

Adacel Technologies Limited

(ASX: ADA)

16 August 2023

Appendix 4E - Preliminary Final Report

Year ended 30 June 2023

(Previous corresponding period: Year ended 30 June 2022)

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for announcement to the market
Annual Report and Financial Accounts

Results for Announcement to the Market

In USD\$ (Unless otherwise noted).

Revenue from continuing operations	Down	1.1%	To	\$27,250,000
Profit before tax (PBT)	Down	82.5%	To	\$904,000
Profit / (loss) for the period attributable to owners	Down	102.4%	To	\$(77,000)

Dividends/Distributions

	Amount per security	Amount per security
Interim dividend (April 26, 2022, cents per share)	AUD 1.50	-
Final dividend (cents per share)	-	-

Earnings / (loss) per Ordinary Share (Cents per Share) FY2023
Earnings per Ordinary Share (Cents per Share) FY2022

(0.10)
4.27

Net Tangible Asset* Backing per Ordinary Share (Cents per Share) FY2023
Net Tangible Asset* Backing per Ordinary Share (Cents per Share) FY2022

8.00
12.31

**All lease right-of-use assets and related liabilities have been included*

This report is based on the consolidated financial statements which have been audited by PricewaterhouseCoopers. The audit report is included within the Group's Financial Report which accompanies this Appendix 4E. Additional Appendix 4E disclosure requirements can be found in the Annual Report attached, which contains the Directors' Report (including the annual audited Remuneration Report), the Directors' Declaration and the 30 June 2023 consolidated financial statements and accompanying notes.



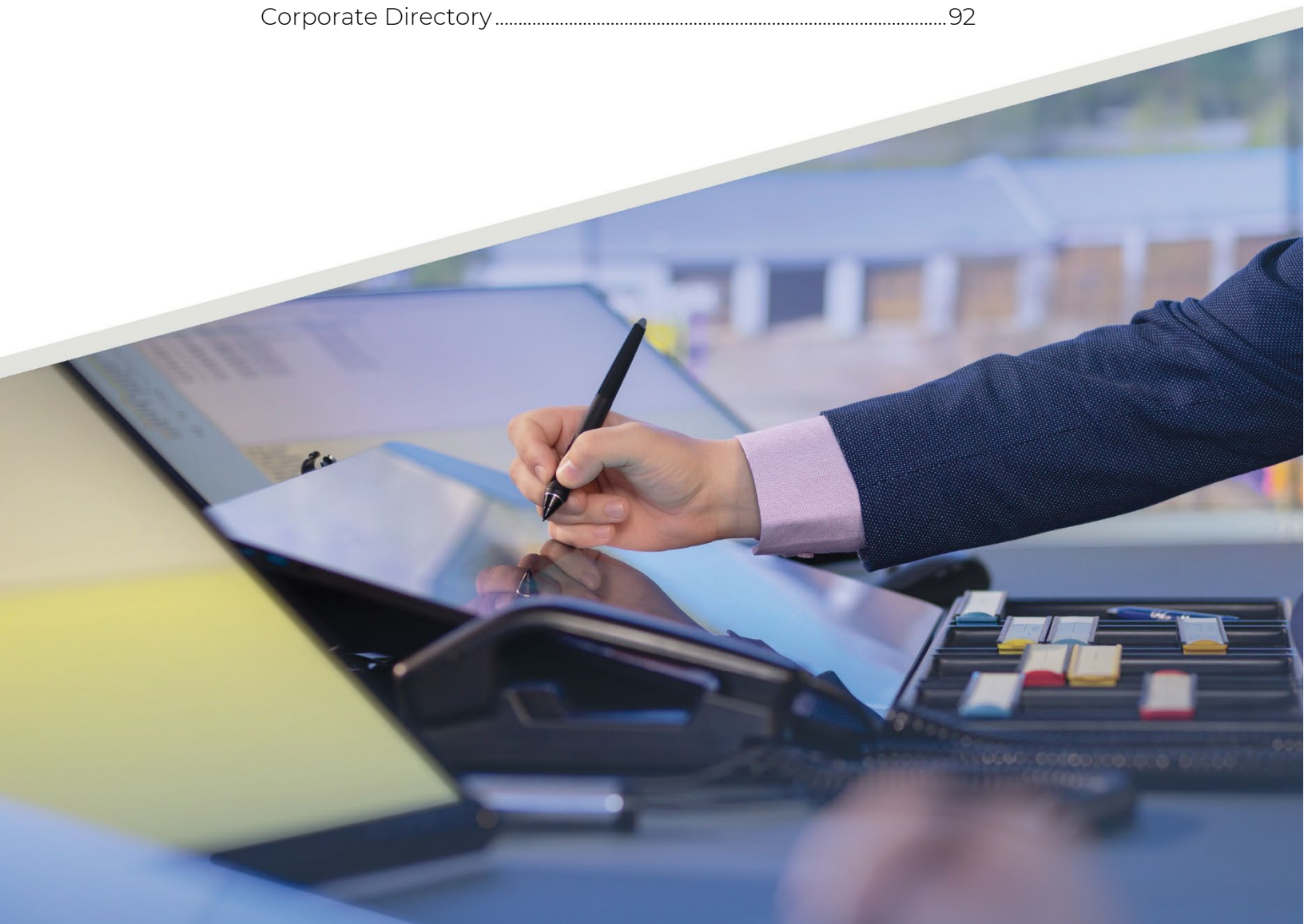
ANNUAL REPORT

2023

YEAR ENDED | JUNE 2023

CONTENTS

Directors' Report	02
Remuneration Report	16
Auditor's Independence Declaration	29
Financial Statements	31
Directors' Declaration	81
Independent Auditor's Report to the Members	82
Additional Securities Exchange Information	88
Corporate Directory	92





DIRECTORS' REPORT

This annual report from your Directors encompasses the combined organization, which includes Adacel Technologies Limited (referred to as Adacel or the Company) and the entities under its control as of or during the period ending on 30 June 2023.

DIRECTORS

Below are the names and details of the Directors who have served at Adacel throughout the entire financial year. Their tenure extends up to the date of this report, unless any exceptions are specifically mentioned:

- Michael McConnell
- Peter Landos
- Natalya Jurcheshin
- Silvio Salom

PRINCIPAL ACTIVITIES

Adacel is a principal provider of air traffic management solutions and air traffic control simulation and training systems and services. There have been no significant changes during the year.

OPERATING RESULTS

The Company's operating results for the twelve months ended 30 June 2023 and 2022, respectively, are summarised in the following table.

KEY FINANCIAL MEASURES	YEAR ENDED 30 JUNE	
	2023	2022
USD\$'000, except dividends and percentages		
Revenue	27,250	27,560
Gross margin	8,792	10,842
Gross margin %	32.3%	39.3%
Normalized EBITDA*	2,919	7,313
EBITDA*	2,919	6,885
EBITDA* %	10.7%	25.0%
Normalized profit before tax (PBT)*	904	5,607
Profit before tax (PBT)	904	5,179
PBT % of Revenues	3.3%	18.8%
Net profit (loss) after tax	(77)	3,262
Earnings per share (cents)	(0.10)	4.27
Net cash	889	1,898
Final dividend (unfranked) (cents)	-	AUD3.25
Total interim dividend (unfranked) (cents)	AUD1.50	AUD2.75
Total dividend (cents)	AUD1.50	AUD6.00

**EBITDA stands for Earnings before interest, taxes, depreciation, and amortization. Normalized EBITDA and Normalized profit-before-tax (PBT) are non-IFRS measures and are presented to provide users with additional insight into the Company's business and to facilitate incremental understanding of the Company's underlying financial performance. Non-IFRS information is not audited.*

For the year ended 30 June 2023, the Company delivered a profit before tax (PBT) of \$0.9 million, a decrease from \$5.2 million in FY2022, closely in line with the market guidance.

“ In FY2023, Adacel’s revenues stood at \$27.3 million, similar to FY2022.

The decrease was mainly due to a lower gross margin of \$8.8 million in FY23 compared to \$10.8 million in FY2022. The gross margin includes allocations of overhead and other fixed costs. The reduction occurred in the Services and Support segment, due to a decrease in volume from our Advanced Technologies and Oceanic Procedures (ATOP) program. This was partially offset by higher gross margins in the Systems segment. In addition, we recorded lower *Other Income* resulting from a decrease in Covid-19 related grants received in FY2022. The Company delivered revenues of

\$27.3 million, compared to \$27.6 million in the previous year. Lower revenues in our Services Segment were offset by higher revenues in our Systems segment as we made progress on our Aurora programs in Martinique and St. Lucia.

The Company’s net loss after tax in FY2023 stood at \$0.08 million, compared to a profit of \$3.3 million in FY2022. The decrease was mainly attributable to lower gross margins in our Services segment and lower Covid-19 related grants when compared to FY2022.

As of 30 June 2023, the Company’s net cash balance was \$0.9 million, compared to \$1.9 million at 30 June 2022. During FY2023, the company paid a total of \$2.4 million in dividends to its shareholders (FY2022: \$3.3 million).

BUSINESS SEGMENT REPORTING

Systems

The Systems segment represents 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

The Services segment includes all aspects of support, field services, and on-site technical services.



