



Adacel Technologies Limited
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Adacel Technologies Limited

(ASX: ADA)

ASX & Media Release

MELBOURNE, 19 FEBRUARY 2024

Appendix 4D & Half Year Report for the period ended 31 December 2023

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2023 annual report

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Adacel Technologies Limited
Appendix 4D
Half-year ended 31 December 2023



(Previous corresponding period: Half-year ended 31 December 2022)

Results for Announcement to the Market (USD \$'000)

Revenue from contracts with customers	Down	7.06%	to	13,069,000
Loss for the period attributable to owners	Down	723.85%	to	(1,360,000)
Loss before tax for the period	Down	210.54%	to	(1,059,000)

Dividends/distributions

	Amount per security	Franked amount per security
Interim dividend (Cent per Share)	-	-
Final dividend	-	-
Special dividend	-	-

Record date for determining entitlements to the dividend

-
-

Payment date of the Interim dividend

Other Information

Earnings per Share

Loss per Ordinary Share (Cents per Share) Half year ended December 2023	(1.8)
Earnings per Ordinary Share (Cents per Share) Half year ended December 2022	0.3

Net Tangible Asset Backing

Net Tangible Asset* Backing per Ordinary Share (Cents per Share) December 2023	5.20
Net Tangible Asset* Backing per Ordinary Share (Cents per Share) June 2023	8.00

**All lease right-of-use assets and related liabilities have been included.*

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 2023, 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 read 'Matthew Probert', with a long horizontal flourish extending to the right.

Matthew Probert
Partner
PricewaterhouseCoopers

Melbourne
19 February 2024

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ADACEL TECHNOLOGIES LIMITED
ABN 15 079 672 281
HALF-YEAR REPORT – 31 DECEMBER 2023

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This condensed financial report is for the Group consisting of Adacel Technologies Limited and its subsidiaries. The financial report is presented in the United States 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
Suite 31, Level 4
150 Albert Road
SOUTH MELBOURNE, VIC, 3205

Its shares are listed on the Australian Stock Exchange.

The interim financial report was authorised for issue by the directors on 19 February 2024. 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 2023 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 Group consisting of Adacel Technologies Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

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 Group 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 2023, please refer to the Media Release (which forms part of the Directors Report) lodged with this Appendix 4D.

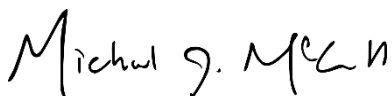
Auditor's independence declaration

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, 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.

Handwritten signature of Michael McConnell in black ink.

Michael McConnell
Chairman

Handwritten signature of Natalya Jurcheshin in black ink.

Natalya Jurcheshin
Director

Melbourne, 19 February 2024

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2023

		Consolidated	
		Half-year ended 31 December	
		2023	2022
		\$'000	\$'000
Revenue from contracts with customers	3	13,069	14,061
Interest Income		-	17
Other income	4	566	652
Materials and consumables		(2,766)	(2,091)
Labour expense		(9,405)	(9,220)
Depreciation and amortisation expense		(969)	(840)
Finance costs		(288)	(210)
Net foreign exchange loss		(66)	(202)
All other expenses		(1,200)	(1,209)
(Loss)/profit before tax		(1,059)	958
Income tax expense		(301)	(740)
(Loss)/profit from continuing operations		(1,360)	218
(Loss)/profit for the half-year		(1,360)	218
Other comprehensive income			
<i>Items that may be reclassified to profit:</i>			
Exchange differences on translation of foreign operations		86	(788)
Total other comprehensive income/(loss), net of tax		86	(788)
Total comprehensive (loss) for the half-year		(1,274)	(570)
(Loss)/profit for the half-year is attributable to:			
Owners of Adacel Technologies Limited		(1,360)	218
Total comprehensive (loss) for the half-year is attributable to:			
Owners of Adacel Technologies Limited		(1,274)	(570)
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic (loss)/earnings per share (cents per share)		(1.8)	0.3
Diluted (loss)/earnings per share (cents per share)		(1.8)	0.3

