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Adacel Technologies Limited

(ASX: ADA)

ASX & Media Release

Melbourne, 29 August 2014

Appendix 4E - Preliminary Final Report Year ended 30 June 2014

Lodged with the ASX under Listing Rule 4.3A

Contents

Adacel Technologies Limited
Year ended 30 June 2014
(Previous corresponding period: Year ended 30 June 2013)

Results for Announcement to the Market

				$000
Revenue from continuing operations	Up	6%	to	33,129
Profit/(loss) for the period attributable to owners	Down	$3,097,000	to	(2,287)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	-	-
Interim dividend	-	-
Special dividend paid	-	-

Record date for determining entitlements to the dividend: -

Operating and Financial Review

The Company has delivered a third consecutive year of underlying profitability in FY2014, with a profit before tax result of $1.8 million, an improvement over the FY2013 result of $0.9 million. This FY2014 result was achieved with a modest increase in revenue over the prior corresponding period, however overall orders declined in FY2014 due to unforseen delays in the timing of programs.

The loss after tax result of $2.3 million was due to the Company's Board determining to reduce the deferred tax asset in the balance sheet to a level equal with the expected deferred tax liability relating to certain foreign jurisdictions. These tax losses continue to be available to be offset against future tax liabilities in these jurisdictions, and, in no way, detract from the Board's outlook for future profitability of the Company. Cash flow in the period was negatively affected by employee redundancy costs incurred as well as delayed payments by certain international customers.

Following a modest profit before tax result in the first half, conditions in the Company's key markets have continued to be challenging, in particular those markets outside of the United States of America. Delayed tender process decision-making, budgetary constraints and a fierce competitive environment resulted in a number of orders not materialising and therefore not translating into earnings in the period, as originally forecast.

Factors affecting the FY2014 result also included a reduction in the liability owed to Technology Partnerships Canada (TPC) in the Company's balance sheet. This liability relates to repayments of grants to TPC based on future company sales, including those of the Lockheed Martin F-35 Joint Strike Fighter which has experienced a number of program delays and a slower sales schedule. This non-cash adjustment of approximately $1.4 million represents an increase in the FY2014 profit before tax result.

The Company responded to the softer international market environment and took immediate steps to 'right-size' the business, reducing the overall cost base by an annualised amount of approximately $2.5 million. The cost of these reductions, reflected in the FY2014 results, is approximately $0.8 million.

These actions assisted in maintaining a profitable financial performance over the period and ensured the allocation of resources to those opportunities where the Company was well-placed for success.

In terms of existing business, the Company's focus has continued to be:

- disciplined program management;
- tight operating cost control;
- targeted research and development expenditure on core intellectual property; and
- maintenance and nurturing of key customer relationships.

The combination of the cost saving initiatives, business unit streamlining and tight management controls has the Company positioned to secure the delayed orders, and meet all existing customer delivery timetables and program management expectations in FY2015.

Air Traffic Management

The Air Traffic Management business continued its consistent contribution in FY2014. This activity was primarily undertaken with two of the Company's key customers, the Federal Aviation Administration (FAA) under the Advanced Technologies and Oceanic Procedures (ATOP) program with Lockheed Martin and NavPortugal. In addition, the Company is nearing installation completion and system acceptance with a new customer, Avinor (Norway), which will establish a further key aviation relationship in the Nordic region.

Under the ATOP Program, the installed system utilises the Company's Aurora air traffic management software and hardware and provides a sophisticated and automated platform to support air traffic control operations. During FY2014, the FAA renewed the ATOP Program for a further eight years (one base year, plus seven option years) until 2021. The Company is delighted to be able to work closely with both the FAA and Lockheed Martin on this important program.

The Aurora system also provides the core framework for the air traffic management systems in Fiji, Iceland, New Zealand, Portugal and shortly, Norway.

There are a number of air traffic management opportunities the Company is pursuing across global markets in FY2015. Most notably, the Company has teamed with Lockheed Martin in submitting a comprehensive proposal to the Australian aviation authorities, Air Services Australia, as part of the procurement to consolidate the civil and military aviation air traffic management and air traffic control requirements. The Lockheed Martin/Adacel proposal has been successfully short-listed and the Company anticipates the Australian authorities completing their assessment late in FY2015. Other air traffic management opportunities continue to be pursued in the Asia-Pacific, Europe, Africa and South American regions.