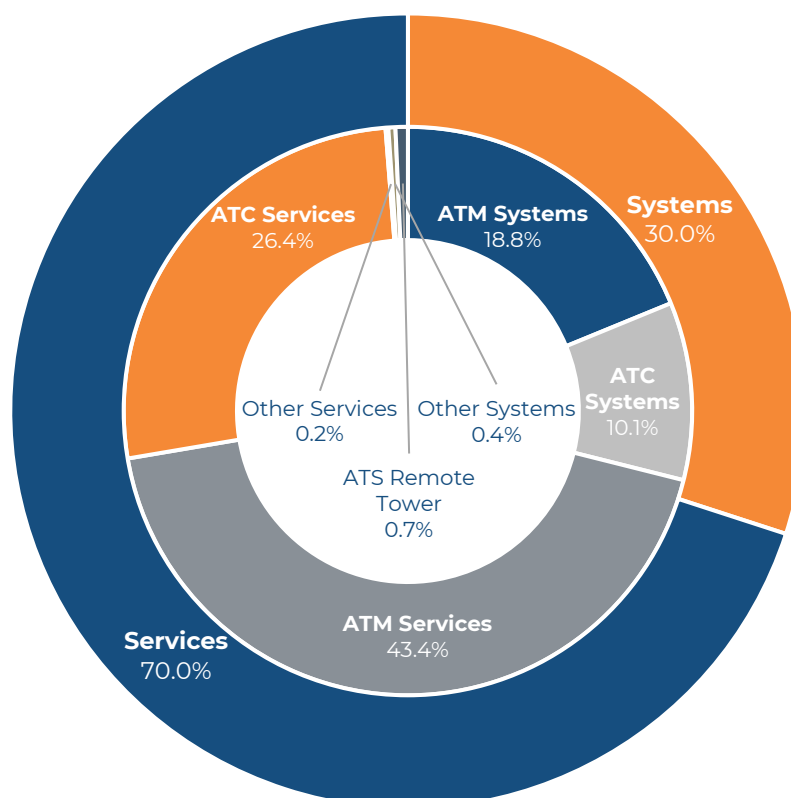
Segment Performance

The Company's business segment performance is summarised as follows:

SEGMENT PERFORMANCE			YEAR ENDED 30 JUNE			
USD \$'000, except percentages	2023			2022		
	Revenue	GM	GM%	Revenue	GM	GM %
Systems	8,178	991	12.0%	6,912	758	11.0%
Services	19,072	7,801	40.9%	20,648	10,084	48.8%
Total	27,250	8,792	32.2%	27,560	10,842	39.3%

OPERATING PERFORMANCE

FY2023 Revenue Per Segment & Product



Systems

During FY2023, revenues in our Systems segment increased to \$8.2 million from \$6.9 million in FY2022. During the year, we made significant progress on our Aurora system deliveries in Martinique and St. Lucia.

ATM Systems revenues accounted for 18.8% of total revenues in FY2023, compared to 13.7% in FY2022, and amounted to \$5.1 million in revenues, compared to \$3.8 million in FY2022, a 35.3% increase year-over-year. The increase comes mostly from the advancement of the Martinique project, which saw almost 70% of the total contract being completed in FY2023 as well as the progress made in delivering Aurora in St. Lucia. We expect to complete these programs in FY2024.

Systems related revenues, due to their core nature, can be subject to significant fluctuations year over year.

As a result of the higher revenues, gross margin, in terms of both dollars and percentage, was also higher in FY2023, compared to FY2022.

Services

The Company's revenues from our Services segment decreased to \$19.1 million in FY2023 from \$20.6M in FY2022 due to lower volumes associated with our ATOP program. As a result, gross margin, in dollars and percentage, for FY2023 was lower, compared to FY2022.

ATM services revenues accounted for 43.4% of consolidated revenues in FY2023, compared to 50.0% last year. The ATC services revenues accounted for 26.4% of FY2023 consolidated revenues, up from 24.7% in FY2022. As has been done for the past 22 years, we continue to work closely with Leidos and the FAA to ensure the successful sustainment and enhancement of ATOP. While revenues decreased in FY2023 when compared to FY2022, we expect revenues from the ATOP program for FY2024 to be similar to FY2023 levels.

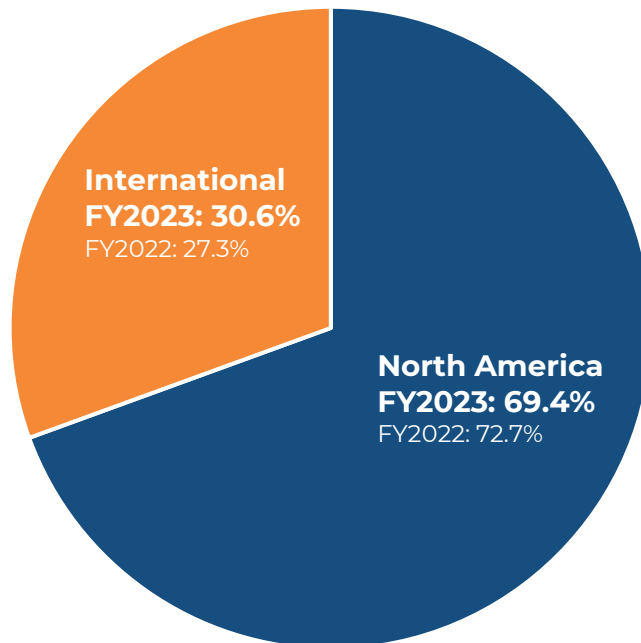
Systems revenues and Services revenues represented 30.0% and 70.0% of total revenues, respectively, in FY2023, compared to 25.1% and 74.9% in FY2022.



FY2023 Revenue by Geographical Presence

The revenues from international customers increased in FY2023 and represented 30.6% of total revenues, compared to 27.3% for the prior year. The revenues from North American customers accounted for 69.4% of Adacel's total revenues, a decrease from 72.7% in FY2022. In FY2023, revenues from civil customers made up 77.7% of total revenues compared to 77.8% for the preceding year while revenues from military sources accounted for 22.3% compared to 22.2% last year, a virtually unchanged dynamic.

FY2023 Revenues by Geographical Presence



Financial Position

The Company's net assets decreased by 22.4%, compared with the previous year. The decrease is due mainly due to lower cash and trade and other receivables. During the year we received tax credits and income tax refunds totalling \$1.1 million generated in prior years. The Company also paid \$2.4 million of dividends during the year.

The Company generated \$3.7 million of cash flow from operating activities compared to \$1.4 million in FY2022, an increase of 162.2% which continues to support overall strength in working capital.

Trade & other payables remained relatively stable when comparing year over year.

TAX

Adacel has carry-forward tax losses and credits available in various jurisdictions to offset future taxable profits. At 30 June 2023, reflecting the Board's and management's confidence in future profitability, the Company has a net deferred tax asset of \$0.8 million (FY2022: \$1.4 million) relating to available tax credits. The movements in the recognition of these tax credits have primarily contributed to the net tax expense for the year ended 30 June 2023. Tax credits continue to be recognised and utilised in accordance with the Company's policy and applicable accounting standards.

DIVIDENDS

The Company intends to declare a dividend in September. The final determination will be made subject to the outcome of certain bids and proposals.

KEY RISKS AND BUSINESS CHALLENGES

Business Risks

Adacel, as a prominent business within the aviation industry, faces various risks that can impact its operations, performance, and financial stability. These risks include market fluctuations, technological advancements, competitive pressures, regulatory changes, geopolitical uncertainties, supply chain disruptions, and cybersecurity threats. Adapting to these challenges, while maintaining innovation and customer satisfaction, will be crucial for the company's long-term success in the dynamic and ever-changing business landscape.

Throughout FY2023, Adacel continued to monitor and execute risk mitigation strategies in the following key areas:


- **Existing customer retention:** To mitigate customer retention risks, Adacel focuses on delivering high-quality products and services, ensuring customer satisfaction. The company collects regular customer feedback to address concerns promptly. Personalized customer support and proactive communication help build strong relationships. Finally, Adacel stays abreast of market trends and technological advancements, continuously updating its offerings to meet customer needs and preferences, enhancing the likelihood of retaining existing customers.
- **Expanding customer base and market share:** To expand its customer base and market share, Adacel implements several risk mitigations. The company conducts comprehensive market research to identify untapped opportunities and customer preferences. Strategic marketing and sales campaigns are tailored to target specific customer segments. Furthermore, forging partnerships and collaborations with industry leaders and associations enhances market visibility. During FY2023, Adacel presented at two major events – Airspace World (Geneva) and ATCA Global (Washington) and sat on key industry working groups for CANSO (Smart Digital Tower Task Force and ICAO Affairs Working Group). Continuous product innovation and R&D efforts ensure competitive advantages. Lastly, a strong focus on customer satisfaction, post-sales support, and building long-term relationships fosters customer loyalty and word-of-mouth referrals, contributing to sustainable growth in the market.
- **Product development:** To mitigate product development retention risks, Adacel employs several measures. The company has a robust project management framework to ensure efficient development processes. Regular feedback loops with customers and stakeholders aid in identifying and addressing potential issues early on. Cross-functional collaboration and talent retention programs foster innovation and knowledge sharing. Finally, Adacel maintains a culture of adaptability and learning to encourage employees to stay engaged and committed to delivering cutting-edge solutions, reducing turnover and preserving institutional knowledge.
- **Talent attraction and retention:** To attract and retain top talent, Adacel implements various strategies. Competitive compensation packages and performance-based incentives are offered to entice key staff. The company emphasizes career growth opportunities through training and development programs. A positive work culture and employee well-being initiatives foster job satisfaction and loyalty. Flexible work arrangements accommodate diverse needs. Recognition and rewards for outstanding contributions motivate employees to stay engaged. Lastly, transparent communication and involvement in decision-making build trust, making Adacel an appealing and supportive workplace for attracting and retaining talented individuals.
- **Major global events:** To mitigate risks related to major global events, Adacel employs proactive measures. Contingency plans are developed to address disruptions to operations and logistics. Ongoing monitoring of global events helps in early identification of potential risks. Adacel maintains strong relationships with clients and partners, ensuring effective communication during crises and enhancing resilience.

The Company remains well-placed under the leadership of its Chief Executive Officer Daniel Verret.

STRATEGIC ACTIVITIES AND OUTLOOK

Adacel engages in innovative strategic activities to drive growth and maintain a competitive edge in its core markets:

- Air traffic control simulation and training
- Air traffic management
- Virtual air traffic control
- Operational services
- Other technical services

 Adacel's vision: To be the foremost authority and trusted partner for the global air traffic community.

Adacel is a dynamic and innovative company engaged in providing cutting-edge solutions in the aviation sector. With a strong focus on customer satisfaction and continuous product development, the company aims to expand its market presence. Adacel's strategic activities revolve around leveraging emerging technologies to meet evolving customer needs, while its forward-looking outlook emphasizes growth, adaptability, and maintaining its position as a market leader.

