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Adacel Technologies Limited
(ASX: ADA)

ASX & Media Release

MELBOURNE, 24 FEBRUARY 2022

Appendix 4D & Half Year Report for the period ended 31 December 2021

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2021 annual report

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Adacel Technologies Limited
Appendix 4D
Half-year ended 31 December 2021
(Previous corresponding period: Half-year ended 31 December 2020)

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

Revenue from continuing operations	Down	-15.1%	to	12,656
Profit for the period attributable to owners	Down	-67.0%	to	955
Profit before tax for the period	Down	-39.9%	to	1,856

Dividends/distributions

	Amount per security	Franked amount per security
Interim dividend (Cents per Share)	AUD 2.75	AUD 0.00
Final dividend	-	-
Special dividend	-	-

Record date for determining entitlements to the dividend	3 March 2022
Payment date of the Interim dividend	26 April 2022

Other Information

Earnings per Share

Earnings per Ordinary Share (Cents per Share) Half year ended December 2021	1.3
Earnings per Ordinary Share (Cents per Share) Half year ended December 2020	3.8

Net Tangible Asset Backing

Net Tangible Asset* Backing per Ordinary Share (Cents per Share) December 2021	15.5
Net Tangible Asset* Backing per Ordinary Share (Cents per Share) June 2021	17.5

**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.

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Auditor's Independence Declaration

As lead auditor for the review of Adacel Technologies Limited for the half-year ended 31 December 2021, 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.

Matthew Probert
Partner
PricewaterhouseCoopers

Melbourne
23 February 2022

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ADACEL TECHNOLOGIES LIMITED
ABN 15 079 672 281

HALF-YEAR REPORT – 31 DECEMBER 2021

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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
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 23 February 2022. The Group 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 2021 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*.

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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 2021.

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 2021, 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 Group is an entity to which this Instrument applies.

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

Michael McConnell
Chairman

Natalya Jurcheshin
Director

Melbourne, 23 February 2022

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

		Consolidated Half-year ended 31 December	
		2021 $'000	2020* $'000
Revenue from continuing operations	3	**12,656**	14,899
Other income	4	**664**	1,207
Net foreign exchange loss		**(39)**	(154)
Materials and consumables		**(734)**	(2,540)
Labour expense		**(8,895)**	(8,608)
Depreciation and amortisation expense		**(722)**	(651)
Finance costs		**(107)**	(120)
All other expenses		**(967)**	(945)
Profit before tax		**1,856**	3,088
Income tax expense		**(901)**	(197)
Profit from continuing operations		**955**	2,891
Profit for the half-year		**955**	2,891
Other comprehensive income			
Items that may be reclassified to profit:			
Exchange differences on translation of foreign operations		**(423)**	938
Total other comprehensive (loss) income, net of tax		**(423)**	938
Total comprehensive income for the half-year		**532**	3,829
Profit for the half-year is attributable to:			
Owners of Adacel Technologies Limited		**955**	2,891
Total comprehensive income for the half-year is attributable to:			
Owners of Adacel Technologies Limited		**532**	3,829

	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Group:		
Basic earnings per share (cents per share)	**1.3**	3.8
Diluted earnings per share (cents per share)	**1.3**	3.8

*Recasted for changes in presentation currency (see note 1(b))

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

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 and 30 June 2021

	Notes	Consolidated		
		31 December 2021	30 June 2021*	1 July 2020*
		$'000	$'000	$'000
Current assets				
Cash and cash equivalents		**6,784**	8,719	3,553
Trade and other receivables		**6,023**	5,059	7,572
Accrued revenue		**3,395**	4,297	2,900
WIP and Inventories		**1,125**	407	909
Tax receivable		**1,803**	1,803	-
Other financial assets		**38**	38	38
Total current assets		**19,168**	20,323	14,972
Non-current assets				
Property, plant and equipment		**507**	561	518
Intangible assets		**1,678**	1,453	809
Right-of-use assets		**3,809**	4,291	4,718
Long term tax receivable		**-**	-	1,803
Deferred tax asset		**2,669**	3,323	3,096
Other financial assets		**35**	36	35
Total non-current assets		**8,698**	9,664	10,979
Total assets		**27,866**	29,987	25,951
Current liabilities				
Trade and other payables		**2,452**	3,379	4,129
Advance payments from customers		**3,710**	3,080	3,031
Current tax liabilities		**772**	485	979
Provisions		**1,521**	2,068	1,604
Government loans	5	**85**	-	-
Lease liabilities		**1,028**	1,036	965
Total current liabilities		**9,568**	10,048	10,708
Non-current liabilities				
Lease liabilities		**3,335**	3,818	4,226
Deferred tax liability		**719**	647	523
Government loans	5	**685**	770	-
Total non-current liabilities		**4,739**	5,235	4,749
Total liabilities		**14,307**	15,283	15,457
Net assets		**13,559**	14,704	10,494
Equity				
Contributed equity	7	**53,429**	53,115	53,571
Reserves		**(5,720)**	(5,114)	(6,724)
Accumulated losses		**(34,150)**	(33,297)	(36,353)
Total equity		**13,559**	14,704	10,494

