ADRAD

ANNUAL REPORT 2024

Adrad Holdings Limited
ABN 51 121 033 396

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Corporate Directory

DIRECTORS

Mr. Glenn Davis (Independent Non-Executive Chairman)

Mr. Donald McGurk (Independent Non-Executive Director)

Mr. Darryl Abotomey (Independent Non-Executive Director 1 July 2023 to 15 August 2023; Executive Director 15 August 2023 to 30 June 2024; resumed as Non-Executive Director from 30 June 2024)

Mr. Gary Washington (Executive Director)

CHIEF EXECUTIVE OFFICER

Mr. Don Cormack (resigned 15 August 2023)

Mr. Darryl Abotomey (15 August 2023 to 12 April 2024)

Mr. Kevin Boyle (appointed 12 April 2024)

JOINT COMPANY SECRETARIES

Ms. Kaitlin Smith

Mr. Roderick Hyslop

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

26 Howards Road
Beverley, SA, 5009

BANKERS

Bank SA

Level 5, 97 King William Street
Adelaide SA 5000

AUDITOR

William Buck (SA)

Level 6, 211 Victoria Square
Adelaide SA 5000

WEBSITE

www.adradholdings.com.au

SHARE REGISTER

Computershare Investor Services Pty Limited

STOCK EXCHANGE LISTING

Australian Stock Exchange **(ASX Code: AHL)**

Overview of Adrad

Vision: 1st Choice for Industrial & Engine Cooling Solutions

Two major segments servicing all aspects of the engine cooling market:

HEAT TRANSFER SOLUTIONS (AIR RADIATORS)

A vertically integrated designer and manufacturer of industrial and automotive radiator and cooling solutions.

DISTRIBUTION

Importer and distributor of radiators and other products for the Australasian automotive and industrial aftermarket.

FY24 Financial Highlights

$142.9m TRADING REVENUE 1.2% ↑ FROM FY23	**$18.1m** PRO FORMA EBITDA[1] 10.9% ↓ FROM PRO FORMA FY23	**$14.7m** OPERATING CASH FLOW 162.5% ↑ FROM FY23	**$6.0m** STATUTORY NPAT 6.6% ↑ FROM FY23
6.3% ROACE[2]	**$5.5m** CAPITAL INVESTMENT	**7.36cps** BASIC EPS	**2.94cps** FULL YEAR RELATED DIVIDEND[3] FULLY FRANKED

Notes:

[1]Pro forma EBITDA on a post AASB-16 basis

[2]Return on Average Capital Employed

[3]Equates to 40% of statutory full year NPAT, fully franked . Final declared dividend of 1.61cps which when combined with the 1HFY24 interim dividend of 1.33 CPS equates to 2.94cps, a 26% increase on FY23 related dividends of 2.33cps. Final dividend has a record date of 19 September 2024 and a payment date of 3 October 2024.

Heat Transfer Solutions

12% INVENTORY REDUCTION

Completed the Thailand facility production building expansion and planned commissioning of new equipment

Supplier Excellence recognition award from Caterpillar for the Thailand operations and Joint Design Category Supplier of the Year award from Kenworth

Heavy-duty aluminium product validated for jacket water cooling; air and oil applications due in FY25

COMPLETED RESTRUCTURE OF ENGINEERING AND SALES TEAMS

ALU FIN

- Underground mining unit in field prototype testing commenced;
- Surface mining design model externally validated for strength and durability at 72,000 hours;
- Surface mining vehicle auxiliary coolers for electric and hybrid vehicles delivered for UAT; and
- On road heavy duty units successfully exceed 70,000 kms in testing.

Distribution

Enhanced utilisation of distribution network driving revenue growth

Inventory reduction achieved via improved product lead times and continued system improvements

Improved margin through dynamic pricing

Ecommerce functionality improvements improving customer experience

Vehicle fleet modernisation to reduce operating costs and improve safety

Addition of Mr Richard Rindfleish as our GM, Distribution

Letter from the Chair

On behalf of the Adrad Holdings Ltd (AHL) Board of Directors welcome to the 2024 Annual Report.

In our first full operating year post admission to the Official List of the Australian Securities Exchange (ASX) the Company continued to grow revenue year on year.

During the year we restructured our internal organisation to better reflect the operations of our key business segments being:

1. Heat Transfer Solutions – A vertically integrated designer and manufacturer of industrial radiator and cooling solutions for high end applications;
2. Distribution - Importer and distributor of radiators and other products for the Australian automotive and industrial aftermarket; and
3. Group Support – including Finance, Information Technology, and People & Culture.

As part of this restructure we also strengthened our senior management team with the introduction of our GM of People and Culture in December 2023 and our GM of Distribution in January 2024. In July 2024 our GM of HTS announced his retirement and a new GM will commence in September 2024.

The year also saw a change in CEO The CEO role was filled by Darryl Abotomey on an interim basis until the appointment of Kevin Boyle in April 2024. We thank Darryl, who has reverted back to being a Non-Executive Director and welcome Kevin to the Executive team. With these appointments the senior leadership team is now in place.

The Company continued to position itself for future growth through expansion of our Thailand production capability and investment in new production equipment. In Thailand we completed the building expansion project and have received and commissioned new equipment while also building new administration offices which are now complete. Similarly, in our Australian operations we have commissioned key new equipment in addition to having specialty equipment on order and nearing acceptance testing.

These additions will drive efficiency and capability improvements within our manufacturing operations and position us to remain cost competitive with key customers.

We continue the development of our Alufin product with a number of global players in the mining industry. We are presently:

1. field testing units in underground mining equipment;
2. developing a prototype for above ground mining dump trucks;
3. field testing units in on road transport; and
4. service testing an auxiliary cooler module for battery electric powered above ground mining equipment.

These developments highlight AHL's commitment to innovation, sustainability, and meeting the evolving needs of our clients

The business did face its challenges during the year. The ling effects of inflation and interest rate rises coupled with global macroeconomic forces affecting the mining and energy sectors did affect project timing for a number of our customers. We anticipate the unwinding of some of these impacts and hopefully the progression of these key projects in the 2025 financial year.

I would like to take this opportunity to thank the hard-working, dedicated AHL team. We cannot reiterate often enough that they are the heart and soul of the Company and are committed to its success.

In conclusion I would also like to thank our shareholders, for their continuing support.

Glenn Davis
Non-Executive Chairman

Directors' Report

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Adrad Holdings Limited (referred to hereafter as the 'Company', 'AHL' or 'Adrad') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

The following persons were Directors of Adrad during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name	Position
Non-Executive Directors	
Glenn Davis	Independent Non-Executive Chairman
Donald McGurk	Independent Non-Executive Director
Executive Director	
Darryl Abotomey [1]	Executive Director and interim CEO
Gary Washington	Executive Director

1. Resigned as Non-Executive Director and appointed Executive Director and interim CEO on 15 August 2023; resigned as Executive Director and resumed Non-Executive Director on 1 July 2024

PRINCIPAL ACTIVITIES

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

The company has two key business segments:

Heat Transfer Solutions

Designs and manufactures industrial cooling solutions for use in road transport and heavy vehicles, mining, power generation, data centres and rail industries.

Distribution

Imports and distributes radiators, mobile and stationary heat exchange products and a variety of automotive parts for the Australian and New Zealand automotive and industrial markets.

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

There has been no significant change in the nature of the Company's activities during the year.

500+ Employees

OPERATING AND FINANCIAL REVIEW

The Company's financial results for FY24 and a review of operations of Adrad during the financial year are set out below.

		FY24	FY23	Change
Income				**%**
Statutory trading revenue	$ m	142.9	141.1	1.2%
Statutory EBITDA[1]	$ m	17.5	19.3	(9.2%)
Net profit after tax (NPAT)	$ m	6.0	5.6	6.6%
Pro forma trading revenue[2]	$ m	142.9	141.1	1.2%
Pro forma EBITDA[2]	$ m	18.1	20.3	(10.9%)
Pro forma NPAT[2]	$ m	6.5	8.5	(23.6%)
Interim dividend	$ m	1.08	0.56	91.7%
Final dividend	$ m	1.31	1.31	(0.3%)
Basic EPS	cps	7.36	8.46	(13.0%)
Cash Flow				
Operating cash flow	$ m	14.7	5.6	162.5%
Financial position		**As at 30 June**	**As at 30 June**	
Cash (including term deposit)	$ m	15.8	13.9	13.7%
Net assets	$ m	120.8	116.9	3.3%

1. Earnings before interest, tax, depreciation and amortisation on a post AASB-16 basis.
2. Pro forma results in the table above are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

- Statutory trading revenue in FY24 of $142.9m, an increase of 1.2% on the prior year driven largely by growth in the Distribution segment. This was partially offset through the deferral of a number of HTS segment projects which have pushed into the FY25 year.
- Pro forma earnings before interest, taxes, depreciation and amortisation ("EBITDA") in FY24 were $18.1m (FY23 $20.3m) and are presented on a post AASB-16 (Lease Accounting) basis. The results reflect the impact of inflationary pressures on IT, insurance, freight and occupancy. It also reflects additional warranty costs and costs associated with investment in product upgrades within one of our key growth sectors.
- Pro forma Net Profit after Tax (NPAT) in FY24 of $6.5m was down 24% on the prior year. Statutory Net Profit after Tax in FY24 was $6.0m, up from $5.6m in the prior year.

The consolidated entity delivered a statutory operating profit of $10,251,400 (30 June 2023: $12,293,071) for the year ended 30 June 2024. The net assets of the consolidated entity increased to $120,766,314 as at 30 June 2024 (30 June 2023: $116,886,214). The consolidated entity had net cash inflows from operating activities for the period of $14,698,704 (30 June 2023: inflows of $5,556,306) reflecting the Company's continued focus on inventory management and improving inventory turnover.

NON-IFRS FINANCIAL INFORMATION

This report contains non-IFRS financial information provided to assist readers to better understand the business.

Pro forma EBITDA is presented post AASB-16 (Lease Accounting) and before significant or abnormal items including one-off costs associated with mergers, acquisitions and divestment activity, capital restructuring and non-recurring costs incurred that are not reflective of underlying business activity.

Pro forma NPAT is presented before significant and abnormal items at the Company's statutory tax rate of 30%.

The Directors believe the presentation of non IFRS financial measures is useful as they provide additional and relevant information that reflects the underlying financial performance and trends of the business. Non IFRS financial measures contained within this report are not subject to audit or review.

PRO FORMA NPAT

The Company generated statutory NPAT of $6.0 million (2023: $5.6 million). After adjusting for abnormal costs, a pro forma NPAT of $6.5 million was generated representing a 24% decrease from FY23 pro forma NPAT of $8.5 million.

The reconciliation between statutory NPAT and pro forma NPAT is:

	FY24	FY23	Change	Change
	$m	$m	$m	%
Statutory NPAT	6.0	5.6	0.4	6.6%
Significant and abnormal items (net of tax at 30%)				
IPO costs net of recovery [1]	0.3	0.6	(0.3)	(47.0%)
Other (redundancies, DTA, stock)	0.2	1.2	(1.0)	(83.5%)
Convertible notes costs[2]		1.1	(1.1)	(100.0%)
Pro forma NPAT	**6.5**	**8.5**	**(2.0)**	**(23.6%)**

1. Non-recurring IPO cost net of recovery from the Original Shareholders. FY24 includes $0.3m (post tax) share based payments to staff on successful IPO.
2. Non-recurring establishment and interest costs in respect of the convertible notes which converted at IPO on 30 September 2022.

PRO FORMA EBITDA

The Company generated a statutory EBITDA of $17.5 million (2023: $19.3 million). After adjusting for significant abnormal costs, a pro forma EBITDA of $18.1 million was generated representing a 11% decrease from FY23 pro forma EBITDA of $20.3 million.

The reconciliation between statutory EBITDA and pro forma EBITDA is:

	FY24	FY23	Change	Change
	$m	$m	$m	%
Revenue and other income	143.8	142.9	0.9	0.6%
Other expenses (ex depreciation & interest)	(126.3)	(123.6)	(2.7)	2.1%
Statutory EBITDA	**17.5**	**19.3**	**(1.8)**	**(9.2%)**
Abnormal items not in the ordinary course of operations				
IPO related costs net of recovery[1]	0.5	0.7	(0.3)	(36.2%)
Other (manufacturing, redundancies)	0.1	0.3	(0.2)	(58.9%)
Pro forma EBTIDA	**18.1**	**20.3**	**(2.2)**	**(10.9%)**

1. Non-recurring IPO cost net of cost recovery. FY24 includes $0.5 million in share based payments made in respect of the successful listing on the ASX.

HEAT TRANSFER SOLUTIONS (AIR RADIATORS):

The business segment specialises in the development of custom designed and manufactured heat transfer products and solutions predominately for customers operating in the Australian environment but also to some key global customers with operations in the Asian market. Our market includes cooling applications for data centre backup power systems, power generation at remote facilities, mining and transport vehicles and machinery, rail and other industrial equipment.

Our commitment to excellence in what we do is reflected in being awarded the Supplier Excellence Recognition award by Caterpillar; an award which recognises top-performing suppliers who have met or exceeded rigorous requirements and achieved world-class certification levels under Caterpillar's Supplier Excellence Recognition program. In addition Air Radiators won the Supplier of the Year award in our category for our Kenworth product. This comes on the heels of last years overall Supplier of the Year award; a true reflection of the quality embedded in all we do.

Revenue in the HTS business segment reflects a combination of growth in certain sectors offset by project deferrals in other areas.

We have expanded the scope of our after sales service offering by providing more services for our customers' equipment along its path from manufacturing and commissioning and throughout its serviceable life. During the year service teams were deployed throughout the region to work on equipment the Company initially supplied and we plan to further expand service to a wider customer base. This included a team going to Japan in FY24 to service Air Radiators manufactured equipment from 2015 in line with specified maintenance requirements from time of sale.

Our off-highway segment continued its positive trajectory and we continue to pursue operational efficiencies as we finalised construction of the factory extension and new offices, factory floor re-lay and new equipment commissioning at our Thailand plant.

These advancements were partially offset by continued negative volume pressure in our OEM mining vehicle market in Asia. Additionally, conditions in the Australian domestic mining and energy sector saw a number of projects with their associated demand for cooling applications deferred. We expect most projects to progress in FY25 and we retain a positive outlook for this sector.

In July 2024, Mr Jamie Baensch who has been with AHL for 14 years announced he would be retiring. Jamie has recently headed up HTS, and prior to that was general manager of Air Radiators Lara and Thailand. Jamie has been instrumental in the growth of HTS and we thank him for his invaluable contribution. A new GM for HTS will commence in September 2024.