Air traffic control simulation and training

Over the last 12 months, Adacel has been actively involved in advancing the air traffic control simulation and training market. As a leading provider in the aerospace and defence industry, Adacel has continued to innovate its simulation and training solutions to meet the evolving needs of air traffic controllers and aviation organizations.

In FY2023, Adacel announced the world's first contract to deliver Virtual and Mixed Reality technology to an air traffic control training facility in the United States. This technology will be used to support higher learning retention rates and increased student confidence, especially when transitioning to a real-life work environment. Furthermore, Adacel cemented its position as the ATC simulation and training provider of choice for the US Army by securing a contract to replace the United States Army Enhanced Tower Simulator (ETOS) and Army Aviation Radar Training Simulator (AARTS) as part of the Flight School Training Support Services (FSTSS) program.

Adacel continues to adapt its offerings to support remote and virtual training. Leveraging its expertise in simulation technologies and virtual environments, in FY2023 the company continued to provide cost-effective and flexible training solutions to facilitate distance learning and advance students' educational experience.

Adacel remains committed to supporting air traffic control authorities and institutions worldwide. The company has continued to collaborate with key stakeholders, government agencies, and industry partners to provide state-of-the-art simulation systems and training services, ensuring a skilled and competent workforce for managing the anticipated increase in air traffic volumes.

In FY2023, Adacel completed the initial release to market version of its new image generator – AeroScene. AeroScene is built on Epic Games powerful Unreal Engine, representing a substantial improvement of Out-The-Window realism and environments. AeroScene is now being delivered within MaxSim to all new customers and offered to existing customers as part of technical refreshes or upgrade campaigns.

Overall, Adacel Technologies Limited's dedication to innovation, adaptability, and customer-centric solutions has solidified its position as a trusted leader in the air traffic control simulation and training market over the past year.

Air traffic management (ATM)

Throughout FY2023, Adacel has been actively involved in the air traffic management market, providing cutting-edge solutions to enhance airspace operations. The company has continued to develop and deliver

its Aurora advanced air traffic management and air traffic control tower automation tool system. A key milestone for Aurora in FY2023 included successfully passing Site Acceptance Testing (SAT) for the Seychelles Civil Aviation Authority (SCAA) program. Adacel continued to support key Aurora customers/air navigation service providers including Avinor (Norway) and Nav Portugal both as part of ongoing sustainment and maintenance activities plus bespoke product enhancements. Looking forward, Adacel is targeting, at a minimum, one new customer a year for Aurora following 12-months of building a strong, mature, and forward-looking sales pipeline.

Virtual air traffic services (ATS)

The virtual air traffic services tower market has continued to experience significant growth and interest over the past 12 months. There continues to be heightened demand for remote and digital solutions to air navigation service providers and aviation authorities.

FY2023 has been a remarkable year for the newly established business unit. In 12 months, Adacel has established a new office, launched REVAL, our virtual air traffic control tower system, welcomed new team members, hosted prospects plus demonstrated at key CANSO and ICAO events. The key product and project milestones in FY2023 were achieving aeronautical certificates for the remote tower control centre in Tallinn providing Aerodrome Flight Information Service (AFIS) to both Kuressaare and Tartu regional airports. Both certificates, awarded by the Estonian Transport Administration to Estonian Air Navigation Services (EANS), is a major achievement for both Adacel and EANS as these two organizations, in a close collaborative approach, work on transitioning Estonia's regional airports to fully digital air traffic service operations.

Outside of Estonia, Adacel has built a strong pipeline of opportunities to expand its position in the virtual air traffic control market internationally. It is expected that Adacel will continue to expand operations with EANS and secure a new customer for its virtual air traffic control market in FY2024.



Operational services

Operational Services provides functional support to Adacel's core products and services covering:

Quality Assurance: Adacel continues to implement ISO 9001 and CMMI Level 3 stringent quality control measures in product development and testing to ensure high-performance, reliable, and secure solutions that meet industry standards and customer expectations.

Information Technology: Adacel continues to invest in cutting-edge IT infrastructure and cybersecurity protocols to safeguard sensitive data, maintain system availability, and foster seamless communication within the organization and with clients.

Customer Care: A revised area of focus in FY2023, Adacel aspires to have a customer-centric culture by actively listening to customer feedback, addressing concerns promptly, and providing exceptional support throughout the product lifecycle, resulting in enhanced customer satisfaction and long-term loyalty.

Project Management: Adacel continues to utilize effective project management methodologies and tools to ensure projects are delivered on time, within budget, and meet defined objectives, while promoting collaboration among cross-functional teams for optimal project execution.

Supply Chain & Facilities: In FY2023 Adacel assessed its current facilities and is planning to move its Orlando operations in FY2024 and Montreal operations in FY2025 to new offices. These new facilities will provide an enhanced environment for staff, more efficient workspaces to support hybrid working arrangements and foster innovation and productivity.

By diligently focusing on these aspects, Adacel continues to strengthen its position as a market leader, delivering innovative and reliable solutions that exceed customer expectations and meet the highest industry standards.



Adacel's mission: Leverage our industry expertise with the infinite potential of technology to advance safety and efficiency in aviation.

Other technical services

Adacel continued to deliver strong air traffic controller instructional service program performance in FY2023. Adacel expects to continue improving performance into FY2024 through organic growth on its existing program as the Federal Aviation Administration (FAA) looks to address the significant surge in demand to recruit, train and enhance the skills of Air Traffic Controllers at critical National Airspace System (NAS) terminal facilities. Adacel is well positioned to meet the FAA's ambition for "every day to be a training day" and achieving "consistent robust training." Outside of its existing program, Adacel will be embarking on a focussed campaign to increase its technical services in the US throughout FY2024.

FY2024 Financial Outlook

For FY2024, the Company anticipates a normalized EBITDA of between \$5.0 million and \$5.25 million and PBT of between \$3.0 million and \$3.25 million.

In FY2023, the Company focused on investments in our product functions and features as well as increased business development activities. With the recent contract award from the US Army, we are confident that our strategy is beginning to pay dividends. Our pipeline is robust across our three product lines, and we are actively pursuing very specific and significant opportunities that are expected to be awarded in the next 12 months.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no significant events since 30 June 2023.

ENVIRONMENTAL REGULATION

If required, at each Directors' meeting the Chief Executive Officer reports to the Board about any environmental and regulatory issues. There are no matters that the Board considers need to be stated in this report.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group is not subject to the reporting requirements of either the Energy Efficiency Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007.



INFORMATION ON DIRECTORS



MICHAEL MCCONNELL BA (HARVARD), MBA (VIRGINIA)

NON-EXECUTIVE CHAIRMAN

Mr. McConnell joined the Board as an Independent Non-executive Director on 1 May 2017 and was appointed Chairman on 1 April 2019. He is an experienced Director and private investor who is currently a Non-executive Director of QuikFee, Jacob Stern & Sons Inc. and One-Span, and Non-executive Chairman-US of Thorney Investments Limited. Previously, he was the Managing Director of Shamrock Capital Advisors. In addition, Michael has served on numerous public and private company boards in the United States of America, Australia, New Zealand, Israel, and Ireland. He has experience across a variety of Industries, including media, entertainment, enterprise software, radio broadcasting, cable distribution, basic materials, chemicals, e-commerce, and consumer products.

INTERESTS IN SHARES AND OPTIONS:

1,250,000 ordinary shares in Adacel Technologies Limited.

Nil options over ordinary shares in Adacel Technologies Limited.



NATALYA JURCHESHIN B.COMM, CA (AUST AND NZ)

NON-EXECUTIVE DIRECTOR

Ms. Jurcheshin joined the Board as an independent Non-executive Director on 7 October 2016 and is the Chair of the Audit and Risk Management Committee and the Remuneration Committee. Natalya has finance, governance, operational and strategy skills developed over 25+ years across Australia, North America, Ukraine and Russia. She has over 10 years' experience in the audit and assurance practice at Arthur Andersen (now part of Ernst & Young), working with clients in a wide variety of industries. She has 12 years' experience as a Chief Financial Officer including with ASX listed biotech Circadian Technologies Limited. Natalya was appointed non-executive director of ASX listed SECOS Group Limited in May 2023. She has also held directorships with private companies.

INTERESTS IN SHARES AND OPTIONS:

Nil ordinary shares in Adacel Technologies Limited.

Nil options over ordinary shares in Adacel Technologies Limited.



PETER LANDOS BECO (ANU)

NON-EXECUTIVE DIRECTOR

Peter is the Chief Operating Officer of the Thorney Investment Group of Companies. Peter has extensive business and corporate experience specialising in advising boards and management in mergers and acquisitions, divestments, business restructurings and capital markets.

Peter is a non-executive director of Gale Pacific Limited, Chairman of PRT Company Limited (formerly Prime Media Group Limited) and a non-executive director of various entities within the 20 Cashews Pty Ltd group, including Australian Community Media and View Media Group.

INTERESTS IN SHARES AND OPTIONS:

Nil ordinary shares in Adacel Technologies Limited.

Nil options over ordinary shares in Adacel Technologies Limited.



SILVIO SALOM B ENG

NON-EXECUTIVE DIRECTOR

Mr. Salom was the Managing Director of Adacel Technologies Limited from incorporation in October 1997 until 16 June 2006, and Non-executive Director since that date. Mr. Salom was the founder and Managing Director of the predecessor Adacel Pty Ltd from establishment in 1987. Silvio has extensive experience in the strategic and operational management of hi-tech companies with expertise in information technology related to the manufacturing, environmental, defence, transport, multimedia, and telecommunications industry sectors. Silvio is a director in several private and public companies; however, he does not currently hold and has not held directorships in other listed companies at any time in the three years immediately before the end of the financial year.

INTERESTS IN SHARES AND OPTIONS:

5,195,191 ordinary shares in Adacel Technologies Limited.

Nil options over ordinary shares in Adacel Technologies Limited.



