-	-	-	-	-
At 31 December 2022	27,357	749	830	353	28,106
<b>Accumulated amortisation and impairment</b>					
At 1 January 2021	18,777	412	828	353	20,370
Charge for the year	962	45	51	-	1,058
Impairment	-	-	-	-	-
Exchange differences	-	-	(49)	-	(49)
At 31 December 2021	19,739	457	830	353	21,379
Charge for the year	767	83	-	-	850
Disposals	-	(4)	-	-	(1,187)
Exchange differences	-	-	830	353	-
At 31 December 2022	20,506	536	-	-	21,042
<b>Carrying amount</b>					
At 31 December 2022	<b>6,851</b>	<b>213</b>	-	-	<b>7,064</b>
At 31 December 2021	<b>5,159</b>	<b>199</b>	-	-	<b>5,358</b>

#### 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 that useful life, determined 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.

### **Acquired Customer relationships**

Intangible assets classified as customer relationships are recognised when acquired as part of a business combination and are measured initially at fair value. Customer relationships are amortised on a straight line basis over the estimated period over which benefits are derived from the Acquired Customer Relationship. For the purpose of impairment testing, Acquired Customer Relationship assets are allocated to a cash-generating unit.

### **Business combinations and goodwill**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

### **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.

## Notes to the Consolidated and Company Financial Statements

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.

As part of the impairment testing at each balance sheet date, the Group assesses the number of cash-generating units in operation. In 2022, all assets have been considered to be part of one cash-generating unit (CGU) (2021 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 \$2,459 (2021 \$2,678) and there were \$nil (2021 \$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 2022 review is a \$Nil (2021 \$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**

Subsidiary undertakings at cost  
Less impairment provision

	<b>Company 2022 \$000</b>	<b>Company 2021 \$000</b>
	7,311	7,311
	(7,311)	(7,311)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Consolidated and Company Financial Statements

The Company's investments at 31 December 2022 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	3rd Floor South, 30-31 Friar Street, Reading, Berkshire, RG1 1DX 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
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 no impairment adjustment in 2022 or 2021. While the financial performance of the Group has improved in 2021 and 2022, the Group has considered:

- the book value of the loans made to subsidiary companies and
  - the net asset position of Etherstack plc is greater than the consolidated net asset position,
- and, on this basis, has made the judgement not to adjust the impairment recorded against the investments in subsidiaries.

## 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
<b>Cost</b>					
At 1 January 2021	29	170	397	-	596
Additions	-	113	156	363	632
Disposals	-	-	-	-	-
Exchange differences	(2)	(9)	(12)	(12)	(35)
At 31 December 2021	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
<b>Accumulated depreciation</b>					
At 1 January 2021	29	137	357	-	523
Charge for the year	-	27	39	-	66
Disposals	-	-	-	-	-
Exchange differences	(2)	(6)	(7)	-	(15)
At 31 December 2021	27	158	389	-	574
Charge for the year	86	33	65	-	184
Exchange differences	(4)	(14)	(36)	-	(54)
At 31 December 2022	109	177	418	-	704
<b>Carrying amount</b>					
At 31 December 2022	<b>277</b>	<b>123</b>	<b>144</b>	<b>-</b>	<b>544</b>
At 31 December 2021	<b>-</b>	<b>116</b>	<b>152</b>	<b>351</b>	<b>619</b>

#### 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

	2022 \$'000	2021 \$'000
Work in Progress	431	582
Slow moving stock provision	-	(262)
	<u>431</u>	<u>320</u>

### 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current</b>				
Trade debtors	1,273	1,030	-	10
Contract assets	1,213	373	-	-
Other debtors	598	593	52	44
Research and development incentives	225	443	-	-
	<u>3,309</u>	<u>2,439</u>	<u>52</u>	<u>54</u>
<b>Non-current</b>				
Contract asset	172	276	-	-
Amounts receivable from Group undertakings	-	-	12,951	13,243
Less: Impairment	-	-	(935)	(935)
	<u>172</u>	<u>276</u>	<u>12,016</u>	<u>12,308</u>

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 22 days (2021: 19). 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

## Notes to the Consolidated and Company Financial Statements

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 5 (2021: 3) 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 2022 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 2021 and 2022.

