



Adacel Technologies Limited
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Adacel Technologies Limited

(ASX: ADA)

ASX & Media Release

Melbourne, 24 February 2015

Results, Appendix 4D & Financial Report for the Half Year Ended 31 December 2014

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2014 annual report

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Adacel Technologies Limited
Half-year ended 31 December 2014

(Previous corresponding period: Half-year ended 31 December 2013)

Results for Announcement to the Market

				\$000
Revenue from continuing operations	Up	6.0%	to	17,329
Profit for the period attributable to members	Up	54.2%	to	805

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	-	-
Interim dividend	\$0.0075	\$0.0000
Special dividend	-	-

Record date for determining entitlements to the dividend

11 March 2015

Net Tangible Asset Backing	December 2014	June 2014
Net tangible asset backing per ordinary share (cents per share)	11.5	9.3

Review of operations

Overview of Financial Performance

Adacel Technologies Limited is pleased to report an operating profit before tax for the six months ended 31 December 2014 of A\$1.4 million, an increase of over 55% when compared to the prior corresponding period result of A\$0.9 million.

This result was achieved principally due to a 6.0% increase in revenue to A\$17.3 million (2013: A\$16.4 million), the achievement of higher gross margins through a higher margin product mix and continued operating cost control and disciplined program management. The increase in gross margins also contributed to a strong cash flow for the period of A\$4.4 million (2013: an outflow of A\$4.3 million) leaving the Company with a net cash position of A\$7.0 million at the end of the period.

The Company's financial performance for the period was impacted by a one-off provision of A\$0.8 million relating to a receivable from the Ukrainian Aviation Authorities. A number of systems were installed by the Company in the Ukraine prior to the conflict between Russia and Ukraine escalating. The Company does not believe it can retrieve its systems and consequently has provided against this amount. All other receivables are on normal commercial terms.

Dividend

The Board is pleased to declare an interim dividend of 0.75 cents per ordinary share (unfranked) with a record date of Wednesday 11 March 2015. The dividend will be paid on 31 March 2015. This interim dividend is the Company's inaugural ordinary dividend and is founded upon the Company's solid results for the half-year ended 31 December 2014, and the Board's continuing confidence in the Company's performance for the balance of the financial year and beyond.

Adacel Technologies Limited

Half-year ended 31 December 2014

(Previous corresponding period: Half-year ended 31 December 2013)

Overview of Operating Performance

The combination of a global footprint of air traffic management and air traffic control systems and a broad range of innovative new products together with services and support, resulted in new orders for the period of A\$22.3 million, an increase of more than 60% over the prior period. Consequently, the strong order backlog as at 31 December 2014 provides a level of confidence regarding further earnings growth for the balance of the current financial year and future years as a number of these awards represent the initial order of multi-year follow-on contracts.

The bulk of new orders came from the Company's key partners in the United States of America, principally, the Federal Aviation Administration (FAA) and most branches of the United States (US) Department of Defence. Supplementing these major customers were other key commercial aerospace partners, including Lockheed Martin, and various civil aviation authorities around the world.

Notable new contracts and other achievements during the period included:

- Selection as the simulator of choice for the US Army Common Simulator Program;
- Awarding of the follow-on support contract for five years under the US Air Force (USAF) Tower Simulation Systems Program. The relationship with the USAF dates back to 2002 and continues to be an extremely successful partnership between the parties as it provides vital training to USAF air traffic controllers;
- Short-listing as one of three approved providers for the French Territories modernisation program, a program covering five distinct territories, including Vanuatu, New Caledonia and French Guiana.

Subsequent to 31 December 2014, the Company was awarded the first contract to modernise the air traffic management systems in French Guiana. In addition, the Company has recently secured the follow-on support contract for five years for the FAA Tower Simulation Systems Program. The awarding of these contracts further reinforces the Company's pre-eminent position in the advanced simulation and management systems space for civil and defence aviation.

