

Adrad Holdings Limited

Appendix 4D

Half Year Report

1. Company Details

Name of Entity:	Adrad Holdings Limited
ABN:	51121033396
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ending 31 December 2021

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	Up	21.9%	to	\$68,306
Profit from ordinary activities after tax attributable to the owners of Adrad Holdings Limited	Down	73.55%	to	\$1,854
Profit for the year attributable to the Owners of Adrad Holdings Limited	Down	73.55%	to	\$1,854

Comments

Information on results and operations is included in the Directors' Report.

During the half year reporting period ending 31 December 2022 the Company successfully listed on the Australian Stock Exchange (ASX Ticker: AHL).

Prior to listing on the ASX the Company entered into certain transactions in the previous reporting period to consolidate its business operations.

These transactions were completed on 31 October 2021 and comprised the divestment of the Harrop group of companies and the acquisition by Adrad Holdings Limited of that portion of the automotive aftermarket operations previously owned by the Existing Shareholder (Adcore Holdings Pty Ltd as trustee for the Gary Washington Family Trust).

To facilitate prior period comparisons the Company provides the following comments in relation to the impact of these transactions:

- The results for the period ending 31 December 2021 include approximately \$2M in net profit after tax from discontinued operations related to the Harrop group of companies;
- The results for the period ending 31 December 2021 exclude approximately \$9.2M in revenue and other income generated through Adcore Holdings Pty Ltd from 1 July 2021 to 31 October 2021.
- The results for the period ending 31 December 2021 exclude approximately \$8.7M in direct costs and other expenses generated through Adcore Holdings Pty Ltd from 1 July 2021 to 31 October 2021.

The following transactions impacting the Company's share capital occurred during the period ending 31 December, 2022:

- On 26 August 2022, the Company issued 50,236,020 Fully Paid Ordinary Shares (Shares) to the original owners as part of the IPO process.
- On 30 September 2022 the Company successfully listed on the ASX.
- On 30 September 2022, the Company issued 10,000,000 Fully Paid Ordinary Shares (Shares) to professional and sophisticated investors at an Issue Price of \$1.50 (150 cents) per share as part of the IPO.
- On 30 September 2022 16,666,704 Fully Paid Ordinary Shares (Shares) were issued on the conversion of the convertible notes as part of the IPO.

The Directors declared a fully franked dividend of \$0.007 (0.7 cents) per ordinary share on 24 February 2023.

Dividends (distribution)	Amount per security	Franked amount per security
<i>Current period</i> Interim dividend	0.70 cents	100%
<i>Previous corresponding period</i> Interim dividend	53.32 cents	100%
Record date for determining entitlements to the dividend	20 March 2023	

3. Net Tangible Assets

	31 December 2021 Cents	31 December 2022 Cents
Net tangible assets per ordinary security	\$8.59	\$0.89

4. Control gained over entities

During the half year ending 31 December 2022 the Company did not gain control over any entities.

5. Loss of control over entities

During the half year ending 31 December 2022 the Company did not lose control over any entities.

6. Dividends

Current period

On 24 February 2023 the Directors declared a fully franked dividend of \$0.007 (0.7 cents) per ordinary share, a total estimated distribution of \$0.56 million based on the number of shares outstanding as at 24 February 2023 and representing 30% of NPAT. The financial effect of the dividend has not been brought to account in the consolidated financial statements for the half year ended 31 December 2022.

Previous period

Dividends of \$2.0 million were declared and paid during the prior financial half-year financial reporting period ending 31 December 2021.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Not applicable.

This information should be read in conjunction with the 31 December 2022 interim Financial Report; the Accounts have been subject to review.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2022.

Adrad Holdings Limited

ABN 51121033396

Financial Report for the half-year ended - 31 December 2022

Adrad Holdings Limited
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31 December 2022



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Directors	Mr. Glenn Davis (Independent Non-Executive Director and Chairman) Mr. Donald McGurk (Independent Non-Executive Director) Mr. Gary Washington (Executive Director)
Chief Executive Officer	Mr. Don Cormack
Company Secretaries	Ms Kaitlin Smith Mr. Christopher Newman (resigned effective 24 January 2023) Mr. Roderick Hyslop (appointed effective 24 January 2023)
Registered office	26 Howards Road Beverley, SA, 5009
Principal place of business	Adrad Holdings Limited 26 Howards Road Beverley, SA, 5009
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne, VIC 3008
Bankers	Bank SA Level 1, 53-59 The Parade NORWOOD SA 5067
Website	www.adradholdings.com.au
Share registry	Computershare Investor Services Pty Limited
Stock exchange listing	Adrad Holdings Ltd shares are listed on the Australian Stock Exchange (ASX Code: AHL)

