



Adacel Technologies Limited  
ABN 15 079 672 281  
Unit 29, 3 Westside Avenue  
Port Melbourne, Victoria 3207 Australia  
T. +61 3 8530 7777  
W. [www.adacel.com](http://www.adacel.com)

## **Adacel Technologies Limited** **(ASX: ADA)**

### **ASX & Media Release**

Melbourne, 20 February 2020

### **Appendix 4D & Half Year Report for the period ended 31 December 2019**

#### **Lodged with the ASX under Listing Rule 4.2A**

This information should be read in conjunction with the 30 June 2019 annual report

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**Adacel Technologies Limited**  
**Appendix 4D**  
**Half-year ended 31 December 2019**

(Previous corresponding period: Half-year ended 31 December 2018)

**Results for Announcement to the Market**

<b>Revenue from continuing operations</b>	Down	17.0%	to	19,714,000
<b>Profit for the period attributable to owners</b>	Down	18.3%	to	1,188,000
<b>Profit before tax for the period</b>	Down	6.3%	to	2,108,000

**Dividends/distributions**

	Amount per security	Franked amount per security
Interim dividend	\$0.0100	\$0.0000
Final dividend	-	-
Special dividend	-	-

**Record date** for determining entitlements to the dividend

28 February 2020
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**Payment date** of the Interim dividend

15 April 2020
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**Other Information**

**Earnings per Share**

Earnings per Ordinary Share (Cents per Share) Half year ended December 2019

1.54
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Earnings per Ordinary Share (Cents per Share) Half year ended December 2018

1.90
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**Net Tangible Asset Backing**

Net Tangible Asset Backing per Ordinary Share (Cents per Share) December 2019

16.98*
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Net Tangible Asset Backing per Ordinary Share (Cents per Share) June 2019

15.24
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\*Net Tangible asset backing per ordinary share includes right-of-use assets as per AASB 16

**Additional information supporting the Appendix 4D disclosure requirements can be found in the Media Release lodged with this Appendix 4D. This Media Release forms part of the Directors' Report.**



## *Auditor's Independence Declaration*

As lead auditor for the review of Adacel Technologies Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Adacel Technologies Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to be 'JP', written in a cursive style.

Jason Perry  
Partner  
PricewaterhouseCoopers

Melbourne  
20 February 2020

**ADACEL TECHNOLOGIES LIMITED**  
**ABN 15 079 672 281**  
**HALF-YEAR REPORT – 31 DECEMBER 2019**

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This condensed financial report is for the consolidated entity consisting of Adacel Technologies Limited and its subsidiaries. The financial report is presented in the Australian currency.

Adacel Technologies Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Adacel Technologies Limited  
Unit 29  
3 Westside Avenue  
PORT MELBOURNE, VIC, 3207

Its shares are listed on the Australian Stock Exchange.

The interim financial report was authorised for issue by the directors on 20 February 2020. The Company has the power to amend and reissue the interim financial report.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Adacel Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## **Directors' report**

Your directors present their report on the consolidated entity consisting of Adacel Technologies Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

## **Directors**

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

Michael McConnell  
Peter Landos  
Natalya Jurcheshin  
Silvio Salom

## **Principal activities**

The principal activities of the consolidated entity during the current and prior financial periods were air traffic management and air traffic control simulation and software applications and services in the global civil and military aerospace sector.

## **Review of operations**

For a detailed review of operations of Adacel Technologies Limited and the entities it controlled at the end of, or during, the half-year to 31 December 2019, please refer to the Media Release (which forms part of the Directors Report) lodged with this Appendix 4D.

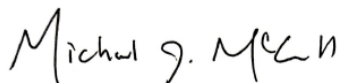
## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 of this report.

## **Rounding of amounts to nearest thousand dollars**

The amounts contained in this report have been rounded off to the nearest thousand dollars, or in some cases to the nearest dollar, under the relief available to the company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The Company is an entity to which this Instrument applies.

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

A handwritten signature in black ink that reads "Michael J. McConnell".

**Michael McConnell**  
Chairman

A handwritten signature in black ink that reads "N. Jurcheshin".