DISTRIBUTION (ADRAD)

The Distribution segment delivered another year of top line revenue growth from a greater volume of sales across the range of categories we supply to the industrial and automotive aftermarkets. We continued to emphasise our primary focus on cooling applications in industrial and vehicular sectors but also added to our product range with the introduction of fuel pumps and harmonic balancers amongst others. We also more actively engaged in dynamic pricing to be more competitive across our product ranges and drive continued market share growth.

Our new GM of Distribution, Mr Richard Rindfleish joined in January 2024 and undertook a series of strategic reviews into the operations of the segment, resulting in the implementation of improved branch operating and sales methodologies and performance measurements. Learnings from these are beginning to have a positive impact. Branch improvement initiatives and sales focus on our core competencies have facilitated continued growth in sales volumes which has translated into EBITDA growth at a rate in excess of sales growth. We have also been able to continue to reduce inventory holdings while maintaining supply.

The Distribution segment continues to look at all aspects of its operations to achieve operating efficiencies, drive inventory levels down through refined purchasing practices and engaging with key suppliers to reduce product delivery lead times. We have continued with our vehicle fleet modernisation achieving operating cost benefits and lower maintenance costs per kilometre in addition to improved safety. Our approach to freight costs is being refined to both reduce the cost incurred and improve recoveries of costs.

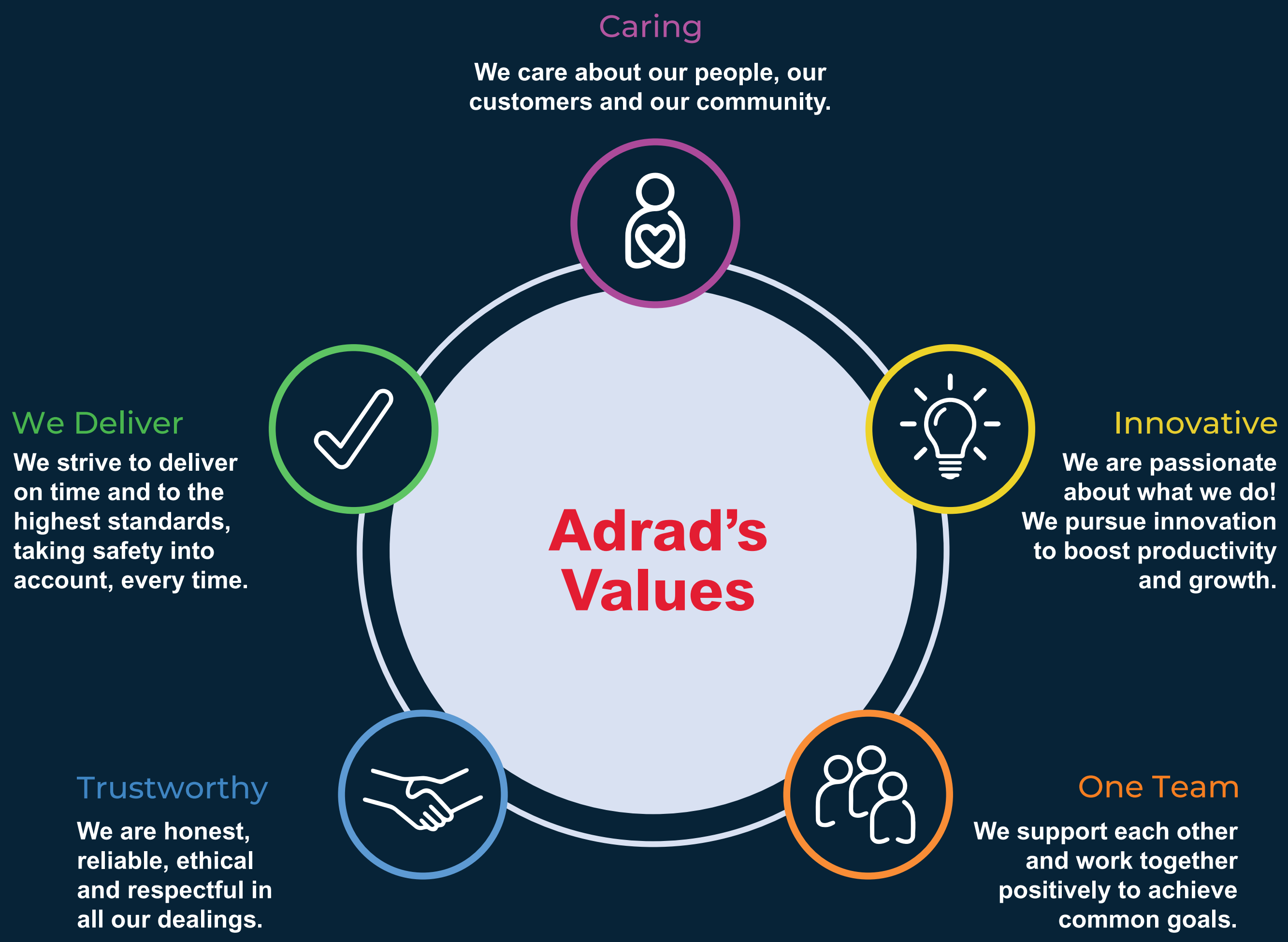
GROUP SUPPORT

Group Support which includes People and Culture (P&C), Finance and IT took shape during the year with the appointment of a new GM of P&C, Ms Annie Rafferty in December 2023. Bringing a wealth of experience from her background in both private and public corporations Ms Rafferty will be integral in driving the development of our corporate culture and high performing team environments.

At the heart of our success is our highly committed and professional team whose wellbeing is of utmost importance to the Company. During the financial year we implemented an organisation wide Employee Assistance and Wellbeing Program focusing on supporting better psychological, physical and financial health of all employees. A key corporate achievement has been the team's support of the business segments in reducing the number of workplace injuries and incidents well below industry benchmarks with a clear result being a marked reduction in lost workdays.

Furthermore, throughout FY24, the P&C team have facilitated workshops across the organisation to develop AHL's values of, Caring, Trustworthy, One Team, Innovative and We Deliver.

Finance continued its path of reviewing and rationalising the corporate structure and processes to reduce costs and improve financial reporting to the business units. The IT department invested considerable effort in enhancing cyber security and initiating an ERP upgrade to go live in FY25 while simultaneously modernising our IT infrastructure and improving data and network connectivity and functionality.



LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company anticipates an improving financial performance in FY25 as it continues to gain market share, broaden its product range through targeted purchasing and new product development and expand its market reach across both the Heat Transfer Solutions (HTS) and Distribution business segments. Subject to many variables that impact the economic environment the Board envisions increased demand in key growth areas for HTS, particularly cooling applications for primary and backup power generation systems as our customers' projects progress during FY25 as well as growth for on-highway and off-highway vehicular cooling needs. The Company will continue to develop its growing Alu Fin product market in addition to developing a heavy-duty aluminium range.

The Distribution segment will continue to pursue warehouse/branch improvement opportunities without expanding our facilities footprint. It includes expanding our direct to trade channel and industrial offering combined with greater focus on growing customer engagement and improved digital interfaces.

MATERIAL BUSINESS RISKS

The Board is committed to meeting the expectations of shareholders by leading a company culture that embodies good corporate governance and ethical business practice. Our risk management practices are guided by the company's Risk Management Policy, Risk Appetite Statement and Risk Management Framework. The Company is committed to maintaining and continually improving systems and processes to identify and effectively manage risk. Embedding robust risk management into our company is continuously improving as we consistently prioritise risk management and continually review our culture, people, processes and technology.

KEY STRATEGIC RISKS

Key strategic risks faced by the Company that could have a material impact on its financial prospects include:

PRODUCT RISK

We operate in a dynamic globally competitive market where customers continuously seek lighter, stronger or cheaper products. We need to ensure our products remain in demand to meet revenue objectives.

- We invest considerable engineering effort in developing a product portfolio that is sought by our customers.
- Continue to invest in improving manufacturing capabilities and efficiency to reduce overall costs.
- We will continue to review and change our product portfolio to meet changing customer demands.
- Understand the role the company plays in electric, hybrid and non-traditional power plants versus internal combustion engine (ICE) vehicles.

SAFETY RISK

Work health and safety related injuries and illness are a risk in manufacturing and distribution.

- The Company has robust systems and processes for compliance with Work Health and Safety (WHS) Legislation to effectively manage risks.

HUMAN CAPITAL RISK

The Company's ability to attract, retain and develop top talent is imperative in our ability to maintain and enhance financial performance.

- The Company has increased its focus on employee health and wellbeing; employing a GM, People and Culture to provide leadership in this key area.
- We are progressing a strategy to be recognised as an 'Employer of Choice' and actively promoting the company's newly developed values.
- We also continue to refine succession plans for key roles, a talent management plan and a diversity and inclusion plan.

CUSTOMER CONCENTRATION RISK

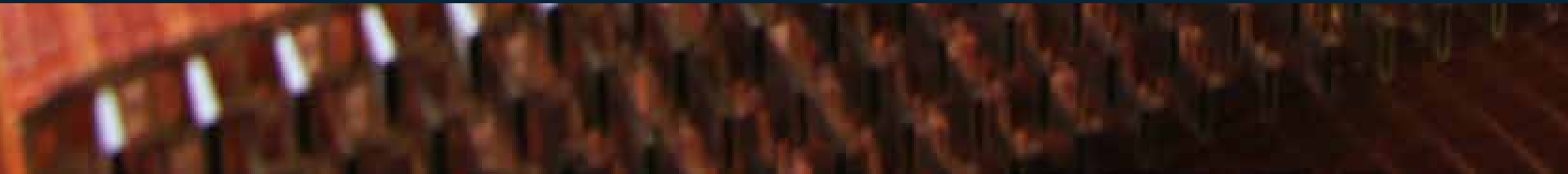
The Company has several key customers the loss of any could negatively impact the Company's ability to achieve near term financial goals.

- The Company has a key customer account management plan to manage relationships with customers.
- We assign the right employees to customer accounts who understand the value of customer retention, feedback, satisfaction and meeting customer expectations.
- We consistently deliver on brand promise (including product quality, competitive prices, and timely delivery) and have invested in a reputation as a supplier which stands behind its product.
- We keep abreast of market intelligence that may impact key customers and their behaviour brought on by political, economic, social, technological or environmental events.

TECHNOLOGY RISK

Protecting against and dealing with cyber threats is an ever evolving issue for most companies. Failure of critical IT can have a deleterious impact on the Company's financial performance.

- We have conducted vulnerability and penetration testing on AHL systems and implemented actions to address potential risk areas. We will continue to regularly test our capacity to defend and respond to cyber threats.
- Through company wide training initiatives we have improved awareness of the cyber security threats and risks and how they affect the organisation.
- Our disaster recovery plan is in place, tested and updated on a regular basis to ensure business continuity in the event of a cyber attack or IT issue.
- Annual insurance package includes cyber cover.



DIVIDENDS

On 23 February 2024 the Directors declared a fully franked interim dividend of 1.33 cents per ordinary share in relation to the financial half-year ending 31 December 2023. The distribution of $1.1 million was based on the number of shares outstanding as at 23 February 2024; the financial effect of this dividend has been brought to account in the consolidated financial statements for the year 30 June 2024.

On 28 August 2024 the Directors declared a fully franked final dividend of 1.61 cents per ordinary share with a record date of 19 September 2024 and a payment date of 3 October 2024. The proposed distribution of $1.3 million is based on the number of shares outstanding on 28 August 2024. The financial effect of this final dividend has not been brought to account in the consolidated financial statements during the year ended 30 June 2024.

DEED OF CROSS GUARANTEE

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which ASIC Corporations (Wholly owned Companies) Instrument 2016/785 applies, as detailed in note 31 to the financial statements will, as a group, be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In FY24, the Company introduced its Employee Share Plan to acknowledge and reward the contribution of the Adrad team members to the success of the Company. Shares were issued to team members for NIL consideration, at an approximate cost to the company of $0.5 million in FY24 in recognition of the efforts each eligible team member made towards the successful listing on the ASX.

On 15 August 2023 Mr Don Cormack Adrad's Chief Executive Officer ("CEO") for the last 17 years, resigned. The Board would like to thank Mr Cormack for his significant contribution to the growth of the company and leaving it in a strong position for the future. Mr Darryl Abotomey was appointed Executive Director and interim CEO on 15 August 2023 and acted in that capacity until the appointment of Mr Kevin Boyle as CEO on 12 April 2024. Mr Abotomey returned to his previous Non-Executive Director role on 1 July 2024.

There were no other significant changes in the state of affairs of the consolidated entity during the year.

ENVIRONMENTAL LEGISLATION

The consolidated group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

EXECUTIVE PERFORMANCE RIGHTS

On 30 September 2023 259,999 Initial Performance Rights issued to Former Executive KMP in recognition of the successful listing on the ASX vested. These performance rights were converted to fully paid ordinary shares on 31 October 2023.

SHARES UNDER OPTION

During FY23 the Company issued 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 options had been valued using a Black-Scholes model at a total value of $37,504 ($0.093 per option) and charged to Share based payment reserve during the year ended 30 June 2023.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Details of shareholdings of key management personnel (KMP) as at 30 June 2024 and movements during FY24 are contained in the Remuneration Report. KMP are restricted from trading in Company shares during closed periods as outlined in the Company's Share Trading Policy; this includes the period from 30 June to the day after the lodgement of the Company's results. There has been no change in the shareholdings of any KMP since 30 June 2024.

INFORMATION ON DIRECTORS

The names of the Directors of Adrad who held office during the financial year and at the date of this report are:

GLENN DAVIS

Independent Non-Executive Chairman – LLB, BEc, FAICD

Experience and expertise

Mr Davis has practiced as a solicitor in corporate and risk throughout Australia for over 30 years initially in a national firm and then a firm he founded. He has expertise and experience in the execution of large transactions, risk management and in corporate activity regulated by the Corporations Act (2001) and ASX Limited. Mr Davis has broad Director and industry experience across manufacturing, retail, energy resources and primary production.

Current and former listed company Directorships in the last 3 years

Mr Davis is currently a Director of ASX listed company SkyCity Entertainment Group Ltd (since 2022), and iTech Minerals Ltd (ITM) (since 2021).

Mr Davis resigned as a Director of Beach Energy Ltd on 14 November 2023.

Responsibilities

Mr Davis' special responsibilities include Chairman of the Board; Chairman of the Remuneration and Nomination Committee (was Chairman of the Committee until June 2023 and a member until his re-appointment as Chairman on 25 August 2023) plus membership of the Audit and Risk Committee.

Date of appointment

Mr Davis joined Adrad as Chair of the Company on 17 January 2022.

