

Adacel Technologies Limited

ABN 015 079 672 281

Appendix 4E - Preliminary Final Report Year ended 30 June 2009

Lodged with the ASX under Listing Rule 4.3A

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Adacel Technologies Limited
Year ended 30 June 2009

(Previous corresponding period: Year ended 30 June 2008)

Results for Announcement to the Market

				\$'000
Revenue from continuing operations	up	49%	to	55,281
Profit for the period attributable to members	up	275%	to	6,796

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

Record date for determining entitlements to the dividend

Not Applicable

Explanation of Revenue and Result

Overview

Overall, Adacel had a good year in 2009. New Orders exceeded \$63M and represented growth over 2008 levels in excess of 40%. Revenue at \$55M and Operating margins at \$24M experienced 50% growth during the year to 30 June 2009. Confirmed Orders backlog is at historically high levels and amounts to \$28M whilst US Simulation orders increased over 50% with the addition of 9 university simulator orders and FAA (Federal Aviation Administration) orders totalling in excess of \$10M. There were also several strategic international orders from the Czech Republic, Hungaro and Austro Control, Slovakia and Italy. Air Traffic management increased their business base with expanded business in Portugal, US ATOP (Advanced Technologies and Oceanic Procedures) as well as its first ever order from the Fiji Islands.

The group's after-tax profit was \$6.796M. This represented a 275% increase over 2008 levels and has resulted from the 50% revenue increase and tax benefits as discussed below. Earnings were positively impacted by strong margins of the US & International Simulation and the ATM (Air Traffic Management) product area. Some profit disappointments occurred in the Advanced Programs ATCIB (Air Traffic Control in a Box) area, where certain markets were slow to develop and initial start up costs related to marketing and infrastructure support were incurred and adversely impacted profits. The weakening Australian dollar contributed to Foreign exchange gains reversing trends of recent years.

The after-tax result was positive after allowing for tax benefits resulting from research and development tax incentives and the recognition of deferred tax assets in a North American subsidiary due to the outlook for continued profitable operations.

Revenues

Operating revenues rose during the 2009 financial year and exceeded operating budget targets. Total Income amounted to \$59M and represented a greater than 50% increase over 2008 levels. Revenues from operations increased to \$55M from \$37M previously, assisted by higher US and international sales growth in the Simulation and ATM business areas. Overall revenue from services and support increased in 2009 to approximately \$20M from \$17M in 2008 and still represents approximately 35% of all revenues from operations.

Earnings

Earnings before interest, tax, depreciation and amortisation were \$6.505M compared with \$1.352M in 2008. Amortisation and depreciation totalled \$1.607M (2008: \$1.418M) and finance costs were \$0.120M (2008: \$0.038M).

Adacel Technologies Limited

Year ended 30 June 2009

(Previous corresponding period: Year ended 30 June 2008)

Balance Sheet and Cash Flow

The balance sheet continues to be strong, with current assets of \$23.7M against current liabilities of \$11.1M and total assets of \$29.6M against total liabilities of \$11.3M. Cash increased during the period by \$3.0M, with some expected June receivables not being collected until July. This timing of receivables collection impacted the cash position by approximately \$4.0M compared to forecast.

No Dividend declared

Directors have not declared a dividend for the period but Directors recently announced a renewal of the on-market share buy-back program.

Operational Performance

The large growth in orders during the 2009 financial year reflected Adacel's growing market leadership position. This has generated a robust opening order book that is expected to assist in providing a strong start to the 2010 financial year.

The company is in a strong position for the medium term following the FAA and RAAF (Royal Australian Air Force) orders of recent years, coupled with the growing US and European simulation business base and other air traffic control simulator orders, and the continuation of the relationship with Lockheed Martin in air traffic management support.

