



Adacel Technologies Limited
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Adacel Technologies Limited

(ASX: ADA)

Melbourne, 22 February 2018

Appendix 4D & Half Year Report for the period ended 31 December 2017

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2017 annual report

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Adacel Technologies Limited
Half-year ended 31 December 2017

(Previous corresponding period: Half-year ended 31 December 2016)



Results for Announcement to the Market

				\$000
Revenue from continuing operations	Up	28.4%	to	25,589
Profit for the period attributable to members	Down	7.4%	to	3,468

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	-	-
Interim dividend	\$0.0200	\$0.0000

Record date for determining entitlements to the dividend

16 March 2018

Net Tangible Asset Backing	December 2017	June 2017
Net tangible asset backing per ordinary share (cents per share)	25.0	31.8



Adacel Technologies Limited

ABN 015 079 672 281

Half-year ended 31 December 2017

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

ADACEL TECHNOLOGIES LIMITED
Suite 1, 342 South Road
Hampton East, Vic, 3188

Its shares are listed on the Australian Stock Exchange.

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 2017 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 2017.

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:

Peter Landos
Julian Beale (Until 16 Nov 2017)
Natalya Jurcheshin
Michael McConnell
Silvio Salom
David Smith

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 2017, 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 5 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.



Peter Landos
Chairman



David Smith
Director

Melbourne, 22 February 2018



Auditor's Independence Declaration

As lead auditor for the review of Adacel Technologies Limited for the half-year ended 31 December 2017, 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'.

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
22 February 2018

Adacel Technologies Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2017



	Half-year ended 31 December	
Note	2017 \$'000	2016 \$'000
Revenue from continuing operations	25,589	19,927
Interest Income	81	24
Other income	507	1,256
Net foreign exchange (loss)/gain	(588)	207
Materials and Consumables	(3,436)	(671)
Labour Expense	(13,488)	(12,337)
Depreciation and amortisation expense	(320)	(392)
Finance costs	(101)	(135)
Other expenses		
Professional Fees	(1,136)	(1,482)
Premises Rental Cost	(537)	(548)
Bad & Doubtful Debts reversed	79	34
All Other Expenses	(1,878)	(1,717)
Profit before tax	4,772	4,166
Income tax (expense)/benefit	(1,304)	(419)
Profit from continuing operations	3,468	3,747
Profit from discontinued operations	-	-
Profit for the half-year	3,468	3,747
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	305	102
Total comprehensive income for the half-year	3,773	3,849
Profit is attributable to:		
Owners of Adacel Technologies Limited	3,468	3,747
Total comprehensive income for the half-year is attributable to:		
Owners of Adacel Technologies Limited	3,773	3,849
Total comprehensive income for the half-year attributable to Owners of Adacel Technologies Limited arises from:		
Continuing Operations	3,773	3,849
Earnings per share for profit attributable to the ordinary equity holders of the company:	Cents	Cents
Basic earnings per share (cents per share)	4.4	4.7
Diluted earnings per share (cents per share)	4.4	4.7

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

Adacel Technologies Limited
Consolidated statement of financial position
As at 31 December 2017



	31 December 2017 \$'000	30 June 2017 \$'000
Current assets		
Cash and cash equivalents	10,096	16,358
Receivables	13,385	12,300
Current tax asset	-	308
Accrued revenue	4,520	2,622
Inventories	442	541
Other financial assets	325	150
Total current assets	28,768	32,279
Non-current assets		
Plant and equipment	1,035	1,181
Intangible assets	1,011	833
Deferred tax asset	3,466	3,481
Other financial assets	39	40
Total non-current assets	5,551	5,535
Total assets	34,319	37,814
Current liabilities		
Payables	5,781	4,331
Advanced payments from customers	2,549	2,004
Current tax liabilities	3,017	2,458
Provisions	388	410
Other financial liabilities	706	692
Total current liabilities	12,441	9,895
Non-current liabilities		
Provisions	-	12
Deferred tax liability	679	784
Other non-current liabilities	500	1,103
Total non-current liabilities	1,179	1,899
Total liabilities	13,620	11,794
Net assets	20,699	26,020
Equity		
Contributed equity	74,062	75,230
Reserves	(1,659)	(1,964)
Accumulated losses	(51,704)	(47,246)
Total equity	20,699	26,020