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Adrad Holdings Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

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

Glenn Davis (Independent Non-Executive Director and Chairman)
Donald McGurk (Independent Non-Executive Director)
Gary Washington (Executive Director)

Principal activities

Adrad Holdings Limited is an Australian-based business specialising in the design and manufacture of innovative heat transfer solutions for industrial applications and the manufacture, importation and distribution of automotive parts for the aftermarket segment in Australia and New Zealand and for Original Equipment (OE) customers globally.

The company has two key segments:

- Aftermarket – Manufactures, imports and distributes radiators, mobile and stationary heat exchange products and a variety of automotive parts for the Australian and New Zealand automotive and industrial markets; and
- Original Equipment (OE) – Designs and manufactures OE industrial cooling solutions for high end applications for use in road transport and heavy vehicles, mining, power generation, data centres and rail industries.

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

Notwithstanding the successful listing of the parent entity on the Australian Stock Exchange on 30 September 2022, there was no significant change in the nature of these activities that occurred during the half-year.

Dividends

On 24 February 2023, the Directors declared a fully franked dividend of \$0.007 (0.7 cents) per ordinary share.

Review of operations

Aftermarket

During the half year ended 31 December 2022, the Company continued to grow its product offering in the automotive aftermarket segment. In addition to offering the most extensive radiator and heat exchange product range in Australia and New Zealand the Company expanded its range of automotive products, notably the introduction of two major new product lines: rotating electrical and brakes.

The rotating electrical program encompasses products from OE manufacturers reflecting our commitment to supplying the aftermarket with high quality, low risk product. The Company is pleased to partner with TMD Friction for our brake program. Launching two new brands, MINTEX and NISSHINBO, the Company's brake product covers more than 90% of the Australian car parc (quantity of vehicles on road).

Whilst introducing new product ranges, the Company continued to grow its "traditional" programs such as radiators, intercoolers, air conditioning condensers and compressors. The Company now offers more than 20,000+ parts in its aftermarket product catalogue.

The Company continues to make substantial investment in adding additional products and expanding its distribution footprint while also growing its customer base during the reporting period. While radiators and automotive air conditioning product remain our cornerstone focus, with greater product range (engine belts, filters, spark plugs, alternators, starter motors, EGR's, gas struts, coolant bottles, brakes, globes, etc) and four new warehouse locations, the Company has increased its reach and provides customers a broader, more efficient, "one-stop" offering.

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

Original Equipment (OE):

This half year saw a key Australian road transport OE customer increase its order book and its build rate driving increased revenue in this segment. In Thailand, customers have flagged increasing demand in early calendar year 2023 for off-highway construction equipment and above ground mining vehicles. The Company intends to capitalise on its market position and existing customer relationships to remain the cooling package supplier of choice in these developments.

In the power generation market the Company secured a \$7.5m supply order for cooling packages to support back-up power generation deployed in large data centres; these units will be delivered over calendar year 2023.

Our new product development particularly around the Company's proprietary Alu Fin technology continues to gain traction for potential underground mining applications and are progressing towards development of prototype units for a major OE manufacturer to use the product in heavy applications.

Margin improvement activities have continued during the half-year with a transitioning of manufacturing from Australia to our Thailand facilities where we have commenced production of radiator panels and have progressed our steel fabrication capabilities.

Overall, the Company's expectations are for less disruptions including the impact of COVID-19, floods and reduced impact of supply chain related events. This will be harnessed to make inroads towards lowering the relative carrying value of inventory which was increased as a response to supply chain disruptions experienced over 2021 and into 2022 with re-investment into expanding the product range further.

The operations of the consolidated entity for the half-year ended 31 December 2022 resulted in a profit of \$1,854,867 (31 December 2021: \$7,013,475). The net assets of the consolidated entity increased to \$113,736,682 at 31 December 2022 (30 June 2022: \$72,026,499). The consolidated entity had net cash inflows from operating activities for the period of \$3,791,262 (31 December 2021: inflows of \$670,227).