**Natalya Jurcheshin**  
Director

Melbourne, 20 February 2020

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	<b>Consolidated</b>	
	<b>Half-year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from continuing operations</b>	<b>19,714</b>	<b>23,750</b>
Interest income	<b>1</b>	<b>29</b>
Other income	<b>299</b>	<b>523</b>
Net foreign exchange gain	<b>224</b>	<b>40</b>
Materials and consumables	<b>(2,557)</b>	<b>(4,165)</b>
Labour expense	<b>(13,397)</b>	<b>(14,980)</b>
Depreciation and amortisation expense	<b>(928)</b>	<b>(330)</b>
Finance costs	<b>(190)</b>	<b>(83)</b>
All other expenses	<b>(1,058)</b>	<b>(2,535)</b>
<b>Profit before tax</b>	<b>2,108</b>	<b>2,249</b>
Income tax expense	<b>(920)</b>	<b>(795)</b>
<b>Profit from continuing operations</b>	<b>1,188</b>	<b>1,454</b>
<b>Profit for the half-year</b>	<b>1,188</b>	<b>1,454</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit:</i>		
Exchange differences on translation of foreign operations	<b>72</b>	<b>500</b>
<b>Total other comprehensive income, net of tax</b>	<b>72</b>	<b>500</b>
<b>Total comprehensive income for the half-year</b>	<b>1,260</b>	<b>1,954</b>
<b>Profit for the half-year is attributable to:</b>		
<b>Owners of Adacel Technologies Limited</b>	<b>1,188</b>	<b>1,454</b>
<b>Total comprehensive income for the half-year is attributable to:</b>		
<b>Owners of Adacel Technologies Limited</b>	<b>1,260</b>	<b>1,954</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share (cents per share)	<b>1.5</b>	<b>1.9</b>
Diluted earnings per share (cents per share)	<b>1.5</b>	<b>1.9</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 and 30 June 2019

	Notes	Consolidated	
		31 December 2019 \$'000	30 June 2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents		2,348	2,511
Trade and other receivables		9,627	9,369
Accrued revenue		6,377	6,669
WIP and inventories		1,776	781
Other financial assets		488	167
<b>Total current assets</b>		<b>20,616</b>	<b>19,497</b>
<b>Non-current assets</b>			
Property, plant and equipment		755	834
Intangible assets		1,021	996
Right-of-use assets	2	7,512	-
Deferred tax asset		4,873	4,898
Other financial assets		49	42
<b>Total non-current assets</b>		<b>14,210</b>	<b>6,770</b>
<b>Total assets</b>		<b>34,826</b>	<b>26,267</b>
<b>Current liabilities</b>			
Bank overdraft		398	-
Trade and other payables		3,945	3,915
Advance payments from customers		2,519	4,041
Current tax liabilities		2,088	1,470
Provisions		2,506	3,012
Lease liabilities	2	1,392	-
Other current liabilities		625	625
<b>Total current liabilities</b>		<b>13,473</b>	<b>13,063</b>
<b>Non-current liabilities</b>			
Lease liabilities	2	6,772	-
Deferred tax liability		615	584
<b>Total non-current liabilities</b>		<b>7,387</b>	<b>584</b>
<b>Total liabilities</b>		<b>20,860</b>	<b>13,647</b>
<b>Net assets</b>		<b>13,966</b>	<b>12,620</b>
<b>Equity</b>			
Contributed equity	5	71,338	71,338
Reserves		(69)	(227)
Accumulated losses		(57,303)	(58,491)
<b>Total equity</b>		<b>13,966</b>	<b>12,620</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