Air Traffic Control Simulation

The Company's air traffic control simulation system continues to be the cornerstone of air traffic control training environments in both civil and military markets in the USA and Australia. The Company's key relationships with the FAA, United States Air Force, United States Army, Air Services Australia, Royal Australian Air Force and ENAV were reinforced during FY2014 with either an extension to the provision of existing arrangements or an expansion in services and product upgrades. The Company is confident in its ability to further develop these relationships in FY2015.

Key Risks and Business Challenges

The Company continues to witness a global aviation environment which is becoming increasingly complex, and, in certain jurisdictions, reliant upon ageing systems with inadequate capabilities and moderate training regimes. Certain tragic aviation disasters in 2014 have placed an increasing focus on air traffic control management systems as well as global air traffic growth, air traffic training requirements and aircraft efficiencies.

Increasingly, the connectivity and communication between civil and military airspace and the air traffic management thereof has become more crucial.

The Company is well-placed to play a role in mitigating the risks associated with the evolution of the global aviation environment. The Company's key customer relationships and teaming arrangements across the globe demonstrate the effort taken to address these risks and to ensure safe, more efficient air travel for all citizens.

For the Company, the challenges remain two-fold: one, the often lengthy tender and decision-making processes on the part of the aviation authorities; and two, the funding constraints typically placed on these agencies. These factors can create fluctuations in the Company's ability to forecast accurately the timing and quantum of both new and on-going business.

Key Financial Results

The key financial results and material factors affecting the assets, liabilities and equity of the Company for the period are contained in Appendix 4E, Note 2.

Outlook

The Board is positive about the future prospects of the Company.

The Company's disciplined approach to program management, operating cost control, core intellectual property development and strategic relationships with key partners in its primary markets provides for cautious optimism regarding continued future profitability in FY2015.

Adacel Technologies Limited
Preliminary consolidated statement of comprehensive income
For the year ended 30 June 2014

	Notes	Consolidated 2014 $000	Consolidated 2013 $000
Revenue from continuing operations		**33,129**	**31,295**
Other income		820	1,336
Net foreign exchange gain/(loss)		169	(442)
Materials and consumables		(2,186)	(3,337)
Labour expense		(23,525)	(21,136)
Depreciation and amortisation expense		(467)	(498)
Finance costs		(386)	(503)
Lease rental expense		(1,220)	(1,243)
Professional fees		(1,214)	(1,178)
Insurance expense		(536)	(456)
Communications expense		(147)	(132)
Travel & entertainment expense		(795)	(704)
Trade shows		(265)	(273)
Repairs & maintenance		(314)	(223)
Bad & doubtful debts		179	-
All other expenses		(1,467)	(1,570)
Profit before tax		**1,775**	**936**
Income tax (expense)	5	(4,062)	(126)
(Loss)/profit from continuing operations		**(2,287)**	**810**
(Loss)/profit for the year		**(2,287)**	**810**
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations		(446)	1,120
Total comprehensive (loss)/income for the year		**(2,733)**	**1,930**
(Loss)/profit is attributable to:			
Owners of Adacel Technologies Limited		**(2,287)**	**810**
Total comprehensive (loss)/income for the year is attributable to:			
Owners of Adacel Technologies Limited		**(2,733)**	**1,930**
Earnings per share for profit attributable to the ordinary equity holders of the company:		**Cents**	**Cents**
Basic (loss)/earnings per share (cents per share)	9	(2.9)	1.0
Diluted (loss)/earnings per share (cents per share)	9	(2.9)	1.0

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

Adacel Technologies Limited
Preliminary consolidated statement of financial position
As at 30 June 2014