Air Traffic Control Simulation

The company received orders for the US Simulation business totalling \$24.5M. Resultantly, this business area generated revenues of around \$25.0M. This business was diversified across many markets and included FAA, DOD (Department of Defense - US Air Force, US Marines, US Army), and US Federal Government customers as well as state universities. This strong orders showing was focused on FAA awards totalling in excess of \$7.0M, nine university orders amounting to \$7.0M, and support services orders awarded by civil and defence aviation organizations contributing approximately \$7.0M.

The International Simulation business received orders totalling \$17.0M and delivered revenues of \$14.7M. This area was propelled by a \$6.3M order from Italy in addition to new orders from the Czech Republic, Slovakia, and follow on upgrades in Austria and Hungary. At year end, several orders were pending in India and Saudi Arabia which foreshadowed a strong start to 2010.

Air Traffic Management

Adacel continues to work with Lockheed Martin to provide software support for the US ATOP and ERAM (En Route Automation and Modernization) programs. Adacel also continues to provide support and upgrades to NAV Portugal's Oceanic system, and received an additional order for around \$1.6M. Exciting new business from the Fiji Islands totalled \$2.4M.

Other Developmental Product Areas

Adacel's strategy to leverage existing technologies and enter collateral markets to support the overall growth of the business continues to be a primary focus. The Company continues to invest in its ATCIB product area and has made some technical improvement which has resulted in expanded voice and visual applications. The Company has continuing revenue from its ATCIB and security simulation customers (Sandia labs, CAE, Boeing Military) and expects near term success for its recently launched Commercial pilot training business.

The ATCIB business area now includes a PC based version (ICE Pilot) which will be used to train both pilots and air traffic controllers in Aviation English so as to prepare them for certification to International Civil Organization Standards. At present, we continue to develop business relationships in these ATCIB markets which include flight simulator manufacturers, commercial and military airplane manufacturers, as well as pilot and air traffic controller trainers. At present, we have deepening business relationships with CAE, Flight Safety, Aermacchi, Lockheed Martin (Joint Strike Fighter), Rockwell Collins, Lincoln Labs, and expect several near term orders in 2010.

Outlook

After concluding a good 2009 operating year despite declining international economies, the company is optimistic about revenue and earnings growth in the 2010 financial year.

Adacel Technologies Limited
Preliminary consolidated income statement
For the year ended 30 June 2009

	Notes	Consolidated	
		2009 \$000	2008 \$000
Revenue from continuing operations		55,281	37,162
Other income		2,270	2,135
Net foreign exchange gain/(loss)		1,780	(476)
Materials and consumables		(15,437)	(7,176)
Labour expense		(27,146)	(22,662)
Depreciation and amortisation expense		(1,607)	(1,418)
Finance costs		(120)	(38)
Lease rental expense		(1,808)	(1,420)
Professional fees		(1,706)	(1,233)
Insurance expense		(564)	(609)
Communications expense		(328)	(346)
Travel & entertainment expense		(942)	(862)
Trade shows		(861)	(504)
Repairs & Maintenance		(356)	(177)
Bad & Doubtful debts		(700)	-
All other expenses		(3,092)	(2,218)
Non-Operating costs - Commercial legal claim defence		-	(245)
Non-Operating costs - Other		-	(17)
Profit/(loss) before tax		4,664	(104)
Income tax benefit/(expense)	5	2,132	1,914
Profit/(loss) for the period		6,796	1,810
Profit/(loss) for the period attributable to members of Adacel Technologies Limited		6,796	1,810
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share (cents per share)	9	8.2	2.1
Diluted earnings/(loss) per share (cents per share)	9	8.2	2.1

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

Adacel Technologies Limited
Preliminary consolidated balance sheet
As at 30 June 2009