ERYL BARON

COMPANY SECRETARY

Eryl is a corporate governance and finance professional with extensive experience as a company secretary, governance advisor and CFO working with both private and public listed companies. Eryl was Chief Financial Officer & Company Secretary of an ASX-listed mining company for 15 years and prior to that worked as CFO or Financial Controller for small to medium public and private companies in the FMCG / Retail and Publishing spaces. Eryl is currently the company secretary to a number of ASX-listed and unlisted entities and advises companies in a number of sectors including health care, aquaculture and investment management. She is a member of the Governance Institute of Australia.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year and the number of meetings attended by each Director or their alternate were as follows:

DIRECTORS	MEETINGS OF COMMITTEES					
	MEETINGS OF DIRECTORS		AUDIT AND RISK MANAGEMENT		REMUNERATION	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Michael McConnell	6	6	5	5	3	3
Natalya Jurcheshin	6	6	5	5	3	3
Peter Landos	6	6	5	5	*	3
Silvio Salom	6	6	5	5	3	3

**Denotes that the Director was not a member of the relevant committee although all directors may attend any committee meeting.*

At the date of this report, the Company has an Audit and Risk Management Committee and a Remuneration Committee of the Board of Directors.

The current members of the Audit and Risk Management Committee are Natalya Jurcheshin, Michael McConnell, Peter Landos and Silvio Salom. The Chair of the Audit and Risk Management Committee is Natalya Jurcheshin.

The current members of the Remuneration Committee are Natalya Jurcheshin, Michael McConnell, and Silvio Salom. The Chair of the Remuneration Committee is Natalya Jurcheshin.



REMUNERATION REPORT

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION.

The Adacel Board has determined policies in relation to the remuneration of directors and executives as follows:

Non-executive Directors

Non-executive Directors are remunerated by fixed annual fees, superannuation, and from time-to-time may also be issued share options or equity in place of higher cash fees.

The level of annual Directors' fees is reviewed by the Remuneration Committee and the Board, considering several factors, including the range of Directors' fees paid in the market, and the Company's costs and operating performance. The maximum total payable to Directors for Directors' Fees is approved from time to time by shareholders in general meeting and was last set at AUD\$500,000 per annum at the 2013 Annual General Meeting. At the 16 November 2022 AGM, 98% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Based on the Company's size and resources, from time-to-time, non-executive Directors may also be issued options or equity as part of their remuneration in place of a higher cash fee. Options or equity would be issued after consideration by the Remuneration Committee and the Board and are subject to shareholder approval at a general meeting.

Senior Executives

Under the Company's constitution, remuneration of the Chief Executive Officer or equivalent position, subject to other provisions in any contract between the executive and the Company, may be by fixed salary or participation in the profits of the Company and not be by commission on or percentage of operating revenue. Other senior executives are remunerated by fixed salary and performance-based bonuses. Remuneration packages will generally be set to be competitive to both retain executives and attract experienced executives to the Company.

Where packages comprise a fixed element and variable incentive components, the variable components will depend on the Company's and/or personal performance. Short-term incentives may include annual cash incentives on meeting specific performance criteria agreed upon at Board level. The amount of the incentive will depend upon the extent that the measure is exceeded.

To provide long-term incentives, senior executives may also participate in the ADA Executive Share Option and Performance Rights Plan. The options and performance rights are issued with conditions linked to specific vesting conditions tied to the financial performance of the Company over the vesting period.

Short-Term Incentives

For several executives in the consolidated entity, an element of their remuneration may be based upon annual bonuses, usually dependent on the satisfaction of various performance conditions. For the year ended 30 June 2023, the Board approved short-term incentives for these executives as shown in Section B below based on quantitative and qualitative performance factors in accordance with the provisions of the short-term incentive plan. The following table compares earnings and all bonuses paid or accrued over the past five years.

YEAR	PROFIT BEFORE TAX \$'000'S	PROFIT AFTER TAX \$'000'S	RANGE OF SHARE PRICE	BONUS EARNED \$'000'S	ORDINARY DIVIDEND DECLARED (PER SHARE)
	\$	\$	AUD\$	\$'000'S	AUD CENTS
2019	(1,148)	(1,682)	0.40 to 1.66	-	1.0
2020	1,553	2,542	0.30 to 0.84	51	2.5
2021	5,742	5,500	0.43 to 1.01	128	6.0
2022	5,179	3,262	0.80 to 1.40	-	6.0
2023	904	(77)	0.55 to 0.94	83	1.5

Long-Term Incentives

For several executives in the consolidated entity, at the discretion of the Remuneration Committee, an element of their remuneration may be by way of participating in the ADA Executive Share Option and Performance Rights Plan. Share options and performance rights are subject to performance conditions. In certain circumstances there may be an issue for retention purposes which are subject to continuous employment. Exercise prices of options are also set to ensure that employees will benefit by exercising their options if there has been a rise in the share price. The ADA Executive Share Option and Performance Rights Plan is described in Note 34 and is summarised in Section D below.

Benefits

Executives receive benefits including health insurance and disability insurance.

B. DETAILS OF REMUNERATION.

Amounts of remuneration

Details of the nature and amount of each element of the emoluments of each Director of Adacel Technologies Limited, the key management personnel (as defined in AASB 124 Related Party Disclosures) and specified executives of the Group are set out in the following tables.

The key management personnel of the Group were the directors of Adacel Technologies Limited (see pages 13-14) in addition to:

- Daniel Verret, the Chief Executive Officer (CEO) and interim Chief Financial Officer (CFO)
- Mauro Ferrara, Chief Financial Officer (October 25, 2021 - 5 May 2023)
- Kevin Pickett, the Vice President, Operations
- Michael Saunders, the Vice President, Business Development and Strategy

2023 EMOLUMENTS OF THE DIRECTORS AND KEY MANAGEMENT PERSONNEL

2023 IN USD\$								
NAME	SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER	SHARE-BASED PAYMENTS	TOTAL
	CASH SALARY AND FEES	CASH BONUS	NON-MONETARY	OTHER	SUPER-ANNUATION	TERMINATION BENEFITS	RIGHTS & OPTIONS	
Non-executive Directors								
Michael McConnell (<i>Chairman</i>)	64,001	-	-	-	20,522	-	-	84,523
Peter Landos**	33,688	-	-	-	3,537	-	-	37,225
Natalya Jurcheshin	43,793	-	-	-	4,598	-	-	48,391
Silvio Salom	33,688	-	-	-	3,537	-	-	37,225
Sub-total: Non-exec Directors	175,170	-	-	-	32,194	-	-	207,364
Other Key Management								
Daniel Verret	306,405	20,178	25,979	-	17,204	-	-	369,766
Kevin Pickett	185,100	15,000	27,108	-	9,250	-	-	236,458
Michael Saunders	175,671	48,129	32,413	-	8,783	-	32,815	297,811
Mauro Ferrara***	140,827	-	709	-	-	-	-	141,536
Sub-total: Other Key Management	808,003	83,307	86,209	-	35,237	-	32,815	1,045,571
Total Key Management Personnel Compensation	983,173	83,307	86,209	-	67,431	-	32,815	1,252,935

*Non-monetary benefits include medical, dental, short-term, and long-term disability insurance, life & AD&D insurance, car and phone allowances, employer National Insurance Contribution (NIC), Health Savings Account (HSA) contributions.

** Cash Salary and Fees paid to TIGA Trading Pty Ltd.

*** Mauro Ferrara departed Adacel on 5 May 2023

2022 EMOLUMENTS OF THE DIRECTORS AND KEY MANAGEMENT PERSONNEL

2022 IN USD\$								
NAME	SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER	SHARE-BASED PAYMENTS	TOTAL
	CASH SALARY AND FEES	CASH BONUS	NON-MONETARY*	OTHER	SUPER-ANNUATION	TERMINATION BENEFITS	RIGHTS & OPTIONS	
Non-executive Directors								
Michael McConnell (<i>Chairman</i>)	68,941	-	-	-	21,062	-	-	90,003
Peter Landos**	36,285	-	-	-	3,629	-	-	39,914
Natalya Jurcheshin	44,752	-	-	-	4,475	-	-	49,227
Silvio Salom	36,285	-	-	-	3,629	-	-	39,914
Sub-total: Non-exec Directors	186,263	-	-	-	32,795	-	-	219,058
Other Key Management								
Daniel Verret	323,982	-	23,352	-	6,997	-	-	354,331
Kevin Pickett	185,100	-	27,694	-	9,822	-	-	222,616
Michael Saunders	194,304	-	34,225	-	9,715	-	29,456	267,700
Mauro Ferrara	146,029	-	-	-	-	-	-	146,029
Sub-total: Other Key Management	849,415	-	85,271	-	26,534	-	29,456	990,676
Total Key Management Personnel Compensation	1,035,678	-	85,271	-	59,329	-	29,456	1,209,734

*Non-monetary benefits include medical, dental, short-term, and long-term disability insurance, life & AD&D insurance, car and phone allowances, employer National Insurance Contribution (NIC), Health Savings Account (HSA) contributions.

** Cash Salary and Fees paid to TIGA Trading Pty Ltd

***Mauro Ferrara commenced with Adacel on 25 October 2021.

C. SERVICE AGREEMENTS

Remuneration and other terms of employment for the key management personnel are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below.

Daniel Verret (Chief Executive Officer)

- Terms of agreement - Two-year fixed-term agreement was executed on 15 April 2022.
- Base salary, superannuation, automobile allowance, and medical/health insurance benefits for the year ended 30 June 2023 of \$349,588. This equates to 95% of his total earnings.
- Payment of termination benefit on early termination by the employer, other than for cause, equal to 12 months' base salary.
- There is a contractual provision for performance-related and discretionary cash bonuses as determined by the Board. An amount of \$20,178 has been earned for the year ended 30 June 2023. This equates to 5% of his total earnings.
- Participation, when eligible, in the ADA Executive Share Option and Performance Rights Plan. Mr. Verret currently has 746,000 performance rights and 523,000 options unvested. An amount of \$0 was recognized during the year, given that it is currently not expected that the associated performance conditions will be met. This equates to 0% of his total earnings.