	Notes	Consolidated 2014 $000	Consolidated 2013 $000
Current assets			
Cash and cash equivalents	2(a)	2,189	6,127
Receivables	2(b)	10,766	5,902
Current tax receivable	2(c)	325	4
Accrued revenue	2(b)	2,225	4,300
Inventories	2(d)	362	411
Other financial assets	2(e)	377	504
Total current assets		**16,244**	**17,248**
Non-current assets			
Plant and equipment (net)	2(f)	1,992	610
Intangible assets (net)	2(g)	1,337	1,431
Other financial assets	2(e)	20	20
Deferred tax asset	2(h)	-	4,003
Total non-current assets		**3,349**	**6,064**
Total assets		**19,593**	**23,312**
Current liabilities			
Borrowings	2(i)	5	4
Payables	2(j)	5,264	4,281
Advanced payments from customers	2(k)	2,145	1,967
Current tax liabilities	2(l)	362	626
Provisions	2(m)	638	883
Other current liabilities	2(n)	592	666
Total current liabilities		**9,006**	**8,427**
Non-current liabilities			
Borrowings	2(i)	1	5
Other non-current liabilities	2(n)	1,809	3,344
Provisions	2(m)	12	5
Total non-current liabilities		**1,822**	**3,354**
Total liabilities		**10,828**	**11,781**
Net assets		**8,765**	**11,531**
Equity			
Contributed equity	2(o)	75,345	75,378
Reserves	2(p)	(2,255)	(1,809)
Retained profits/(accumulated losses)	7	(64,325)	(62,038)
Total equity		**8,765**	**11,531**

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

Adacel Technologies Limited
Preliminary consolidated statement of changes in equity
For the year ended 30 June 2014

	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	TOTAL EQUITY $'000
	Attributable to the owners of Adacel Technologies Limited			
Balance at 1 July 2012	**75,718**	**(2,925)**	**(61,653)**	**11,140**
Profit for the year	-	-	810	**810**
Exchange differences on translation of foreign operations	-	1,120	-	**1,120**
Total Comprehensive Income for the year	-	1,120	810	**1,930**
Transactions with owners in their capacity as owners:				
Share buyback equity reductions	(339)	-	-	**(339)**
Cost associated with share buyback	(1)	-	-	**(1)**
Dividends provided for or paid	-	-	(1,199)	**(1,199)**
Value of options that have lapsed during the current period	-	(4)	4	-
	(340)	(4)	(1,195)	**(1,539)**
Balance at 30 June 2013	**75,378**	**(1,809)**	**(62,038)**	**11,531**
Balance at 1 July 2013	**75,378**	**(1,809)**	**(62,038)**	**11,531**
Loss for the year	-	-	(2,287)	**(2,287)**
Exchange differences on translation of foreign operations	-	(446)	-	**(446)**
Total Comprehensive Income for the year	-	(446)	(2,287)	**(2,733)**
Transactions with owners in their capacity as owners:				
Share buyback equity reductions	(33)	-	-	**(33)**
	(33)	-	-	**(33)**
Balance at 30 June 2014	**75,345**	**(2,255)**	**(64,325)**	**8,765**

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

Adacel Technologies Limited
Preliminary consolidated statement of cash flows
For the year ended 30 June 2014

	Notes	Consolidated 2014 $000	Consolidated 2013 $000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		29,881	33,915
Payments to suppliers and employees (inclusive of GST)		(32,088)	(29,219)
Payments for research and development expenditure (inclusive of GST)		(959)	(841)
Refund (Payment) of security deposits		128	(260)
		(3,038)	3,595
Interest received		16	37
Income tax paid		(310)	(135)
Tax Credits Refunded		860	821
Finance costs		(4)	(2)
Net cash (outflow)/inflow from operating activities	6	**(2,476)**	**4,316**
Cash flows from investing activities			
Payments for plant and equipment		(814)	(115)
Proceeds from sale of plant and equipment		6	-
Payments for Intellectual Property		-	(1,551)
Net cash (outflow) from investing activities		**(808)**	**(1,666)**
Cash flows from financing activities			
Dividend Paid		-	(1,199)
Proceeds from borrowings		-	13
Repayment of borrowings		(3)	(4)
Repayment of TPC Loan		(616)	(766)
Shares repurchased through on market share buy-back		(33)	(339)
Share buy-back costs		-	(1)
Net cash (outflow) from financing activities		**(652)**	**(2,296)**
Net (decrease)/increase in cash held		(3,936)	354
Cash at beginning of the financial year		6,127	5,745
Effects of exchange rate changes on cash		(2)	28
Cash at end of the financial year		**2,189**	**6,127**
Reconciliation of cash			
Cash balance at the end of the year comprises:			
Cash assets - Cash at bank		2,189	6,127
		2,189	**6,127**