Significant changes in the state of affairs

During the period the Company successfully completed its Initial Public Offering (IPO) and listed on the Australian Stock Exchange on 30 September 2022 and now is a publicly traded company under the ASX ticker: AHL

On 26 August 2022, the Company issued 50,236,020 Fully Paid Ordinary Shares (Shares) to the original owners as part of the IPO process.

On 30 September 2022, the Company issued 10,000,000 Fully Paid Ordinary Shares (Shares) to professional and sophisticated investors at an Issue Price of \$1.50 (150 cents) per share at IPO.

In addition, on 30 September 2022 16,666,704 Fully Paid Ordinary Shares (Shares) were issued on the conversion of the convertible notes.

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

Matters subsequent to the end of the financial half-year

On 1 February 2023, CEO Don Cormack advised of his intention to resign on a date to be agreed later in the year. Don will continue in the position of CEO until the appointment of a new CEO is made and there has been a suitable transition.

On 24 February 2023 the directors declared a fully franked dividend of \$0.007 (0.7 cents) per ordinary share, a total estimated distribution of \$0.56 million based on the number of shares outstanding as at 24 February 2023 and representing 30% of NPAT. The financial effect of the dividend has not been brought to account in the consolidated financial statements for the half year ended 31 December 2022.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Seasonality of Operations

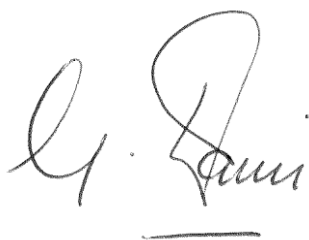
In the automotive aftermarket segment we note that Q1 is historically our lowest trading quarter for the business - trading is generally weighted towards Q3-Q4. This is largely driven by the increased ambient temperatures experienced during the Australian summer taxing vehicular, stationary and industrial cooling systems. While industrial applications may also be affected by seasonal temperature variations it is less pronounced and in certain segments more project driven.

Auditor's independence declaration

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

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

On behalf of the directors



Glenn Davis
Non-Executive Director and Chairman

24 February 2023

Grant Thornton Audit Pty Ltd

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Auditor's Independence Declaration

To the Directors of Adrad Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Adrad Holdings Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



E W Passaris
Partner – Audit & Assurance

Melbourne: 24 February 2023



Adrad Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



	Consolidated	Consolidated
	31 December 2022	31 December 2021
Note	\$	\$
Revenue		
Sales revenues	68,306,015	56,044,390
Other income	4 1,241,467	516,113
Expenses		
Raw materials and consumables expenses	(33,700,222)	(26,589,607)
Depreciation and amortisation expense	(3,259,350)	(2,367,269)
Other expenses	5 (7,933,725)	(4,079,274)
Employee expenses	<u>(19,214,120)</u>	<u>(15,493,407)</u>
Operating profit	5,440,065	8,030,946
Finance costs	6 (2,311,839)	(985,872)
Finance income	<u>66,643</u>	<u>18,620</u>
Profit before income tax expense from continuing operations	3,194,869	7,063,694
Income tax expense	<u>(1,340,002)</u>	<u>(2,093,869)</u>
Profit after income tax expense from continuing operations	1,854,867	4,969,825
Profit after income tax expense from discontinued operations	<u>-</u>	<u>2,043,650</u>
Profit after income tax expense for the half-year	1,854,867	7,013,475
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign subsidiaries	<u>461,619</u>	<u>(470,618)</u>
Other comprehensive income for the half-year, net of tax	<u>461,619</u>	<u>(470,618)</u>
Total comprehensive income for the half-year	<u><u>2,316,486</u></u>	<u><u>6,542,857</u></u>
Profit for the half-year is attributable to:		
Non-controlling interest	-	287,855
Owners of Adrad Holdings Limited	<u>1,854,867</u>	<u>6,725,620</u>
	<u><u>1,854,867</u></u>	<u><u>7,013,475</u></u>
Total comprehensive income for the half-year is attributable to:		
Continuing operations	2,316,486	4,499,207
Discontinued operations	-	2,043,650
Owners of Adrad Holdings Limited	<u>2,316,486</u>	<u>6,542,857</u>
	<u><u>2,316,486</u></u>	<u><u>6,542,857</u></u>