		Attributable to the owners of Adacel Technologies Limited			
		Contributed Equity	Reserves	Accumulated Losses	Total Equity
Notes		\$'000	\$'000	\$'000	\$'000
	<b>Balance at 1 July 2018</b>	<b>73,253</b>	<b>(1,310)</b>	<b>(49,162)</b>	<b>22,781</b>
	Profit for the half-year	-	-	1,454	1,454
	Exchange differences on translation of foreign operations	-	500	-	500
	<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>500</b>	<b>1,454</b>	<b>1,954</b>
	<b>Transactions with owners in their capacity as owners:</b>				
	Share buyback equity reductions	5	(1,646)	-	(1,646)
	Dividends provided for or paid	6	-	(5,867)	(5,867)
			<b>(1,646)</b>	<b>(5,867)</b>	<b>(7,513)</b>
	<b>Balance at 31 December 2018</b>	<b>71,607</b>	<b>(810)</b>	<b>(53,575)</b>	<b>17,222</b>
	<b>Balance at 1 July 2019</b>	<b>71,338</b>	<b>(227)</b>	<b>(58,491)</b>	<b>12,620</b>
	Profit for the half-year	-	-	1,188	1,188
	Exchange differences on translation of foreign operations	-	72	-	72
	<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>72</b>	<b>1,188</b>	<b>1,260</b>
	<b>Transactions with owners in their capacity as owners:</b>				
	Employee share schemes	8	-	86	86
			<b>-</b>	<b>86</b>	<b>86</b>
	<b>Balance at 31 December 2019</b>	<b>71,338</b>	<b>(69)</b>	<b>(57,303)</b>	<b>13,966</b>

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	Notes	Consolidated	
		Half-year ended 31 December	
		2019	2018
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		18,372	21,562
Payments to suppliers and employees (inclusive of GST)		(17,649)	(21,763)
Payments for research and development expenditure (inclusive of GST)		(207)	(796)
Refund of security deposits		-	6
		<u>516</u>	<u>(991)</u>
Interest received		1	29
Income tax (paid)		(132)	(281)
<b>Net cash inflow/(outflow) from operating activities</b>		<u>385</u>	<u>(1,243)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(132)	(89)
Payments for intellectual property		(160)	(50)
<b>Net cash outflow from investing activities</b>		<u>(292)</u>	<u>(139)</u>
<b>Cash flows from financing activities</b>			
Dividend paid	6	-	(5,867)
Repayment of TPC grant		-	(905)
Finance costs		(190)	(10)
Principal elements of lease payments		(493)	-
Shares repurchased through on market buy-back	5	-	(1,646)
<b>Net cash outflow from financing activities</b>		<u>(683)</u>	<u>(8,428)</u>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(590)</b>	<b>(9,810)</b>
Cash and cash equivalents at the beginning of the financial year		2,511	12,525
Effects of exchange rate changes on cash and cash equivalents		29	429
<b>Cash and cash equivalents at the end of the half-year*</b>		<u>1,950</u>	<u>3,144</u>

\* Cash and cash equivalents are net of bank overdrafts (\$398,000 at 31 December 2019 and nil at 30 June 2019)

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

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## 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Adacel Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### (a) Accounting Estimates

The group makes estimates and assumptions concerning the future in computing and preparing its financial reports. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events. The estimates and assumptions adopted for this financial period are consistent with those of the previous financial year.

### (b) Accounting policies

These financial statements have been prepared on the basis of accounting policies consistent with those applied in the 30 June 2019 Annual Report, with any variations explained as follows.

On 1 July 2019, the Company adopted AASB 16 Leases. The impact of the adoption of this standard is disclosed in Note 2.

AASB 16 was issued in February 2016. It results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The group elected to use the modified retrospective approach. Under this approach, the comparative information was not restated, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

For the consolidated statement of financial position, this resulted in the recognition of new right-of-use assets of \$7,941,000 and new lease liabilities of \$8,510,000 presented as long-term debt, discounted using the borrowing rate as at 1 July 2019.

## 2. CHANGE IN ACCOUNTING POLICIES

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.40%.

### **The Group’s leasing activities and how these are accounted for**

The Group leases various offices and equipment. Rental contracts are typically made for a fixed period of 3 to 10 years but may have extension options. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 30 June 2019, leases were classified as either finance or operating lease. Payments made under operating leases were charged to profit and loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments. The lease payments are discounted using the lessee’s incremental borrowing rate. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability less any lease incentives received.