Aurora, the Company's air traffic management system, continues to assist in flight management over 75% of the world's non-radar-controlled oceanic airspace alongside key partners Lockheed Martin and the FAA. The Company's contract with Lockheed Martin supporting FAA airspace has been in place since 2001 and was recently renewed for eight years. Relationships such as these continue to deliver reliable, annuity-style earnings for the Company whilst also offering opportunities for further growth and expansion.

The international environment continues to be cyclical, however, the Company continues to work closely with its key partners across multiple aerospace jurisdictions, including Air Services Australia, Royal Australian Airforce, NAV Portugal, Norway's Avinor, Italy's ENAV, Hungaro Control and Fiji.

Outlook

For the balance of the financial year, the Company intends to maintain its key focus on the following:

- Growth of the business through targeted new opportunities and expansion of existing contractual relationships;
- Tight operating and program cost control; and
- Innovation and targeted research and development associated with core intellectual property

The Board is pleased with the result for the six month period ended 31 December 2014 and is determined to maintain the positive earnings growth for the balance of the financial year.

The Directors are optimistic of increasing profitability in the second half when compared to the first half and prior year.

Adacel Technologies Limited

ABN 015 079 672 281

Half-year ended 31 December 2014

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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 2014 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*.

Adacel Technologies Limited

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 2014.

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:

Peter Landos
Kevin Courtney
Silvio Salom
David Smith
Julian Beale

Principal activities

The principal activities of the consolidated entity during the current and prior financial periods were simulation and software applications and services.

Review of operations

A review of operations of Adacel Technologies Limited and the entities it controlled at the end of, or during, the half-year to 31 December 2014 is set out on pages 2 to 3 of this report.

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 6 of this report.

Rounding of amounts to nearest thousand dollars

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



Peter Landos
Chairman



David Smith
Director

Melbourne, 24 February 2015



Auditor's Independence Declaration

As lead auditor for the review of Adacel Technologies Limited for the half-year ended 31 December 2014, 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 that reads 'Barlow' with a stylized flourish at the end.

Andrew Barlow
Partner
PricewaterhouseCoopers

Melbourne
24 February 2015

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Adacel Technologies Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2014

		Half-year ended 31 December	
	Note	2014 \$'000	2013 \$'000
Revenue from continuing operations		17,329	16,355
Other income		256	607
Net foreign exchange gain (loss)		76	(59)
Raw materials and consumables used		(2,419)	(1,029)
Employee & Subcontractor Salaries & Benefits		(9,501)	(11,413)
Depreciation and amortisation expense		(347)	(219)
Finance costs		(147)	(216)
Other expenses			
Travel & Entertainment Expenses		(279)	(410)
Printing & Stationery		(32)	(44)
Audit & Tax Fees		(238)	(197)
Legal/Consulting Fees		(569)	(452)
Light & Power		(39)	(55)
Premises Rental Cost		(524)	(657)
Insurance		(291)	(290)
Telephone		(55)	(78)
Directors Fees		(131)	(131)
Investor & Public Relations Costs		(21)	(21)
IT Costs		(150)	(176)
Trade Shows		(124)	(93)
Employee Training		(32)	(63)
Repair & Maintenance		(173)	(143)
Bad & Doubtful Debts	3	(776)	-
Sundry Other Expenses		(379)	(331)
Profit before tax		1,434	885
Income tax (expense)/benefit		(629)	(363)
Profit from continuing operations		805	522
Profit from discontinued operations		-	-
Profit for the half-year		805	522
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		934	285
Total comprehensive income for the half-year		1,739	807
Profit is attributable to:			
Owners of Adacel Technologies Limited		805	522
Total comprehensive income for the half-year is attributable to:			
Owners of Adacel Technologies Limited		1,739	807
Total comprehensive income for the half-year attributable to Owners of Adacel Technologies Limited arises from:			
Continuing Operations		1,739	807
Earnings per share for profit attributable to the ordinary equity holders of the company:		Cents	Cents
Basic earnings per share (cents per share)		1.0	0.7
Diluted earnings per share (cents per share)		1.0	0.7