GARY WASHINGTON

Executive Director

Experience and expertise

Mr Washington founded Adrad in 1985 and has successfully led significant growth in the Company's business since its establishment, both organically and by way of acquisition, including the acquisition of the Natra group of companies in 2006.

Mr Washington has over 50 years' experience in the industrial and automotive heat exchange industries and in manufacturing in Australia.

Mr Washington was Chair of the Company from its establishment until the appointment of Mr Davis to the role in January 2022.

Current and former listed company Directorships in the last 3 years

None.

Responsibilities

Special responsibilities include membership of the Remuneration and Nomination Committee.

Date of appointment

Since inception in 1985.

DONALD MCGURK

Independent Non-Executive Director

Experience and expertise

Mr McGurk is the former Managing Director and Chief Executive Officer of Codan Limited, a global electronic solutions company developing technology solutions such as metal detection, tactical and critical communication solutions for government, military, public safety, non-government organisations and consumer markets internationally.

Mr McGurk has an extensive background in change management applied to manufacturing operations and has held senior manufacturing management positions in several industries.

Current and former listed company Directorships in the last 3 years

Mr McGurk resigned as a Non-Executive Director of Aerometrex Limited (ASX:AMX) on 31 December 2023.

Mr McGurk was Managing Director of Codan Limited until resigning in February 2022.

Responsibilities

Mr McGurk's special responsibilities include Chairman of the Audit and Risk Committee plus membership of the Remuneration and Nomination Committee.

Date of appointment

Mr McGurk joined the Board of the Company on 23 March 2022.

DARRYL ABOTOMEY

Interim Chief Executive Officer and Executive Director (appointed 15 August 2023 until 30 June 2024)

Independent Non-Executive Director (appointed 11 April 2023 until 15 August 2023; resumed this role from 1 July 2024)

Experience and expertise

Mr Abotomey brings over 30 years of executive leadership and financial expertise having held Board and executive leadership roles across manufacturing, global paper and packaging distribution and automotive aftermarket industries. Mr Abotomey was most recently Chief Executive Officer and Managing Director of Bapcor Limited, Asia Pacific's leading provider of vehicle parts, accessories, equipment, service and solutions, where during his 10 years in that role he was instrumental to the successful growth and expansion of the business in line with its strategic growth plan.

Current and former listed company Directorships in the last 3 years

Mr Abotomey was Managing Director of Bapcor Limited (resigned December 2021).

Mr Abotomey was a Director of SGX listed company Tye Soon Limited from May 2021 to December 2021.

Mr Abotomey is a Director of K-TIG Limited appointed 4 April 2022.

Responsibilities

Mr Abotomey's special responsibilities included membership of the Audit and Risk Committee and membership of the Remuneration and Nomination Committee (appointed Chairman of the Committee in June 2023) until a subsequent sub-committee composition change on 15 August 2023 following his appointment as interim CEO. Appointed Executive Director and interim CEO on 15 August 2023 until 30 June 2024. Mr Abotomey resumed his committee memberships from 1 July 2024.

Date of appointment

Mr Abotomey joined the Board of the Company on 11 April 2023.

JOINT COMPANY SECRETARY

MS KAITLIN SMITH
B.Comm (Acc.), CA, FGIA

Ms Smith provides company secretarial and accounting services to various public and proprietary companies; she is a chartered accountant and a fellow member of the Governance Institute of Australia and holds a Bachelor of Commerce (Accounting).

MR ROD HYSLOP
B.A. (Econ.), CA

Mr Hyslop was appointed Joint Company Secretary on 24 January 2023 and has previous company secretary experience for both public and proprietary companies. Mr Hyslop also serves as the Group CFO (appointed 1 December 2022).

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each Director was:

	Board Meeting		Audit and Risk Committee		Remuneration Committee	
Name	Held [1]	Attended	Held [1]	Attended	Held [2]	Attended
Glenn Davis	8	8	2	2	-	-
Donald McGurk	8	8	2	2	-	-
Gary Washington	8	8	-	-	-	-
Darryl Abotomey	8	8	-	-	-	-

1. Number of meetings held during the time that the Director was appointed to the Board or Committees
2. Periodic review of remuneration matters are discussed and considered independently and during meetings of the Board of Directors

BOARD COMMITTEES

Chairmanship and membership of each board committee throughout the year and at the date of this report are as follows:

Committee	Chairman	Members
Audit and Risk	Donald McGurk	Glenn Davis , Darryl Abotomey [1]
Remuneration and Nomination	Glen Davis [2]	Darryl Abotomey [3], Donald McGurk, Gary Washington

1. Mr Abotomey resigned from the committee on 15 August 2023
2. Mr Davis was appointed Chairman of the committee on 15 August 2023
3. Mr Abotomey resigned from the committee and as Chairman of the committee on 15 August 2023

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel (KMP) remuneration arrangements for the consolidated group for the financial year ended 30 June 2024, in accordance with the requirements of the Corporations Act 2001 (Cth) and its Regulations. It has been audited and forms part of the Directors' Report.

KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors. They include the Company's Non-Executive Directors (NED), Executive Directors (ED) and Executive KMP and are listed in the table below.

Directors and Executive KMP covered in this report

Name	Position	Period as KMP during the year
Non-Executive Directors		
Glenn Davis	Independent Non-Executive Chairman;	All of FY24
	Member of the Audit and Risk Committee;	All of FY24
	Member of the Remuneration and Nomination Committee; and	All of FY24
	Chairman of the Remuneration and Nomination Committee	From 15 August 2023
Donald McGurk	Independent Non-Executive Director;	All of FY24
	Chairman of the Audit and Risk Committee; and	All of FY24
	Member of the Remuneration and Nomination Committee	All of FY24
Executive Director		
Darryl Abotomey	Executive Director;	Appointed 15 August 2023; resigned 30 June 2024
	Independent Non-Executive Director;	Resigned 15 August 2023; resumed 1 July 2024
	Member of the Audit and Risk Committee;	Resigned 15 August 2023
	Member and Chairman of the Remuneration and Nomination Committee	Resigned 15 August 2023
Gary Washington	Executive Director; and	All of FY24
	Member of the Remuneration and Nomination Committee	All of FY24
Executive KMP		
Darryl Abotomey	Chief Executive Officer (Interim)	Appointed 15 August 2023 ; resigned 12 April 2024
Kevin Boyle	Chief Executive Officer	Appointed 12 April 2024
Rod Hyslop	Chief Financial Officer	All of FY24
Former Executive KMP [1]		
Donald Cormack	Chief Executive Officer	Resigned 15 August 2023

1. Following a restructure of the organisation at the outset of FY24 Messrs. Baensch and Stojakovic are no longer classified as KMP and are not included in this report.

On 15 August 2023 Mr Don Cormack resigned as CEO and for purposes of this report is classified as Former Executive KMP from that date; he remained an employee of the Company during his notice period which expired on 15 November 2023. Mr Darryl Abotomey was appointed Executive Director and CEO (on an interim basis) on 15 August 2023; as an Executive Director Mr Abotomey resigned from all board committees on 15 August 2023. Mr Glenn Davis was appointed Chair of the Remuneration and Nomination Committee on 15 August 2023.

Mr Abotomey continued in the capacity of interim CEO until 12 April 2024 when Mr Kevin Boyle was appointed CEO. Mr Abotomey remained an Executive Director until 30 June 2024 whereupon he resigned and immediately resumed his role as an independent Non-Executive Director.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The Board is responsible for determining and reviewing Director and Executive KMP compensation arrangements. The Board assesses the appropriateness of the nature and amount of remuneration of KMP yearly by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and Executive team. The expected outcome of this remuneration structure is to retain and motivate KMP aligned with the Company's strategic and business objectives.

The Board has adopted a formal Remuneration and Nomination Committee Charter as part of its Corporate Governance Policies. The remuneration structure adopted by the Company consists of the following components:

- Fixed remuneration being annual base salary and associated benefits (annual leave, long service leave and superannuation); and
- At risk remuneration being short term and long term incentives in the form of cash bonuses and performance rights.

The Board is responsible for setting and assessing performance against KPIs and determining short term (STI) and long term (LTI) incentives to be paid, if any.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company's shareholders in general meeting. This amount has been fixed initially via a shareholder's resolution passed in accordance with the Company's Constitution at $600,000 per annum in aggregate and may be varied by further ordinary resolution in general meeting.

Non-Executive Directors do not receive performance-based pay.

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of the Executive Directors is set by the Directors and is paid by way of a fixed salary.

The Executive Directors are not entitled to receive any additional compensation, including performance rights, in their capacity as an Executive Director.

RETIREMENT ALLOWANCES FOR DIRECTORS

Superannuation contributions are made as required under the Australian Superannuation Guarantee Legislation.

EXECUTIVE REMUNERATION

The Company's compensation policies and practices are designed to:

- align Executive remuneration with shareholder interests;
- retain, motivate and reward appropriately qualified Executive talent for the benefit of the Company;
- to achieve a level of remuneration that reflects the competitive market in which the Company operates;
- to ensure that individual remuneration is linked to performance criteria where appropriate; and
- to ensure that Executives are rewarded for both financial and non-financial performance.

The Board aims to satisfy these objectives by adopting a compensation program for Executive KMP that combines base remuneration, which is market-related, with performance-based remuneration, which is determined annually.

Remuneration assessments are based on the Board's knowledge and experience in Executive compensation matters. The Company did not retain a remuneration consultant in determining the remuneration of any of the KMP.

Overall remuneration decisions are subject to the discretion of the Board. They can be changed to reflect competitive and business conditions in the Company's and shareholders' interests. KMP remuneration and other terms of employment are reviewed annually by the Board regarding the performance and relevant comparative information.

COMPENSATION COMPONENTS

Executive KMP compensation currently consists primarily of three elements: fixed remuneration being base salary in the form of cash plus superannuation, STIs and LTIs. Each element of compensation is described in more detail below.

Fixed remuneration

The primary element of the Company's fixed remuneration is base salary plus superannuation. The Company believes a competitive base salary is necessary to attract and retain qualified Executive KMP. Accordingly, the amount payable to an Executive KMP is determined based on the scope of their responsibilities and prior experience while considering an informal evaluation of competitive market compensation for similar positions and overall market demand for such Executives at the time of hire.

Base salaries are reviewed annually and increased for merit reasons, based on the Executive KMP's success in meeting or exceeding Company and individual objectives. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of the Executive KMP's role or responsibilities and market competitiveness.

At risk remuneration

Short term incentives (STI): Executive KMP are entitled to an annual STI benefit of up to a maximum gross value of 25% (50% for CEO) of their base salary amount for each financial year during which they are employed. 50% of the STI benefit is in the form of a cash bonus and 50% of the STI benefit is in the form of performance rights issued under the terms and conditions of the Company's Performance Rights Plan.

Any STI benefit will be determined according to the Board's assessment of the level of achievement of performance metrics for each financial year to be established annually by the Board.

During the year ended 30 June 2024 no STI benefits were paid or declared.

Long-term incentives (LTI): equity based awards are a variable element of compensation that allows Executive KMP to be rewarded for their sustained contributions to the Company's overall performance. LTIs reward continued employment by Executive KMP, with an associated benefit of attracting employees, continuity and retention.

Executive KMP may be entitled to a LTI benefit of up to a maximum value of 25% (50% for CEO) of their base salary. Any LTI benefit will be in the form of performance rights and determined according to the Board's assessment of the level of achievement of personal and Company performance metrics for each financial year to be established by the Board.

The performance metrics for assessment of any LTI benefit from time to time will be determined by the Board having regard to considerations of long-term shareholder value creation.

Any LTI benefit must be determined by the Board, within a reasonable period of the end of the relevant financial year as determined by the Board.

During FY23 Initial Performance Rights were issued to Former Executive KMP in recognition of their contribution towards the successful listing on the ASX. Accounting standards require the value of these rights to be progressively expensed over the vesting period being from 1 October 2022 to 30 September 2023. During the year ended 30 June 2024 the Company recognised $50,000 in share based payments expense in relation to these Initial Performance Rights. During the year ended 30 June 2024 no LTI benefits were paid or declared in relation to the FY24 year.

DETAILS OF REMUNERATION

Details of the Company's remuneration of KMP are set out in the following tables. During FY24 there was no remuneration to KMP that was directly linked to the financial performance of the company under either the STI or LTI incentive schemes. The value of remuneration received or receivable by KMP for the financial year is as follows:

Director and Executive KMP remuneration details

		Short term benefits	Share based payments [2]	Post-employment benefits	Long term benefits					
		Fixed remuneration[1]	Perfor-mance rights	Super-annuation	Long service leave [3]	Total	Total fixed	At risk - LTI	At risk - STI	Total issued in equity
		$	$	$	$	%	%	%	%	%
Non-Executive Directors										
Glenn Davis[4]	**FY24**	**150,000**	**-**	**-**	**-**	**150,000**	**100%**	**-**	**-**	**-**
	FY23	150,000	-	-	-	150,000	100%	-	-	-
Donald McGurk	**FY24**	**105,000**	**-**	**9,900**	**-**	**114,900**	**100%**	**-**	**-**	**-**
	FY23	91,250	-	9,450	-	100,700	100%	-	-	-
Executive Director										
Darryl Abotomey[5]	**FY24**	**529,152**	**-**	**27,399**	**-**	**556,551**	**100%**	**-**	**-**	**-**
	FY23	23,750	-	2,363	-	26,113	100%	-	-	-
Gary Washington	**FY24**	**114,001**	**-**	**12,540**	**(483)**	**126,058**	**100%**	**-**	**-**	**-**
	FY23	101,507	-	10,598	668	112,773	100%	-	-	-
Executive KMP										
Kevin Boyle[6]	**FY24**	**116,657**	**-**	**6,850**	**-**	**123,507**	**100%**	**-**	**-**	**-**
Rod Hyslop	**FY24**	**294,941**	**-**	**27,500**	**-**	**322,441**	**100%**	**-**	**-**	**-**
	FY23	169,473	-	15,052	-	184,525	100%	-	-	-
Former Executive KMP										
Don Cormack[7]	**FY24**	**76,814**	**50,000**	**3,388**	**2,416**	**132,618**	**62%**	**38%**	**-**	**38%**
	FY23	577,701	150,000	27,500	14,500	769,701	81%	19%	-	19%
Total	**FY24**	**1,386,565**	**50,000**	**87,577**	**1,933**	**1,526,075**				
	FY23	1,408,622	150,000	92,463	15,168	1,666,253				

1. Fixed remuneration comprises base salary, annual leave and other contractual payments treated as remuneration where applicable. It includes the value of the movement in the relevant annual leave entitlement provision during the year.
2. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The fair value of equity instruments are determined as at the grant date and then progressively expensed over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The fair value of the rights as at the date of their grant has been determined in accordance with principles set out in the Fair value of performance rights section of this report.
3. This amount represents the movement in the relevant long service leave entitlement provision during the year.
4. No superannuation contributions were made on behalf of Mr Davis. Director's fees for Mr Davis are paid to a related entity. Mr Davis does not receive additional fees for committee work.
5. Mr Abotomey was appointed Executive Director and interim CEO on 15 August 2023. The amounts of remuneration reported reflect the full year including remuneration for his time spent as Non-Executive Director from 1 July 2023 to 15 August 2023.
6. Mr Boyle was appointed Chief Executive Officer on 12 April 2024 and the amounts of remuneration reported reflect the period from his appointment to 30 June 2024.
7. Mr Cormack resigned as Chief Executive Officer on 15 August 2023 and the amounts of remuneration reflect the period from 1 July 2023 to 15 August 2023.