Kevin Pickett (Vice President, Operations)

- Term of agreement - No fixed term.
- Base salary, superannuation and medical/health insurance benefits for the year ended 30 June 2023 of \$221,458. This equates to 94% of his total earnings.
- There is no defined contractual obligation to provide a benefit upon termination of employment, however, payment of early termination benefits, other than for cause, would be based on industry standards.
- There is no contractual provision for performance-related cash bonuses. However, Mr. Pickett is eligible for performance-related cash bonuses as determined by the Board. An amount of \$15,000 has been earned for the year ended 30 June 2023. This equates to 6% of his total earnings.
- Participation, when eligible, in the ADA Executive Share Option and Performance Rights Plan. Mr. Pickett currently has 425,000 performance rights and 312,000 options unvested. An amount of \$0 was recognized during the year, given that it is currently not expected that the associated performance conditions will be met. This equates to 0% of his total earnings.

Michael Saunders (Vice President, Business Development and Strategy)

- Term of agreement - No fixed term.
- Base salary, superannuation and medical/health insurance benefits for the year ended 30 June 2023 of \$216,867. This equates to 73% of his total earnings.
- There is no defined contractual obligation to provide a benefit upon termination of employment, however, payment of early termination benefits, other than for cause, would be based on industry standards.
- There is no contractual provision for performance-related cash bonuses. However, Mr. Saunders is eligible for performance-related cash bonuses as determined by the Board. An amount of \$48,129 has been earned for the year ended 30 June 2023. This equates to 16% of his total earnings.
- Participation, when eligible, in the ADA Executive Share Option and Performance Rights Plan. During fiscal year 2022, Mr. Saunders received a grant of 100,000 performance rights. They are vesting over time, based on the vesting condition of continuous employment until 30 June 2024. An amount of \$32,815 was recognized during the year. Mr. Saunders also has 290,000 performance rights unvested. An amount of \$0 was recognized during the year, given that it is currently not expected that the associated performance conditions will be met. These equate to 11% of his total earnings.

Mauro Ferrara (Chief Financial Officer) – departed 5 May 2013

- Term of agreements: first agreement: 25 October 2021 – 3 May 2022; second agreement – 4 May 2022, through 5 May 2023.
- Mr Ferrara was an independent consultant providing the services of a CFO, for a minimum of 25 hours a week billable at an hourly rate. Fees for the year ended 30 June 2023 totalled to \$140,827.
- Mr Ferrara was eligible to participate in an incentive of up to 20% of the billed hours (pre-tax) upon meeting the KPIs set by Adacel and dependent on the financial results of the Company. An amount of \$nil has been accrued for the year ended 30 June 2023.

Rebecca Weir (Company Secretary) – departed 22 December 2022

- Term of agreement – Effective 9 October 2020.
- Ms. Weir was an employee of Boardroom Pty Limited who provides Company Secretarial services to the Company on an agreed monthly fee basis.

Eryl Baron (Company Secretary) – started 22 December 2022

- Term of agreement – Effective 22 December 2022.
- Ms. Baron is an employee of Boardroom Pty Limited who provides Company Secretarial services to the Company on an agreed monthly fee basis.

D. SHARE-BASED COMPENSATION.

EXECUTIVE SHARE OPTION AND PERFORMANCE RIGHTS PLAN

Options and performance rights may be granted under the ADA Executive Share Option and Performance Rights Plan, which was approved by the shareholders at the Annual General Meeting in November 2017 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. Under this plan, Directors may issue options and performance rights to eligible employees. The Directors have the discretion about the number of options and performance rights to be issued and also the exercise periods and conditions precedent to the options and performance rights vesting. The options and performance rights are issued for no consideration and are not listed. Options and performance rights granted under the plan carry no dividend or voting rights. When exercisable, each option and performance right is convertible into one ordinary share. In the event of the resignation, redundancy, or termination of employment of a participant in the plan, the options or performance rights issued under the ADA Executive Share Option and Performance Rights Plan lapse immediately, unless the Directors, at their absolute discretion, determine otherwise. For the year ended 30 June 2023, the ADA Executive Share Option and Performance Rights Plan is described in note 34 and is summarized in tables on the following page.

TERMS AND CONDITIONS OF THE SHARE-BASED PAYMENT

ARRANGEMENTS

Executive KMP participate, at the board's discretion, in the LTIP which are subject to the following performance conditions:

LTI RIGHTS AND OPTIONS PLAN	LTI RIGHTS AND/OR OPTIONS VESTING (%)	VESTING CONDITIONS
FY2023	75%	Continuous Employment until 30 June 2025 An average annual growth rate in revenue of 10%, or greater, over the three years beginning with FY2023.
	25%	An average annual return on invested capital (ROIC) of 26%, or greater, over the three years beginning with FY2023.
FY2022	75%	Continuous Employment until 30 June 2024 An average annual growth rate in revenue of 10%, or greater, over the three years beginning with FY2022.
	25%	An average annual return on invested capital (ROIC) of 26%, or greater, over the three years beginning with FY2022.
FY2021	50%	Continuous Employment until 30 June 2023 EBITDA of US\$6.4 million or greater for FY2021; and a 10% average annual growth rate in USD EBITDA, or greater, over the subsequent two financial years ending 30 June 2023.
	50%	An average annual return on invested capital (ROIC) of 26%, or greater, over the three years beginning with FY2021.

All vesting conditions are based on the relevant audited consolidated financial statements of the Company.

In addition to the above, rights were granted to certain KMPs to address retention as follows:

- in September 2021, which vest upon continuous employment until 30 June 2024.

Options

The terms and conditions of each grant of options affecting remuneration are listed in the table below. The option's fair value was calculated using the Black & Scholes valuation model.

GRANT DATE	VESTING AND EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE (\$AUD)	VALUE PER OPTION AT GRANT DATE (\$AUD)	PERFORMANCE ACHIEVED	VESTED
August 2019	August 2021	30 June 2026	0.45	0.25	Achieved	100%
July 2020	August 2023	30 June 2028	0.54	0.23	Not achieved	-

Performance rights

The terms and conditions of each grant of performance rights and rights issued to address retention which affect remuneration are listed in the table below.

GRANT DATE	VESTING AND EXERCISE DATE	EXPIRY DATE	VALUE PER RIGHT AT GRANT DATE (\$AUD)	PERFORMANCE AND/OR CONTINUOUS EMPLOYMENT ACHIEVED	VESTED
September 2022	August 2025	30 June 2030	0.69	To be determined	n/a
September 2021*	June 2024	30 June 2029	1.27	To be determined	n/a
September 2021	August 2024	30 June 2029	1.27	To be determined	n/a
July 2020	August 2023	30 June 2028	0.54	Not achieved	-

* These rights grants address retention only.

The performance rights fair value is determined based on the market price of the company's shares at the grant date. Performance rights and rights granted to address retention have no exercise price.

RECONCILIATIONS OF OPTIONS AND PERFORMANCE RIGHTS HELD BY KMP

Options

The table below shows a reconciliation of options held by each KMP.

2023 – NAME & GRANT DATES	BALANCE AT THE START OF THE YEAR (UNVESTED)	GRANTED DURING YEAR	VESTED		EXERCISED	FORFEITED		OTHER CHANGES	BALANCE AT THE END OF THE YEAR	
			NUMBER	%		NUMBER	%		VESTED AND EXERCISABLE	UNVESTED
D Verret										
July 2020	523,000		-	-	-	-	-	-	-	523,000
K Pickett										
July 2020	312,000	-	-	-	-	-	-	-	-	312,000
August 2019	286,000	-	286,000	100	-	-	-	-	286,000	-

Performance rights

The table below shows how many performance rights were granted, vested, and forfeited during the year.

NAME	FISCAL YEAR GRANTED	PERFORMANCE RIGHTS							MAXIMUM VALUE YET TO VEST*
		BALANCE AT START OF YEAR (UNVESTED)	GRANTED DURING YEAR	VESTED		FORFEITED		BALANCE AT END OF YEAR (UNVESTED)	
		NUMBER	NUMBER	NUMBER	%	NUMBER	%	NUMBER	
D Verret									
	2023	-	326,000	-	-	-	-	326,000	224,940
	2022	194,000	-	-	-	-	-	194,000	246,380
	2021	226,000	-	-	-	-	-	226,000	122,040
K Pickett									
	2023	-	184,000	-	-	-	-	184,000	126,960
	2022	106,000	-	-	-	-	-	106,000	134,620
	2021	135,000	-	-	-	-	-	135,000	72,900
M Saunders									
	2023	-	184,000	-	-	-	-	184,000	126,960
	2022	206,000**	-	-	-	-	-	206,000	261,620

* The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed.

** M Saunders was granted 100,000 performance rights in 2022 with the sole vesting condition of continuous employment until 30 June 2024 to address retention.

SHARE HOLDINGS

The numbers of Company ordinary shares held during the financial year by each Director of Adacel Technologies Limited and other Company key management personnel, including their personally related parties, are set out below.

2023							
NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS REMUNERATION	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS & OPTIONS	ACQUISITIONS DURING THE YEAR	DISPOSALS DURING THE YEAR	CHANGE AS A KMP DURING THE YEAR	BALANCE AT THE END OF THE YEAR

Directors of Adacel Technologies limited

Michael McConnell	1,250,000	-	-	-	-	-	1,250,000
Natalya Jurcheshin	-	-	-	-	-	-	-
Peter Landos	-	-	-	-	-	-	-
Silvio Salom	5,195,191	-	-	-	-	-	5,195,191

Other key management personnel of the group

Daniel Verret	719,000	-	--	-	-	-	719,000
Kevin Pickett	172,000	-	--	-	-	-	172,000
Michael Saunders	-	-	-	-	-	-	-

2022							
NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS REMUNERATION	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	ACQUISITIONS DURING THE YEAR	DISPOSALS DURING THE YEAR	CHANGE AS A KMP DURING THE YEAR	BALANCE AT THE END OF THE YEAR

Directors of Adacel Technologies limited

Michael McConnell	1,227,778	-	-	22,222	-	-	1,250,000
Natalya Jurcheshin	-	-	-	-	-	-	-
Peter Landos	-	-	-	-	-	-	-
Silvio Salom	5,195,191	-	-	-	-	-	5,195,191

Other key management personnel of the group

Daniel Verret	94,000	-	625,000	-	-	-	719,000
Kevin Pickett	94,000	-	158,000	-	(80,000)	-	172,000
Michael Saunders	-	-	-	-	-	-	-

LOANS TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

During the financial year, no loans were made, guaranteed, or secured by Adacel Technologies Limited or any of its subsidiaries to any Director of Adacel Technologies Limited or any of the specified executives of the Group, including their personally related entities. No loans are outstanding as at 30 June 2023 (FY2022: nil).