		Consolidated	
		2009	2008
	Notes	\$000	\$000
Current assets			
Cash and cash equivalents	2(a)	3,598	1,242
Receivables	2(b)	8,629	11,640
Current tax asset	2(c)	7	565
Accrued revenue	2(b)	8,937	4,866
Inventories	2(d)	2,611	1,090
Other financial assets	2(n)	-	42
Total current assets		23,782	19,445
Non-current assets			
Plant and equipment (net)	2(e)	1,508	1,294
Intangible assets (net)	2(f)	235	1,100
Deferred tax asset	2(p)	4,077	1,376
Other financial assets	2(n)	-	129
Total non-current assets		5,820	3,899
Total assets		29,602	23,344
Current liabilities			
Borrowings	2(g)	1,225	1,863
Payables	2(h)	6,292	6,849
Advanced payments from customers	2(i)	1,762	1,019
Current tax liabilities	2(j)	1,102	351
Provisions	2(k)	509	604
Other current liabilities	2(o)	185	260
Total current liabilities		11,075	10,946
Non-current liabilities			
Other non-current liabilities	2(o)	242	74
Total non-current liabilities		242	74
Total liabilities		11,317	11,020
Net assets		18,285	12,324
Equity			
Contributed equity	2(l)	76,234	76,830
Reserves	2(m)	(1,674)	(1,299)
Retained profits/(accumulated losses)	7	(56,275)	(63,207)
Total equity		18,285	12,324

The above preliminary consolidated balance sheet 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 2009

	Consolidated	
	2009	2008
	\$000	\$000
Total equity at the beginning of the period	12,324	14,368
Transfers from share based payments reserve	136	129
Exchange differences on translation of foreign operations	(252)	(1,444)
Net income/(expense) recognised directly in equity	(116)	(1,315)
Profit/(loss) for the period	6,796	1,810
Total recognised income/(expense) for the period	6,680	495
Contributions of equity, net of transaction costs	-	87
Employee share options	(123)	(15)
Reduction of share capital through share buy-back	(596)	(2,611)
Total transactions with equity holders in their capacity as equity holders	(719)	(2,539)
Total equity at the end of the period	18,285	12,324

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

Adacel Technologies Limited
Preliminary consolidated cash flow statement
For the year ended 30 June 2009

	Consolidated	
	2009	2008
Notes	\$000	\$000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	57,218	23,305
Other receipts	2,735	2,135
Payments to suppliers and employees (inclusive of GST)	(54,528)	(33,066)
Payments for development expenditure (inclusive of GST)	(1,184)	(967)
	<u>4,241</u>	<u>(8,593)</u>
Interest received	119	118
Income tax paid	-	(106)
Finance costs	(120)	(38)
Net cash inflow/(outflow) from operating activities	6 <u><u>4,240</u></u>	<u><u>(8,619)</u></u>
Cash flows from investing activities		
Payments for plant and equipment	(969)	(707)
Proceeds from sale of plant and equipment	183	-
Proceeds from sale of business assets	-	150
Proceeds from/(payments for) deposits	(36)	-
Net cash inflow/(outflow) from investing activities	<u><u>(822)</u></u>	<u><u>(557)</u></u>
Cash flows from financing activities		
Proceeds from shares issued	-	87
Proceeds from Borrowings	280	-
Repayment of borrowings	(7)	-
Shares repurchased through on market share buy-back	(592)	(2,587)
Share buy-back costs	(4)	(24)
Net cash inflow/(outflow) from financing activities	<u><u>(323)</u></u>	<u><u>(2,524)</u></u>
Net increase/(decrease) in cash held	3,095	(11,700)
Cash at beginning of the financial year	(621)	11,137
Effects of exchange rate changes on cash	(101)	(58)
Cash at end of the financial year	<u><u>2,373</u></u>	<u><u>(621)</u></u>
Reconciliation of cash		
Cash balance at the end of the year comprises:		
Cash assets - Cash at Bank	3,598	1,242
Cash borrowings - Overdraft facility	(1,225)	(1,863)
	<u><u>2,373</u></u>	<u><u>(621)</u></u>

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

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2009

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 and 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 2009 was a net cash deposit of \$2.4m as compared to a net cash overdraft of \$0.6m as at 30 June 2008. This represents an increase in cash balances of \$3.0m.