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 2014

	31 December 2014 \$'000	30 June 2014 \$'000
Current assets		
Cash and cash equivalents	7,007	2,189
Receivables	6,320	10,766
Current tax asset	241	325
Accrued revenue	2,233	2,225
Inventories	940	362
Other financial assets	410	377
Total current assets	17,151	16,244
Non-current assets		
Plant and equipment	1,929	1,992
Intangible assets (net)	1,325	1,337
Other financial assets	23	20
Total non-current assets	3,277	3,349
Total assets	20,428	19,593
Current liabilities		
Payables	4,013	5,264
Borrowings	3	5
Advanced payments from customers	2,242	2,145
Current tax liabilities	859	362
Provisions	542	638
Other financial liabilities	691	592
Total current liabilities	8,350	9,006
Non-current liabilities		
Borrowings	-	1
Provisions	4	12
Other non-current liabilities	1,629	1,809
Total non-current liabilities	1,633	1,822
Total liabilities	9,983	10,828
Net assets	10,445	8,765
Equity		
Contributed equity	75,286	75,345
Reserves	(1,321)	(2,255)
Accumulated losses	(63,520)	(64,325)
Total equity	10,445	8,765

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 2014

	Attributable to the owners of Adacel Technologies Limited			TOTAL EQUITY \$'000
	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	
Balance at 1 July 2013	75,378	(1,809)	(62,038)	11,531
Profit for the half year	-	-	522	522
Exchange differences on translation of foreign operations	-	285	-	285
Total Comprehensive Income for the half-year	-	285	522	807
Transactions with owners in their capacity as owners:				
Share Buyback equity reductions	(3)	-	-	(3)
	(3)	-	-	(3)
Balance at 31 December 2013	75,375	(1,524)	(61,516)	12,335
Balance at 1 July 2014	75,345	(2,255)	(64,325)	8,765
Profit for the half year	-	-	805	805
Exchange differences on translation of foreign operations	-	934	-	934
Total Comprehensive Income for the half-year	-	934	805	1,739
Transactions with owners in their capacity as owners:				
Share Buyback equity reductions	(59)	-	-	(59)
	(59)	-	-	(59)
Balance at 31 December 2014	75,286	(1,321)	(63,520)	10,445

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 2014

	Half-year ended 31 December	
	2014	2013
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	21,879	11,704
Payments to suppliers and employees (inclusive of GST)	(17,600)	(15,271)
Payments for development expenditure (inclusive of GST)	(308)	(631)
	<u>3,971</u>	<u>(4,198)</u>
Interest received	7	13
Income tax payments	(11)	(531)
Tax credits refunded	1,211	1,388
Finance costs	-	(1)
Net cash inflow/(outflow) from operating activities	<u>5,178</u>	<u>(3,329)</u>
Cash flows from investing activities		
Payments for plant and equipment	(81)	(349)
Proceeds from Security deposits	-	7
Net cash outflow from investing activities	<u>(81)</u>	<u>(342)</u>
Cash flows from financing activities		
Cost of Shares purchased by on-market share buyback	(59)	(3)
Repayment of borrowings	(3)	(2)
Repayment of Grant	(587)	(616)
Net cash outflow from financing activities	<u>(649)</u>	<u>(621)</u>
Net increase (decrease) in cash held	4,448	(4,292)
Cash at beginning of the financial year	2,189	6,127
Effects of exchange rate changes on cash	370	67
Cash at end of the half year	<u><u>7,007</u></u>	<u><u>1,902</u></u>
Reconciliation of cash		
Cash balance at the end of the period comprises:		
Cash assets	7,007	1,902
	<u><u>7,007</u></u>	<u><u>1,902</u></u>

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

Adacel Technologies Limited
Notes to the financial statements
31 December 2014

1. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2014 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 2014 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 and corresponding interim reporting period.

