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# Adacel Technologies Limited

(ASX: ADA)

## ASX & Media Release

Melbourne, 24 August 2012

### Appendix 4E - Preliminary Final Report Year ended 30 June 2012

Lodged with the ASX under Listing Rule 4.3A

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**Adacel Technologies Limited**  
**Year ended 30 June 2012**

(Previous corresponding period: Year ended 30 June 2011)

**Results for Announcement to the Market**

				\$000
<b>Revenue</b> from continuing operations	up	3%	to	38,557
<b>Profit</b> for the period attributable to owners	up	\$7.364M	to	4,402

<b>Dividends/distributions</b>	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**

Adacel has delivered a pleasing result for the 2012 financial year. The 2012 results are a culmination of consistent order success and revenue recognition, tight cost control and disciplined program management and execution. The Company achieved earnings before tax in 2012 of \$4.62 million (2011: loss of \$3.08 million), derived from revenue of \$38.56 million (2011: \$37.26 million).

The 2012 results reflect the continued focus by the Company on its core technologies, expansion within existing markets and the fostering of closer relationships with its key customers. The Company will continue this focused approach in combination with a prudent assessment of R&D and adjacent market opportunities. The Company's strong balance sheet provides a robust foundation for the continued execution of this strategy. Positive cash flow of \$1.29 million was generated during 2012 (2011: \$5.69 million), the difference largely attributable to the timing of receipts in the period. The Company enjoys a net cash position at the end of the financial year of \$5.75 million.

Following a series of management changes toward the end of the previous period, the Company moved to focus the business on its key products, markets and opportunities. As a result of these efforts and the subsequent performance, the Board is pleased to confirm Seth Brown in the role of Chief Executive Officer. Seth, along with Chief Operating Officer, Gary Pearson, executed the necessary changes and, along with the Company's employees, have delivered this result in 2012.

The Company witnessed consistent performance across its businesses. Additionally, the results were boosted by a number of high margin contracts.

The Air Traffic Management business continued its consistent performance, principally from renewals under the ATOP (Advanced Technologies and Oceanic Procedures) program for the US FAA (Federal Aviation Authority), a five year extension of the NavPortugal support contract and a new order from French Guiana.

The International Air Traffic Control (ATC) Simulation business rebounded from a soft prior period to deliver a strong result, due predominantly to contract wins in the Ukraine and Italy.

The US ATC Simulation business generated a profitable contribution, principally from key relationships with the US FAA and US Air Force. This outcome was encouraging given the US Government-imposed budgetary pressures, in particular on the US Department of Defence.

The Company's Speech Recognition business enjoyed the benefits of order growth in voice activated cockpit control programs with Lockheed Martin's Joint Strike Fighter, accompanying other contract awards including the Aermacchi M346 Trainer and development funding on Boeing's Apache helicopter. It is anticipated that further orders will be derived from these programs in future years and the Company remains confident that there will be other voice activated cockpit control applications in both civil and military vehicles.

**Adacel Technologies Limited**  
**Year ended 30 June 2012**

(Previous corresponding period: Year ended 30 June 2011)

Further acceptance of Adacel's Security Simulation products resulted in considerable new business with Sandia National Labs in the US.

During 2012, the Company committed considerable R&D funds to the on-going commercialisation of Intelligent Communications Environment (ICE). This product is used to train both pilots and air traffic controllers in the fundamentals of air traffic control and pilot communication as well as providing an aviation English training platform for non-native English speakers. ICE has proven to be a key resource for certification to International Civil Organisation Standards for aviation English. As a result, the Company has received strong market acceptance for this product with a number of profitable contracts secured during 2012.

The Company continues to have productive and successful relationships with its key partners, across many programs and jurisdictions, including CAE, ENAV, Aermacchi, Lockheed Martin, RAAF, USAF, Air Services Australia, Sanmina, SCI, Sandia National Labs, Hungara Control, Singapore Technologies, Telephonics, Exelis, Boeing and the Ukraine CAA. The Company looks forward to continued development of these relationships.

***Outlook***

The Company is pleased with the 2012 financial result and the Directors are cautiously optimistic that, despite the challenges in the global economic environment and on-going US budgetary constraints, the Group will have continued profitability in the 2013 financial year.