PERFORMANCE RIGHTS HELD BY KMP

Prior to listing on the ASX in September 2022, the Company established a Performance Rights Plan to align the interests of eligible employees with shareholders through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

The number of performance rights offered to an eligible participant will be specified in any invitation made by the Board to that eligible participant.

Each performance right carries a right to receive a share (subject to satisfaction of any performance criteria within any performance period as set by the Board).

Performance rights granted become exercisable if certain performance requirements are achieved. A performance right will only vest if the Board determines that the performance criteria (if any) have been satisfied within the performance period.

INITIAL PERFORMANCE RIGHTS

During the year ended 30 June 2024, 133,333 Initial Performance Rights previously granted to Don Cormack (Former Executive KMP) vested; Mr Cormack was issued 133,333 fully paid ordinary shares on 31 October 2023 on conversion of the vested Initial Performance Rights. The Initial Performance Rights had been previously granted to Mr Cormack in FY23 under the terms and conditions of the Performance Rights Plan. The Initial Performance Rights had been issued as a specific and stand-alone issue in connection with the successful Admission of the Company to the Official List of the ASX on 30 September 2022. The Initial Performance Rights were not issued under an LTI benefit scheme. Other than the performance criteria of successful listing on the ASX and a one year post-listing continued employment condition, there were no Company LTI performance metrics associated with the granting of the Initial Performance Rights. The Board determined that the performance criteria for the vesting of the Initial Performance Rights had been satisfied within the performance period being one year following successful listing on the ASX.

No STI or LTI benefit scheme linked performance rights were granted or vested during the year ending 30 June 2024.

Any future offers of performance rights will be made pursuant to the terms and conditions of the Company's Performance Rights Plan as part of Executive KMP's STI and LTI incentive schemes.

The following table shows the movements during the reporting period in performance rights over ordinary shares in the Company held directly, indirectly or beneficially by each KMP and their related entities.

Director and Executive KMP performance rights movements

Name	Year granted	Balance at start of the year #	Granted during year #	Vested #	Lapsed #	Balance at end of the year[1] #
Non-Executive Directors						
Glenn Davis		-	-	-	-	-
Donald McGurk		-	-	-	-	-
Executive Director						
Darryl Abotomey		-	-	-	-	-
Gary Washington		-	-	-	-	-
Executive KMP						
Kevin Boyle						
Rod Hyslop						
Former Executive KMP						
Don Cormack	2023	133,333	-	133,333	-	-
Total		**133,333**	**-**	**133,333**	**-**	**-**

1. The maximum value of the performance rights yet to vest has been determined as the fair value per right at the grant date is yet to be expensed.The minimum value of performance rightsyet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

Specific details of the number of performance rights granted, vested and lapsed in FY24 for KMP are set out in the table below.

Director and Executive KMP performance rights details

Name	Grant date	Fair value per right at grant date $	Granted during year	Vested	Lapsed	Rights on issue at end of the year	Date rights vest and become exercisable	Value expensed this year [1] $
Non-Executive Directors								
Glenn Davis		-	-	-	-	-		-
Donald McGurk		-	-	-	-	-		-
Executive Directors								
Darryl Abotomey		-	-	-	-	-		-
Gary Washington		-	-	-	-	-		-
Executive KMP								
Kevin Boyle		-	-	-	-	-		-
Rod Hyslop		-	-	-	-	-		-
Former Executive KMP								
Don Cormack	30-Sep-22	1.50	-	133,333	-	-	30-Sep-23	-
Total $			**-**	**200,000**	**-**	**-**		**50,000**

1. The fair value of equity instruments are determined as at the grant date and then progressively expensed over the vesting period.

Performance rights granted carry no dividend or voting rights. All performance rights were granted over unissued fully paid ordinary shares in the Company. Performance rights vest based on the vesting period, whereby the Executive becomes beneficially entitled to the performance rights on the vesting date. Performance rights are exercisable by the holder from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. No amounts are paid or payable by the recipient regarding granting such performance rights.

FAIR VALUE OF PERFORMANCE RIGHTS

The Company has employed the Black-Scholes Valuation Model to determine the fair value of the performance rights which takes into consideration where applicable the exercise price, the term of the vesting period, the share price at grant date, expected volatility of the underlying shares, expected dividend yield and the risk free interest rate of the term over the vesting period. The fair value of performance rights granted is amortised and disclosed as part of remuneration on a straight line basis over the vesting period.

SHAREHOLDINGS OF KMP

The following table details the movements during the reporting period in ordinary shares in the Company held directly, indirectly or beneficially by each KMP and their related entities:

Director and KMP interest in ordinary shares

2023	Balance at start of the year #	Issued during the year (prior to IPO) #	Purchased #	Sold #	Balance at end of the year #
Non-Executive Directors					
Glenn Davis	-	-	-	-	-
Donald McGurk	-	-	-	-	-
Executive Directors					
Darryl Abotomey	-	-	-	-	-
Gary Washington [1]	49,320,114	-	-	-	49,320,114
Executive KMP					
Kevin Boyle	-	-	-	-	-
Rod Hyslop	-	-	4,915	-	4,915
Former Executive KMP					
Don Cormack	-	133,333	-	-	133,333
Total	**49,320,114**	**133,333**	**4,915**	**-**	**49,458,362**

1. Held by entities in which a relevant interest is held.

No ordinary shares were issued to Directors and other KMP as part of compensation during the year ended 30 June 2024.

EMPLOYMENT AND SERVICE AGREEMENTS

Non Executive Directors

The Company has entered into a Director appointment agreement with DMAW Lawyers Pty Ltd (DMAW Lawyers), of which the Chairman, Mr Davis is a principal, under which the Company pays DMAW Lawyers $150,000 plus GST to procure the appointment of Mr Davis as the Chair of the Board.

Other Non-Executive Directors enter into appointment letter agreements with the Company confirming the terms of appointment and their roles and responsibilities. The appointment letter agreements are otherwise on standard commercial terms. Non-Executive Directors receive fees of $90,000 per annum (plus superannuation guaranteed contribution) as at the reporting date and are subject to periodic re-election at shareholder meetings.

Additional fees may be payable to Directors in consideration of their role as Chair of a Board Committee or membership on a Committee. As at the reporting date, the Chair of the Remuneration and Nomination Committee and Audit and Risk Committee respectively receive an additional $10,000 per annum (exclusive of superannuation) while members of the Committees receive an additional $5,000 per annum (exclusive of superannuation).

Executive Directors and Executive KMP

It is the Company's policy that employment agreements for Executive Directors and Executive KMP are unlimited in term but capable of termination on one to three months' notice, and that the Company retains the right to terminate the agreement immediately by making payment in lieu of notice. The Company has entered into an employment agreement with the Executive Directors and each Executive KMP. The Executive Directors and Executive KMP are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, as well as any entitlement to incentive payments and superannuation benefits.

A summary of employment arrangements is as follows:

Director and Executive KMP contractual arrangements

Position	Fixed remuneration (1)	Duration	Termination notice period
Executive Director			
Executive Director	$90,000	Unlimited	1 month
Executive KMP			
Interim CEO[2]	$540,000	Unlimited	3 months
CEO	$500,000	Unlimited	6 months
CFO	$291,000	Unlimited	3 months

1. Salary or fee exclusive of superannuation
2. Darryl Abotomey performed an Executive Director and interim CEO role from 15 August 2023 to 30 June 2024 during which time did not receive Directors fees.

OTHER TRANSACTIONS WITH KMP

The Company may engage DMAW Lawyers for the provision of legal services from time to time but is not party to any ongoing retainer or other agreement with DMAW Lawyers. Any legal services provided by DMAW Lawyers have, to date, not been material.

The Company has entered into the following related party transactions:

(a) letters of appointment with each of its Non-Executive Directors on standard arm's length terms, and legal fees paid to DMAW Lawyers, of which Mr Davis is a principal;

(b) deeds of indemnity, access and insurance with each of its Directors and Executive KMP on standard arm's length terms;

(c) an employment agreement with Mr Abotomey in relation to his appointment as Executive Director and interim CEO;

(d) an employment agreement with Mr Washington in relation to his appointment as Executive Director;

(e) an employment agreement with Mrs Washington, the wife of Mr Washington, in relation to her appointment as Co-Founder Relationship Manager;

(f) supply arrangements with Harrop Engineering Australia Pty Ltd ACN 134 196 080 (Harrop Engineering). Harrop Engineering is controlled by Mr and Mrs Washington; and

(g) various leases with Harlaxton Pty Ltd ACN 058 185 760 (Harlaxton) and Arlyngton Pty Ltd (ACN 058 716 573) (Arlyngton), both of which are controlled by Mr and Mrs Washington, who are Directors and controlling shareholders of each entity.

There have been no loans to KMP or their related parties during the financial year.

At the date of this report, no other material transactions with related parties or Directors' interests exist of which the Directors are aware, other than those disclosed in this report.

CHANGES SINCE THE END OF THE REPORTING PERIOD

Mr Darryl Abotomey resigned as Executive Director on 30 June 2024 and immediately resumed his role as Non-Executive Directors.

THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED.

INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against liability to the extent permitted by the Corporations Act 2001. The insurance contract prohibits disclosure of the liability's nature and the premium's amount.

AUDITOR

William Buck (SA). William Buck was appointed auditor of AHL in November 2023 having received approval by members via ordinary resolution at the Annual General Meeting held on 17 November 2023.

NON-AUDIT SERVICES

There was a total of $67K in non-audit services provided during the financial year by the audit firm (30 June 2023: $nil).

The Directors are satisfied that the provision of non-audit services during the financial year by the audit firm (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the audit firm; and
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 – Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

INDEMNITY OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated group's operations, the results of those operations, or the consolidated group's state of affairs in future financial years.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a Directors' resolution pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Glenn Davis
Non-Executive Chairman
28 August 2023

Auditor's Independence Declaration

Auditor's Independence Declaration

William Buck
ACCOUNTANTS & ADVISORS

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

To the Directors of Adrad Holdings Limited

As lead auditor for the audit of Adrad Holdings Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

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

William Buck

William Buck (SA)
ABN: 38 280 203 274

M. D. King
Partner

Dated 28th August 2024

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Financial Statements

Adrad Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated 2024	Consolidated 2023
		$	$ Restated
Revenue			
Sales revenue	5	142,857,536	141,129,082
Other income	6	916,858	1,742,392
Expenses			
Raw materials and other manufacturing expenses		(66,218,550)	(64,265,619)
Employee expenses		(39,717,191)	(37,669,371)
Depreciation expenses	7	(7,268,586)	(7,018,520)
Other expenses	8	(19,862,551)	(21,335,956)
Share-based payment		(456,115)	(288,937)
Operating profit		10,251,401	12,293,071
Finance income		312,811	196,956
Finance costs	9	(1,495,882)	(3,027,817)
Net finance cost		(1,183,071)	(2,830,861)
Profit before income tax expense		9,068,330	9,462,210
Income tax expense	10	(3,095,178)	(3,856,595)
Profit after income tax expense for the year attributable to the owners of Adrad Holdings Limited		5,973,152	5,605,615
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(147,335)	294,307
Other comprehensive income for the year, net of tax		(147,335)	294,307
Total comprehensive income for the year attributable to the owners of Adrad Holdings Limited		5,825,817	5,899,922

FY23 has been restated to report manufacturing overhead recoveries and associated expenses as part of Raw materials and other manufacturing expenses; not part of Other expenses.

		Cents	Cents
Basic earnings per share	35	7.36	8.46
Diluted earnings per share	35	7.36	8.43

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

Adrad Holdings Limited
Statement of financial position
As at 30 June 2024

		Consolidated	
	Note	2024	2023
		$	$
Assets			
Current assets			
Cash and cash equivalents	11	15,840,359	13,931,145
Trade and other receivables	12	24,522,581	21,493,220
Inventories	13	47,260,845	54,257,513
Total current assets		87,623,785	89,681,878
Non-current assets			
Property, plant and equipment	15	17,662,778	15,042,078
Right-of-use assets	14	43,472,352	43,308,154
Intangible assets	16	36,965,654	36,965,654
Deferred tax asset	10	4,831,228	4,591,115
Total non-current assets		102,932,012	99,907,001
Total assets		190,555,797	189,588,879
Liabilities			
Current liabilities			
Trade and other payables	17	11,922,511	14,063,595
Borrowings and interest-bearing liabilities	18	807,301	2,140,963
Lease liabilities	19	3,663,157	3,620,095
Provision for income tax		(729,976)	310,928
Provisions	20	9,430,896	9,079,227
Total current liabilities		25,093,889	29,214,808
Non-current liabilities			
Borrowings and interest-bearing liabilities	18	585,277	731,305
Lease liabilities	19	43,714,998	42,396,573
Provisions	20	395,319	359,979
Total non-current liabilities		44,695,594	43,487,857
Total liabilities		69,789,483	72,702,665
Net assets		120,766,314	116,886,214
Equity			
Contributed equity	21	43,693,739	42,986,191
Reserves	22	(2,696,312)	(2,297,544)
Retained profits		79,768,887	76,197,567
Total equity		120,766,314	116,886,214

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

Adrad Holdings Limited
Statement of changes in equity
For the year ended 30 June 2024