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

### Adjustment recognised on adoption of AASB 16

Impact of transition is as follows:	<b>1 July 2019</b>
	<b>\$'000</b>
Operating lease commitments disclosed as at 30 June 2019	6,047
Discounted using the lessee's incremental borrowing rate of at the date of initial application	5,685
Add: adjustments as a result of a different treatment of extension options	2,825
	<u><b>8,510</b></u>
Lease liability recognised as at 1 July 2019	
Current lease liabilities	7,161
Non-current lease liabilities	1,349
	<u><b>8,510</b></u>

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of lease inducement recognised on the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The right-of-use assets relate to the following types of assets:

	<b>1 July 2019</b>
	<b>\$'000</b>
Properties	7,798
Equipment	143
<b>Total right-of-use assets</b>	<u><b>7,941</b></u>

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

		<b>1 July 2019</b>
		<b>\$'000</b>
Right-of-use assets	Increase by	7,941
Deferred tax assets		-
Trade and other payables	Decrease by	568
Lease liabilities	Increase by	8,510
Retained earnings		-

### Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease if the lease is reasonably certain to be extended. Potential future cash outflows of \$2,293,000 have not been included in the lease liability because it is not reasonably certain that the lease will be extended.

### 3. SEGMENT INFORMATION

#### (a) Description of segments

Management has determined the operating segments based on the reports that are used to make strategic decisions. These reports are prepared by the CEO and the CFO and reviewed by the Board monthly. The consolidated entity is organised on a global basis into these following segments:

*Systems* – Includes all sales of complex systems and products covering operational control as well as simulation and training. This segment also includes all hardware and software upgrade sales.

*Services* – Includes all recurring revenue, including all aspects of support, field services and on-site technical services.

Segment margins result after the allocation of all direct project expenses, (labour, materials and other direct costs), as well as an allocation of costs from direct function areas such as engineering, testing and project management. Further costs from the indirect functions areas of HR, IT and Facilities are also allocated based upon direct labour heads.

	Systems		Services		Total	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operations</b>						
Total segment revenue	<b>4,062</b>	9,568	<b>15,652</b>	14,182	<b>19,714</b>	23,750
Total segment margin	<b>(472)</b>	1,185	<b>7,653</b>	7,223	<b>7,181</b>	8,408
Other income					<b>299</b>	523
Interest revenue					<b>1</b>	29
Exchange rate gain/(loss)					<b>224</b>	40
R&D expenses					<b>(207)</b>	(796)
S&M expenses					<b>(1,764)</b>	(1,807)
G&A expenses					<b>(2,508)</b>	(3,735)
Depreciation & amortisation					<b>(928)</b>	(330)
Interest & finance charges					<b>(190)</b>	(83)
Profit before income tax					<b>2,108</b>	2,249
Tax expense					<b>(920)</b>	(795)
Profit for the Period					<b>1,188</b>	1,454



#### 4. FINANCING ARRANGEMENTS

Adacel signed a facility agreement with the Royal Bank of Canada on 28 June 2017. The facility was governed by pre-agreed covenants with the bank and was repayable on demand. The facility comprised -

- A combined Overdraft and Guarantee facility of up to CAD \$6,000,000. The guarantees are limited to CAD \$2,000,000.
- A Guarantee facility of CAD \$100,000 which reduces by CAD \$50,000 each year as the security provided for the leased premises.
- A Lease line of credit of CAD \$500,000 specifically for leases.
- A Visa credit Card facility to the value of CAD \$175,000.
- A CAD \$2,000,000 facility for Foreign Exchange Forward Contracts.

The facility was secured by a deed of movable hypothec (mortgage) over the assets and undertakings of Adacel Inc (Canadian operating entity), with guarantees and subordination agreements from Adacel Systems Inc, Adacel Technologies Inc and Adacel Technologies Holding Inc.

The Company also has American Express facilities. Adacel Inc has an approved limit of CAD\$100,000 and Adacel Systems Inc has an approved limit of USD \$175,000.

The directors have reviewed the size and terms of the facility and its continued availability. The directors are satisfied that the operating plans and budgets for the period of 12 months from the date of signing this financial report will provide sufficient cash flows, that together with the facility, will be adequate for the Company's requirements.

On 30 January 2020, the Company entered into new credit facilities with the Royal Bank of Canada. Refer to note 9 for further information.