**Adacel Technologies Limited**  
**Preliminary consolidated statement of comprehensive income**  
**For the year ended 30 June 2012**

		<b>Consolidated</b>	
		<b>2012</b>	<b>2011</b>
	<b>Notes</b>	<b>\$000</b>	<b>\$000</b>
<b>Revenue from continuing operations</b>		<b>38,557</b>	<b>37,262</b>
Other income		1,348	1,311
Net foreign exchange gain/(loss)		190	(1,359)
Materials and consumables		(6,420)	(7,890)
Labour expense		(21,956)	(24,147)
Depreciation and amortisation expense		(462)	(581)
Finance costs		(498)	(559)
Lease rental expense		(1,405)	(1,455)
Professional fees		(1,107)	(1,350)
Insurance expense		(491)	(485)
Communications expense		(115)	(189)
Travel & entertainment expense		(687)	(1,000)
Trade shows		(367)	(889)
Repairs & maintenance		(326)	(351)
Bad & doubtful debts		(203)	(98)
All other expenses		(1,436)	(1,301)
<b>Profit/(loss) before tax</b>		<b>4,622</b>	<b>(3,081)</b>
Income tax (expense)/benefit	5	(220)	121
<b>Profit/(Loss) from continuing operations</b>		<b>4,402</b>	<b>(2,960)</b>
<b>Profit/(Loss) for the year</b>		<b>4,402</b>	<b>(2,960)</b>
<b>Other comprehensive income/(expense)</b>			
Exchange differences on translation of foreign operations		9	(1,507)
<b>Total comprehensive income/(expense) for the year</b>		<b>4,411</b>	<b>(4,467)</b>
<b>Profit/(Loss) is attributable to:</b>			
<b>Owners of Adacel Technologies Limited</b>		<b>4,402</b>	<b>(2,960)</b>
<b>Total comprehensive income/(expense) for the year is attributable to:</b>			
<b>Owners of Adacel Technologies Limited</b>		<b>4,411</b>	<b>(4,467)</b>
<b>Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share (cents per share)	9	5.4	(3.6)
Diluted earnings/(loss) per share (cents per share)	9	5.4	(3.6)

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

**Adacel Technologies Limited**  
**Preliminary consolidated statement of financial position**  
**As at 30 June 2012**

		<b>Consolidated</b>	
		<b>2012</b>	<b>2011</b>
	<b>Notes</b>	<b>\$000</b>	<b>\$000</b>
<b>Current assets</b>			
Cash and cash equivalents	2(a)	5,745	4,451
Receivables	2(b)	7,623	4,339
Current tax receivable	2(c)	16	111
Accrued revenue	2(b)	5,998	4,940
Inventories	2(d)	802	1,127
Other financial assets	2(e)	32	-
<b>Total current assets</b>		<b>20,216</b>	<b>14,968</b>
<b>Non-current assets</b>			
Plant and equipment (net)	2(f)	835	960
Other Financial Assets	2(e)	19	-
Deferred tax asset	2(g)	3,714	3,630
<b>Total non-current assets</b>		<b>4,568</b>	<b>4,590</b>
<b>Total assets</b>		<b>24,784</b>	<b>19,558</b>
<b>Current liabilities</b>			
Payables	2(h)	5,506	5,264
Advanced payments from customers	2(i)	2,864	2,528
Current tax liabilities	2(j)	610	312
Provisions	2(k)	578	681
Other current liabilities	2(l)	757	690
<b>Total current liabilities</b>		<b>10,315</b>	<b>9,475</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	2(l)	3,329	3,057
<b>Total non-current liabilities</b>		<b>3,329</b>	<b>3,057</b>
<b>Total liabilities</b>		<b>13,644</b>	<b>12,532</b>
<b>Net assets</b>		<b>11,140</b>	<b>7,026</b>
<b>Equity</b>			
Contributed equity	2(m)	75,718	76,015
Reserves	2(n)	(2,925)	(2,926)
Retained profits/(accumulated losses)	7	(61,653)	(66,063)
<b>Total equity</b>		<b>11,140</b>	<b>7,026</b>

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

**Adacel Technologies Limited**  
**Preliminary consolidated statement of changes in equity**  
**For the year ended 30 June 2012**