Consolidated	Contributed Equity $	Foreign Currency Translation Reserve $	Common Control Acquisition Reserve $	Acquisition of Non-Controlling Reserve $	Share based Payment Reserve $	Retained Profits $	Total Equity $
Balance at 1 July 2022	3,750,761	(2,358,603)	4,804,650	(5,326,836)	-	71,156,527	72,026,499
Profit after income tax expense for the year	-	-	-	-	-	5,605,614	5,605,614
Other comprehensive income for the year, net of tax	-	294,308	-	-	-	-	294,308
Total comprehensive income for the year	-	294,308	-	-	-	5,605,614	5,899,922
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs (note 21)	39,235,430	-	-	-	-	-	39,235,430
Share-based payments (note 36)	-	-	-	-	288,937	-	288,937
Dividends Paid (note 23)	-	-	-	-	-	(564,574)	(564,574)
Balance at 30 June 2023	42,986,191	(2,064,295)	4,804,650	(5,326,836)	288,937	76,197,567	116,886,214

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

Adrad Holdings Limited
Statement of changes in equity
For the year ended 30 June 2024

Consolidated	Contributed Equity $	Foreign Currency Translation Reserve $	Common Control Acquisition Reserve $	Acquisition of Non-Controlling Reserve $	Share based Payment Reserve $	Retained Profits $	Total Equity $
Balance at 1 July 2023	42,986,191	(2,064,295)	4,804,650	(5,326,836)	288,937	76,197,567	116,886,214
Profit after income tax expense for the year	-	-	-	-	-	5,973,152	5,973,152
Other comprehensive income for the year, net of tax	-	(147,335)	-	-	-	-	(147,335)
Total comprehensive income for the year	-	(147,335)	-	-	-	5,973,152	5,825,817
Transactions with owners in their capacity as owners:							
Vesting of performance rights (note 22)	-	-	-	-	114, 300	-	114,300
Exercise of performance rights (note 22)	365,733	-	-	-	(365,733)	-	-
Shares issued from employee share scheme (note 22)	341,815	-	-	-	-	-	341,815
Dividends Paid (note 23)	-	-	-	-	-	(2,401,832)	(2,401,832)
Balance at 30 June 2024	43,693,739	(2,211,630)	4,804,650	(5,326,836)	37,504	79,768,887	120,766,314

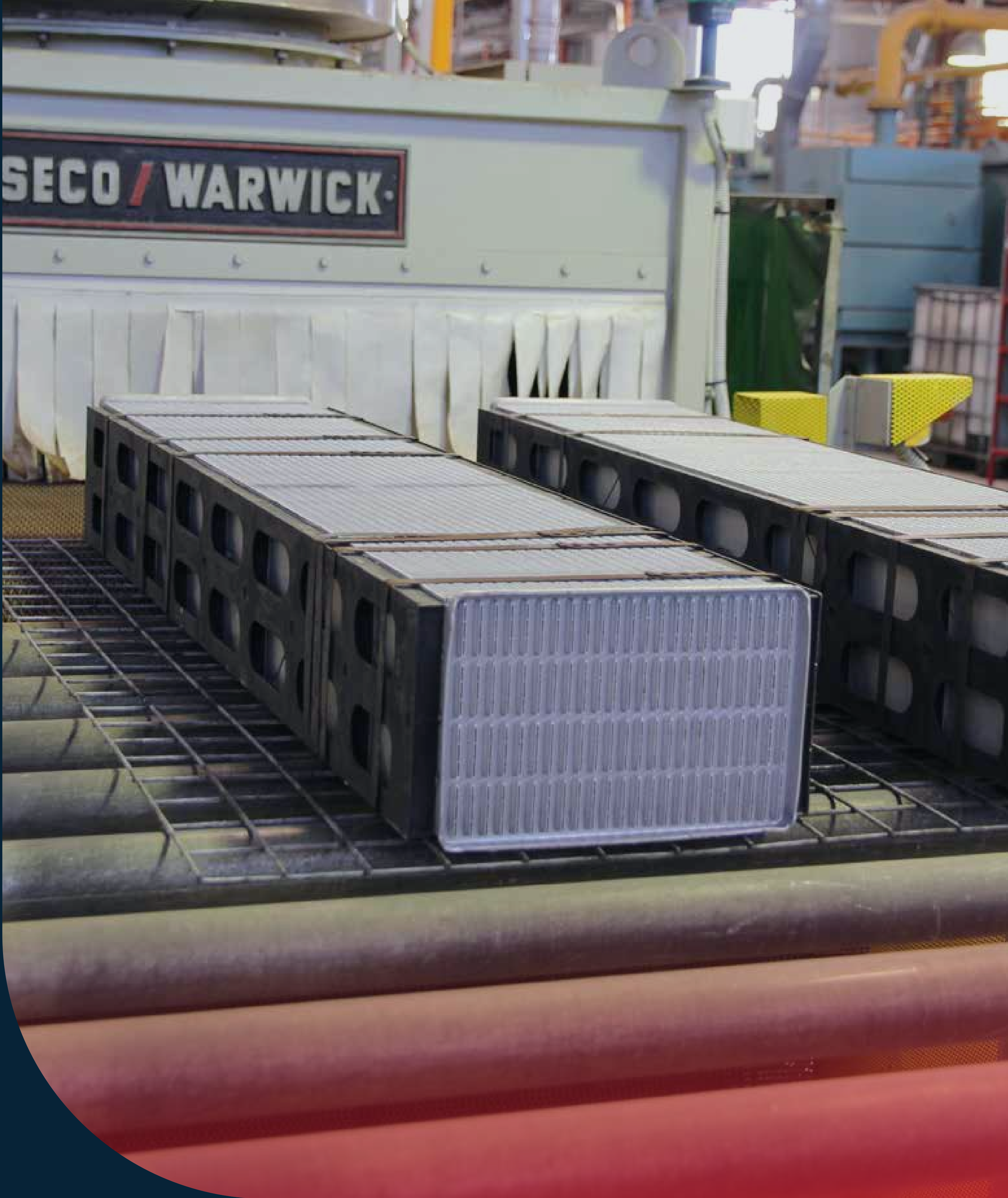
The above statement of changes in equity should be read in conjunction with the accompanying notes

Adrad Holdings Limited
Statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated 2024 $	2023 $ Restated
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		155,030,787	153,703,704
Payments to suppliers, employees and others (inclusive of GST)		(134,772,814)	(140,567,728)
Finance cost		(141,388)	(235,906)
Interest income		312,811	196,956
Finance charges on lease liabilities		(1,354,494)	(1,200,215)
Income tax paid		(4,376,198)	(6,340,505)
Net cash from operating activities	33	14,698,704	5,556,306
Cash flows from investing activities			
Payments for property, plant & equipment		(5,425,221)	(4,014,424)
Proceeds from disposal of property, plant and equipment		183,117	152,267
Net cash used in investing activities		(5,242,104)	(3,862,157)
Cash flows from financing activities			
Proceeds from issue of shares	21	-	15,000,000
Share issue transaction costs	21	-	(764,570)
Proceed from Sale of Assets, net of cash		-	31,530
Dividends paid	23	(2,401,832)	(564,574)
Repayment of borrowings		(1,479,690)	(1,485,476)
Repayment of lease liabilities (principal)		(3,665,864)	(3,457,586)
Net cash from/(used in) financing activities		(7,547,386)	8,759,324
Net increase in cash and cash equivalents		1,909,214	10,453,473
Cash and cash equivalents at the beginning of the financial year		13,931,145	3,477,672
Cash and cash equivalents at the end of the financial year	11	15,840,359	13,931,145

FY23 has been restated to report the interest component of lease liability payments as Finance charges on lease liabilities within Cash flows from operating activities. Previously interest on lease liabilities had been included with Repayment of lease liabilities (principal) reported as part of Cash flows from financing activities.

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



Notes to the Financial Statements

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 (collectively "consolidated entity") at the end of, or during, the 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 and listed on Australian Securities Exchange ("ASX"). The principal activities of the Company during the year ended 30 June 2024 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 financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 August 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The material accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New and revised accounting standards and amendments thereof, and interpretations effective for the current year that are relevant to the consolidated entity include:

Material accounting policy information
The Australian Accounting Standards Board has released guidance on what is considered to be material accounting policy information. Such material accounting policy information relates to the following:

- A material change in accounting policy;
- A choice of accounting policy permitted by Australian Accounting Standards;
- An accounting policy developed in the absence of an accounting standard that specifically applies; or
- Transactions, other events or conditions which are complex and the accounting policy information is required in order for the users of financial statements to understand them.

Consequently, the quantum of accounting policy information disclosed in these financial statements has been reduced from the previous financial reporting year.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with 'Accounting Standards (including Australian Accounting Interpretations)' issued by the Australian Accounting Standards Board and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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

Note 2. Material accounting policies information (continued)

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adrad Holdings Limited ('Company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. Adrad Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods - Distribution (Adrad)

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. The customers also have the right to return faulty parts for repair or replacement dependant on the type of fault, during goods’ warranty period. An estimated cost for returns is recognised in the consolidated entity’s provisions and expense account and is based on past experience and projections.

Note 2. Material accounting policies information (continued)

Sale of goods – Heat Transfer Solutions (Air Radiators)

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Revenue from the manufacture of power generation products is recognised using the percentage of completion method based on the actual cost of material and labour as a portion of the total materials and labour to be performed. The customers also have the right to return faulty parts for repair or replacement dependant on the type of fault, during goods' warranty period. An estimated cost for returns is recognised in the consolidated entity's provisions and expense account and is based on past experience and projections.

Construction revenue

The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Due to the high degree of independence between the various elements of these projects, they are accounted for as a single performance obligation. Contracted revenue is recognised over time by comparing costs incurred in total estimated costs required to deliver the project to measure progress. Estimated costs are reviewed on a monthly basis. The requirements of over time measurement are met as the construction creates assets with no alternative use to the Group and there is an enforceable right to payment for performance completed.

Contract variations are assessed to determine whether they represent a separate contract with the customer or are modifications to the original contract.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Note 2. Material accounting policies information (continued)

INCOME TAX

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability excluding a business combination that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse changes will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Adrad Holdings Limited and its wholly owned subsidiaries are consolidated for tax purposes under the Tax Consolidation System. Adrad Holdings Limited is responsible for recognising the current tax assets and liabilities of the consolidated group. The group notified the Australian Taxation Office on 5 December 2007 that it had formed an income tax consolidated group to apply from the date of incorporation of the company. The tax consolidated group has entered into tax sharing and tax funding agreements whereby each company in the group contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the directors of the company to make judgements, estimates and assumptions that affect the application of accounting policies and the report amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. All significant judgements, estimates and assumptions made during the year have been considered for significance. No significant critical judgement or accounting estimates have been made during the period, with the exception of the following:

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Refer to note 15 for accounting policy of depreciation of property, plant and equipment.

Recognition of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carried forward losses, only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Provision for impairment of inventories

Inventory is valued at the lower of net realisable value and cost. There is a significant amount of judgement involved in determining a fair provision for obsolescence with respect to slow moving stock.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Provision for warranty

A provision is taken up for expected future warranty claims, usually based on past claims. This involves significant judgement, particularly with respect to newly acquired entities or changes in the trading conditions of existing entities.

Note 3. Critical accounting judgements, estimates and assumptions (Continued)

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Construction contracts

Construction contract revenue is recognised over the life of the contract on a percentage of completion basis. Estimations are made of the final contract value including the likelihood of unapproved variations being accepted. Estimating the percentage of completion requires an estimate of the costs to fulfil the contract
.

Note 4. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

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

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

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2024	Distribution $	Heat Transfer Solutions $	Total $
Revenue			
Sales to external customers	64,535,080	78,322,456	142,857,536
Total revenue	64,535,080	78,322,456	142,857,536
EBITDA	9,679,417	12,400,429	22,079,846
Corporate EBITDA			(4,559,859)
Depreciation and amortisation			(7,268,586)
Interest revenue			312,811
Finance costs			(1,495,882)
Profit before income tax expense			9,068,330
Income tax expense			(3,095,178)
Profit after income tax expense			5,973,152
Assets			
Segment assets	31,940,271	53,148,804	85,089,075
Corporate assets			1,380,690
Unallocated assets:			
Cash and cash equivalents			15,840,359
Right-of-use assets			43,472,352
Land and buildings			2,976,439
Intangible assets			36,965,654
Deferred tax asset			4,831,228
Total assets			190,555,797
Liabilities			
Segment liabilities	6,545,697	14,529,979	21,075,676
Corporate liabilities			673,050
Unallocated liabilities:			
Lease liabilities			47,378,155
Provision for income tax			(729,976)
Bank loans			1,392,578
Total liabilities			69,789,483

Note 4. Operating segments (continued)

Consolidated - 2023	Distribution Restated $	Heat Transfer Solutions Restated $	Total Restated $
Revenue			
Sales to external customers	61,872,030	79,257,052	141,129,082
Total revenue	61,872,030	79,257,052	141,129,082
EBITDA	9,378,149	13,899,526	23,277,675
Corporate EBITDA			(3,966,084)
Depreciation and amortisation			(7,018,520)
Interest revenue			196,956
Finance costs			(3,027,817)
Profit before income tax expense			9,462,210
Income tax expense			(3,856,595)
Profit after income tax expense			5,605,615
Assets			
Segment assets	35,040,438	51,670,024	86,710,462
Corporate assets			1,948,497
Unallocated assets:			
Cash and cash equivalents			13,931,145
Right-of-use assets			43,308,154
Land and buildings			2,133,852
Intangible assets			36,965,654
Deferred tax asset			4,591,115
Total assets			189,588,879
Liabilities			
Segment liabilities	3,428,415	9,278,230	12,706,645
Corporate liabilities			10,796,156
Unallocated liabilities:			
Lease liabilities			46,016,668
Provision for income tax			310,928
Bank loans			2,872,268
Total liabilities			72,702,665

FY23 restated to reflect the new segment structure where Heat Transfer Solutions now manages all the group’s manufacturing sites. Distribution will focus on the aftermarket distribution business including warehouse, aftermarket sales functions, aftermarket operations including procurement and inventory management but will no longer have any manufacturing responsibility.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Operating segments (continued)

GEOGRAPHICAL INFORMATION

The Company operates manufacturing facilities in Australia and Thailand. Sales offices are located in Australia, New Zealand and Thailand, and sells its products to customers in various countries throughout the world.

	Consolidated	
	2024 $	2023 $
Revenue by customer location		
Australasia	131,967,259	125,826,827
Asia	10,224,317	15,122,123
Middle East	122,942	-
North America	520,281	61,348
South America	10,865	-
Europe	-	118,784
Africa	11,872	-
	142,857,536	141,129,082
Location of Company's non-current assets		
Australasia	90,221,897	89,136,028
Asia	7,878,887	6,179,858
	98,100,784	95,315,886

The geographical non-current assets above are exclusive of deferred tax assets.