INSURANCE OF DIRECTORS AND OFFICERS AND INDEMNITIES

During the year, the Company paid a premium for a Directors and Officers Liability Insurance Policy. This policy covers Directors and Officers of the Company and the consolidated entity. In accordance with normal commercial practices under the terms of the insurance contracts, the nature of the liabilities insured against, and the amount of the premiums are confidential.

The Company has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from the Company's breach of their agreement. The indemnity stipulates that Adacel Technologies Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has made any application under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

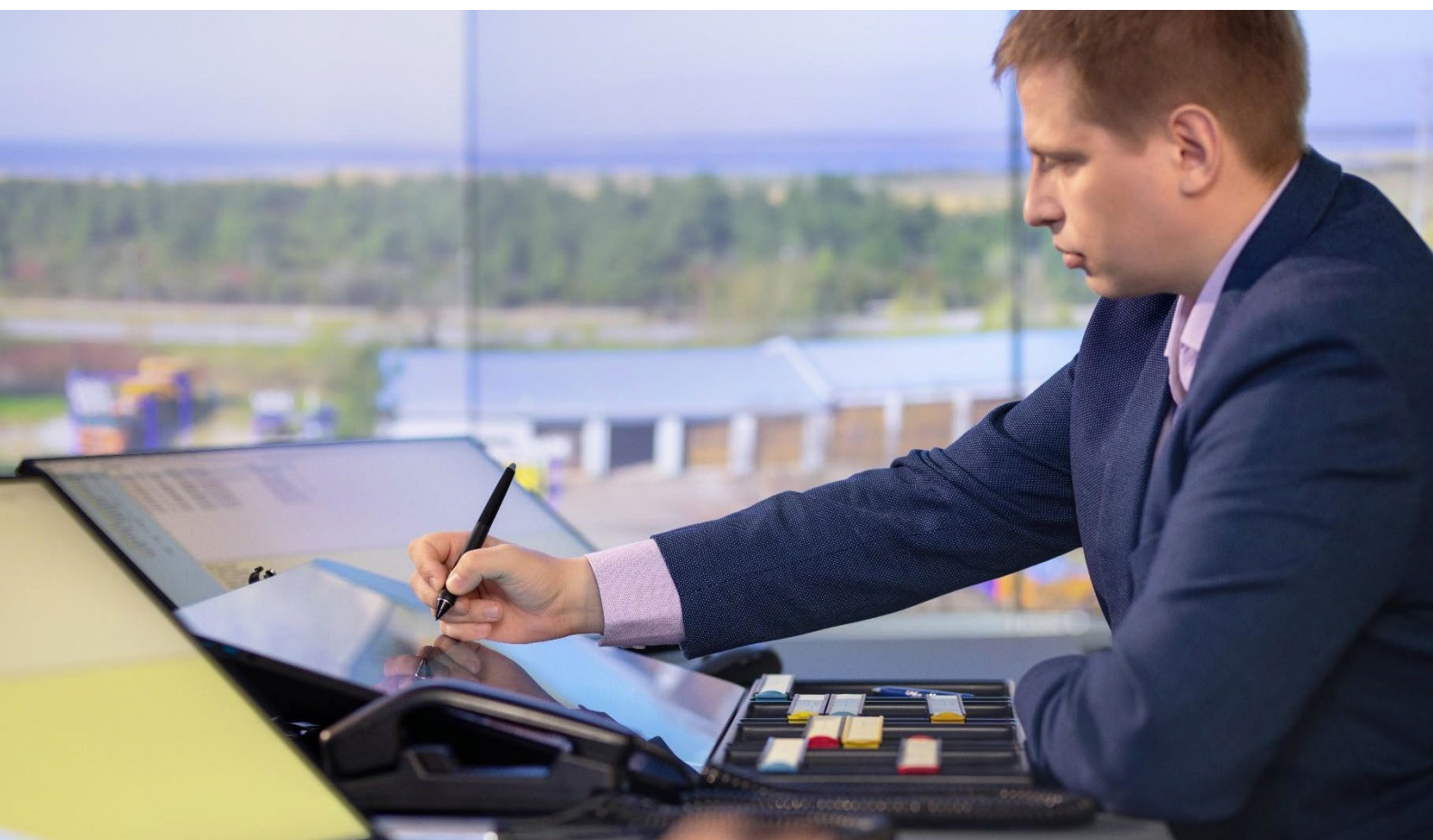
- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year, the following non-audit fees were paid or are payable for services provided by the auditor of the parent entity and its related practices:

CONSOLIDATED
2023 2022

Taxation services

PricewaterhouseCoopers Australian firm		
Tax compliance services	18,108	9,585
	18,108	9,585
Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance services	78,473	7,983
Tax consulting services	11,495	1,365
	89,968	9,348
Other Consulting Services	-	17,121
Total remuneration for taxation services	108,076	36,054



AUDITORS' 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 29.

ROUNDING

The amounts contained in this report and in the financial 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 & Investment Commission Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The Company is an entity to which this Instrument applies.

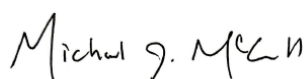
AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Adacel Technologies Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is available on the company's website as indicated on page 88.

Signed in accordance with a resolution of the Directors.



Michael McConnell
Chairman
Melbourne, 16 August 2023



Natalya Jurcheshin
Director



Auditor's Independence Declaration

As lead auditor for the audit of Adacel Technologies Limited for the year ended 30 June 2023, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Adacel Technologies Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Matthew Probert', with a long horizontal flourish extending to the right.

Matthew Probert
Partner
PricewaterhouseCoopers

Melbourne
16 August 2023

ADACEL TECHNOLOGIES LIMITED
ABN 15 079 672 281
ANNUAL FINANCIAL STATEMENTS – 30 JUNE 2023

Contents	Page
Consolidated statement of comprehensive income / (loss)	31
Consolidated statement of financial position	32
Consolidated statement of changes in equity	33
Consolidated statement of cash flows	34
Notes to the consolidated financial statements	35
Directors' declaration	81
Independent auditor's report to the members	82

This financial report is for the consolidated entity 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

A description of the nature of the consolidated entity's operations, its principal activities and review of operations is included in the directors' report on pages 2 to 15, which does not form part of this financial report.

The financial report was authorised for issue by the directors on 16 August 2023. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.adacel.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (LOSS)

For the year ended 30 June 2023 (in US Dollars)

	Notes	Consolidated	
		2023 \$'000	2022 \$'000
Revenue from contracts with customers	5	27,250	27,560
Interest income		48	-
Other income	6	1,353	2,780
Net foreign exchange loss		(234)	(82)
Materials and consumables		(4,146)	(3,063)
Labour expense		(18,977)	(18,326)
Depreciation and amortisation expense		(1,683)	(1,509)
Acquisition & integration costs	7	-	(428)
Finance costs		(380)	(197)
All other expenses		(2,327)	(1,556)
Profit before tax		904	5,179
Income tax expense	8	(981)	(1,917)
Profit / (loss) from continuing operations, net of tax		(77)	3,262
Other comprehensive income / (loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	23	(591)	(760)
Total other comprehensive income / (loss), net of tax		(591)	(760)
Total comprehensive income / (loss) for the year		(668)	2,502
Profit / (loss) for the year is attributable to:			
Owners of Adacel Technologies Limited		(77)	3,262
Total comprehensive income / (loss) for the year is attributable to:			
Owners of Adacel Technologies Limited		(668)	2,502
Earnings per share for profit / (loss) attributable to the ordinary equity owners of the Company:			
		Cents	Cents
Basic earnings per share (cents per share)	33	(0.10)	4.27
Diluted earnings per share (cents per share)	33	(0.10)	4.26

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (in US Dollars)

Consolidated

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Current assets			
Cash	9	909	1,898
Trade and other receivables	10	7,605	8,341
Accrued revenue	5	3,079	3,277
WIP and Inventories	11	439	1,038
Tax receivable		-	1,803
Other financial assets	12	16	38
Total current assets		12,048	16,395
Non-current assets			
Property, plant and equipment	14	639	551
Intangible assets	15	4,685	4,475
Right-of-use assets	16	3,161	3,352
Tax receivable		1,151	-
Deferred tax asset	17	1,698	2,218
Other financial assets	13	105	47
Total non-current assets		11,439	10,643
Total assets		23,487	27,038
Current liabilities			
Bank overdraft	21	20	-
Trade and other payables	18	2,747	2,941
Advance payments from customers	5	2,796	2,841
Current tax liabilities		1,034	1,025
Provisions	20	1,500	1,676
Lease liabilities	16	922	893
Total current liabilities		9,019	9,376
Non-current liabilities			
Lease liabilities	16	2,754	2,999
Deferred tax liability	17	930	775
Total non-current liabilities		3,684	3,774
Total liabilities		12,703	13,150
Net assets		10,784	13,888
Equity			
Contributed equity	22	53,189	53,292
Reserves	23	(6,595)	(6,039)
Accumulated losses	23	(35,810)	(33,365)
Total equity		10,784	13,888

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023 (in US Dollars)