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023 and 30 June 2023

	Notes	Consolidated	
		31 December 2023 \$'000	30 June 2023 \$'000
Current assets			
Cash and cash equivalents		581	909
Trade and other receivables		6,554	7,605
Accrued revenue		4,491	3,079
WIP and Inventories		340	439
Other financial assets		17	16
Total current assets		11,983	12,048
Non-current assets			
Property, plant and equipment		818	639
Intangible assets		4,808	4,685
Right-of-use assets		5,051	3,161
Tax receivable		1,115	1,151
Deferred tax asset		1,473	1,698
Other financial assets		111	105
Total non-current assets		13,376	11,439
Total assets		25,359	23,487
Current liabilities			
Bank overdraft	5	59	20
Trade and other payables		2,737	2,747
Advance payments from customers		2,280	2,796
Current tax liabilities		692	1,034
Provisions		1,367	1,500
Lease liabilities		1,012	922
Borrowings	5	2,920	-
Total current liabilities		11,067	9,019
Non-current liabilities			
Lease liabilities		4,657	2,754
Deferred tax liability		840	930
Total non-current liabilities		5,497	3,684
Total liabilities		16,564	12,703
Net assets		8,795	10,784
Equity			
Contributed equity	6	53,189	53,189
Reserves		(6,491)	(6,595)
Accumulated losses		(37,903)	(35,810)
Total equity		8,795	10,784

The above condensed consolidated 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 2023

Attributable to the owners of
Adacel Technologies Limited

		Contributed Equity	Reserves	Accumulated Losses	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022		53,292	(6,039)	(33,365)	13,888
Profit for the half-year		-	-	218	218
Exchange differences on translation of foreign operations		-	(788)	-	(788)
Total comprehensive income for the half-year		-	(788)	218	(570)
Transactions with owners in their capacity as owners:					
Share buyback equity reduction	6	(52)	-	-	(52)
Employee share schemes – value of employee services		-	18	-	18
Dividends provided for or paid	7	-	-	(1,574)	(1,574)
		(52)	18	(1,574)	(1,608)
Balance at 31 December 2022		53,240	(6,809)	(34,721)	11,710
Balance at 1 July 2023		53,189	(6,595)	(35,810)	10,784
Loss for the half-year		-	-	(1,360)	(1,360)
Exchange differences on translation of foreign operations		-	86	-	86
Total comprehensive income for the half-year		-	86	(1,360)	(1,274)
Transactions with owners in their capacity as owners:					
Employee share schemes – value of employee services		-	18	-	18
Dividends provided for or paid	7	-	-	(733)	(733)
		-	18	(733)	(715)
Balance at 31 December 2023		53,189	(6,491)	(37,903)	8,795

The above condensed consolidated 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 2023

	Notes	Consolidated	
		Half-year ended 31 December	
		2023	2022
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		12,604	14,527
Payments to suppliers and employees (inclusive of GST)		(14,255)	(14,246)
Payments for research and development expenditure (inclusive of GST)		(405)	(76)
Payment of security deposit		(6)	-
		(2,062)	205
Interest received		-	17
Income tax (paid) received		(96)	154
Tax credit refunded		1,050	724
Finance costs		(288)	(210)
Net cash (outflow) / inflow from operating activities		(1,396)	890
Cash flows from investing activities			
Payments for property, plant and equipment		(362)	(332)
Payments for intangible asset		(263)	(442)
Net cash outflow from investing activities		(625)	(774)
Cash flows from financing activities			
Shares repurchased through on market buy-back		-	(52)
Dividend paid	7	(733)	(1,574)
Proceeds from borrowings	5	3,000	-
Principal elements of lease payments		(477)	(391)
Repayment of borrowings	5	(161)	-
Net cash inflow / (outflow) from financing activities		1,629	(2,017)
Net decrease in cash and cash equivalents		(392)	(1,901)
Cash and cash equivalents at the beginning of the financial year		889	1,898
Effects of exchange rate changes on cash and cash equivalents		25	(41)
Cash and cash equivalents and overdraft at the end of the half-year		522	(44)

The above condensed consolidated 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 2023 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 2023 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 2023 Annual Report, except for the adoption of new and amended standards as set out below:

(i) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2. SEGMENT INFORMATION

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 reviewed by the Board monthly. The Group 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 aspects of support, field services and on-site technical services.