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

Adrad Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Adrad Holdings Limited			
Basic earnings per share	16	3.56	399.68
Diluted earnings per share	16	3.55	399.68
Earnings per share for profit from discontinued operations attributable to the owners of Adrad Holdings Limited			
Basic earnings per share	16	-	164.35
Diluted earnings per share	16	-	164.35
Earnings per share for profit attributable to the owners of Adrad Holdings Limited			
Basic earnings per share	16	3.56	540.88
Diluted earnings per share	16	3.55	540.88

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

Adrad Holdings Limited
Consolidated statement of financial position
As at 31 December 2022



		Consolidated	
	Note	31 December 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents	7	6,025,183	3,477,672
Trade and other receivables		19,002,513	18,233,881
Other financial assets		10,000,000	-
Inventories		48,248,170	46,724,312
Total current assets		<u>83,275,866</u>	<u>68,435,865</u>
Non-current assets			
Property, plant and equipment		14,408,986	13,643,953
Right-of-use assets		47,003,379	45,998,016
Intangible assets		36,974,869	36,974,869
Deferred tax asset		5,022,605	4,357,636
Total non-current assets		<u>103,409,839</u>	<u>100,974,474</u>
Total assets		<u>186,685,705</u>	<u>169,410,339</u>
Liabilities			
Current liabilities			
Trade and other payables		12,024,505	13,529,259
Borrowings and interest bearing liabilities	8	1,963,248	26,868,053
Lease liabilities		3,419,777	3,089,030
Provisions		4,028,657	3,996,624
Total current liabilities		<u>21,436,187</u>	<u>47,482,966</u>
Non-current liabilities			
Borrowings and interest bearing liabilities	8	856,676	897,995
Lease liabilities		45,754,666	44,400,699
Provisions		4,901,494	4,602,180
Total non-current liabilities		<u>51,512,836</u>	<u>49,900,874</u>
Total liabilities		<u>72,949,023</u>	<u>97,383,840</u>
Net assets		<u>113,736,682</u>	<u>72,026,499</u>
Equity			
Contributed equity	9	43,026,954	3,750,761
Reserves	10	(2,301,666)	(2,880,789)
Retained profits		73,011,394	71,156,527
Total equity		<u>113,736,682</u>	<u>72,026,499</u>

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

Adrad Holdings Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022



Consolidated	Contributed Equity	Foreign Currency Translation Reserve	Common Control Acquisition Reserve	Acquisition of Non-Controlling Reserve	Share based payment Reserve	Retained profits	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	1	(1,807,473)	-	-	-	64,149,663	1,946,228	64,288,419
Profit after income tax expense for the half-year	-	-	-	-	-	6,725,620	287,855	7,013,475
Other comprehensive income for the half-year, net of tax	-	(470,618)	-	-	-	104,809	(104,809)	(470,618)
Total comprehensive income for the half-year	-	(470,618)	-	-	-	6,830,429	183,046	6,542,857
<i>Transactions with owners in their capacity as owners:</i>								
Contributions of equity, net of transaction costs	3,750,760	-	-	-	-	-	-	3,750,760
Discount on Purchase of Net Assets from Adcore Holdings Pty Ltd	-	-	4,804,650	-	-	-	-	4,804,650
Shareholdings purchase of Air Radiators Thailand Ltd	-	-	-	(5,326,836)	-	2,129,274	(2,129,274)	(5,326,836)
Dividends paid	-	-	-	-	-	(2,000,000)	-	(2,000,000)
Balance at 31 December 2021	3,750,761	(2,278,091)	4,804,650	(5,326,836)	-	71,109,366	-	72,059,850

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

Adrad Holdings Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022



Consolidated	Contributed Equity	Foreign Currency Translation Reserve	Common Control Acquisition Reserve	Acquisition of Non-Controlling Reserve	Share based payment Reserve	Retained profits	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	3,750,761	(2,358,603)	4,804,650	(5,326,836)	-	71,156,527	-	72,026,499
Profit after income tax expense for the half-year	-	-	-	-	-	1,854,867	-	1,854,867
Other comprehensive income for the half-year, net of tax	-	461,619	-	-	-	-	-	461,619
Total comprehensive income for the half-year	-	461,619	-	-	-	1,854,867	-	2,316,486
<i>Transactions with owners in their capacity as owners:</i>								
Contributions of equity, net of transaction costs (note 9)	39,276,193	-	-	-	-	-	-	39,276,193
Options issued	-	-	-	-	37,504	-	-	37,504
Performance rights issued	-	-	-	-	80,000	-	-	80,000
Balance at 31 December 2022	43,026,954	(1,896,984)	4,804,650	(5,326,836)	117,504	73,011,394	-	113,736,682