The major components of this increase are:

- : Operating activities (excluding interest and tax (paid)/refunded) \$3.6m
- : Tax credit refunds \$0.7m
- : Investment in New Plant & Equipment (\$1.0m)
- : Foreign exchange loss effect on cash balances (\$0.1m)
- : Cash spent on the share buy-back (\$0.5m)

Note 2(b): Receivables & Accrued revenue

Receivables and accrued revenue have increased by a small net amount of \$1.1m to \$17.6m as at 30 June 2009.

During the year, Receivables have decreased by \$3.0m to \$8.6m whilst Accrued revenue has increased by \$4.1m to \$8.9m. This type of fluctuation is expected due to the type of Major contracts that we work on where Milestones are billed periodically and revenue is recognised under the percentage of completion (POC) methodology that may not yet be billable under the contract terms. These are mainly government contracts where payment is assured. The amount of Receivables and Accrued Revenue is predominantly a matter of timing.

Note 2(c): Current tax asset

Current tax assets as at 30 June 2009 have decreased by \$0.6m. This change is due to a reclassification of Tax receivable for the Quebec R&D Credits into Other receivables.

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

Inventories have increased by \$1.5m to \$2.6m as at 30 June 2009, reflecting the increase in activity. Inventories are substantially comprised of work-in progress for North American customers.

Note 2(e): Plant & equipment

The net value of Property, Plant & Equipment increased by \$0.2m to \$1.5m during the year ended 30 June 2009. New equipment acquisitions of \$1.0m have been offset by a \$0.7m charge for depreciation and disposals of \$0.2m. Foreign exchange impact on asset balances resulted in an increase of \$0.1m.

Note 2(f): Intangible assets

The net value of Intellectual property has decreased by \$0.9m to \$0.2m as at 30 June 2009. The decrease is accounted for by the amortisation attributable to the period.

Note 2(g): Interest bearing liabilities

The closing balance of interest bearing liabilities as at 30 June 2009 is \$1.2m (2008 = \$1.9m). \$1.2m is the value of the overdraft facility that had been utilised as at the year end.

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2009

Note 2(h): Payables

Payables and accruals have remained similar to those as at 30 June 2008. They have decreased by \$0.5m to \$6.3m as at 30 June 2009. Any fluctuation in these figures is predominantly due to the levels of demand for inventory purchases for any of the the major contracts that may be in in progress at that time.

Note 2(i): Advance payments from customers

Advance payments from customers has increased by \$0.8m to \$1.8m as at 30 June 2009. These payments are received under the terms of the contract for supply of equipment, at which time the cash is brought to account against sales invoices supplied to the customers.

Note 2(j): Current tax liabilities

Current tax liabilities has increased by \$0.8m to \$1.1m as at 30 June 2009. The current balance includes \$0.6m which would be owed to the Quebec Provincial Level before the application of the R&D tax refund of \$0.8m which is now disclosed as an Other Receivable. The rest represents the local taxes due on profits earned by the North American subsidiaries for the current year.

Note 2(k): Provisions

Provisions have decreased by \$0.1m to \$0.5m as at 30 June 2009. The majority of this decrease relates to warranty.

Note 2(l): Contributed equity

The share capital of the company is \$76.2m. This is a decrease of \$0.6m during the year. The net decrease relates to the cash expensed in the on-market share buy-back.

Note 2(m): Reserves

Reserves have decreased by \$0.4m as at 30 June 2009. This movement relates to decreases in the Foreign Currency Translation Reserve of \$0.3m and the Share Based Payments Reserve of \$0.1m.

Note 2(n): Other financial assets

Other financial assets have decreased by \$0.1m to Nil as at 30 June 2009. This movement relates to the release of a cash deposit as security for a Credit Card Facility in North America.