*Recasted for changes in presentation currency (see note 1(b))

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 2021

		Attributable to the owners of Adacel Technologies Limited			
		Contributed Equity	Reserves	Accumulated Losses	Total Equity
	Notes	$'000	$'000	$'000	$'000
Balance at 1 July 2020*		**53,571**	**(6,724)**	**(36,353)**	**10,494**
Profit for the half-year		-	-	2,891	**2,891**
Exchange differences on translation of foreign operations		-	938	-	**938**
Total comprehensive income for the half-year		**-**	**938**	**2,891**	**3,829**
Transactions with owners in their capacity as owners:					
Issue of ordinary shares	7, 11 b)	115	-	-	**115**
Employee share schemes – value of employee services		-	124	-	**124**
Dividends provided for or paid	8	-	-	(810)	**(810)**
		115	**124**	**(810)**	**(571)**
Balance at 31 December 2020*		**53,686**	**(5,662)**	**(34,272)**	**13,752**
Balance at 1 July 2021*		**53,115**	**(5,114)**	**(33,297)**	**14,704**
Profit for the half-year		-	-	955	**955**
Exchange differences on translation of foreign operations		-	(423)	-	**(423)**
Total comprehensive income for the half-year		**-**	**(423)**	**955**	**532**
Transactions with owners in their capacity as owners:					
Share buyback equity reduction	7	(16)	-	-	**(16)**
Exercise of performance rights and options	7	330	-	-	**330**
Employee share schemes – value of employee services		-	(183)	-	**(183)**
Dividends provided for or paid	8	-	-	(1,808)	**(1,808)**
		314	**(183)**	**(1,808)**	**(1,677)**
Balance at 31 December 2021		**53,429**	**(5,720)**	**(34,150)**	**13,559**

*Recasted for changes in presentation currency (see note 1(b))

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

	Notes	Consolidated Half-year ended 31 December	
		2021	2020*
		$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**13,818**	14,910
Payments to suppliers and employees (inclusive of GST)		**(12,832)**	(12,924)
Payments for research and development expenditure (inclusive of GST)		**(97)**	-
		889	1,986
Income tax received (paid)		**46**	(70)
Finance costs		**(107)**	(120)
Net cash inflow from operating activities		**828**	1,796
Cash flows from investing activities			
Payments for property, plant and equipment		**(105)**	(73)
Payments for intangible asset		**(423)**	(360)
Net cash outflow from investing activities		**(528)**	(433)
Cash flows from financing activities			
Exercise of share options		**132**	-
Shares repurchased through on market buy-back		**(16)**	-
Dividend paid	8	**(1,808)**	(810)
Principal elements of lease payments		**(414)**	(380)
Net cash outflow from financing activities		**(2,106)**	(1,190)
Net (decrease) increase in cash and cash equivalents		**(1,806)**	173
Cash and cash equivalents at the beginning of the financial year		**8,719**	3,553
Effects of exchange rate changes on cash and cash equivalents		**(129)**	274
Cash and cash equivalents at the end of the half-year		**6,784**	4,000

*Recasted for changes in presentation currency (see note 1(b))

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 2021 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 2021 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 2021 Annual Report, except for the adoption of new and amended standards as set out below:

a) 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.

b) Change in presentation currency
The Group has elected to change its presentation currency from Australian dollars (“AUD”) to United States dollars (“USD” or “U.S. dollars”) effective 1 July 2021. Management is of the view that financial reporting in USD provides a more relevant presentation of the Group’s financial position in comparison to its peers. The change in presentation currency is a voluntary change which is accounted for retrospectively. For comparative purposes, the historical consolidated financial statements have been recast to U.S. dollars using the procedures outlined below:

- Consolidated Statements of Comprehensive Income and Cash Flows have been translated into U.S. dollars using the monthly average foreign currency rates prevailing for the relevant periods.
- Assets and liabilities in the Consolidated Statement of Financial Position have been translated into U.S. dollars at the closing foreign currency rates on the relevant balance sheet dates.
- Equity in the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity, including contributed equity, accumulated losses and reserves, have been translated into U.S. dollars using historical rates.
- Consolidated earnings per share and dividend disclosures have also been translated to U.S. dollars to reflect the change in presentation currency.