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

Adacel Technologies Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2017



	Attributable to the owners of Adacel Technologies Limited			
	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2016	75,253	(1,248)	(53,751)	20,254
Profit for the half year	-	-	3,747	3,747
Exchange differences on translation of foreign operations	-	102		102
Total Comprehensive Income for the half-year	-	102	3,747	3,849
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(1,387)	(1,387)
	-	-	(1,387)	(1,387)
Balance at 31 December 2016	75,253	(1,146)	(51,391)	22,716
Balance at 1 July 2017	75,230	(1,964)	(47,246)	26,020
Profit for the half year	-	-	3,468	3,468
Exchange differences on translation of foreign operations	-	305		305
Total Comprehensive Income for the half-year	-	305	3,468	3,773
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(7,926)	(7,926)
Cost associated with Share Buyback	(1,168)	-	-	(1,168)
	(1,168)	-	(7,926)	(9,094)
Balance at 31 December 2017	74,062	(1,659)	(51,704)	20,699

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

Adacel Technologies Limited
Consolidated cash flow statement
For the half-year ended 31 December 2017



	Half-year ended 31 December	
	2017	2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	24,546	19,964
Payments to suppliers and employees (inclusive of GST)	(22,267)	(17,812)
Payments for development expenditure (inclusive of GST)	(396)	(869)
Refund of Security Deposits	51	58
	<u>1,934</u>	<u>1,341</u>
Interest received	81	24
Income tax payments	(692)	(6)
Tax credits refunded	2,402	-
Finance costs	(8)	(6)
Net cash inflow from operating activities	<u>3,717</u>	<u>1,353</u>
Cash flows from investing activities		
Payments for plant and equipment	(73)	(85)
Payments for Intellectual Property	(123)	-
Net cash outflow from investing activities	<u>(196)</u>	<u>(85)</u>
Cash flows from financing activities		
Dividend Paid	(7,926)	(1,387)
Cost of Shares purchased by on-market share buyback	(1,168)	-
Repayment of Grant	(705)	(758)
Net cash outflow from financing activities	<u>(9,799)</u>	<u>(2,145)</u>
Net (decrease)/increase in cash held	<u>(6,278)</u>	<u>(877)</u>
Cash at beginning of the financial year	16,358	15,773
Effects of exchange rate changes on cash	16	27
Cash at end of the half year	<u><u>10,096</u></u>	<u><u>14,923</u></u>
Reconciliation of cash		
Cash balance at the end of the period comprises:		
Cash assets	10,096	14,923
	<u><u>10,096</u></u>	<u><u>14,923</u></u>

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1. Basis of preparation of half-year report

This report is a general purpose financial report for the interim half-year reporting period ended 31 December 2017 and 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 2017 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*.

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 but differ from the corresponding interim reporting period as per the following item.

Income tax expense is recognised based upon a calculation using the known tax regulations in each jurisdiction at the time and adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax credits. The company now recognises a future income tax benefit in Adacel Inc. having regard to past tax credit claims and forecast future profits. This asset is reassessed and remeasured at each reporting date.

Accounting Policies

These financial statements have been prepared on the basis of accounting policies consistent with those applied in the 30 June 2017 Annual Report, with any variations explained as follows.

a) New and amended standards adopted by the group

Any new accounting standards and interpretations which became effective from 1 July 2017 have been incorporated into these accounts. There has been no change to the Company's accounting policies nor any retrospective adjustments made as a result of adopting these standards.

b) Impact of standards issued but not yet applied by the group

(i) AASB 9 Financial Instruments, (effective from 1 January 2018)

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities as well as introducing new rules for hedge accounting. The group will adopt AASB 9 for the accounting period starting 1 July 2018 and expects no material impact on the group's accounting for its financial assets.

(ii) AASB 15 Revenue from contracts with customers (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard will be adopted for the accounting period starting 1 July 2018. The group has analysed the impact of the new rules on the group's financial statements and does not expect there to be a material impact on its financial results.