Note 5. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 2024	Distribution $	Heat Transfer Solutions $	Total $
Timing of transfer of goods and services			
Transferred at a point in time	64,535,080	68,454,655	132,989,735
Transferred over time	-	9,867,801	9,867,801
	64,535,080	78,322,456	142,857,536

	Distribution Restated $	Heat Transfer Solutions Restated $	Total Restated $
Timing of transfer of goods and services			
Transferred at a point in time	61,872,030	59,141,439	121,013,469
Transferred over time	-	20,115,613	20,115,613
	61,872,030	79,257,052	141,129,082

Restated FY23 segment results to reflect the change in the Company's structure with all manufacturing operations now managed by Heat Transfer Solutions, as noted in note 4.

Note 6. Other income

	Consolidated 2024 $	Consolidated 2023 $
Other income	412,435	661,073
Grant income	255,200	-
Franchisee fees, net	107,670	-
IT Rebate	105,553	-
Rental income	36,000	42,881
Reimbursement of IPO costs from related party	-	1,038,438
Other income	916,858	1,742,392

Note 7. Depreciation

	Consolidated	
	2024	2023
	$	$
Depreciation expenses	2,316,201	2,344,133
Depreciation expense on right-of-use assets	4,952,385	4,674,387
	7,268,586	7,018,520

Obsolete provisions in plant equipment recognised in accordance with AASB 136 during financial periods was $182,903 (2023: $325,593). This provision amount is included in depreciation expense.

Note 8. Other expenses

	Consolidated	
	2024	2023
	$	$
Advertising	412,050	358,512
ASX related	183,745	183,553
Foreign exchange loss	90,613	271,115
Freight & packaging	6,987,179	6,863,532
Insurance	1,456,053	1,234,245
IPO Related	-	1,465,302
IT & communications	1,530,053	1,617,521
Labour hire	1,355,813	1,219,711
Motor vehicle	486,035	564,088
Occupancy	2,026,888	1,626,497
Other expense	2,077,547	2,430,209
Professional fees	1,146,071	1,500,703
Repairs & maintenance to assets	492,898	568,163
Travel, training, entertainment & staff related	1,617,606	1,432,805
	19,862,551	21,335,956

Note 9. Finance costs

	Consolidated	
	2024	2023
	$	$
Interest and finance charges paid	164,052	235,906
Interest and finance charges paid on lease liabilities	1,331,830	1,200,215
Finance costs - convertible notes	-	1,591,696
	1,495,882	3,027,817

Note 10. Income tax

	Consolidated 2024 $	Consolidated 2023 $
Income tax expense		
Current tax	3,335,291	4,090,074
Deferred tax	(240,113)	(233,479)
Aggregate income tax expense	3,095,178	3,856,595
Numerical reconciliation of income tax expense and tax at the statutory rate for the relevant jurisdictions.		
Profit before income tax expense	9,068,330	9,462,209
Tax at the statutory tax rate of 30%	2,720,499	2,838,663
Convertible note non-deductible interest	-	477,509
Non-assessable / non-deductible items	155,867	16,126
Share based payment non-deductible	136,835	86,681
Derecognised tax asset	-	846,214
Differences in overseas tax rates	(33,595)	(408,598)
	2,979,606	3,856,595
Adjustment for prior period	115,572	-
Income tax expense	3,095,178	3,856,595

	Consolidated 2024 $	Consolidated 2023 $
Deferred tax assets recognised		
Deferred tax assets recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	4,723	7,662
Employee benefits	2,257,502	2,289,701
Leases	1,169,959	808,729
Provision for warranties	527,731	258,084
Accrued expenses	247,481	323,291
Deferred revenue	20,440	178,806
Plant and equipment	65,602	(142,759)
Blackhole S40 880 expenses	537,790	867,601
Total deferred tax assets recognised	4,831,228	4,591,115

Note 10. Income tax (Continued)

	Consolidated	
	2024	2023
	$	$
Deferred tax asset		
Movements:		
Opening balance	4,591,115	4,357,636
Credited to profit or loss	240,113	233,479
Closing balance	4,831,228	4,591,115

Note 11. Cash and cash equivalents

	Consolidated	
	2024	2023
	$	$
Cash on hand	14,748	5,042
Cash at bank	8,825,611	8,926,103
Term deposit	7,000,000	5,000,000
	15,840,359	13,931,145

Term deposit at 4.95% p.a.

Note 12. Trade and other receivables

	Consolidated	
	2024	2023
	$	$
Current		
Trade debtors	19,991,148	17,878,375
Less: Allowance for expected credit losses	(18,265)	(29,746)
	19,972,883	17,848,629
Other receivables	2,261,801	1,063,906
Prepayments	1,537,897	1,830,685
	3,799,698	2,894,591
Security deposit	750,000	750,000
	24,522,581	21,493,220

Note 12. Trade and other receivables (Continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2024	2023
	$	$
Opening balance	29,746	24,490
Additional provisions recognised	64,365	17,188
Receivables written off during the year as uncollectable	(69,045)	(11,932)
Unused amounts reversed	(6,801)	-
Closing balance	18,265	29,746

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
Consolidated	%	%	$	$	$	$
Not overdue	0.02%	-	14,630,086	12,076,585	2,523	-
0 to 3 months overdue	0.06%	0.54%	4,948,239	5,507,283	2,742	29,746
3 to 6 months overdue	16.82%	-	77,285	294,507	13,000	-
Over 6 months overdue	-	-	335,538	-	-	-
			19,991,148	17,878,375	18,265	29,746

Note 13. Inventories

	Consolidated	
	2024	2023
	$	$
Current		
Raw materials	15,502,942	16,851,161
Finished goods	20,557,450	24,988,411
Work in progress	5,767,055	6,949,438
	41,827,447	48,789,010
Less: Provision for impairment	(1,025,825)	(1,325,284)
Stock in transit - at cost	6,459,223	6,793,787
	47,260,845	54,257,513

Accounting policy for inventories

Raw materials are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method, after deducting any purchase settlement discount, rebates and including delivery costs incurred in bringing the inventories to their present location and condition. Finished goods and work in progress include costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Note 14. Right-of-use assets

	Consolidated 2024	2023
	$	$
Non-current assets		
Land and buildings - right-of-use	56,746,084	52,709,446
Less: Accumulated depreciation	(13,504,370)	(9,593,332)
	43,241,714	43,116,114
Plant and equipment - right-of-use	311,944	252,038
Less: Accumulated depreciation	(81,306)	(59,998)
	230,638	192,040
	43,472,352	43,308,154

The consolidated entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between 1 to 15 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases plant and equipment under agreements of between 1 to 5 years.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant & Equipment $	Buildings $	Total $
Balance at 1 July 2022	113,881	45,884,135	45,998,016
Additions	121,874	3,625,447	3,747,321
Reduction in lease term options	-	(1,724,332)	(1,724,332)
Revaluation increments	-	5,251	5,251
Depreciation expense	(43,715)	(4,674,387)	(4,718,102)
Balance at 30 June 2023 and 1 July 2023	192,040	43,116,114	43,308,154
Additions	106,542	5,010,041	5,116,583
Depreciation expense	(67,944)	(4,884,441)	(4,952,385)
Balance at 30 June 2024	230,638	43,241,714	43,472,352

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 14. Right-of-use assets (Continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 15. Property, plant and equipment

	Consolidated	
	2024	2023
Non-current		
Land and buildings - at cost	4,132,575	3,185,675
Less: Accumulated depreciation	(1,156,136)	(1,051,822)
	2,976,439	2,133,853
Leasehold improvements - at cost	1,225,564	938,340
Less: Accumulated depreciation	(687,428)	(536,987)
	538,136	401,353
Plant and equipment - at cost	18,979,431	17,960,575
Less: Accumulated depreciation	(12,081,938)	(11,530,685)
	6,897,493	6,429,890
Fixtures and fittings - at cost	1,192,537	1,020,222
Less: Accumulated depreciation	(427,929)	(371,697)
	764,608	648,525
Motor vehicles - at cost	1,957,870	1,644,002
Less: Accumulated depreciation	(663,742)	(722,189)
	1,294,128	921,813
Office equipment - at cost	4,751,240	4,253,077
Less: Accumulated depreciation	(3,847,888)	(3,390,810)
	903,352	862,267
Product Development - Cost	1,142,425	665,138
Less: Accumulated depreciation	(107,907)	(79,868)
	1,034,518	585,270
Capital work-in-progress	3,254,104	3,059,107
	17,662,778	15,042,078

Note 15. Property, plant and equipment (Continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land & Buildings $	Lease-hold improve-ments $	Plant & Equip-ment $	Office Equipm-ent $	Furniture & Fittings $	Motor Vehicles $	Product Develop-ment $	Capital Work In Progress $	Total $
Balance at 1 July 2022	2,137,347	263,938	6,070,519	922,490	380,634	922,614	511,383	2,435,028	13,643,953
Additions	43,978	51,494	2,334,939	161,625	337,976	276,784	102,346	705,282	4,014,424
Disposals	-	(15,710)	(280,918)	(36,456)	(5,466)	(78,537)	-	-	(417,087)
Exchange differences	65,181	(15)	40,206	6,523	1,652	6,848	-	24,527	144,922
Transfers in/(out)	-	227,446	(239,791)	97,091	461	20,523	-	(105,730)	-
Depreciation expense	(112,653)	(125,800)	(1,495,065)	(289,006)	(66,732)	(226,419)	(28,459)	-	(2,344,134)
Balance at 30 June 2023 and 1 July 2023	2,133,853	401,353	6,429,890	862,267	648,525	921,813	585,270	3,059,107	15,042,078
Additions	1,052,568	264,382	1,264,748	391,621	216,786	633,367	483,889	1,226,324	5,533,685
Disposals	-	-	(373,281)	(4,711)	(12,335)	(8,762)	-	-	(399,089)
Exchange differences	(70,641)	(75)	(63,356)	(5,621)	(1,521)	(5,433)	(3,277)	(47,771)	(197,695)
Transfers in/(out)	-	-	972,222	14,659	-	-	(3,325)	(983,556)	-
Depreciation expense	(139,341)	(127,524)	(1,332,730)	(354,863)	(86,847)	(246,857)	(28,039)	-	(2,316,201)
Balance at 30 June 2024	2,976,439	538,136	6,897,493	903,352	764,608	1,294,128	1,034,518	3,254,104	17,662,778

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 15. Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives.

Asset Categories	Straight Line Depreciation Rates
Land & Buildings	2.5%-5.0%
Fixtures & Fittings	7.5%-33.3%
Leasehold Improvements	7.0%-33.0%
Plant & Equipment	5.0%-33.3%
Motor Vehicle	5.0%-25.0%
Office Equipment	33.3%-50.0%
Office Furniture	7.5%-12.0%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 16. Intangible assets

	Consolidated	
	2024 $	2023 $
Non-current assets		
Goodwill	36,965,654	36,965,654

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated	
	2024 $	2023 $
Heat Transfer Solutions (HTS)	20,705,927	20,705,927
Distribution	16,259,727	16,259,727
	36,965,654	36,965,654

Note 16. Intangible assets (Continued)

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 3 year projection period approved by management and extrapolated for a further 2 years, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. Cash flow projections were based on management expectations, the FY25 budget and the latest forecast model. Inputs are based on past experience, recent operating performance, current and expected market conditions, forecast micro and macro economic factors which are based on externally available data and internal analysis.

The following key assumptions were used in the discounted cash flow model for the HTS division:

- Pre-tax discount rate of 13.5%
- 3% of revenue for forecasting capital expenditure
- Average annual revenue growth over the five-year period of approximately 10%
- 2.5% cash flow terminal growth rate

The discount rate of 13.5% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the HTS division, the risk free rate and the volatility of the share price relative to market movements.

There were no other key assumptions for the HTS division.

Based on the above, the recoverable amount of the HTS division exceeded the carrying amount

The following key assumptions were used in the discounted cash flow model for the Distribution division:

- Pre-tax discount rate of 13.5%
- 2% of revenue for forecasting capital expenditure
- Average annual revenue growth over the five-year period of approximately 12%
- 2.5% cash flow terminal growth rate

The pre-tax discount rate of 13.5% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer distribution division, the risk free rate and the volatility of the share price relative to market movements.

There were no other key assumptions for the Distribution division.

Based on the above, the recoverable amount of the Distribution division exceeded the carrying amount.

Sensitivity

As disclosed in note 3, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- A decrease of 10% or less in the EBIT for the Distribution division would not result in goodwill needing to be impaired, with all other assumptions remaining constant.
- An increase of 10% or less in the discount rate for the Distribution division would not result in goodwill needing to be impaired, with all other assumptions remaining constant
- A decrease of 15% or less in the EBIT for the HTS division would not result in goodwill needing to be impaired, with all other assumptions remaining constant
- An increase of 15% or less in the discount rate for the HTS division would not result in goodwill needing to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of Distribution and HTS division's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

ACCOUNTING POLICY FOR INTANGIBLE ASSETS

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Impairment testing is conducted annually to ascertain whether the carrying value of intangibles exceeds the recoverable amount.

Note 17. Trade and other payables

	Consolidated	
	2024 $	2023 $
Current		
Trade creditors and accruals	7,390,686	10,012,491
Other creditors	4,531,825	4,051,104
	11,922,511	14,063,595

Payables to external parties are unsecured and are usually paid within 30-60 days of recognition.

Payables to related entities are unsecured, non-interest bearing, with no fixed terms for repayment.

Note 18. Borrowings and interest-bearing liabilities

	Consolidated	
	2024	2023
	$	$
Current liabilities		
Trade refinance - secured	602,796	1,912,467
Equipment finance liability - secured	204,505	228,496
	807,301	2,140,963
Non-current liabilities		
Equipment Finance Liability - Secured	585,277	731,305
	1,392,578	2,872,268

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

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

The key terms of the Facility Agreement are summarised below.

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

The limits of the individual facilities under the Facility Agreement are set out in the table below:

Facility	Limit	Note
MO Facilities	$4,300,000	
LC Facility	$1,500,000	
Equipment Facility	$1,500,000	
Visa Facility	$50,000	
Currency Facility	$2,500,000	Or its equivalent in any foreign currency.
Debit Facility	$385,000	
Total	$10,235,000	

Facility	Repayment date
MO Facilities	Subject to annual review or such earlier time as notified by the Financier and for Overdraft facility repayable on demand.
LC Facility	Subject to annual review or such earlier time as notified by the Financier.
Equipment Facility	Subject to annual review or such earlier time as notified by the Financier.
Visa Facility	On demand.
Currency Facility	Subject to annual review or such earlier time as notified by the Financier.
Debit Facility	Subject to annual review or such earlier time as notified by the Financier.