The Group has also presented an opening consolidated statement of financial position as at 1 July 2020 which has been derived from the consolidated financial statements as at and for the year ended 30 June 2020. The Group’s consolidated financial statements are now presented in U.S. dollars. All information in these consolidated financial statements is presented in USD unless otherwise specified.

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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 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	
		2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Operations							
Total segment revenue		**2,396**	4,494	**10,260**	10,405	**12,656**	14,899
Total segment margin		**240**	713	**5,121**	5,714	**5,361**	6,427
Other income	4					**664**	1,207
Net exchange rate loss						**(39)**	(154)
Research and development expenses						**(317)**	(64)
Sales and marketing expenses						**(1,250)**	(1,019)
General and administration expenses						**(1,734)**	(2,124)
Other expenses						**-**	(414)
Depreciation and amortisation						**(722)**	(651)
Interest and finance charges						**(107)**	(120)
Profit before income tax						**1,856**	3,088
Tax expense						**(901)**	(197)
Profit for the period						**955**	2,891

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3. REVENUE FROM CONTINUING OPERATIONS

	Consolidated	
	2021	2020
	$'000	$'000
Sales revenue		
Sale of services and systems	**12,656**	14,899
	12,656	14,899
Timing of revenue recognition		
At a point in time	**317**	**3,160**
Over time	**12,339**	**11,739**
	12,656	**14,899**

As of 31 December 2021, the unsatisfied performance obligation resulting from contracts is $27,061,484 (2020: $19,392,231). Management expects that 51% of the unsatisfied contracts will be recognised as revenue during the reporting period ending 30 June 2022. The remaining 49% is expected to be recognised as revenue by fiscal year 2031.

4. OTHER INCOME

	Consolidated	
	2021	2020
	$'000	$'000
Other Income		
Quebec Tax Credits	**626**	285
Canada Emergency Wage Subsidy (CEWS)	**38**	468
CARES Act	**-**	433
Other	**-**	21
	664	1,207

The Group is eligible for tax credits of $626,000 (2020: $285,000) 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. During the half-year ended 31 December 2021, the Group was eligible for a grant of $38,000 under the CEWS (2020: $468,000). During the half-year ended 31 December 2020, the Group was eligible for government assistance of $433,000 under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in the United States. Of this amount, $414,000 was repaid directly to affected employees. The Group did not benefit directly from any other forms of government assistance.

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5. BORROWINGS

	Consolidated	
	31 December 2021	30 June 2021
	$'000	$'000
Current	**85**	-
Non-current	**685**	770
	770	770

On 13 April 2021, the Group received loan proceeds of $770,289 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The Small Business Administration ("SBA") will forgive the proceeds received if eligibility and other criteria are met related to use of the funds, at which time the Group will recognize the forgiven amount as income. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first 16 months.

Fair value

	Consolidated			
	31 December 2021		30 June 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Paycheck Protection Program loan	**770**	**787**	770	774
	770	**787**	770	774

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

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6. FINANCING ARRANGEMENTS

Adacel signed a facility agreement with the Royal Bank of Canada on 31 January 2020. The Bank has provided the Group a facility to address all of its requirements. The facility is governed by pre-agreed covenants with the bank and is repayable on demand. The facility comprises -

- A combined Overdraft and Guarantee facility of up to CAD $4,000,000. The guarantees are limited to CAD $2,000,000.
- A Visa credit Card facility to the value of CAD $175,000.

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 Group also has American Express facilities. Adacel Inc has an approved limit of CAD$100,000 and Adacel Systems Inc has an approved limit of $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 Group's requirements.

7. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2021	31 December 2020
	$'000	$'000
(a) Share capital		
Ordinary shares	**53,429**	53,686

(b) Movements in ordinary share capital

Date	Details	Number of Shares	$'000
1 July 2020	Balance	76,437,342	53,571
01 Jul 20 – 31 Dec 20	Issues of ordinary shares (Note 11)	277,778	115
31 December 2020	Balance	76,715,120	53,686
1 July 2021	Balance	75,951,652	53,115
01 Jul 21 – 31 Dec 21	Exercise of performance rights and options (Note 11)	783,000	330
01 Jul 21 – 31 Dec 21	Share buy back	(95,999)	(16)
31 December 2021	Balance	76,638,653	53,429

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8. DIVIDENDS

	Half-year	
	2021	2020
	$'000	$'000
(a) Dividends provided for or paid during the half-year		
A final dividend of AUD $3.25 cents per share was paid for 2021 (AUD $1.50 cent per share for 2020)	**(1,808)**	(810)
(b) Dividends not recognised at the end of the half-year		
Subsequent to the half-year ended 31 December 2021, the Directors have declared an interim unfranked dividend of AUD 2.75 cents per share. The Record Date for the Dividend is 3 March 2022 and will be paid on 26 April 2022. An unfranked dividend of AUD 2.75 cents per share was announced for the previous corresponding period ended 31 December 2020.	**1,543**	1,634

9. CONTINGENCIES

Guarantees of $1,077,413 (2020: $730,981) have been given to banks and customers in relation to contract warranty and performance.