## Notes to the Consolidated and Company Financial Statements

### SECTION IV: LIABILITIES

#### 14. Trade and other payables

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current</b>				
Trade payables	452	866	9	67
Directors' payable	769	918	-	-
Accruals	589	204	212	200
Other taxes and social security costs	552	596	-	-
	<u>2,362</u>	<u>2,584</u>	<u>221</u>	<u>267</u>

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current</b>				
Leave entitlements	480	301	-	-
Retirement benefits	88	75	-	-
Other	17	18	-	-
	<u>585</u>	<u>477</u>	<u>-</u>	<u>-</u>
<b>Non-current</b>				
Leave entitlements	20	14	-	-
	<u>20</u>	<u>14</u>	<u>-</u>	<u>-</u>

#### 16. Unearned Revenue

	Group	
	2022 \$'000	2021 \$'000
At 1 January	2,215	1,744
Deferred during the year	4,616	4,679
Released to the income statement during the year	(5,226)	(4,208)
At 31 December	<u>1,605</u>	<u>2,215</u>
<b>Current</b>	<u>1,356</u>	<u>2,047</u>
<b>Non-current</b>	<u>249</u>	<u>168</u>

All unearned revenue as at 1 January is recognised in the following year.

## 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 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 19 and 20 and the Statement of Changes in Equity.

### Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements

### Categories of financial instruments

	Group: Carrying value		Company: Carrying value	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets at amortised cost</b>				
Cash and cash equivalents	1,918	3,038	12	1
Trade and other receivables	3,256	2,272	12,068	12,362
	<u>5,174</u>	<u>5,310</u>	<u>12,080</u>	<u>12,363</u>
<b>Financial liabilities at amortised cost</b>				
Lease liabilities	506	644	-	-
Trade and other payables	1,814	2,054	221	267
	<u>2,316</u>	<u>2,632</u>	<u>221</u>	<u>267</u>

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

## Notes to the Consolidated and Company Financial Statements

Group: Year ended 31 December 2022	On	Less	3 to 12 months	1 to 5 years	> 5 years	Total
	demand	than 3 months				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables and accruals	-	452	-	-	-	452
Other payables	-	1,910	-	-	-	1,910
	-	<b>2,362</b>	-	-	-	<b>2,362</b>
Group: Year ended 31 December 2021	On	Less	3 to 12 months	1 to 5 years	> 5 years	Total
	demand	than 3 months				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables and accruals	-	866	-	-	-	866
Other payables	-	1,718	-	-	-	1,718
	-	<b>2,584</b>	-	-	-	<b>2,584</b>
Company: Year ended 31 December 2022	On	Less	3 to 12 months	1 to 5 years	> 5 years	Total
	demand	than 3 months				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables and accruals	-	9	-	-	-	9
Other payables	-	212	-	-	-	212
	-	<b>221</b>	-	-	-	<b>221</b>
Company: Year ended 31 December 2021	On	Less	3 to 12 months	1 to 5 years	> 5 years	Total
	demand	than 3 months				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables and accruals	-	67	-	-	-	67
Other payables	-	200	-	-	-	200
	-	<b>267</b>	-	-	-	<b>267</b>

### 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 2022 (2021 \$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.

## Notes to the Consolidated and Company Financial Statements

### 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:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade and other receivables - Current (Note 13)	1,871	1,623
- Non-Current (Note 13)	-	-
Cash and cash equivalents	1,918	3,038
	<u>3,789</u>	<u>4,661</u>

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 (2021 immaterial).

The credit risk on liquid funds and derivative financial instruments 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 \$12,951 (2021 \$13,243). 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 2022 (2021 nil).