Note 18. Borrowings and interest-bearing liabilities (continued)

Permitted use of funds
The MO Facilities and the BBBL Facility must be used to refinance various facilities provided to the Company and to ensure that the Company has sufficient working capital.

The LC Facility must be used to secure the issue of bank guarantees and performance bonds as required from time to time in accordance with the Company's ordinary course of business.

The Equipment Facility must be used to assist the acquisition of equipment for the Company.

The Visa Facility must be used to assist with the day to day working capital requirements.

The Currency Facility is to settle and hedge the Company's foreign currency exposure.

The Debit Facility is to allow drawing of monthly franchise fees.

Securities
The Company has entered into general security deeds for each Group entity in favour of the Financier. Each Group company has also provided a guarantee and indemnity in favour of each other Group entity under the Facility Agreement.

Where relevant, the Company has entered into specific security deeds over all plant, equipment and vehicles finances under the Equipment Facility.

The Company has also entered into a flawed asset arrangement in respect of a $750,000 term deposit held with the Financier.

Note 19. Lease liabilities

	Consolidated 2024	Consolidated 2023
	$	$
Current liabilities		
Lease liability	3,663,157	3,620,095
Non-current liabilities		
Lease liability	43,714,998	42,396,573
	47,378,155	46,016,668

The following leases were entered into during the year for the increase in lease commitments.

Lease	Commencement Date	Lease Term
Unit 5, 231 Collier Road, Bayswater WA	1 July 2023	3 years
Unit 4, 18 Kinta Drive, Beresfield NSW	11 August 2023	3 years
44 Fawcett Crescent, Perth Airport WA	19 October 2023	5 years

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 20. Provisions

	Consolidated	
	2024	2023
	$	$
Current		
Employee benefits	7,486,670	8,031,354
Warranty	1,936,946	1,038,489
Other provisions	7,280	9,384
	9,430,896	9,079,227
Non-current		
Employee benefits	395,319	359,979
	9,826,215	9,439,206

Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Movements in warranty provision during the current financial year is set out below:

	2024	2023
	$	$
Carrying amount at the start of the year	1,038,489	566,346
Additional provisions recognised	3,751,322	2,044,067
Amounts used	(2,852,865)	(1,571,924)
Carrying amount at the end of the year	1,936,946	1,038,489

Note 21. Contributed equity

	Consolidated			
	2024	2023	2024	2023
	Shares	Shares	$	$
Ordinary shares - fully paid	81,287,358	80,653,485	43,693,739	42,986,191

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 (IPO)	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	(764,570)
Balance	30 June 2023	80,653,485		42,986,191
Issued shares from Employee share plan *	8 September 2023	371,688	$0.91	339,817
Issued shares from exercise of performance rights	31 October 2023	259,999	$1.41	365,733
Issued shares from Employee share plan *	11 December 2023	2,186	$0.91	1,998
Balance	30 June 2024	81,287,358		43,693,739

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

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 22. Reserves

	Consolidated	
	2024	2023
Foreign currency translation reserve	(2,211,630)	(2,064,295)
Acquisition of non-controlling interest reserve	(5,326,836)	(5,326,836)
Common control acquisition reserve	4,804,650	4,804,650
Share-based payment reserve	37,504	288,937
	(2,696,312)	(2,297,544)

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

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

On 31 October 2021, the consolidated entity acquired the business operation from Adcore Holdings Pty Ltd as Trustee for the Gary Washington Family Trust. Assets and liabilities were acquired using existing book values rather than the acquisition method in AASB 3. The difference between fair value of consideration and book values was $4,804,650 and was recorded in common control reserve.

Share-based payments reserve is used to record the options issued to Adelaide Equity Partners Ltd as part of the IPO; an amount of $37,504 was recognised in FY23.

Share-based payments reserve is also used to record the issue of performance rights. During FY23 Initial Performance Rights were issued to Key Management Personnel (KMP) as one-off non-recurring recognition of the successful IPO. The value of the rights granted amounted to $365,733 using a Black Scholes model. Accounting standards require the value of the rights to be brought to expense over the vesting period, in this case from 1 October 2022 to 30 September 2023. This amounted to $251,433 during FY23 and was recognised in the year ended 30 June 2023. The remaining $114,300 was brought to expense in FY24 over the remainder of the vesting period. In October 2023 the Company issued 259,999 Fully Paid Ordinary Shares at a value of $365,733 following the conversion of the vested initial performance rights.

Note 23. Dividends

Dividends

On 23 February 2024, the directors declared a fully franked interim dividend of 1.33 cents per ordinary share in relation to the current financial half-year ending 31 December 2023. The interim dividend represented 35% of NPAT for the half year ending 31 December 2023 and were paid on 3 April 2024. The distribution of $1.1 million is based on the number of shares outstanding as at 23 February 2024.

On 28 August 2024 the directors declared a fully franked final dividend of 1.61 cents per ordinary share in relation to the FY24 full year results. The total estimated distribution of $1.3 million is based on the number of shares outstanding as at 28 August 2024. The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2024.

The final dividend takes total dividends declared in relation to FY24 to 2.94 cents per share, fully franked, representing 40% of NPAT for the full year ending 30 June 2024 and which is consistent with the Company's stated dividend payout policy of 30% to 40% of full year NPAT.

Franking credits

	Consolidated	
	2024	2023
	$'000	$'000
Franking credits available at the reporting date based on a tax rate of 30%	32,783	34,966
Franking credits available for subsequent financial years based on a tax rate of 30%	32,783	34,966

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date; and
- franking debits that will arise from the payment of declared dividends recognised at the reporting date.

Note 24. Financial instruments

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk
Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. The Company has a risk management policy to hedge between 50% and 80% of anticipated foreign currency transactions up to a maximum of 12 months.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2024	2023	2024	2023
AUD *	-	-	40,160	8,676
CAD	552	571	436,133	468,678
EUR	-	-	217,661	362,395
GBP	-	-	-	6,068
JPY	-	-	-	66,058
NZD	-	-	2,549	-
THB	-	-	17,977	-
USD	1,852,606	104	2,039,823	2,182,860

** Foreign entities' exposure to AUD*

SENSITIVITY ANALYSIS – FOREIGN CURRENCY RISK
As at 30 June 2024, exchange rates used to translate the above were 0.9108 to the CAD, 0.6174 to the EUR,1.0927 to the NZD, 24.42 to the THB and 0.6624 to the USD (2023: 0.8807 to the CAD, 0.6099 to the EUR, 0.5250 to the GBP, 95.92 to the JPY and 0.6630 to the USD). A strengthening (weakening) of the CAD, EUR, NZD, THB or USD against the AUD at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and increased or (decreased) equity and profit or loss by the amounts shown in the table below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. Assumptions made in the analysis is that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss (net of tax)		Equity (net of tax)	
2024	Strengthen $	Weaken $	Strengthen $	Weaken $
CAD (10% movement)	(33,878)	27,719	(33,878)	27,719
EUR (10% movement)	(16,929)	13,851	(16,929)	13,851
GBP (10% movement)	-	-	-	-
JPY (10% movement)	-	-	-	-
NZD (10% movement)	(198)	162	(198)	162
THB (10% movement)	(1,398)	1,144	(1,398)	1,144
USD (10% movement)	(14,561)	11,914	(14,561)	11,914

Note 24. Financial instruments (Continued)

	Profit or loss (net of tax)		Equity (net of tax)	
2023	Strengthen $	Weaken $	Strengthen $	Weaken $
CAD (10% movement)	(52,384)	42,859	(52,384)	42,859
EUR (10% movement)	(15,959)	13,058	(15,959)	13,058
GBP (10% movement)	(635)	520	(635)	520
JPY (10% movement)	(3,036)	2,484	(3,036)	2,484
NZD (10% movement)	-	-	-	-
THB (10% movement)	-	-	-	-
USD (10% movement)	(181,912)	148,837	(181,912)	148,837

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity's exposure to interest risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, arises from working capital facilities including overdraft and trade finance which are subject to variable interest rates. The amounts subject to cash flow interest rate risk are in the statement of financial position at carrying amounts of these items. Long term borrowings are at fixed interest rate. The consolidated entity does not hedge against its interest risks.

	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
	$	$	$	$
2024				
Financial Assets				
Cash and cash equivalents	8,840,359	7,000,000	-	15,840,359
Trade and other receivables	-	-	24,522,581	24,522,581
Total financial assets	8,840,359	7,000,000	24,522,581	40,362,940
Financial Liabilities				
Trade and other payables	-	-	11,922,511	11,922,511
Other financial liabilities	-	1,392,578	-	1,392,578
Lease liabilities	-	47,378,155	-	47,378,155
Total financial liabilities	-	48,770,733	11,922,511	60,693,244

	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
	$	$	$	$
2023				
Financial assets				
Cash and cash equivalents	8,931,145	5,000,000	-	13,931,145
Trade and other receivables	-	-	21,493,220	21,493,220
Total financial assets	8,931,145	5,000,000	21,493,220	35,424,365
Financial liabilities				
Trade and other payables	-	-	14,063,595	14,063,595
Other financial liabilities	-	2,872,268	-	2,872,268
Lease liabilities	-	46,016,668	-	46,016,668
Total financial liabilities	-	48,888,936	14,063,595	62,952,531

Note 24. Financial instruments (Continued)

SENSITIVITY ANALYSIS – INTEREST RATE RISK

A change in 100 basis points in interest rates at the beginning of the reporting period would have increased or (decreased) equity and profit or loss by the amounts shown in the following table. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss (net of tax)		Equity (net of tax)	
2024	**100bp increase $**	**100bp decrease $**	**100bp increase $**	**100bp decrease $**
Net cash flow sensitivity	(230,513)	230,513	(230,513)	230,513
2023				
Net cash flow sensitivity	(244,705)	244,705	(244,705)	244,705

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 24. Financial instruments (Continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2024	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Undiscounted contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	11,922,511	-	-	-	11,922,511
Interest-bearing						
Trade finance	6.79%	614,047	-	-	-	614,047
Equipment finance	5.26%	237,925	215,789	417,785	-	871,499
Lease liability	3.05%	5,504,382	5,277,763	14,391,216	26,459,360	51,632,721
Total non-derivatives		18,278,865	5,493,552	14,809,001	26,459,360	65,040,778

Consolidated - 2023	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Undiscounted contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	14,063,595	-	-	-	14,063,595
Interest-bearing						
Trade finance	6.38%	1,912,467	-	-	-	1,912,467
Equipment finance	4.84%	228,496	416,432	314,873	-	959,801
Lease liability	2.79%	6,278,136	5,426,834	14,047,037	27,157,958	52,909,965
Total non-derivatives		22,482,694	5,843,266	14,361,910	27,157,958	69,845,828

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The carrying amounts of financial instruments are materially similar to their fair values.

Note 25. Key management personnel disclosures

Directors

The following persons were directors of Adrad Holdings Limited during the financial year:

Mr. Gary Washington	Executive Director
Mr. Glenn Davis	Independent Non-Executive Chairman
Mr. Donald McGurk	Independent Non-Executive Director
Mr. Darryl Abotomey	Executive Director (appointed on 15 August 2023, resigned on 30 June 2024) Independent Non-Executive Director (resumed on 1 July 2024)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr. Kevin Boyle	Chief Executive Officer (appointed on 12 April 2024)
Mr. Darryl Abotomey	Interim Chief Executive Officer (appointed on 15 August 2023, resigned on 12 April 2024)
Mr. Roderick Hyslop	Chief Financial Officer and Joint Company Secretary
Mr. Don Cormack	Chief Executive Officer (resigned on 15 August 2023)

Compensation

Detailed remuneration disclosures are provided in the remuneration report on pages 22 - 29. The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2024	2023
Short-term employee benefits	1,386,565	1,834,464
Post-employment benefits	87,577	133,867
Long-term benefits	1,933	31,899
Share-based payments	50,000	251,433
	1,526,075	2,251,663

At the outset of FY24 the Company implemented an organisational restructure under which Messrs. Jamie Baensch and Branko Stojakovic are no longer deemed to be KMP and therefore not included in results for FY24.

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck (SA), the auditor of the Company, and its network firms:

	Consolidated	
	2024	2023
	$	$
Audit services - William Buck (SA)		
Audit or review of the financial statements	139,617	-
Other services - William Buck (SA)		
Tax compliance	47,000	-
Other consultancy advice	19,767	-
	66,767	-
The auditor of Air Radiators Thailand Ltd is Forvis Marzars		
Audit services – Forvis Mazars		
Audit or review of the financial statements	21,577	-
	227,961	-

	Consolidated	
	2024	2023
	$	$
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	-	276,300
Other services - Grant Thornton Audit Pty Ltd		
Preparation of the tax return and tax effect accounting guidance	-	62,000
Due diligence services	-	162,032
Other consultancy advice	-	18,500
Audit services - Grant Thornton Limited		
Audit or review of the financial statements - Thailand	-	33,646
	-	276,178
	-	552,478

Note 27. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2024 in the amount of $851,751 to various landlords and $50,499 to various Customers for Defects Liability. The Company has provided a $750,000 cash backed security deposit in relation to these guarantees which have been recorded and reported as receivables; refer to note 12 Trade and other receivables for details.

.

Note 28. Related party transactions

Parent entity

Adrad Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Other 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)

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.

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

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

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

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

- DMAW Lawyers Pty Ltd ("DMAW Lawyers")

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

Note 28. Related party transactions (continued)

Loans to/from and transactions with related parties

The following balances are outstanding at the reporting date in relation to loans and transactions occurred during the year with related parties:

	Consolidated	
	2024	2023
	$	$
Right-of use assets (Net of depreciation):		
Arlyngton ATF The Beverley Property Unit Trust	4,821,371	5,223,152
Harlaxton Pty Ltd ATF The Washington Family Trust	27,123,813	29,442,577
Current borrowings:		
Current lease liabilities:		
Arlyngton ATF The Beverley Property Unit Trust	284,664	261,979
Harlaxton Pty Ltd ATF The Washington Family Trust	1,759,563	1,592,781
Non-current lease liabilities:		
Arlyngton ATF The Beverley Property Unit Trust	5,019,575	5,304,240
Harlaxton Pty Ltd ATF The Washington Family Trust	28,101,572	29,796,839
Sales Revenue:		
Harrop Engineering Pty Ltd	1,083,312	1,036,072
Other Income:		
Harrop Engineering Pty Ltd (after share sale, as noted below and in)	-	5,456
Adcore Holdings Pty Ltd ATF The Gary Washington Family Trust	-	1,038,438
Occupancy Expenses:		
Arlyngton ATF The Beverley Property Unit Trust	397,602	382,309
Harlaxton Pty Ltd ATF The Washington Family Trust	2,390,180	2,265,673
Raw materials and consumables expenses:		
Harrop Engineering Pty Ltd	1,260	7,055
Harrop Casting Technologies Pty Ltd	156,053	-
DMAW Lawyers Pty Ltd	-	3,966

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

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	$	$
Profit/(loss) after income tax	(663,632)	2,642,038
Total comprehensive income	(663,632)	2,642,038

Statement of financial position

	Parent	
	2024	2023
	$	$
Total current assets	3,717,212	4,837,310
Total assets	105,039,114	109,320,158
Total current liabilities	(293,287)	1,375,725
Total liabilities	(290,836)	1,380,859
Equity		
Contributed equity	43,693,739	42,986,191
Share-based payments reserve	37,504	288,937
Retained profits	61,598,707	64,664,171
Total equity	105,329,950	107,939,299

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity executed deed of cross guarantee on 22 June 2023 with its Australian domicile subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. 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:

Name	Principal place of business / Country of incorporation	Ownership interest 2024 %	Ownership interest 2023 %
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%
Air Radiators Beverley 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%

* Air Radiators Beverley Pty Ltd was formerly known as Natrad OF Pty Ltd and changed its name on 3 January 2024.