Attributable to the owners of  
Adacel Technologies Limited

	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 July 2010</b>	<b>76,234</b>	<b>(931)</b>	<b>(63,597)</b>	<b>11,706</b>
Loss for the year	-	-	(2,960)	<b>(2,960)</b>
Exchange differences on translation of foreign operations	-	(1,507)	-	<b>(1,507)</b>
<b>Total Comprehensive Expense for the year</b>	<b>-</b>	<b>(1,507)</b>	<b>(2,960)</b>	<b>(4,467)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Share buyback equity reductions	(218)	-	-	<b>(218)</b>
Cost associated with share buyback	(1)	-	-	<b>(1)</b>
Employee share options	-	6	-	<b>6</b>
Value of options that have lapsed during the current period	-	(494)	494	-
	<b>(219)</b>	<b>(488)</b>	<b>494</b>	<b>(213)</b>
<b>Balance at 30 June 2011</b>	<b>76,015</b>	<b>(2,926)</b>	<b>(66,063)</b>	<b>7,026</b>
<b>Balance at 1 July 2011</b>	<b>76,015</b>	<b>(2,926)</b>	<b>(66,063)</b>	<b>7,026</b>
Profit for the year	-	-	4,402	<b>4,402</b>
Exchange differences on translation of foreign operations	-	9	-	<b>9</b>
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>9</b>	<b>4,402</b>	<b>4,411</b>
<b>Transactions with owners in their capacity as owners:</b>				
Share buyback equity reductions	(296)	-	-	<b>(296)</b>
Cost associated with share buyback	(1)	-	-	<b>(1)</b>
Employee share options	-	-	-	-
Value of options that have lapsed during the current period	-	(8)	8	-
	<b>(297)</b>	<b>(8)</b>	<b>8</b>	<b>(297)</b>
<b>Balance at 30 June 2012</b>	<b>75,718</b>	<b>(2,925)</b>	<b>(61,653)</b>	<b>11,140</b>

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

**Adacel Technologies Limited**  
**Preliminary consolidated statement of cash flows**  
**For the year ended 30 June 2012**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
<b>Notes</b>	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	34,887	45,902
Other receipts	1,484	1,384
Payments to suppliers and employees (inclusive of GST)	(33,886)	(39,712)
Payments for research and development expenditure (inclusive of GST)	(404)	(1,191)
	<u>2,081</u>	<u>6,383</u>
Interest received	19	15
Income tax paid	-	(164)
Tax Credits Refunded	159	-
Finance costs	(4)	(109)
<b>Net cash inflow from operating activities</b>	<b>6</b> <u><u>2,255</u></u>	<b>6,125</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(453)	(377)
Proceeds from sale of plant and equipment	124	2
Payment of security deposits	(224)	-
<b>Net cash outflow from investing activities</b>	<u><u>(553)</u></u>	<u><u>(375)</u></u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(77)	(75)
Shares repurchased through on market share buy-back	(296)	(218)
Share buy-back costs	(1)	(1)
<b>Net cash outflow from financing activities</b>	<u><u>(374)</u></u>	<u><u>(294)</u></u>
<b>Net increase in cash held</b>	1,328	5,456
Cash at beginning of the financial year	4,451	(1,236)
Effects of exchange rate changes on cash	(34)	231
<b>Cash at end of the financial year</b>	<u><u>5,745</u></u>	<u><u>4,451</u></u>
<b>Reconciliation of cash</b>		
Cash balance at the end of the year comprises:		
Cash assets - Cash at bank	5,745	4,451
	<u><u>5,745</u></u>	<u><u>4,451</u></u>

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

**Adacel Technologies Limited**  
**Notes to the preliminary consolidated financial statements**  
**30 June 2012**

**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 2012 was a net cash deposit of \$5.7m as compared to a net cash deposit of \$4.4m as at 30 June 2011. This is an increase in cash balances of \$1.3m. None of the overdraft facility is being utilised as at the year end.

The major components of this increase are:

- : Operating activities (excluding interest and tax paid) \$2.1m
- : Tax Credits received \$0.1m
- : Investment in new plant & equipment \$0.5m
- : Cost of shares bought back \$0.3m
- : Foreign exchange loss effect on cash balances \$0.1m

**Note 2(b): Receivables & accrued revenue**

Receivables and accrued revenue have increased by a net amount of \$4.3m to \$13.6m as at 30 June 2012. Receivables have increased by \$3.3m to \$7.6m whilst accrued revenue has increased by \$1.0m to \$6.0m. Our Debtors ageing has slightly increased after last years year-end focus to collect many of our ageing debtors. The increase in accrued revenue is predominantly a matter of timing where our major contracts are billed periodically upon milestone achievements and revenue is mainly recognised under the percentage of completion (POC) method. These are mainly government contracts where payment is assured.

**Note 2(c): Current tax receivable**

There has been no material movement in Current tax receivable for the year ending 30 June 2012.

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

Inventories have decreased minimally by \$0.3m to \$0.8m as at 30 June 2012. Inventories are substantially comprised of work-in progress for North American customers.

**Note 2(e): Other financial assets**

There has been no material movement in Other Financial Assets for the year ending 30 June 2012.

**Note 2(f): Plant & equipment**

The net value of property, plant & equipment decreased by \$0.2m to \$0.8m during the year ended 30 June 2012. New equipment acquisitions of \$0.7m has been offset by \$0.5m charged for depreciation. There was minimal foreign exchange impact and the WDV of disposals was \$0.1m.