		Attributable to the owners of Adacel Technologies Limited			
		Contributed Equity	Reserves	Accumulated Losses	Total Equity
		\$'000	\$'000	\$'000	\$'000
Notes					
	Balance at 1 July 2021	53,115	(5,114)	(33,297)	14,704
	Profit for the year	-	-	3,262	3,262
	Exchange differences on translation of foreign operations	-	(760)	-	(760)
	Total comprehensive income for the year	-	(760)	3,262	2,502
	Transactions with owners in their capacity as owners:				
	Share buyback equity reductions	(153)	-	-	(153)
	Exercise of performance rights and options	330	-	-	330
	Employee share schemes – value of employee services	-	(165)	-	(165)
	Dividends provided for or paid	-	-	(3,330)	(3,330)
		177	(165)	(3,330)	(3,318)
	Balance at 30 June 2022	53,292	(6,039)	(33,365)	13,888
	Balance at 1 July 2022	53,292	(6,039)	(33,365)	13,888
	Loss for the year	-	-	(77)	(77)
	Exchange differences on translation of foreign operations	-	(591)	-	(591)
	Total comprehensive income for the year	-	(591)	(77)	(668)
	Transactions with owners in their capacity as owners:				
	Share buyback equity reductions	(103)	-	-	(103)
	Employee share schemes – value of employee services	-	35	-	35
	Dividends provided for or paid	-	-	(2,368)	(2,368)
		(103)	35	(2,368)	(2,436)
	Balance at 30 June 2023	53,189	(6,595)	(35,810)	10,784

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023 (in US Dollars)

	Notes	Consolidated	
		2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		29,686	26,275
Receipts from government grants		-	689
Payments to suppliers and employees		(26,703)	(25,135)
Payments for research and development expenditure		(76)	(145)
Refund of security deposits		50	11
Payments for security deposits		(72)	(23)
		<u>2,885</u>	<u>1,672</u>
Interest received		48	-
Income tax received / (paid)		426	(63)
Tax credits refunded		724	-
Finance costs		(380)	(197)
Net cash inflow from operating activities	30	<u>3,703</u>	<u>1,412</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(399)	(267)
Payments for intellectual property and developments costs		(851)	(3,697)
Net cash outflow from investing activities		<u>(1,250)</u>	<u>(3,964)</u>
Cash flows from financing activities			
Dividend paid	24	(2,368)	(3,330)
Exercise of stock options		-	135
Principal elements of lease payments	16	(894)	(840)
Shares repurchased through on market buy-back	22	(103)	(153)
Net cash outflow from financing activities		<u>(3,365)</u>	<u>(4,188)</u>
Net increase / (decrease) in cash		(912)	(6,740)
Cash at the beginning of the financial year	9	1,898	8,719
Effects of exchange rate changes on cash		(97)	(81)
Cash at the end of the financial year	9	<u>889</u>	<u>1,898</u>

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

Notes to the Consolidated Financial Statements - 30 June 2023

Contents of the notes to the consolidated statements		Page
1	Summary of significant accounting policies	36
2	Financial risk management	48
3	Critical accounting estimates	53
4	Segment information	54
5	Revenue from contracts with customers	56
6	Other income	57
7	Expenses	57
8	Income tax	59
9	Current assets – Cash	60
10	Current assets – Trade, other receivables	60
11	Current assets – WIP and Inventories	61
12	Current Assets – Other financial assets, including Derivative financial instruments	62
13	Non-current assets – Other financial assets	62
14	Non-current assets – Property, Plant and equipment	63
15	Non-current assets – Intangible assets	64
16	Right-of-use assets and lease liabilities	65
17	Deferred tax assets and liabilities	66
18	Current liabilities – Trade and other payables	67
19	Non-current liabilities – Retirement Benefit Obligations	67
20	Liabilities – Provisions	67
21	Financing Arrangements	69
22	Contributed equity	70
23	Reserves and retained profits / accumulated losses	71
24	Dividends	71
25	Remuneration of auditors	72
26	Key management personnel disclosures	73
27	Contingencies	73
28	Related Party transactions	74
29	Subsidiaries	74
30	Reconciliation of profit (loss) after income tax to net cash inflow from operating activities	75
31	Non-cash investing and financing activities	76
32	Events occurring after the balance sheet date	76
33	Earnings per share	77
34	Share-based payments	78
35	Parent entity financial information	80

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Adacel Technologies Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Adacel Technologies Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of Adacel Technologies Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) (the financial statements). These financial statements have been approved by the Board on August 16, 2023.

Early adoption of standards

Adacel Technologies Limited does not intend to adopt any new standards prior to the due date.

Going concern basis of preparation

This general purpose financial report has been prepared on a going concern basis following the directors' consideration of the operating plans and budgets for the period of 12 months from the date of signing the financial statements, and the financing arrangements discussed in note 21.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adacel Technologies Limited ("Company", "parent entity") as at 30 June 2023 and the results of all subsidiaries for the year then ended. Adacel Technologies Limited and its subsidiaries together are referred to in this financial report as the Company or the consolidated entity.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Company.

Notes to the Consolidated Financial Statements - 30 June 2023**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Intercompany transactions, balances and unrealised gains on transactions between companies that form part of the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO. The Company's segments are consistent with the previous year.

(d) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Company's entities

The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each profit and loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. Revenue is derived from various products and services which are recognised when performance obligations are considered met. The method used is selected on the basis of that which best represents the nature of the contract and the performance obligations within each contract whereby different methods of recognition can be used across separate performance obligations within a single contract.

Revenue from rendering of support and services (including field service support and Simcare maintenance) is recognised over a period of time depending upon contractual terms. For fixed price contracts, revenue is recognised on a straight-line basis as the customer simultaneously receives and consumes the benefits provided by the performance obligation.

For contracts that include time and materials invoicing, mainly based on hourly rates, revenue is recognised monthly based on the actual time and materials incurred to which the Company has a right to invoice. Customers are invoiced as per the contract on a monthly or weekly basis and consideration is payable when invoiced.

Revenue from license sales of standard software products is recognised at a point in time when control has been transferred to the customer, usually only after the delivery and client acceptance of the products. These products are off-the-shelf and the customer does not have the ability to request specific tailoring.

Revenue from system and license sales of software products is recognised over time in contracts that generally have multiple sites and where the customer can request a significant amount of tailoring. In these cases, the Company's performance does not create an asset with an alternative use to the Company and the Company generally has an enforceable right to payment for performance completed to date. Revenue to be recognised is measured using the percentage of completion method, based on the actual labour costs incurred to the end of the reporting period as a proportion of the total labour costs expected to be provided over the life of the contract. Revenue is recognised at a point in time in the case where the contract requires the customer to provide acceptance before the Company can have a right to payment for performance completed, unless the Company has objective evidence that all criteria for acceptance is satisfied.

The Company has a number of contracts that offer extended warranty terms to customers. The provision of extended warranty terms is considered a separate performance obligation. Revenue attributable to the extended warranties is recognized over time on a straight-line basis.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. Losses on contracts are recognised in full when identified.

Typically, the Company has a right to invoice and receive payment based on the contractual terms with the customers. Payment received before control passes is recognised as an advance from customers. The amount of consideration does not contain a significant financing component as payment terms are usually less than one year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Dividends are recognised as revenue when the right to receive payment is established.

Research and Development (R&D) tax credits are recognised as other income in the period in which the related expenditures are incurred. An estimate is accrued based upon an analysis against the criteria in the related tax legislation and adjusted to the actual figure in subsequent periods once the tax return is completed.

(f) Government grants

Grants from governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss as other income over the period necessary to match them with the costs that they are intended to compensate.

(g) Acquisition and integration costs

Acquisition and integration costs include, among others, the following costs, if and when incurred:

- Transaction costs related to intellectual property ("IP")/business acquisitions, successful or not;
- Costs of integrating newly acquired IP/businesses following the date of acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses and credits.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if there is convincing evidence that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except where it relates to items recognised in other comprehensive income or directly in equity. If so, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Company is entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure under R&D tax incentives programs. The Company accounts for these allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(i) Cash

For consolidated statement of cash flow statement presentation purposes, cash includes cash on hand. Bank overdrafts are shown as part of current liabilities on the consolidated statement of financial position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade receivables and accrued revenue

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables payment terms are contained within the contract documents for each project and generally vary from between 30 to 60 days after the end of the month of invoice. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debtors, known to be uncollectible, are written off by reducing the carrying amount directly. In determining the recoverability of a trade or other receivable using the expected credit loss model, a risk analysis is performed by the Company considering the type and age of the outstanding receivables, the creditworthiness of the counterparty, contract provisions, letter of credit and timing of payment. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(ii) Accrued revenue

Accrued revenue represents revenue that has been recognised, but which has not been invoiced to the customer at the statement of financial position date.

(k) Security deposits

Security deposits are carried at the amounts paid to suppliers in relation to contract performance or the rental of offices. Security deposits are refundable following successful performance of contractual obligations.

(l) Inventories

Work in progress is stated at the lower of cost and net realisable value.

Costs deferred to work in progress comprise direct materials and direct labour. These costs are charged as expenses when the related revenue is recognised.

(m) Investments and other financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated statement of financial position (note 10). Loans and receivables are carried at amortised cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Adacel does not enter into hedges for specific transactions, however, may utilise forward exchange contracts for currencies that it may deal in. It may also enter into contracts with customers where the payment currency is not the functional currency of each company. The remeasurement of these derivatives at balance date gives rise to a gain or loss which is recognised immediately in profit and loss.

(o) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation on plant & equipment assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Class of Fixed Assets	Depreciation Rate
Leasehold improvements	5 - 10 years
Furniture and fittings	4 - 8 years
Computer Equipment	4 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit and loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Intellectual property

Intellectual property (IP) is carried at cost and is amortised on a straight-line basis over the periods of the expected benefit. The Board has established a process to review the value of the Company's intellectual property assets, on a timely basis, for recoverable amount assessment purposes. IP is being amortised between 5 and 10 years representing the period over which the benefit is expected.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in profit and loss as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised as internally developed intangibles if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit and loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation.