Note 2(o): Other liabilities

Other liabilities have increased during the year by \$0.1m to \$0.4m as at 30 June 2009. The current year balance is comprised of a FX liability under an embedded derivative relating to a contract between Australia and an Australian customer that has been written in C\$, amounting to \$0.1m, and a Finance Lease liability in ASI for IT Infrastructure of \$0.3m.

Note 2(p): Deferred tax asset

Due to the North American subsidiaries returning profits for the last four years and the outlook over the short-term for continued profitability, some of the unbooked tax losses and future tax credits have been booked in the current financial year.

Due to the reasonable order book currently maintained by the business, management has taken a prudent approach to booking these losses and have booked only to the extent that these should cover the profitability for the following two years. The degree of certainty of the order book further out from June 2011 is not certain and the degree of profitability cannot be reasonably predicted.

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 and 3.

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2009

4. Segment information

Primary reporting format - geographical segments

	Australia		North America		Corporate Office		Intersegment Eliminations		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Sales to external customers	6,725	177	48,434	36,794	-	-	-	-	55,159	36,971
Intersegment sales	59	294	4,375	125	-	-	(4,434)	(419)	-	-
Total sales revenue	6,784	471	52,809	36,919	-	-	(4,434)	(419)	55,159	36,971
Other revenue/income	-	150	2,308	790	84	602	-	-	2,392	1,542
Total segment revenue/income	6,784	621	55,117	37,709	84	602	(4,434)	(419)	57,551	38,513
Segment result prior to the following items:	1,485	(317)	4,443	1,124	84	602	175	128	6,187	1,537
Redundancies	-	(24)	-	-	-	-	-	-	-	(24)
Royalties due to Canada subsidiary	(289)	(3)	289	3	-	-	-	-	-	-
Segment result	1,196	(344)	4,732	1,127	84	602	175	128	6,187	1,513
Corporate office costs	-	-	-	-	(1,403)	(1,579)	-	-	(1,403)	(1,579)
Management fees	(112)	-	(515)	(567)	627	567	-	-	-	-
Interest on funds advanced - intergroup	-	-	-	248	-	(248)	-	-	-	-
Finance costs - external	-	-	(118)	(38)	(2)	-	-	-	(120)	(38)
Profit/(loss) before income tax	1,084	(344)	4,099	770	(694)	(658)	175	128	4,664	(104)
Income tax (expense)/benefit	-	-	-	-	-	-	-	-	2,132	1,914
Profit/(loss) for the period									6,796	1,810
Segment assets	192	73	36,788	32,567	33,766	34,100	(41,144)	(43,396)	29,602	23,344
Segment liabilities	21,198	22,163	12,194	14,186	871	(177)	(22,946)	(25,152)	11,317	11,020
Acquisitions of plant and equipment	-	-	1,017	711	1	-	-	-	1,018	711
Depreciation and amortisation expense	-	-	1,781	1,546	1	-	(175)	(128)	1,607	1,418
Impairment of trade receivables	-	-	700	172	-	-	-	-	700	172
Other non-cash expenses	-	-	-	-	-	-	-	-	-	-

Description of geographical segments

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

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2009

4. Segment information (continued)

Secondary reporting format - business segments

	Simulation		Software Engineering		Corporate Office		Intersegment Eliminations		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Sales to external customers	45,346	23,785	9,813	13,186	-	-	-	-	55,159	36,971
Intersegment sales	-	419	-	-	-	567	-	(986)	-	-
Total sales revenue	45,346	24,204	9,813	13,186	-	567	-	(986)	55,159	36,971
Other revenue/income	2,308	1,337	-	150	84	55	-	-	2,392	1,542
Total segment revenue	47,654	25,541	9,813	13,336	84	622	-	(986)	57,551	38,513
Segment assets	27,128	19,485	9,852	13,155	33,766	34,100	(41,144)	(43,396)	29,602	23,344
Acquisitions of plant and equipment	934	512	83	199	1	-	-	-	1,018	711

Description of business segments

Although the consolidated entity's divisions are managed on a geographical basis, they operate in two main business areas:

Simulation

- encompassing defence and aviation simulation services and support.