As at 31 December 2021, the Group has a dispute ongoing with a supplier over an amount of approximately A$500,000. Management and the directors believe that the supplier's request is not founded and intend to defend the Group's position. The financial report recognises management's and the directors' best estimates of the resolution of such items. However, there is uncertainty as to the final amounts payable, if any.

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

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10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

During the half year ended 31 December 2021, the Group entered into foreign currency forward contracts mainly to hedge 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 Group's financial liabilities measured and recognised at fair value at 31 December 2021:

	31 December 2021 $'000	30 June 2021 $'000
Financial liabilities	**Level 2**	Level 2
Foreign exchange forwards	**45**	-

(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 with Trade and other payables.

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11. SHARE-BASED PAYMENTS

(a) Executive Share Option and Performance Rights Plan

The ADA Executive Share Option and Performance Rights Plan was originally approved by shareholders at the November 2017 Annual General Meeting and subsequently re-approved by the shareholders (in accordance with ASX Listing Rule 7.2 and section 259A and section 260A *Corporations Act 2001 (Cth)*) at the Annual General Meeting in November 2020.

Performance Rights

In August 2019, the Board granted 381,000 performance rights with an exercise price of nil. These performance rights vested on August 12, 2021, and were subsequently converted to fully paid ordinary shares in the Group on August 12, 2021.

In July 2020, the Board granted an additional 361,000 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 and continuous employment until after the release of the fiscal year 2023 audited consolidated financial statements. During the half-year ended 31 December 2021, no performance rights were exercised, and no amount was recognised as it is too early to determine whether the performance conditions will be met ($nil for 2020).

In August 2021, the Board granted an additional 406,000 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 and continuous employment until after the release of the fiscal year 2024 audited consolidated financial statements. During the half-year ended 31 December 2021, no performance rights were exercised, and no amount was recognised as it is too early to determine whether the performance conditions will be met.

Employee Share Options

In August 2019, the Board granted 688,000 options to eligible employees. These options have an exercise price of $0.455 per option and vested on August 12, 2021. The Options expire on 30 June 2026. During the half-year ended 31 December 2021, 402,000 options were exercised.

In July 2020, the Board granted an additional 835,000 options to eligible employees. These options have an exercise price of $0.54 per option and will vest subject to the attainment of certain performance conditions and continuous employment until after the release of the fiscal year 2023 audited consolidated financial statements. The options expire on 30 June 2028. During the half-year ended 31 December 2021, no options were exercised, and no amount was recognised as it is too early to determine whether the performance conditions will be met ($nil for 2020).

(b) Other share-based payments

At the November 2020 Annual General Meeting, shareholders approved the issue of 277,778 fully paid ordinary shares at $0.54 for services provided by the Chairman during a transition period of executive management. The related expense of $115,000 was recorded in fiscal year 2020 and the issue of securities has been recorded during the half-year ended 31 December 2020.

12. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 23 February 2022, the Group announced the acquisition of the virtual ATC tower business from Cybernetica, an Estonian based entity, for cash consideration of €2.5 million. The transaction is expected to close on 31 March 2022.

The financial effects of the above have not been brought to account at 31 December 2021.

Refer to note 8 for dividends recommended since the end of the reporting period.

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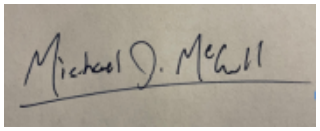
DIRECTORS' DECLARATION

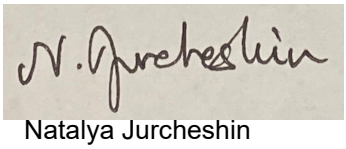
In the Directors' opinion:

a. the financial statements and notes set out on pages 6 to 19 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 Group's financial position as at 31 December 2021 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 Group 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.



Michael McConnell
Chairman



Natalya Jurcheshin
Director

Melbourne, 23 February 2022

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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 2021, 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 2021 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.

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

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and fair view of the Group's financial position as at 31 December 2021 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

Matthew Probert
Partner

Melbourne
23 February 2022