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

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2014

1. Material factors affecting the revenues and expenses of the economic entity for the current period.

A discussion on the material factors affecting the revenues and expenses of the economic entity for the current period is contained on pages 2 to 3.

2. Material factors affecting the assets, liabilities and equity of the economic entity for the current period.

Note 2(a): Cash and cash equivalents

The closing balance of cash as at 30 June 2014 was a net cash deposit of $2.2m as compared to a net cash deposit of $6.1m as at 30 June 2013. This is a decrease in cash balances of $3.9m. None of the overdraft facility is being utilised as at the year end.
The major components of this decrease are:
: Operating activities (excluding interest and tax) $3.0m
: Tax Paid $0.3m
: Purchase of Fixed Assets $0.8m
: Repayment of TPC Loan $0.6m
Offset by Cash Inflows for
: Tax Credits Refunded $0.9m
: Refund of Security Deposits $0.1m

Note 2(b): Receivables & accrued revenue

Receivables and accrued revenue have increased by a net amount of $2.8m to $13.0m as at 30 June 2014. Receivables have increased by $4.9m to $10.8m whilst accrued revenue has decreased by $2.1m to $2.2m. Whilst continuing our strict focus on collections, the timing of our invoicing has meant that over $6.0m of the $10.8 outstanding receivables are "within terms" and is the major cause of the increase. The decrease in accrued revenue is predominantly a matter of timing where our major contracts are billed periodically upon milestone achievements and revenue is mainly recognised under the percentage of completion (POC) method. These are mainly government contracts where payment is assured.

Note 2(c): Current tax receivable
There has been an Increase of $0.3m in Current tax receivable to $0.3m for the year ending 30 June 2014. This reflects the benefit of the 2014 North American taxable loss positions coupled with timing differences between book and tax income.

Note 2(d): Inventories (substantially work-in-progress)

Inventories have remained constant at $0.4m as at 30 June 2014. Inventories are substantially comprised of work-in progress for North American customers.

Note 2(e): Other financial assets

Other Financial Assets have decreased by $0.1m for the year ending 30 June 2014. The decrease being a reduction in the restricted cash deposits with the Royal Bank of Canada, for Security and performance guarantees.

Note 2(f): Plant & equipment

The net value of property, plant & equipment increased by $1.4m to $2.0m during the year ended 30 June 2014. New equipment acquisitions of $1.8m have been offset by a minor foreign exchange impact of less than $0.1m and depreciation for the year of $0.3m.

Note 2(g): Intangible Assets

There has been no material change in intangible assets which have decreased $0.1m to $1.3m as at 30 June 2014. Amortisation for the year was $0.2m.

Note 2(h): Deferred tax asset

Management and the Board have taken an unbiased approach and reassessed the recognition of deferred tax assets related to tax losses and future tax credits. The future benefit has been reduced to the value of the deferred tax liability in the same jurisdictions and therefore nets to Nil. These tax losses continue to be available to be offset against future tax liabilities in the overseas jurisdictions, and in no way detract from the Board's outlook for future profitability of the Company.

Note 2(i): Borrowings

Borrowings relate to a finance lease for the phone system purchased in July 2012.

Note 2(j): Payables

Payables and accruals have increased by $1.0m to $5.3m during the year. The change is consistent with a commercial cash management strategy posture and includes accrued employee redundancy liabilities.

Note 2(k): Advance payments from customers

Advance payments from customers have increased by $0.2m to $2.1m as at 30 June 2014. These customer payments are received under the terms of the contract for supply of equipment and services. This amount will decrease as sales are recognised.

Note 2(l): Current tax liabilities

Current tax liabilities have decreased by $0.2m to $0.4m as at 30 June 2014 which is consistent with the decline in North American taxable income.