Software Engineering

- encompassing Oceanic air traffic management systems, and real time software and systems development.

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2009

5. Income tax reconciliation

	2009	2008
	\$000	\$000
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit/(loss) from continuing operations before income tax	4,664	(104)
Income tax expense/(benefit) calculated at applicable tax rates	<u>1,676</u>	<u>(51)</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Canadian Federal and Provincial income tax credits	(1,555)	(1,856)
Other items (net)	(60)	(95)
Current year tax losses and temporary differences not brought to account	-	860
Utilisation of previously unbooked tax losses and tax credits	(1,671)	-
Utilisation of R&D tax credits (1)	-	(784)
Recognition of tax credits & tax losses not previously brought to account	(1,268)	
Income tax under/(over) provided in prior years	292	12
Other items	454	
Income tax expense/(benefit)	<u>(2,132)</u>	<u>(1,914)</u>

Note: (1) R&D tax credits in 2009 are classified as Other Income.

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

	2009	2008
	\$000	\$000
Operating profit/(loss) from ordinary activities after income tax	6,796	1,810
Non cash items:		
Depreciation and amortisation	1,607	1,418
Net (profit)/loss on sale of plant and equipment	-	-
Proceeds from sale of business assets	-	(150)
Net credit arising from reversal of FCTR on liquidation of subsidiary company	-	(547)
Employee share options expense	13	114
Net exchange differences	(1,780)	476
Changes in assets and liabilities:		
(Increase)/decrease in trade receivables and accrued revenue	380	(10,766)
(Increase)/decrease in other receivables and other assets	462	(43)
(Increase)/decrease in inventory	(1,807)	(631)
(Increase)/decrease in prepayments	(196)	71
(Increase)/decrease in deferred tax assets and liabilities and tax payable	(2,132)	(1,653)
Increase/(decrease) in trade and other creditors	(300)	2,685
Increase/(decrease) in employee benefits provisions	(23)	24
Increase/(decrease) in other provisions	(78)	89
Increase/(decrease) in advanced payments from customers	1,133	(1,903)
(Increase)/decrease in other non-current assets	165	387
Net cash inflow/(outflow) from operating activities	<u>4,240</u>	<u>(8,619)</u>

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2009

7. Retained earnings/(accumulated losses)

	2009	2008
	\$000	\$000
Balance at the beginning of the year	(63,207)	(65,109)
Net profit/(loss) for the year	6,796	1,810
Transfer from equity reserves	136	92
Balance at the end of the year	(56,275)	(63,207)

8. Net tangible asset backing

	2009	2008
(a) Net tangible asset backing per ordinary share (cents per share)	21.9	13.4
(b) Number of ordinary shares used as the denominator in calculating net tangible asset backing per ordinary share	82,276,220	83,829,378

9. Earnings per share

	2009	2008
Basic earnings/(loss) per share (cents per share)	8.2	2.1
Diluted earnings/(loss) per share (cents per share)	8.2	2.1

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

	2009	2008
	\$000	\$000
<i>Basic earnings per share</i>		
Profit / (loss) from continuing operations	6,796	1,810
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	6,796	1,810
<i>Diluted earnings per share</i>		
Profit / (loss) from continuing operations	6,796	1,810
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	6,796	1,810

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

	2009	2008
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	83,198,447	85,537,027
Adjustments for calculation of diluted earnings per share		
Options	90,140	686,642
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	83,288,587	86,223,669

Adacel Technologies Limited
Notes to the preliminary consolidated financial statements
30 June 2009

10. Contingent liabilities

Guarantees of \$3.0M (2008: \$2.6M) 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, in accordance with legal advice received, there are no such claims which are expected to result in payment.

11. Financing facility

The Royal Bank of Canada has provided the company a facility for up to \$15 million 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 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 the financial report will provide sufficient cash flows, that together with the facility, 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.