(iii) AASB 16 Leases (effective 1 January 2019)

AASB 16 Leases provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The standard is not applicable until 1 January 2019 but is available for early adoption. Management is currently assessing the impact of AASB 16 on the measurement and recognition of lease assets and liabilities. The group is unlikely to early adopt AASB 16.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Adacel Technologies Limited
Notes to the financial statements
31 December 2017



2. Segment information

	Systems		Services		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Total segment revenue	10,211	3,794	15,378	16,133	25,589	19,927
Total segment margin	3,432	1,546	6,719	7,181	10,151	8,727
Other Income					507	1,256
Interest Revenue					81	24
Exchange Rate (loss)/Gain					(589)	207
R&D Expenses					(482)	(1,008)
S&M Expenses					(1,448)	(1,799)
G&A Expenses					(3,027)	(2,714)
Redundancy Costs					-	-
Non-Operating Expenses					-	-
Depreciation & Amortisation					(320)	(392)
Interest and Finance Charges					(101)	(135)
Profit/(loss) before income tax					4,772	4,166
Income tax expense					(1,304)	(419)
Profit for the period					3,468	3,747

Description of segments

The consolidated entity was organised during the current and prior financial periods on a global basis into the 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 potentially recurring revenue, including all aspects of support, field services and on-site technical services.

Segment margin

The segment margin represents net sales less cost of goods sold. This segment margin is calculated on a "function basis", as distinct from the "nature of account" basis displayed in the statement of comprehensive income. Support costs of direct functions are included in the project cost of sales. These support costs, (included in overhead costs on a "nature of account" basis) are distributed proportionally to services or systems projects based upon the labour expended on each project.

The CEO prepares his Monthly Executive report to the Board having regard to these segments.

3. Dividends

	Half Year	
	2017	2016
	\$'000	\$'000

3.1 Dividends provided for or paid during the half-year

Final Dividend \$0.0225 per share (2016: \$0.175)	1,783	1,387
Special Dividend \$0.0775 per share (2016: Nil)	6,143	-

3.2 Dividends not recognised at the end of the half-year

In addition to the above dividends, and subsequent to the period end, the Directors have declared an interim unfranked dividend of 2.00 cents per share. The Record Date for the Dividend is 16 March 2018 and will be paid on 30 March 2018. An unfranked dividend of 1.75 cents per share was announced for the previous corresponding period ended 31 December 2016.

	1,575	1,387
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4. Equity securities movements

	31 December 2017	31 December 2016
	Shares	Shares

4.1 Issues of ordinary shares during the half-year

There have been no new issues of shares during the half-year.

	-	-
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4.2 Equity securities cancelled through Share Buyback program

The company embarked on an on-market Share buyback program which was announced to the Australian Stock Exchange on 3rd May 2017. The buyback program is still active, and for the half year ending 31st December 2017, these shares have been purchased and cancelled.

	490,555	-
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5. Contingent liabilities

Guarantees of \$638,928 (30 June 2016: \$496,284) have been given to banks and customers in relation to contract warranty and performance assurances.

6. Events occurring after the balance sheet date

Other than the dividend declared, there were no other significant events subsequent to the balance sheet date.

7. Financing arrangements

As at 31 December 2017, the Royal Bank of Canada was providing the group with a facility comprising the following:

- 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 reducing by CAD \$50,000 each year as security provided for our 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 is governed by pre-agreed covenants with the bank and is repayable on demand.

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.

Adacel Inc also have an American Express facility to the value of USD \$25,000.

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.

Directors' declaration

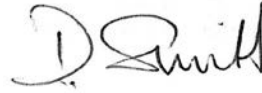
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 12 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 2017 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 Adacel Technologies Limited 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, appearing to read "Peter Landos".

Peter Landos
Chairman

A handwritten signature in black ink, appearing to read "D. Smith".

David Smith
Director

Melbourne, 22 February 2018



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), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Adacel Technologies Limited (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

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 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 consolidated entity's financial position as at 31 December 2017 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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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 consolidated entity's financial position as at 31 December 2017 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 handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to be 'JP'.

Jason Perry
Partner

Melbourne
22 February 2018