## Notes to the Consolidated and Company Financial Statements

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	Group		Company	
		Effect on profit before tax \$'000	Effect on equity \$'000	Effect on profit before tax \$'000	Effect on equity \$'000
2022	+10%	(339)	136	648	648
	-10%	339	(136)	(648)	(648)
2021	+10%	(573)	2	666	666
	-10%	573	(2)	(666)	(666)
	Change in USD/AUD rate	Effect on profit before tax \$'000	Effect on equity \$'000	Effect on profit before tax \$'000	Effect on equity \$'000
2022	+10%	487	(2)	566	566
	-10%	(487)	2	(566)	(566)
2021	+10%	509	(10)	571	571
	-10%	(509)	10	(571)	(571)

## 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	
	2022	2021
	\$'000	\$'000
<b>At 1 January</b>	<b>1,092</b>	<b>570</b>
Additions	167	588
Disposals	-	-
Exchange Differences	(90)	(66)
<b>At 31 December</b>	<b>1,169</b>	<b>1,092</b>
<b>Depreciation</b>		
<b>At 1 January</b>	<b>(586)</b>	<b>(367)</b>
Charge for the year	(235)	(257)
Disposals	-	-
Exchange Differences	55	38
<b>At 31 December</b>	<b>(766)</b>	<b>(586)</b>
<b>Carrying amount 31 December</b>	<b>403</b>	<b>506</b>

#### Lease liabilities

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

	Group	
	2022	2021
	\$'000	\$'000
Current	233	239
Non-current	273	405
<b>Total</b>	<b>506</b>	<b>644</b>

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.

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.

## Notes to the Consolidated and Company Financial Statements

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	1.7 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
<b>31 December 2022</b>			
Lease payments	290	246	50
Interest charges	(57)	(23)	-
Net present values	<b>233</b>	<b>223</b>	<b>50</b>

	Within 1 year	1-2 years	After 2 years
<b>31 December 2021</b>			
Lease payments	312	208	267
Interest charges	(73)	(47)	(23)
Net present values	<b>239</b>	<b>161</b>	<b>244</b>

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

	Carrying amount	Depreciation expense	Impairment
<b>31 December 2022</b>			
Office buildings	403	235	-
<b>31 December 2021</b>			
Office buildings	506	257	-

## Notes to the Consolidated and Company Financial Statements

### SECTION V: SHARE CAPITAL

#### 19. Called up share capital

	Company	
	2022	2021
	\$'000	\$'000
Issued, allotted and fully paid 130,759,502 (2020; 130,719,502) ordinary shares of 0.4p each	745	745

In the current year there was one share issue. On 16 December 2022, 40,000 fully paid ordinary shares were issued under the terms of the Etherstack employee incentive scheme.

During 2021 there were 3 share issues:

- On 1 April 2021, 499,377 fully paid ordinary shares were issued as a result of the conversion of convertible notes.
- On 19 July 2021, 100,000 fully paid ordinary shares were issued as a result of the exercise of options.
- On 23 August 2021, 540,000 fully paid ordinary shares were issued under the terms of the Etherstack employee incentive scheme

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.

#### 20. 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. The company foreign currency translation reserve was created as part of the Group reorganisation on 19 March 2012.

## Notes to the Consolidated and Company Financial Statements

### 21. Share based payments

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

	2022	Weighted average exercise price (AUD)	2021	Weighted average exercise price (AUD)
	Number of share options		Number of share options	
Outstanding at beginning of year	2,000,000	0.10	2,100,000	0.10
Granted during the year	-		-	
Forfeited during the year	-		-	
Exercised during the year	-		(100,000)	
	<u>2,000,000</u>	0.10	<u>2,000,000</u>	0.10
Outstanding at end of year	<u>2,000,000</u>		<u>2,000,000</u>	
Exercisable at end of year	<u>2,000,000</u>		<u>2,000,000</u>	

During the year, Nil (2021: 100,000) 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 2022 had a weighted average exercise price of AUD 0.10 (2021 AUD 0.10), and a weighted average remaining contractual life of 3.6 years (2021: 4.6 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	-	-	-	67,500
21 November 2021	21 November 2026	15,000	-	-	-	15,000
4 March 2022	31 December 2025	-	55,000	-	-	55,000
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
5 September 2022	5 September 2024	-	10,000	-	-	10,000