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

Adrad Holdings Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022



Note	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	75,609,450	66,761,361
Payments to suppliers and employees (inclusive of GST)	(71,088,697)	(64,015,100)
Finance cost	(653,500)	(1,042,261)
Income tax paid	(75,991)	(1,033,773)
Net cash from operating activities	<u>3,791,262</u>	<u>670,227</u>
Cash flows from investing activities		
Payments for property, plant & equipment	(1,713,294)	(2,674,354)
Proceeds from disposal of Harrop, net of cash held	-	4,434,881
Acquisition of ART, net of cash received	-	(5,326,836)
Acquisition of assets of Adcore, net of cash received	-	15,539,584
Payment for term deposit	(10,000,000)	-
Net cash from/(used in) investing activities	<u>(11,713,294)</u>	<u>11,973,275</u>
Cash flows from financing activities		
Proceeds from issue of shares	9 15,000,000	3,750,760
Proceeds from convertible notes	-	20,000,000
Proceeds from related parties	-	1,774,997
Payment for IPO related costs	(723,807)	-
Dividends paid	-	(2,000,000)
Proceeds from/ (repayment of) borrowings	(1,537,820)	3,192,663
Repayment of lease liabilities	(2,268,830)	(1,981,261)
Net cash from financing activities	<u>10,469,543</u>	<u>24,737,159</u>
Net increase in cash and cash equivalents	2,547,511	37,380,661
Cash and cash equivalents at the beginning of the financial half-year	<u>3,477,672</u>	<u>4,509,294</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>6,025,183</u></u>	<u><u>41,889,955</u></u>

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

Note 1. General information

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

Adrad Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia. The principal activities of the consolidated entity during the half-year ended 31 December 2022 were the design and manufacture of heat transfer solutions for OE customers globally and the manufacture, importation and distribution of automotive parts for the aftermarket.

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

The consolidated annual financial statements of the Company as at and for the year ended 30 June 2022 are available from the Company's website (www.adradholdings.com.au) or upon request from the Company's registered office.

These financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

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

Types of products and services

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

Aftermarket	Automotive aftermarket parts and manufactured industrial products
OEM	Original equipment design and manufacturing

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 December 2022	Aftermarket \$	OEM \$	Corporate \$	Total \$
Revenue				
Sales to external customers	34,525,900	33,759,954	20,161	68,306,015
Total segment revenue	<u>34,525,900</u>	<u>33,759,954</u>	<u>20,161</u>	<u>68,306,015</u>
Total revenue	<u>34,525,900</u>	<u>33,759,954</u>	<u>20,161</u>	<u>68,306,015</u>
EBITDA				
Depreciation and amortisation	4,452,541	6,118,069	(1,871,196)	8,699,414
Finance income	-	-	(3,259,350)	(3,259,350)
Finance costs	-	-	66,644	66,644
	-	-	(2,311,839)	(2,311,839)
Profit/(loss) before income tax expense	<u>4,452,541</u>	<u>6,118,069</u>	<u>(7,375,741)</u>	<u>3,194,869</u>
Income tax expense				(1,340,002)
Profit after income tax expense				<u>1,854,867</u>
Consolidated - 31 December 2021				
Revenue				
Sales to external customers	21,950,579	34,030,505	63,306	56,044,390
Total segment revenue	<u>21,950,579</u>	<u>34,030,505</u>	<u>63,306</u>	<u>56,044,390</u>
<i>Unallocated revenue:</i>				
Discontinued Harrop revenue				9,080,294
Total revenue				<u>65,124,684</u>
EBITDA				
Depreciation and amortisation	3,805,831	7,096,312	(503,931)	10,398,212
Finance income	-	-	(2,593,296)	(2,593,296)
Finance costs	-	-	18,620	18,620
Discontinued Harrop EBITDA	-	-	(1,042,260)	(1,042,260)
	-	-	2,946,926	2,946,926
Profit/(loss) before income tax expense	<u>3,805,831</u>	<u>7,096,312</u>	<u>(1,173,941)</u>	<u>9,728,202</u>
Income tax expense				(2,714,727)
Profit after income tax expense				<u>7,013,475</u>