Segment margins results are presented 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	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operations						
Total segment revenue	3,635	4,601	9,434	9,460	13,069	14,061
Total segment margin	(92)	619	3,717	4,357	3,625	4,976
Other income	4				566	652
Interest income					-	17
Net exchange rate loss					(66)	(202)
Research and development expenses					(405)	(165)
Sales and marketing expenses					(1,629)	(1,486)
General and administration expenses					(1,893)	(1,784)
Depreciation and amortisation					(969)	(840)
Interest and finance charges					(288)	(210)
(Loss)/profit before income tax					(1,059)	958
Tax expense					(301)	(740)
(Loss)/profit for the period					(1,360)	218



3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of services and systems	13,069	14,061
	13,069	14,061
<i>Timing of revenue recognition</i>		
At a point in time	716	1,219
Over time	12,353	12,842
	13,069	14,061

4. OTHER INCOME

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Other Income</i>		
Quebec Tax Credits	566	489
Canada Emergency Wage Subsidy (CEWS) and Other	-	163
	566	652

The Group is eligible for tax credits of \$566,000 (2022: \$489,000) from the Quebec government for Research and development, Multimedia and E-business schemes. These tax credits have been accrued after analysing the applicable criteria. They will be adjusted to the actual amount once the tax return has been submitted and the amounts received.

5. FINANCING ARRANGEMENTS

Adacel signed a new facility agreement with the Bank of Montreal effective on 7 October 2022. The facility is governed by pre-agreed covenants with the bank and is repayable on demand. The facility comprises:

- A \$5,000,000 revolving credit facility, a \$3,000,000 non-revolving demand loan, a dedicated \$2,000,000 facility for letters of credit, a \$3,000,000 hedging program facility, and a MasterCard credit card facility of \$200,000.

The \$3,000,000 non-revolving demand loan has been drawn upon on August 17, 2023. The demand loan will be repaid over 84 months. As at December 31 2023, \$161,000 has been repaid.

The facility is 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 \$250,000.

As at December 31 2023, the consolidated statement of financial position shows an overdraft of \$59,000. This reflects the net overdraft position of Adacel's subsidiary company, Adacel Inc, which has cash at bank of \$1,954,000 and an overdraft of \$2,013,000.

6. CONTRIBUTED EQUITY

		Consolidated	
		31 December 2023	31 December 2022
		\$'000	\$'000
(a) Share capital			
Ordinary shares		53,189	53,240
(b) Movements in ordinary share capital			
Date	Details	Number of Shares	\$'000
1 July 2022	Balance	76,421,825	53,292
01 Jul 22 – 31 Dec 22	Share buy back	(55,000)	(52)
31 December 2022	Balance	<u>76,366,825</u>	<u>53,240</u>
1 July 2023	Balance	76,224,989	53,189
01 Jul 23 – 31 Dec 23	Share buy back	-	-
31 December 2023	Balance	<u><u>76,224,989</u></u>	<u><u>53,189</u></u>



7. DIVIDENDS

	Half-year	
	2023	2022
	\$'000	\$'000
(a) Dividends provided for or paid during the half-year		
A final dividend of AUD 1.50 cents per share was paid for the 2023 financial year (AUD 3.25 cents per share for 2022)	(733)	(1,574)
(b) Dividends not recognised at the end of the half-year		
No unfranked dividend was declared subsequent to the half-year ended 31 December 2023. An unfranked dividend of AUD 1.50 cent per share was announced for the previous corresponding period ended 31 December 2022.	-	768

8. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

During the half year ended 31 December 2023, the Company entered into foreign currency forward contracts mainly to manage the variability in the expected foreign currency exchange rate of the Canadian dollar against the US dollar.

(a) Fair value hierarchy

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- a. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- b. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2023:

	31 December	30 June
	2023	2023
	\$'000	\$'000
Financial assets	Level 2	Level 2
Foreign exchange forwards	17	16

(b) Valuation techniques used to determine fair values

The foreign currency forwards have been measured by using the present value of future cash flows based on the forward exchange rates at the balance sheet date. These have been classified as Other financial assets.

9. EVENTS OCCURRING AFTER THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE

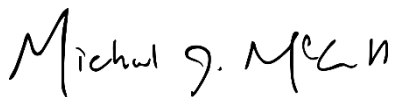
No matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

- a. the financial statements and notes set out on pages 6 to 16 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 2023 and of its performance 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.

Handwritten signature of Michael J. McConnell in black ink.

Michael McConnell
Chairman

Handwritten signature of Natalya Jurcheshin in black ink.

Natalya Jurcheshin
Director

Melbourne, 19 February 2024



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

Report on the half-year financial report

Conclusion

We have reviewed the 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 2023, the 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, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2023 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors 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.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Matthew Probert', with a long horizontal flourish extending to the right.

Matthew Probert
Partner

Melbourne
19 February 2024