Note 2(m): Provisions

Provisions have decreased by $0.2m to $0.7m as at 30 June 2014. The majority of this decrease relates to warranty provision.

Note 2(n): Other liabilities
Other liabilities have decreased by $1.6m to $2.4m as at 30 June 2014. This amount represents the TPC liability due to the Canadian Government for funding grants, and is recalculated each year to reflect payments made and updated forecasts.

Note 2(o): Contributed equity

The share capital of the company has decreased immaterially to $75.3m as at 30 June 2014. The decrease is due to the share buy back activity of $32,500 that occurred during the financial year.

Note 2(p): Reserves
Reserves have decreased by $0.5m to $2.3m as at 30 June 2014. This is solely due to exchange differences on the translation of Foreign Operations.

3. Material factors affecting the cash flows of the economic entity for the current period

A discussion on the material factors affecting the cash flows of the economic entity for the current period is contained on pages 2 to 3.

4. Segment information

	Australia		North America		Corporate Office		Intersegment Eliminations		Total	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**	**2014 $000**	**2013 $000**	**2014 $000**	**2013 $000**	**2014 $000**	**2013 $000**
Sales to external customers	809	268	32,304	30,990	-	-	-	-	33,113	31,258
Intersegment sales	330	241	91	41	370	362	(791)	(644)	-	-
Total sales revenue	**1,139**	**509**	**32,395**	**31,031**	**370**	**362**	**(791)**	**(644)**	**33,113**	**31,258**
Other revenue/income	-	-	1,018	1,360	4	2,582	(17)	(2,569)	1,005	1,373
Total segment revenue/income	**1,139**	**509**	**33,413**	**32,391**	**374**	**2,944**	**(808)**	**(3,213)**	**34,118**	**32,631**
Segment result prior to the following items:	263	(100)	1,906	1,694	370	2,902	1,381	(2,005)	3,920	2,491
Redundancies	-	-	(842)	-	-	-	-	-	(842)	-
Segment result	**263**	**(100)**	**1,064**	**1,694**	**370**	**2,902**	**1,381**	**(2,005)**	**3,078**	**2,491**
Corporate office costs	-	-	-	-	(917)	(1,052)	-	-	(917)	(1,052)
Management fees	(75)	(82)	(289)	(280)	-	-	364	362	-	-
Finance costs	-	-	(385)	(501)	(1)	(2)		-	(386)	(503)
Profit/(loss) before income tax	**188**	**(182)**	**390**	**913**	**(548)**	**1,848**	**1,745**	**(1,643)**	**1,775**	**936**
Income tax (expense)/benefit									(4,062)	(126)
Profit/(loss) for the period									**(2,287)**	**810**
Segment assets	636	6	28,523	32,253	32,378	30,870	(41,944)	(39,817)	19,593	23,312
Segment liabilities	22,269	21,827	12,875	10,712	3,216	1,127	(27,532)	(21,885)	10,828	11,781
Acquisitions of plant and equipment	-	-	1,780	100	7	15	-	-	1,787	115
Depreciation and amortisation expense	-	-	467	923	-	15	-	(440)	467	498
Reversal of impairment of trade receivables	-	-	(179)	-	-	-	-	-	(179)	-

Description of segments
The consolidated entity was organised during the current and prior financial periods on a global basis into the following areas:
North America - servicing the US and Canada as well as global markets in air traffic control simulation and air traffic management software and services.
Australia - servicing the Australian domestic market for simulation and software development services.
Corporate Office - servicing the Corporate functions of the company (based in Australia).