Note 4. Other income

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Gain from disposal of property, plant and equipment	15,072	3,000
Rental	22,657	12,456
Grant	-	6,200
Management fees	-	285,150
IT service	-	97,942
Other	165,300	111,365
Reimbursement of IPO costs from related party (Adcore)	<u>1,038,438</u>	<u>-</u>
	<u>1,241,467</u>	<u>516,113</u>

Note 5. Other expenses

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Advertising	224,756	164,986
ASX related	77,997	-
IT & communications	785,761	526,336
Freight	3,107,361	1,267,924
Motor vehicle	276,795	120,081
Professional fees	1,136,181	695,777
Insurance	593,869	417,791
Repairs & maintenance to assets	163,003	92,154
Occupancy	92,271	-
Energy	193,330	104,202
Foreign exchange loss	23,434	128,071
IPO related	1,210,254	455,000
Other	48,713	106,952
	<u>7,933,725</u>	<u>4,079,274</u>

Note 6. Finance cost

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Interest and finance charges paid/payable	93,525	444,278
Interest and finance charges paid/payable on lease liabilities	626,617	541,594
Finance costs - convertible notes	1,591,697	-
	<u>2,311,839</u>	<u>985,872</u>

Note 7. Cash and cash equivalents

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Cash on hand	4,341	12,108
Cash at bank	6,020,842	3,465,564
	<u>6,025,183</u>	<u>3,477,672</u>

Note 8. Borrowings and interest bearing liabilities

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current liabilities</i>		
Convertible notes- Unsecured	-	23,408,304
Trade refinance- Secured	1,839,234	3,333,138
Equipment finance liability- Secured	124,014	126,611
	<u>1,963,248</u>	<u>26,868,053</u>
<i>Non-current liabilities</i>		
Equipment finance liability- Secured	<u>856,676</u>	<u>897,995</u>

Convertible notes are unsecured and were issued on 15 December 2021 with a maturity date of 1 year from issue. The redemption amount and conversion price include the following features:

- 125% of the face value of the notes if redeemed before the maturity date, and 137.5% if redeemed after the maturity date
- Various conversion prices are adjusted in the event of an IPO or trade sale, including:
 - In the event of an IPO, the lower of the offer price less 20% of that price or \$125m equity valuation on a per share basis
 - In the event of a trade sale, the lower of 80% of the equity value implied or \$125m equity valuation on a per share basis

Convertible notes were measured at fair value through profit or loss. On 30 September 2022 16,666,704 Fully Paid Ordinary Shares (Shares) were issued on the conversion of the convertible notes at a fair value of \$25m.

Equipment finance liabilities are secured over the underlying asset subject to finance.

There is a registered mortgage debenture over the whole of the consolidated entity assets in respect of finance facilities undertaken by the consolidated entity and related entities. Bank loans are held in related entities and are secured by a first registered mortgage over the assets and undertakings of the entities within the consolidated entity. The bank loan agreement is subject to covenant clauses, whereby the consolidated entity is required to meet certain key financial ratios. During the period, the Company was compliant with all covenant clauses.

Note 9. Contributed equity

	Consolidated			
	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 \$	30 June 2022 \$
Ordinary shares - fully paid	<u>80,653,485</u>	<u>3,750,761</u>	<u>43,026,954</u>	<u>3,750,761</u>

Note 9. Contributed equity (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	3,750,761		3,750,761
Issued shares – fully paid	26 August 2022	50,236,020	\$0.00	-
Issued shares - fully paid (net of IPO costs)	30 September 2022	10,000,000	\$1.50	15,000,000
Issued shares - fully paid @ fair value	30 September 2022	16,666,704	\$1.50	25,000,000
Share issue transaction costs, net of tax		-	\$0.00	(723,807)
Balance	31 December 2022	<u>80,653,485</u>		<u>43,026,954</u>

Ordinary shares

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

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

Capital risk management

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

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

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

Note 10. Reserves

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Foreign currency translation reserve opening balance	(1,896,984)	(2,358,603)
Acquisition of non-controlling interest reserve	(5,326,836)	(5,326,836)
Common control acquisition reserve	4,804,650	4,804,650
Share based payments	117,504	-
	<u>(2,301,666)</u>	<u>(2,880,789)</u>

The foreign currency translation is used to record unrealised gains/losses on the conversion of the transactions of the wholly owned foreign subsidiaries to Australian dollars.