**Note 2(g): Deferred tax asset**

Management has taken a prudent approach to recognising tax losses and future tax credits. The future benefit has been recognised only to the extent that it has reasonable assurance of being recovered by profitability into the future. The major justification for Management's view is that the carry forward period for the Canadian Federal Income Tax Credits is at least 10 years from today.

**Note 2(h): Payables**

Payables and accruals have increased by \$0.2m to \$5.5m during the year ending 30 June 2012. The change is minimal and reflects the higher than previous year activity.



**Adacel Technologies Limited**  
**Notes to the preliminary consolidated financial statements**  
**30 June 2012**

**Note 2(i): Advance payments from customers**

Advance payments from customers has increased by \$0.4m to \$2.9m as at 30 June 2012. These payments are received under the terms of the contract for supply of equipment and services. This amount will decrease as sales are recognised under the percentage of completion (POC) method.

**Note 2(j): Current tax liabilities**

Current tax liabilities have increased by \$0.3m to \$0.6m as at 30 June 2012. The increase is due to the provision for tax payable in Adacel Inc (Canada).

**Note 2(k): Provisions**

Provisions have decreased by \$0.1m to \$0.6m as at 30 June 2012. The majority of this decrease relates to warranty provision reductions.

**Note 2(l): Other liabilities**

Other liabilities have increased by \$0.3m to \$4.1m as at 30 June 2012. The increase is due to the recalculation of the liability due to the Canadian Government for funding grants.

**Note 2(m): Contributed equity**

The share capital of the company has decreased \$0.3m to \$75.7m as at 30 June 2012. The decrease results from the Share Buy Back activity that occurred during the financial year.

**Note 2(n): Reserves**

There has been minimal change in the Reserves for the year ending 30 June 2012.

**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 2012**

**4. Segment information**

	Australia		North America		Corporate Office		Intersegment Eliminations		Total	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Sales to external customers	208	576	38,330	36,671	-	-	-	-	38,538	37,247
Intersegment sales	85	85	-	396	370	326	(455)	(807)	-	-
<b>Total sales revenue</b>	<b>293</b>	<b>661</b>	<b>38,330</b>	<b>37,067</b>	<b>370</b>	<b>326</b>	<b>(455)</b>	<b>(807)</b>	<b>38,538</b>	<b>37,247</b>
Other revenue/income	-	4	1,452	1,313	5	17	100	(8)	1,557	1,326
<b>Total segment revenue/income</b>	<b>293</b>	<b>665</b>	<b>39,782</b>	<b>38,380</b>	<b>375</b>	<b>343</b>	<b>(355)</b>	<b>(815)</b>	<b>40,095</b>	<b>38,573</b>
<b>Segment result</b>	<b>(107)</b>	<b>(184)</b>	<b>4,463</b>	<b>(2,250)</b>	<b>374</b>	<b>338</b>	<b>1,398</b>	<b>566</b>	<b>6,128</b>	<b>(1,530)</b>
Corporate office costs	-	-	-	-	(1,008)	(992)	-	-	(1,008)	(992)
Management fees	(80)	(56)	(290)	(270)	-	-	370	326	-	-
Finance costs	-	-	(498)	(558)	-	(1)	-	-	(498)	(559)
<b>Profit/(loss) before income tax</b>	<b>(187)</b>	<b>(240)</b>	<b>3,675</b>	<b>(3,078)</b>	<b>(634)</b>	<b>(655)</b>	<b>1,768</b>	<b>892</b>	<b>4,622</b>	<b>(3,081)</b>
Income tax (expense)/benefit									(220)	121
<b>Profit/(loss) for the period</b>									<b>4,402</b>	<b>(2,960)</b>
Segment assets	68	6	37,249	32,210	31,711	31,551	(44,244)	(44,209)	24,784	19,558
Segment liabilities	21,707	21,458	15,879	18,547	2,138	1,039	(26,080)	(28,512)	13,644	12,532
Acquisitions of plant and equipment	10	-	678	372	1	5	-	-	689	377
Depreciation and amortisation expense	10	-	1,326	1,468	1	5	(875)	(892)	462	581
Impairment of trade receivables	-	-	209	98	-	-	-	-	209	98
Other non-cash expenses	-	-	(33)	-	-	-	-	-	(33)	-

**Description of segments**

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

*North America* - servicing the US and Canada as well as global markets in air traffic control simulation and air traffic management software and services.

*Australia* - servicing the Australian domestic market for simulation and software development services.