5. Income tax reconciliation

	2014 $000	2013 $000
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	1,775	936
Income tax expense calculated at applicable tax rates	572	429
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Canadian Federal and Provincial income tax credits	(751)	(833)
Non-deductible items	14	(41)
Utilisation of previously unbooked temporary differences	(430)	-
Current year temporary differences not brought to account	-	322
Current year tax losses and tax credits not brought to account	722	387
Reversal of previously booked tax losses and tax credits	3,861	-
Income tax over provided in prior years	(10)	(269)
Withholding tax on overseas remittances	84	135
Other items	-	(4)
Income tax expense	**4,062**	**126**

6. Reconciliation of (loss)/profit after income tax to net cash flows from operating activities

	2014 $000	2013 $000
Operating (loss)/profit from ordinary activities after income tax	(2,287)	810
Non cash items:		
Depreciation and amortisation	467	498
Provision for Doubtful Debts reversal	(179)	-
Net exchange differences	(169)	442
Changes in assets and liabilities:		
(Increase)/decrease in trade receivables and accrued revenue	(3,501)	4,754
Decrease/(increase) in other receivables and other assets	657	(1,602)
Decrease in inventory	43	386
(Increase) in prepayments	(238)	(110)
Decrease/(increase) in deferred tax assets and liabilities and tax payable	3,276	(214)
(Decrease) in trade and other creditors	(559)	(53)
Increase in employee benefits provisions	12	3
(Decrease)/increase in other provisions	(230)	306
Increase/(decrease) in advanced payments from customers	232	(903)
Increase in other non-current assets	-	(1)
Net cash (outflow)/inflow from operating activities	**(2,476)**	**4,316**

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2014

7. Retained earnings/(accumulated losses)

	2014 $000	2013 $000
Balance at the beginning of the year	(62,038)	(61,653)
Net profit for the year	(2,287)	810
Transfer from equity reserves	-	4
Dividends provided for or paid	-	(1,199)
Balance at the end of the year	**(64,325)**	**(62,038)**

8. Net tangible asset backing

	2014	2013
(a) Net tangible asset backing per ordinary share (cents per share)	9.3	12.7
(b) Number of ordinary shares used as the denominator in calculating net tangible asset backing per ordinary share	79,580,379	79,660,379

9. Earnings per share

	2014	2013
Basic (loss)/earnings per share (cents per share)	(2.9)	1.0
Diluted (loss)/earnings per share (cents per share)	(2.9)	1.0

(a) Reconciliations of earnings used in calculating earnings per share

	2014 $000	2013 $000
Basic earnings per share		
(Loss)/profit from continuing operations	(2,287)	810
(Loss)/profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(2,287)**	**810**
Diluted earnings per share		
(Loss)/profit from continuing operations	(2,287)	810
(Loss)/profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(2,287)**	**810**

(b) Weighted average number of ordinary shares used as the denominator

	2014	2013
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	79,632,209	80,127,505
Adjustments for calculation of diluted earnings per share		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**79,632,209**	**80,127,505**

10. Contingent liabilities

Guarantees of $1.3m (2013: $0.8m) have been given to banks and customers in relation to contract warranty and performance.

From time to time, employees and consultants may make claims against the company with respect to remuneration or labour matters. The company vigorously defends these types of claims. At balance date, the company is aware of one such claim. It is currently in the hands of our insurance company who believe the claim is without merit. There is no further expense expected to be incurred.

11. Financing facility

The Royal Bank of Canada (RBC) has provided the company an overdraft and guarantee facility for up to $15,000,000 Canadian Dollars. The facility is governed by pre-agreed covenants with the bank and is repayable on demand. The facility is secured by a fixed and floating charge over the assets and undertakings of Adacel Inc (Canadian operating entity). Adacel Technologies Limited (the parent entity) and the other North American entities (Adacel Systems Inc, Adacel Technologies Holdings Inc and Adacel Technologies Inc) have also agreed to provide a guarantee to the bank for the facility. The RBC also provides Adacel with facilities for credit cards and forward exchange contracts. The credit card facility is currently $100,000 Canadian Dollars and $25,000 US Dollars. The forward exchange contract facility is currently $750,000 Canadian Dollars and is conditional upon varying requirements as determined on a case by case basis by the RBC hedge department at the time of request of the forward exchange contract. The guarantees that are utilised through the RBC have been 100% guaranteed by Export Development Canada.

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 the financial report will provide sufficient cash flows, that together with the facility, and existing cash reserves, will be adequate for the company's requirements.

12. Events occurring after reporting date

There were no significant events subsequent to balance date.

13. Audit

This report is based on accounts which are in the process of being audited.