Note 10. Reserves (continued)

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

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

Share based payments is to record the options to be issued Shares (options) to Adelaide Equity Partners Ltd, which amounts to \$37,504. It is also to record the Initial Performance Rights to be issued to Key Management Personnel (KMP) as a bonus, which amounts to \$80,000.

Note 11. Non-controlling interest

The consolidated entity held 66% (34% non-controlling interested) in Air Radiators (Thailand) Limited prior to 1 November 2021. The remaining 34% of shares were purchased on 1 November 2021.

Note 12. Contingent liabilities

In addition to the security provided for related entities as outlined in the consolidated statement of financial position's provisions account, the consolidated entity has given bank guarantees as at 31 December 2022, \$884,251 to various landlords and \$559,302 to various Customers for Defects Liability.

WorkSafe Victoria is currently undertaking an investigation in respect of Air Radiators Pty Ltd (a subsidiary of the Company) (Air Radiators) in relation to an incident that occurred at Air Radiators' manufacturing facility located in Victoria, as a result of which an employee of Air Radiators suffered fatal injuries (Incident). WorkSafe Victoria has to date issued two improvement notices to Air Radiators in respect of the Incident and may elect to prosecute in respect of the Incident. Air Radiators have notified their insurer of the Incident and are working with and being advised by the insurer's legal counsel in respect of potential liabilities.

Air Radiators has been notified by one of its customers of a defect in certain products supplied by Air Radiators to that customer. The defect relates to a failing sealing mechanism used in a radiator assembly. The issue is isolated to OE products manufactured for and supplied to this particular customer and does not affect the Consolidated Entity's broader Aftermarket product range or other OE customers.

Air Radiators is working with the customer to undertake the required rework. The Company estimates that this rectification work will be undertaken over a period of 18 months to two years, at a cost of approximately \$900,000 to the Consolidated Entity.

The Consolidated Entity maintains a Public and Products Liability insurance policy. Air Radiators proposes to make a claim under this policy in relation to the costs associated with the above rectification work, and is in the process of compiling that insurance claim. If the claim is accepted by the Consolidated Entity's insurer, the Consolidated Entity's exposure would be reduced from \$900,000 to the excess payable under that insurance policy, being \$250,000.

Note 13. Related parties

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

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

Note 13. Related parties (continued)

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

The Company purchased the business operations of Adcore on 31 October 2021. Costs incurred on Adcore's behalf were recharged to Adcore, as summarised at Note 4.

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

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

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

The following transactions occurred with related parties:

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
<i>Sales revenue:</i>		
Adcore Holdings Pty Ltd ATF the Gary Washington Family Trust	-	286,607
Harrop Engineering Australia Pty Ltd (after share sale on 31 October 2021)	475,881	363,767
<i>Other income:</i>		
Adcore Holdings Pty Ltd ATF the Gary Washington Family Trust	1,038,438	18,000
Harrop Engineering Australia Pty Ltd (after share sale on 31 October 2021)	5,456	12,267
<i>Occupancy expenses:</i>		
Arlyngton Pty Ltd ATF Beverley Property Unit Trust	191,155	183,803
Harlaxton Pty Ltd ATF Washington Family Trust	1,132,120	934,686

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
<i>Right of use assets (Net of depreciation):</i>		
Arlyngton Pty Ltd ATF Beverley Property Unit Trust	5,424,042	4,274,108
Harlaxton Pty Ltd ATF Washington Family Trust	32,203,914	22,598,572
<i>Current lease liabilities:</i>		
Arlyngton Pty Ltd ATF Beverley Property Unit Trust	251,150	239,660
Harlaxton Pty Ltd ATF Washington Family Trust	1,487,237	1,264,702
<i>Non-current lease liabilities:</i>		
Arlyngton Pty Ltd ATF Beverley Property Unit Trust	5,436,044	4,064,714
Harlaxton Pty Ltd ATF Washington Family Trust	32,261,378	21,487,936