## Notes to the Consolidated and Company Financial Statements

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
14 September 2022	31 December 2025	-	40,000	(40,000)	-	-
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
		<b>2,212,500</b>	<b>705,300</b>	<b>(40,000)</b>	<b>-</b>	<b>2,877,800</b>

	2022	Weighted average exercise price (AUD)	2021	Weighted average exercise price (AUD)
	Number of performance rights		Number of performance rights	
Outstanding at beginning of year	2,282,500	0.007	0	.007
Granted during the year	635,300		2,837,500	
Forfeited during the year	-		(15,000)	
Exercised during the year	(40,000)		(540,000)	
Outstanding at end of year	<u>2,877,800</u>	0.007	<u>2,282,500</u>	0.007
Exercisable at end of year	<u>442,500</u>		-	

The performance rights outstanding at 31 December 2022 had a weighted average exercise price of AUD 0.007 (2021 AUD 0.007), and a weighted average remaining contractual life of 3.1 years (2021: 4.7 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 2021 and 2022 were issued with GBP 0.4p exercise price.

## Notes to the Consolidated and Company Financial Statements

Vesting of these rights are 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 \$261 (2021 \$308) relating to equity-settled share-based payment transactions.

### Share-based payments accounting policy

Equity-settled share-based compensation benefits are provided to employees. 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.

## Notes to the Consolidated and Company Financial Statements

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.

### 22. 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:

	2022		2021	
Reconciliation of earnings used in the calculation of earnings per share	Basic \$'000	Diluted \$'000	Basic \$'000	Diluted \$'000
<b>Net profit attributable to equity holders of the parent for basic earnings</b>	<b>2,193</b>	<b>2,193</b>	<b>1,455</b>	<b>1,455</b>
<b>Net profit attributable to equity holders of the parent adjusted for the effect of dilution</b>	<b>2,193</b>	<b>2,193</b>	<b>1,455</b>	<b>1,455</b>
	'000	'000	'000	'000
Weighted average number of ordinary shares for basic earnings per share	130,721	130,721	130,189	130,189
Options*	-	3,903	-	2,981
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>130,721</b>	<b>134,624</b>	<b>130,189</b>	<b>133,170</b>
<b>Earnings per share (cents)</b>	<b>1.68</b>	<b>1.63</b>	<b>1.12</b>	<b>1.09</b>

\* 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

### 23. 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*.

	2022 \$'000	2021 \$'000
Short-term employee benefits	602	601
Post-employment benefits (defined contribution schemes)	25	27
Deferred Equity Compensation	117	55
	<u>813</u>	<u>683</u>

#### Loans to/ from related parties

The Company has provided its subsidiaries with loans at 5% (2021 5%) interest rates. The Company provided loans to its subsidiaries and, at balance date, an amount of \$12,951 (2021 \$13,243) 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 \$744 (2021 \$629) 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:

- Net repayment of \$Nil (2021 \$15) was made by the company.
- Interest accrued in the year is nil.

At 31 December 2022, \$156 remains owing to David Deacon. The loan amount due being \$156 (31 December 2021 \$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:

- Loans of \$Nil (2021 \$Nil) were advanced and \$86 repayments were made.
- Interest of \$Nil (2021 \$43) was accrued for the year.

At 31 December 2022, \$171 (2021 \$257) is owing to Peter Stephens. The amount due being \$171 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:

- Loans of \$Nil (2021 \$Nil) were advanced and \$62 repayments were made.
- Interest of \$Nil (2021 \$Nil) was accrued for the year.

At 31 December 2022, \$122 (2021 \$184) is owing to Paul Barnes. The amount due being \$122 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 \$3 (2021 \$7) and were provided under arm's length terms and conditions. At 31 December 2022 \$Nil (2021 \$nil) was due to LexGP LLP.