**Adacel Technologies Limited**  
**Notes to the preliminary consolidated financial statements**  
**30 June 2012**

**5. Income tax reconciliation**

	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable</b>		
Profit/(loss) from continuing operations before income tax	4,622	(3,081)
Income tax expense/(benefit) calculated at applicable tax rates	<u>1,401</u>	<u>(1,140)</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Canadian Federal and Provincial income tax credits	(709)	(945)
Other items (net)	(201)	(149)
Current year temporary differences not brought to account	231	509
Current year tax losses and tax credits not brought to account	-	1,375
Utilisation of previously unbooked tax losses and tax credits	(407)	-
Impact of changes in tax rates on deferred tax	(23)	-
Income tax under/(over) provided in prior years	-	149
Other items	(72)	80
<b>Income tax expense/(benefit)</b>	<b><u>220</u></b>	<b><u>(121)</u></b>

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

	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
Operating profit/(loss) from ordinary activities after income tax	4,402	(2,960)
Non cash items:		
Depreciation and amortisation	462	581
Net loss on sale of plant and equipment	33	-
Employee share options expense	-	6
Net exchange differences	(190)	1,359
Changes in assets and liabilities:		
(Increase)/decrease in trade receivables and accrued revenue	(3,778)	7,509
Decrease in other receivables and other assets	136	72
Decrease/(increase) in inventory	372	(146)
(Increase)/decrease in prepayments	(102)	251
Decrease/(increase) in deferred tax assets and liabilities and tax payable	379	(285)
Increase/(decrease) in trade and other creditors	357	(1,530)
Increase/(decrease) in employee benefits provisions	11	(13)
(Decrease)/increase in other provisions	(125)	194
Increase in advanced payments from customers	317	1,087
(Increase) in other non-current assets	(19)	-
<b>Net cash inflow from operating activities</b>	<b><u>2,255</u></b>	<b><u>6,125</u></b>

**Adacel Technologies Limited**  
**Notes to the preliminary consolidated financial statements**  
**30 June 2012**

**7. Retained earnings/(accumulated losses)**

	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
Balance at the beginning of the year	(66,063)	(63,597)
Net profit/(loss) for the year	4,402	(2,960)
Transfer from equity reserves	8	494
<b>Balance at the end of the year</b>	<b>(61,653)</b>	<b>(66,063)</b>

**8. Net tangible asset backing**

	<b>2012</b>	<b>2011</b>
(a) Net tangible asset backing per ordinary share (cents per share)	13.8	8.6
(b) Number of ordinary shares used as the denominator in calculating net tangible asset backing per ordinary share	80,585,379	81,641,392

**9. Earnings per share**

	<b>2012</b>	<b>2011</b>
Basic earnings/(loss) per share (cents per share)	5.4	(3.6)
Diluted earnings/(loss) per share (cents per share)	5.4	(3.6)

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

	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<i>Basic earnings per share</i>		
Profit / (loss) from continuing operations	4,402	(2,960)
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<b>4,402</b>	<b>(2,960)</b>
<i>Diluted earnings per share</i>		
Profit / (loss) from continuing operations	4,402	(2,960)
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<b>4,402</b>	<b>(2,960)</b>

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

	<b>2012</b>	<b>2011</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	81,120,268	82,014,860
Adjustments for calculation of diluted earnings per share		
Options	-	280
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>81,120,268</b>	<b>82,015,140</b>

**Adacel Technologies Limited**  
**Notes to the preliminary consolidated financial statements**  
**30 June 2012**

**10. Contingent liabilities**

Guarantees of \$1.8M (2011: \$2.5M) have been given to banks and customers in relation to contract warranty and performance.

From time to time, employees and consultants may make claims against the company with respect to remuneration or labour matters. The company vigorously defends these types of claims. At balance date, the company is aware of no such claims.

**11. Financing facility**

The Royal Bank of Canada (RBC) has provided the company an Overdraft and Guarantee facility for up to \$10 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 RBC also provides Adacel with facilities for Credit Cards and Forward Exchange contracts. The Credit Card facility is currently \$100,000 Canadian Dollars. The Forward Exchange Contract facility is currently \$750,000 Canadian Dollars and is conditional upon varying requirements as determined on a case by case basis by the RBC hedge department at the time of request of the Forward Exchange Contract. The guarantees that are utilised through the RBC have been 100% guaranteed by Export Development Canada.

The directors have reviewed the size and terms of the facility and its continued availability. The directors are satisfied that the operating plans and budgets for the period of 12 months from the date of signing the financial report will provide sufficient cash flows, that together with the facility, and existing cash reserves, will be adequate for the company's requirements.

**12. Events occurring after reporting date**

There were no significant events subsequent to balance date.

**13. Audit**

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