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

Note 14. Controlled Entities

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

Controlled entities that form part of the consolidated entity are;	Country of incorporation	Ownership interest	
		31 December 2022	30 June 2022
		%	%
Adrad Investments Pty Ltd	Australia	100.00%	100.00%
Adrad Group Limited*	Australia	100.00%	100.00%
Adrad Pty Ltd**	Australia	100.00%	100.00%
Air Radiators Pty Ltd	Australia	100.00%	100.00%
Natrad OF Pty Ltd	Australia	100.00%	100.00%
National Radiators Ltd	New Zealand	100.00%	100.00%
Air Radiators Industrial Pty Ltd	Australia	100.00%	100.00%
Air Radiators (Thailand) Limited	Thailand	100.00%	100.00%
Breakaway Industrial Radiators Pty Ltd	Australia	100.00%	100.00%
Air Radiators (WA) Pty Ltd	Australia	100.00%	100.00%
Adrad Management Services Pty Ltd	Australia	100.00%	100.00%
Adrad IT Services Pty Ltd	Australia	100.00%	100.00%
Wingfan Pty Ltd	Australia	100.00%	100.00%

* Adrad Group Limited was formerly known as Natra Group Ltd and changed its name on 14 October 2021.

** Adrad Pty Ltd was formerly known as Natra Pty Ltd and changed its name on 14 October 2021.

Note 15. Events after the reporting period

On 1 February 2023, CEO Don Cormack advised of his intention to resign on a date to be agreed later in the year. Don will continue in the position of CEO until the appointment of a new CEO is made and there has been a suitable transition.

On 24 February 2023 the directors declared a fully franked dividend of \$0.007 (0.7 cents) per ordinary share a total estimated distribution of \$0.56 million based on the number of shares outstanding as at 24 February 2023 and representing 30% of NPAT. The financial effect of the dividend has not been brought to account in the consolidated financial statements for the half year ended 31 December 2022.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 16. Earnings per share

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax attributable to the owners of Adrad Holdings Limited	1,854,867	4,969,825

Note 16. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	52,175,837	1,243,459
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	107,826	-
	<u>52,283,663</u>	<u>1,243,459</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>52,283,663</u>	<u>1,243,459</u>
	Cents	Cents
Basic earnings per share	3.56	399.68
Diluted earnings per share	3.55	399.68
	Consolidated	
	31 December	31 December
	2022	2021
	\$	\$
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Adrad Holdings Limited	-	<u>2,043,650</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	-	1,243,459
Weighted average number of ordinary shares used in calculating diluted earnings per share	-	<u>1,243,459</u>
	Cents	Cents
Basic earnings per share	-	164.35
Diluted earnings per share	-	164.35
	Consolidated	
	31 December	31 December
	2022	2021
	\$	\$
<i>Earnings per share for profit</i>		
Profit after income tax	1,854,867	7,013,475
Non-controlling interest	-	(287,855)
Profit after income tax attributable to the owners of Adrad Holdings Limited	<u>1,854,867</u>	<u>6,725,620</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	52,175,837	1,243,459
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	107,286	-
	<u>52,283,123</u>	<u>1,243,459</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>52,283,123</u>	<u>1,243,459</u>
	Cents	Cents
Basic earnings per share	3.56	540.88
Diluted earnings per share	3.55	540.88

Note 17. Share-based payments

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Share base payment	117,504	-

The Company agreed to issue 403,268 options to Adelaide Equity Partners Ltd upon successful listing on the ASX, this occurred on 30 September 2022. The Options are unquoted and will be exercisable at \$2.10, being a 40% premium to the Offer Price, for a period of three years from the date of Admission.

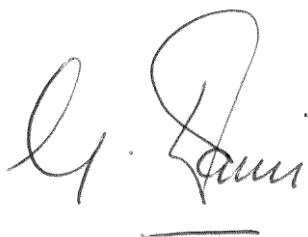
The Company agreed that on Admission (30 September 2022) to the ASX it would issue 213,333 Initial Performance Rights to Key Management Personnel (KMP) as a bonus. This is in recognition of the significant additional work KMP have undertaken to assist the Company to achieve Admission. The Initial Performance Rights will vest on the first anniversary of the date of the Company's Admission.

In the directors' opinion:

- the attached financial statements and notes comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Glenn Davis
Non-Executive Director and Chairman

24 February 2023

Independent Auditor's Review Report

To the Members of Adrad Holdings Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Adrad Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of Adrad Holdings Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



Eric Passaris
Partner – Audit & Assurance

Melbourne: 24 February 2023

ADRAD



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