## Notes to the Consolidated and Company Financial Statements

### 24. Reconciliation of financial liabilities and borrowings arising from financing activities

Group	Short term borrowings \$'000	Long term borrowings \$'000	Lease liabilities \$'000	Total \$'000
<b>At 1 January 2022</b>	-	-	644	644
<b>Cash-flows</b>				
Principal elements of lease payments	-	-	(265)	(265)
<b>Non-cash</b>	-	-	-	-
Addition to lease liabilities	-	-	170	170
Exchange difference	-	-	(43)	(43)
<b>At 31 December 2022</b>	-	-	506	506
<b>At 1 January 2021</b>	805	-	257	805
<b>Cash-flows:</b>				
Principal elements of lease payments	-	-	(167)	(167)
Repayments of loan	(634)	-	-	(634)
<b>Non-cash:</b>				
Addition to lease liabilities	-	-	588	588
Interest on borrowings	38	-	-	38
Amortisation of convertible notes	1	-	-	1
Revaluation of Embedded derivative	7	-	-	7
Convertible notes converted into equity	(243)	-	-	(243)
Reclassification	23	-	-	23
Exchange difference	3	-	(34)	(31)
<b>At 31 December 2021</b>	-	-	644	644
<b>Company</b>				
	<b>Short term borrowings \$'000</b>	<b>Long term borrowings \$'000</b>	<b>Lease liabilities \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2022</b>	-	-	-	-
<b>Cash-flows</b>	-	-	-	-
<b>Non-cash</b>	-	-	-	-
<b>At 31 December 2022</b>	-	-	-	-
<b>At 1 January 2021</b>	850	-	-	850
<b>Cash-flows:</b>				
Repayments of loan	(653)	-	-	(653)
<b>Non-cash:</b>				
Interest on borrowings	38	-	-	38
Amortisation of convertible notes	1	-	-	1
Revaluation of Embedded derivative	7	-	-	7
Convertible notes converted into equity	(243)	-	-	(243)
Reclassification	(2)	-	-	(2)
Exchange difference	2	-	-	2
<b>At 31 December 2021</b>	-	-	-	-

## Notes to the Consolidated and Company Financial Statements

### 25. 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 10 March 2023 is 131,017,002 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	70	28,617	0.0%
1,001 – 5,000	706	1,538,400	1.2%
5,001 – 10,000	156	1,246,361	1.0%
10,001 – 100,000	210	6,181,524	4.7%
100,001 and over	66	122,022,100	93.1%
<b>Total</b>	<b>1,208</b>	<b>131,017,002</b>	<b>100.0%</b>

As at 10 March 2023 there were 57 shareholders holding less than a marketable parcel of AUD \$500.

## Substantial shareholders as at 10 March 2023

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 or more of the total number of votes.

	No of shares	% of issued capital
MR DAVID DEACON	48,241,850	36.9
MR PETER STEPHENS	11,573,161	8.8
MR PAUL BARNES	6,850,000	5.2

## Top 20 shareholders as at 10 March 2023

		No of shares	% of issued capital
1	MR DAVID ANDREW DEACON	48,291,850	36.9%
2	CITICORP NOMINEES PTY LIMITED	14,889,754	11.4%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,381,511	8.7%
4	MR PAUL BARNES	6,850,000	5.2%
5	MR BILL EASON	4,065,506	3.1%
6	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	3,879,241	3.0%
7	VERONICA STEPHENS	3,500,000	2.7%
8	LACHMAC PTY LTD	2,750,000	2.1%
9	MR ANDREW SCOTT	2,056,670	1.6%
10	CITICORP NOMINEES PTY LIMITED <DPSL A/C>	1,969,251	1.5%
11	MR PETER STEPHENS	1,290,323	1.0%
12	SARGODA PTY LTD <BIRDEEP FAMILY A/C>	1,250,392	1.0%
13	GIGA PALACE LIMITED	1,909,994	1.5%
14	MS CARRIE LARISSA HORNBECK	935,000	0.7%
15	MR JEREMY JON DAVIES	909,000	0.7%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	733,153	0.6%
17	CHEEKY BOYS PTY LTD <MEHARNEHAAL SUPER A/C>	651,053	0.5%
18	RIDGEPORT HOLDINGS PTY LTD	627,000	0.5%
19	MR PAUL RICHARDS	603,750	0.5%
20	MR DOUGLAS CHAPMAN	597,625	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.



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