#### 5. CONTRIBUTED EQUITY

		<b>Consolidated</b>	
		<b>31 December</b>	<b>31 December</b>
		<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(a) Share capital</b>			
Ordinary shares		<b>71,338</b>	73,253
<b>(b) Movements in ordinary share capital</b>			
<b>Date</b>	<b>Details</b>	<b>Number of Shares</b>	<b>\$'000</b>
1 July 2018	Balance	78,330,060	73,253
01 Jul 18 – 31 Dec 18	Share Buy Back	(1,703,485)	(1,646)
31 December 2018	Balance	<u>76,626,575</u>	<u>71,607</u>
1 July 2019	Balance	76,249,342	71,338
01 Jul 19 – 31 Dec 19	Share Buy Back	-	-
31 Dec 2019	Balance	<u>76,249,342</u>	<u>71,338</u>

## 6. DIVIDENDS

	Half-year	
	2019	2018
	\$'000	\$'000
<b>(a) Dividends provided for or paid during the half-year</b>		
No final dividend paid for fiscal year 2019 (2018: \$0.0250 per share)	-	1,955
No special dividend paid for fiscal year 2019 (2018: \$0.0500 per share)	-	3,912
	<u>-</u>	<u>5,867</u>

### (b) Dividends not recognised at the end of the half-year

Subsequent to the half-year ended 31 December 2019, the Directors have declared an interim unfranked dividend of 1.00 cent per share. The record date for the dividend is 28 February 2020 and will be paid on 15 April 2020. An unfranked dividend of 1.00 cent per share was announced for the previous corresponding period ended 31 December 2018.

<b>762</b>	<b>766</b>
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## 7. CONTINGENCIES

Guarantees of \$1,279,265 (2018: \$1,726,433) have been given to banks and customers in relation to contract warranty and performance. In addition, the Company's former CEO has filed a breach of contract claim against the Company and the matter is currently in arbitration in the state of Florida. It is not currently practicable to estimate any potential settlement.

Other than above, there are no other known contingent liabilities.

## 8. SHARE-BASED PAYMENTS

### Executive Share Option and Performance Rights Plan

The ADA Executive Share Option and Performance Rights Plan was approved by the shareholders at the Annual General Meeting in November 2017. In August 2019, the Board granted 188,000 performance rights to eligible employees. These performance rights have an exercise price of nil and will vest on April 30, 2020. The company incurred a share-based payment expenses of AUD \$86,000 based on vesting period.

In addition, in August 2019, the Board granted 381,000 performance rights to eligible employees. These performance rights have an exercise price of nil and will vest subject to the attainment of certain performance conditions. During the half-year ended 31 December 2019, no performance rights were exercised and no amount was recognised as it is too early to determine whether the performance conditions will be met.

Lastly, in August 2019, the Board granted 688,000 options to eligible employees. These options have an exercise price of \$0.455 per options and will vest subject to the attainment of certain performance conditions. During the half-year ended 31 December 2019, no options were exercised and no amount was recognised as it is too early to determine whether the performance conditions will be met.





## **9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

On 31 January 2020, the Company entered into new credit facilities with the Royal Bank of Canada. As a result, the combined Overdraft and Guarantee facility was reduced from CAD \$6,000,000 to CAD \$4,000,000. In addition, the Foreign Exchange Forward Contracts facility of CAD \$2,000,000 the Lease line of credit of CAD \$500,000 and the Guarantee facility of CAD \$100,000 were terminated as they were no longer needed.

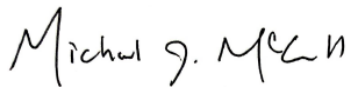
The directors have reviewed the size and terms of the facility and its continued availability. The directors are satisfied that the operating plans and budgets for the period of 12 months from the date of signing this financial report will provide sufficient cash flows, that together with the facility, will be adequate for the Company's requirements.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- a. the financial statements and notes set out on pages 6 to 17 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the half-year ended on that date; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

A handwritten signature in black ink that reads "Michael J. McConnell".

**Michael McConnell**  
Chairman

A handwritten signature in black ink that reads "Natalya Jurcheshin".

**Natalya Jurcheshin**  
Director

Melbourne, 20 February 2020



## **Independent auditor's review report to the members of Adacel Technologies Limited**

### ***Report on the half-year financial report***

We have reviewed the accompanying half-year financial report of Adacel Technologies Limited (the Company) and the entities it controlled during the half year (together the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2019, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the half-year financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adacel Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adacel Technologies Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A large, stylized cursive signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A stylized cursive signature of 'JP' in black ink.

Jason Perry  
Partner

Melbourne  
20 February 2020