Accounting Policies

These half-year financial statements have been prepared on the basis of accounting policies consistent with those applied in the 30 June 2014 Annual Report, with the exception of the following new accounting standards and interpretations which became effective from 1 July 2014:

- i) AASB 2012-13 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB132)
- ii) Annual Improvements 2010-2012 Cycle
- iii) AASB 1031 Materiality

Initial application of the above Standards and Interpretations has not affected any of the amounts recognised in this financial report.

Adacel Technologies Limited
Notes to the financial statements
31 December 2014

2. Segment information

	Australia		North America		Corporate Office		Inter-segment Eliminations		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue from continuing operations	65	170	17,270	16,203	2	4	(8)	(22)	17,329	16,355
Other income	-	-	256	607	-	-	-	-	256	607
Total segment revenue	65	170	17,526	16,810	2	4	(8)	(22)	17,585	16,962
Segment result	(176)	(216)	2,254	1,192	(9)	-	54	608	2,123	1,584
Corporate office costs	-	-	-	-	(542)	(483)	-	-	(542)	(483)
Management fees	(35)	(40)	(145)	(145)	180	185	-	-	-	-
Finance costs	-	-	(147)	(215)	-	(1)	-	-	(147)	(216)
Profit/(loss) before income tax	(211)	(256)	1,962	832	(371)	(299)	54	608	1,434	885
Income tax expense									(629)	(363)
Profit for the period									805	522

Description of segments

The consolidated entity was organised during the current and prior financial periods on a global basis into the following segments:

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.

Corporate - Head Office and Admin functions serviced by the Australian Corporate Office.

Adacel Technologies Limited
Notes to the financial statements
31 December 2014

3. Profit for the half-year

Included in the profit for the half-year is a bad debt write-off of \$0.8M compared to nil in the comparative half-year ended 31 December 2013. The write-off relates to a project in the Ukraine. The profit for the half-year does not include any other items that are unusual because of their nature, size or incidence.

4. Dividends

Subsequent to the period end, the Directors have declared an unfranked dividend of 0.75 cents per share. The Record Date for the Dividend is 11 March 2015 and will be paid on 31 March 2015. No dividends were provided for or paid during the previous half year period ended 31 December 2013.

5. Equity securities movements

31 December 2014 Shares	30 June 2014 Shares
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5.1 Issues of ordinary shares during the half-year

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

5.2 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 7th August 2014. The buyback program is still active, and up to the close of business on 31st December 2014 the following shares have been purchased and therefore cancelled.

Cancellation of Bought Back Shares	(200,000)	(80,000)
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6. Contingent liabilities

Guarantees of \$798,643 (30 June 2014: \$1,336,540) have been given to banks and customers in relation to contract warranty and performance.

7. Events occurring after the balance sheet date

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

8. Net tangible asset backing

31 December 2014	30 June 2014
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(a) Net tangible asset backing per ordinary share (cents per share)	11.5	9.3
(b) Number of ordinary shares used as the denominator in calculating net tangible asset backing per ordinary share	79,380,379	79,580,379

10. Financing arrangements

As at 31 December 2014, the Royal Bank of Canada was providing the group with a facility for up to \$15 million Canadian Dollars which was repayable on demand. The facility comprises a \$5 million Canadian Dollars Overdraft facility as well as an additional \$10 million Canadian Dollars available for Customer's Guarantees. Access to the facility is governed by pre-agreed covenants with the bank. Adacel Technologies Limited (the parent entity) and the other North American entities (being Adacel Inc, 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 directors have reviewed the size and terms of the facility and 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.

Adacel Technologies Limited

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 13 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 2014 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.



Peter Landos
Chairman



David Smith
Director

Melbourne, 24 February 2015



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 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Adacel Technologies Limited Group (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 (including the Australian Accounting Interpretations) 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 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 2014 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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Barlow' in a cursive script.

Andrew Barlow
Partner

Melbourne
24 February 2015