Note 31. Deed of cross guarantee

The Company and its wholly-owned subsidiaries, forming the consolidated entity, have entered into a deed of cross guarantee pursuant to ASIC Corporations Instrument 2016/785. The deed of cross guarantee was executed on 22 June 2023 and Adrad Holdings Limited is the Holding Entity pursuant to this deed. The subsidiaries are relieved from the requirement to prepare and lodge an audited financial report.

The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed. The total liabilities of the group entities party to the deed of cross guarantee as at 30 June 2024 were $64,621,986.

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 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 33. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2024	2023
	$	$ Restated
Profit after income tax expense for the year	5,973,152	5,605,614
Adjustments for:		
Depreciation and amortisation	7,268,586	7,018,520
Share-based payments	456,115	288,937
Foreign exchange differences	(147,335)	149,385
Interest expense	-	1,591,696
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,813,389)	(3,016,833)
Decrease/(increase) in inventories	6,996,668	(7,533,201)
Increase in deferred tax assets	(240,113)	(233,479)
Increase/(decrease) in trade and other payables	(2,141,082)	3,095,696
Decrease in provision for income tax	(1,040,907)	(2,250,431)
Increase in other provisions	387,009	840,402
Net cash from operating activities	14,698,704	5,556,306

Note 34. Changes in liabilities arising from financing activities

	Bank Financing	Lease Liability	Total
Consolidated	$	$	$
Balance at 1 July 2022	4,357,744	47,489,729	51,847,473
Net cash used in financing activities - Restated	(1,485,476)	(3,457,586)	(4,943,062)
Options not to be exercised on leases - Restated	-	(1,722,002)	(1,722,002)
Acquisition of leases	-	3,706,527	3,706,527
Balance at 30 June 2023 and 1 July 2023	2,872,268	46,016,668	48,888,936
Net cash used in financing activities	(1,479,690)	(3,665,864)	(5,145,554)
Options not to be exercised on leases	-	(79,246)	(79,246)
Acquisition of leases	-	5,106,597	5,106,597
Balance at 30 June 2024	1,392,578	47,378,155	48,770,733

Note 35. Earnings per share

	Consolidated	
	2024	2023
	$	$
Earnings per share for profit		
Profit after income tax	5,973,152	5,605,614
Non-controlling interest	-	-
Profit after income tax attributable to the owners of Adrad Holdings Limited	5,973,152	5,605,614
Profit after income tax attributable to the owners of Adrad Holdings Limited used in calculating diluted earnings per share	5,973,152	5,605,614

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	81,129,646	66,297,630
Adjustments for calculation of diluted earnings per share:		
Performance share rights over ordinary shares	-	163,981
Weighted average number of ordinary shares used in calculating diluted earnings per share	81,129,646	66,461,611

	Cents	Cents
Basic earnings per share	7.36	8.46
Diluted earnings per share	7.36	8.43

403,268 options on shares that have not been included as part of the calculation of diluted earnings per share due to being antidilutive for the reporting period. Refer to note. 36.

Note 36. Share-based payments

Options

During FY23 the Company issued 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 options had been valued using a Black-Scholes model at a total value of $37,504 ($0.093 per option) and charged to Share based payment reserve during the year ended 30 June 2023.

Set out below are summaries of options granted during the year:

2024 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance and exercisable at the end of the year
30/09/2022	29/09/2025	$2.10	403,268	-	-	-	403,268
			403,268	-	-	-	403,268

Note 36. Share-based payments (Continued)

Weighted average exercise price			$2.10	$0.00	$0.00	$0.00	$2.10

2023 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance and exercisable at the end of the year
30/09/2022	29/09/2025	$2.10	-	403,268	-	-	403,268
			-	403,268	-	-	403,268
Weighted average exercise price			$0.00	$2.10	$0.00	$0.00	$2.10

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.25 year (2023: 2.25 years).

Performance rights

The Company, on Admission (30 September 2022) to the ASX issued 213,333 Initial Performance Rights to Former Key Management Personnel (KMP) in recognition of their efforts towards the successful IPO. In addition, during FY23 46,666 Initial Performance Rights were issued to other Former KMP in recognition of their efforts towards the successful IPO. These one-off non-recurring grants of Performance Rights were made in recognition of the significant additional work KMP have undertaken to assist the Company to achieve Admission to the Official List of the ASX. The Initial Performance Rights vested on 30 September 2023 and were converted into fully paid ordinary shares. As at 30 June 2024 no performance rights remain on issue. Refer to note 21.

Employee Share Plan

On 8 September 2023, the Company issued 371,688, Fully Paid Ordinary Shares (Shares) for Nil consideration to eligible employees under the Company's Employee Share Plan. The issue price of 0.91 cents was based on a 5-day VWAP leading up to issue date. Shares are held in trust for 3 years from issue date (holding lock period) unless an employee leaves before the three-year period has expired whereupon the shares will be transferred to them. Refer to note 21.

On 11 December 2023, the Company issued 2,186, Fully Paid Ordinary Shares (Shares) for Nil consideration to eligible employees under the Company's Employee Share Plan. The issue price of 0.91 cents was based on a 5-day VWAP leading up to issue date. Shares are held in trust for 3 years from issue date (holding lock period) unless an employee leaves before the three-year period has expired whereupon the shares will be transferred to them. Refer to note 21.

Both tranches of shares issued during FY24 under the Employee Share Plan carried no vesting conditions; they were issued in respect of past services in recognition of successful listing on the ASX and vested immediately. Any shares forfeited during the holding lock period under the Plan Rules are held by the Plan Trustee which must, if directed by the Board, reallocate forfeited shares to other participants in the plan, to any other Company Plan or hold the forfeited shares for the benefit of Plan Participants from time to time.

Consolidated entity disclosure statement

		Body corporates	Body corporates	Tax residency	
Entity name	Entity type	Place formed or incorporated	% of share capital held	Australian or foreign	Foreign Jurisdiction
Adrad Holdings Limited	Body corporate	Australia	-	Australia*	N/A
Adrad Investments Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
Adrad Group Limited	Body corporate	Australia	100.00%	Australia *	N/A
Adrad Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
Air-Radiators Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
Air Radiators Beverley Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
National Radiators Ltd	Body corporate	New Zealand	100.00%	Foreign	New Zealand
Air Radiators-Industrial Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
Air Radiators (Thailand) Limited	Body corporate	Thailand	100.00%	Foreign	Thailand
Breakaway Industrial Radiators Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
Air Radiators (WA) Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
Adrad Management Services Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
Adrad IT Services Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A
Wingfan Pty Ltd	Body corporate	Australia	100.00%	Australia *	N/A

* This entity is part of a tax-consolidated group under Australian taxation law, for which Adrad Holdings Limited is the head entity.

Directors' Declaration

Adrad Holdings Limited
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- the attached consolidated entity disclosure statement is true and correct; 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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 Chairman

28 August 2024

Independant
Auditor’s report

William Buck
ACCOUNTANTS & ADVISORS

Independent auditor’s report to the members of Adrad Holdings Limited

Report on the audit of the financial report

Our opinion on the financial report

In our opinion, the accompanying financial report of Adrad Holdings Limited (the Company) and its subsidiaries (the Group) is in accordance with the *Corporations Act 2001*, including:

— giving a true and fair view of the Group’s financial position as at 30 June 2024 and of its financial performance for the year then ended; and

— complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

— the consolidated statement of financial position as at 30 June 2024,

— the consolidated statement of profit or loss and other comprehensive income for the year then ended,

— the consolidated statement of changes in equity for the year then ended,

— the consolidated statement of cash flows for the year then ended,

— notes to the financial statements, including material accounting policy information,

— the consolidated entity disclosure statement, and

— the directors’ declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition	Area of focus (refer also to notes 2, 3 & 5)	How our audit addressed the key audit matter

	The Group derives revenue from the sale of products and services to customer.
	
	Revenue from the sale of aftermarket automotive and heat transfer solution parts is recognised at a point in time, upon delivery of product.
	
	Revenue from the design and manufacture of industrial heat transfer solutions is recognised over time on a percentage of completion basis.
	
	The application of *AASB 15 Revenue from Contracts with Customers* can require judgement, thus we considered this to be a key audit matter.
		Our audit procedures included:
		— determining whether revenue recognised is in accordance with *AASB 15 Revenue from Contracts with Customers* and the Group's accounting policies, including
		  — reviewing relevant contracts with customers;
		  — assessing management's determination of performance obligations within the contract;
		  — recalculating the percentage of completion and revenue take-up.
		— examining the existence of product revenue by testing the delivery of products and sighting the subsequent cash receipt from the customer;
		— substantively testing revenue cut-off to ensure revenue has been recognised in the correct period.
		
		We also assessed the appropriateness of disclosures attached to revenues as required by Accounting Standard *AASB 15 Revenue from Contracts with Customers.*

William Buck
ACCOUNTANTS & ADVISORS

2. Carrying value of intangible assets	**Area of focus (refer also to notes 2, 3 & 16)**	**How our audit addressed the key audit matter**
	The Group's intangible assets consist of goodwill of $36.97 million. Management have allocated goodwill to two separate cash generating units (CGU's). The Group is required to, at least annually, perform impairment assessments of goodwill. The goodwill balance is significant, and judgement is used in determining its recoverable amount. Management has used a value-in-use model to measure the recoverable amount of each of the CGU's. This is a key audit matter given significant judgement required in estimating each CGU's recoverable amount.	Our audit procedures included: — Assessing management's determination of the Group's CGUs. — Examined management's value-in-use models and determined that they are mathematically accurate including appropriately discounting cash flows by the discount rate, appropriately calculating a terminal value and appropriately comparing the net carrying value of assets, including goodwill, to the recoverable amount. — Analysed the key assumptions used in the value-in-use model. — Performed a sensitivity analysis by changing key assumptions used in the model, including revenue growth, cost of goods sold, discount rate and terminal growth rate. — Consulted William Buck Corporate Finance to review key components of the model and assess the reasonableness of the discount rate used in the value-in-use model. We also assessed the appropriateness of disclosures as required by Accounting Standard *AASB 136 Impairment of Assets*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

— the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

— the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001,* and

for such internal control as the directors determine is necessary to enable the preparation of:

— the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

— the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

William Buck
ACCOUNTANTS & ADVISORS

Report on the Remuneration Report

Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of Adrad Holdings Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in pages 22 to 29 of the directors' report for the year ended 30 June 2024.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck (SA)

ABN 38 280 203 274

M.D. King

Partner

Dated 28th August 2024

Shareholder
Information

Shareholder Information

The shareholder information set out below was applicable as at 8 August 2024

DISTRIBUTION OF EQUITY SECURITIES

The shareholder information set out below was applicable as at 8 August 2024

Range	Total Holders	Units	% Units
1 - 1,000	71	41,220	0.05
1,001 - 5,000	185	524,742	0.65
5,001 - 10,000	110	857,047	1.05
10,001 - 100,000	180	5,481,380	6.74
100,001 Over	20	74,382,969	91.51
Total	**566**	**81,287,358**	**100.00**

Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.7200 per unit	747	48	19,281

EQUITY SECURITY HOLDERS

20 largest quoted security holders

Name	Units	% Units
ADCORE HOLDINGS PTY LTD	49,320,114	60.67%
ANACACIA PTY LTD <WATTLE FUND A/C>	8,283,445	10.19%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,762,544	9.55%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,065,514	6.23%
RUNBULLRUN PTY LTD <YCM A/C>	739,521	0.91%
H&G HIGH CONVICTION LIMITED	508,256	0.63%
HGL INVESTMENTS PTY LTD	485,397	0.60%
CITICORP NOMINEES PTY LIMITED	363,150	0.45%
H&G HIGH CONVICTION LIMITED	297,258	0.37%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	259,510	0.32%
SOBRRA PTY LTD	150,000	0.18%
BLACKCAT HOLDINGS PTY LTD	143,100	0.18%
WESTFERRY OPERATIONS PTY LTD <THE WESTFERRY FUND A/C>	140,000	0.17%
NEWPORT PRIVATE WEALTH P/L <SENECA SMALL COMPANIES A/C>	138,000	0.17%
MR MARTIN JOHN WATSON + MRS KARIN CAROLINE WATSON <TREADWELL A/C>	136,000	0.17%
JENNIFER ANN CORMACK	133,333	0.16%
SMITHSTOCK PTY LTD <WARIALDA 1 UNIT A/C>	120,000	0.15%
CERTANE CT PTY LTD <ASYMMETRIC OPPORTUNITIES FD>	116,034	0.14%
ASHLEY INVESTMENT CO PTY LTD	112,500	0.14%
DR MICHELLE CORKE LARGIER	109,293	0.13%
Top Twenty Holders	**74,382,969**	**91.51%**
Total Remaining Holders Balance	**6,904,389**	**8.49%**

Unquoted security holders

There are 403,268 unquoted security holders (options) issued to one holder.

Substantial holders

Holder	Number	%
Adcore Holdings Pty Ltd as trustee for the Gary Washington Family Trust	49,320,114	60.67%
Ellerston Capital Limited	9,085,002	11.18%
Anacacia Pty Ltd	8,283,445	10.19%

VOLUNTARY ESCROW

Voluntary Escrow	Number
All remaining shares escrowed at IPO were released from escrow in March 2024.	Nil

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below.

ORDINARY SHARES

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.

There are no other classes of equity securities.

CORPORATE GOVERNANCE

The Company's corporate governance statement is found on the company's website at

https://adradholdings.com.au/investors/#governance


ADRAD