Capitalised assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(iv) Software

Software is carried at cost and is amortised on a straight-line basis over the periods of the expected benefit. Software is being amortised over 2 years, representing the expected benefit.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days after the month of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Advance payments from customers

Advance payments from customers represent amounts invoiced to customers in excess of the amount of revenue recognised on contracts. Services for these contracts will be rendered and revenue will be recognised in future periods.

(t) Leases

The Company leases various offices and equipment. Rental contracts are typically made for a fixed period of 3 to 10 years but may have extension options. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments. The lease payments are discounted using the lessee's incremental borrowing rate. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability less any lease incentives received.

(u) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from the contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised. The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted using market yields at balance date of national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

(v) Provisions

Provisions for legal claims and service warranties are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

For similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and long service leave are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for accumulating sick leave are recognized when the leave is taken and measured at the rates paid or payable. The liability for long service leave is recognized in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

These are liabilities for long service leave and annual leave which are not expected to be settled wholly within 12 months after the end of the period in which the employee renders the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit and loss.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Superannuation

Contributions are made by the consolidated entity to defined contribution employee superannuation funds and are charged as expenses when incurred. Amounts outstanding at balance date are recognised in trade creditors.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Executive Share Option and Performance Rights Plan. The fair value of options and performance rights granted under the Executive Share Option and Performance Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and performance rights granted and likelihood of achieving performance conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options and performance rights that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value at grant date is independently determined using the Black-Scholes Model, which takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate.

(v) Bonus plans

The Company recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

Liabilities for termination benefits are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

(vii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in the employee benefit liabilities and costs when the employment to which they relate has occurred.

(x) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as a result of a share buy-back, those instruments are deducted from the equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming their conversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(aa) Parent entity financial information

The financial information for the parent entity, Adacel Technologies Limited, disclosed in note 35, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(ab) Rounding of amounts

The Company is an entity to which relief is available under the Australian Securities & Investment Commission Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The amounts contained in this financial report have been rounded off to the nearest thousand dollars, or in some cases to the nearest dollar.

(ac) New accounting standards and interpretations

- (i) New and amended standards adopted by the Company
The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2022
 - (a) AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
 - (b) AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current
 - (c) AASB 2021-7 Amendments to Australian Accounting Standards - Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

- (ii) Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements - 30 June 2023

2. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks; market risks (including currency risk and interest rate risk), credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company may use derivative financial instruments such as foreign exchange contracts to manage certain risk exposures. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

Risk management is carried out by the Chief Financial Officer, or equivalent, under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as other specific policy areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The consolidated entity holds the following financial instruments

	Notes	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
Financial assets			
Cash	9	909	1,898
Trade receivables	10	2,965	4,410
Foreign exchange forwards	12	16	-
Deposits	12,13	105	85
		3,995	6,393
Financial liabilities			
Bank Overdraft	21	20	-
Trade and other payables	18	2,747	2,931
Foreign exchange forwards	18	-	10
Lease liabilities	16	3,676	3,892
		6,443	6,833

Notes to the Consolidated Financial Statements - 30 June 2023

2. FINANCIAL RISK MANAGEMENT (CONTINUED)**(a) Market risk***(i) Foreign exchange risk*

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from currency exposures primarily to the US Dollars, European Euro and the British Pound.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The entity exposed to such risk is Adacel Inc., the Company's Canadian entity, which has the Canadian Dollar as its denominated functional currency and operates in CAD, USD, EUR and GBP. The risk is measured using sensitivity analysis and cash flow forecasting. To minimise the exposure, the Company manages the natural hedges that may exist and, when significant transactions with external customers or suppliers are conducted in currencies other than the functional currency, forward exchange contracts may be put into place to reduce the risk.

The Company's exposure to foreign currency risk at the reporting date was as follows:

Values are shown in foreign currencies	30 June 2023			30 June 2022		
	USD	EURO	GBP	USD	EURO	GBP
	\$'000	€'000	£'000	\$'000	€'000	£'000
Cash	740	19	-	163	141	-
Trade and other receivables	1,414	502	-	2,611	540	-
Foreign exchange forwards	1,650	-	-	255	-	-
Restricted term deposit with Bank of Montreal ("BMO")	-	-	-	38	-	-
Trade and other payables	(95)	3	(2)	(122)	4	(69)

Sensitivity

Based on the financial instruments held at 30 June 2023, had the CAD Dollars strengthened/weakened by 10% against the USD dollar, with all other variables held constant, the Company's post tax profit for the year would have been \$142,000 lower/\$173,000 higher (in 2022, the post-tax profit would have been \$189,000 lower/\$231,000 higher).

Had the US Dollars strengthened/weakened by 10% against the EURO, with all other variables held constant, the Company's post tax profit for the year would have been \$52,000 lower/\$63,000 higher (in 2022, the post-tax profit would have been \$65,000 lower/\$80,000 higher).

Had the US Dollars strengthened/weakened by 10% against the GBP, with all other variables held constant, the Company's post tax profit for the year would not have been significantly impacted.

Aside from the effect upon profit, there would be no further direct impact on equity resulting from this movement.

Notes to the Consolidated Financial Statements - 30 June 2023

2. FINANCIAL RISK MANAGEMENT (CONTINUED)*(ii) Price risk*

The consolidated entity is not exposed to equity securities price risk since all investments are impaired and recorded at the impaired values. None of these impaired investments are in publicly traded equity vehicles. The consolidated entity is also not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises on cash balances held and on its bank facility.

Cash at bank, with excess cash held in short-term deposits or high-interest earning accounts, and borrowings under the facility are subject to variable interest rates. As at the end of the reporting period, the Company had the following deposits and borrowings subject to interest rate variations.

	Consolidated			
	30 June 2023		30 June 2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash at bank ¹	0.04	1,722	0.00	1,898
Gross borrowings	7.45	(833)	0.00	0
Net exposure to cash flow interest rate risk		<u>889</u>		<u>1,898</u>

¹ As at June 30 2023, the consolidated statement of financial position shows cash at bank of \$909,000 and an overdraft of \$20,000. The \$20,000 net overdraft position relates to the parent's subsidiary company, Adacel Inc, which has cash at the bank of \$813,000 and an overdraft of \$833,000. As such, the consolidated interest-bearing cash position is \$1,722,000.

Sensitivity

The Company's main interest rate risk arises from cash equivalents, loans and other receivables with variable interest rates. However, the impact of any movements in interest rates would not have a material impact on the results of the Company.

(b) Credit risk

Credit risk arises from cash as well as credit exposures to customers, including outstanding receivables. An analysis of outstanding receivables is included in note 10.

The Company has a significant concentration of risk due to having significant accounts receivable with the US government or its related entities, however, due to the nature of this customer base, there is no significant exposure to credit risk.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Notes to the Consolidated Financial Statements - 30 June 2023

2. FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to much of the business being project driven, the Chief Financial Officer, or equivalent, aims to maintain flexibility in funding by keeping committed credit lines available with the bank. Surplus funds are generally only invested in short-term bank deposits to enable ready access to the funds as required.

Financing arrangements

The consolidated entity had access to undrawn borrowing facilities at the reporting date as disclosed in note 21.

Maturities of financial instruments

The tables below analyse the consolidated entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Company – At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying Amount (assets) /liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	2,747	-	-	-	2,747	2,747
Lease liabilities	839	571	1,709	665	3,784	3,676
Commitments¹	156	341	1,096	2,335	3,928	-
Total	3,742	912	2,805	3,000	10,459	6,423

¹ This represents the future cash outflows for a contractual commitment that was signed during FY 2023 relating to a new lease of premises which will be occupied in FY2024.

Company – At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying Amount (assets) /liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	2,931	-	-	-	2,931	2,931
Foreign exchange forwards	255	-	-	-	255	255
Lease liabilities	875	591	1,718	1,240	4,424	3,892
Total	4,061	591	1,718	1,240	7,610	7,078

The book value of the liabilities above approximates fair value.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) would be determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. Fair value is established by reference to forward exchange rates quoted by specialist departments from financial institutions.

Details about the Company's use of financial instruments measured at fair value are further discussed in note 12.

3. CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Contract revenue recognised at balance date

The Company reviews all contracts work in progress at the statement of financial position's date to determine the percentage of completion based on the forecasted costs to complete the project. Costs and revenues are brought to account based on the outcomes of the review, in accordance with the accounting policy stated in note 1(e). The judgements can only be finally confirmed at the point of completion of the contract and final delivery to the customer. This may result in differences between the revenue recognised at the statement of financial position's date and the amounts that are subsequently determined to be applicable. Any such differences are brought to account at the next contract review cycle.

Income taxes

The Company is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company estimates its tax liabilities based on the Company's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The Company recognises deferred tax assets relating to carried forward tax losses and tax credits to the extent that there is convincing evidence that there will be future taxable profits in the jurisdiction to which those losses and tax credits relate. The directors regularly monitor this matter in all companies. The directors have reassessed that there is enough convincing evidence of future taxable profits being available in Adacel Inc. to support the continuation of the recognition of a deferred tax asset. The deferred tax asset is reassessed and remeasured annually.

Intangible assets

The Company estimates the useful life of its intangible assets in accordance with the accounting policy stated in note 1 (q). However, the actual life of such assets may be shorter or longer than the stated policy, depending on technical innovations and competitor actions. The judgments made in determining the estimated useful life of intangible assets could impact the net income of subsequent periods through depreciation and amortization, and in certain instances through impairment charges, as stated in note 1 (q).

Notes to the Consolidated Financial Statements - 30 June 2023

4. SEGMENT INFORMATION**(a) 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 consolidated entity 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 aspects of support, field services and on-site technical services.

Segment margin results are presented 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.

(b) Notes to and forming part of the segment information**(i) Accounting policies**

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the accounting standard AASB 8 Segment Reporting. Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are eliminated on consolidation.

(iii) Significant Customers

	Consolidated	
	2023	2022
	\$'000	\$'000
Customer one	10,300	12,100
Customer two	3,800	3,900
	14,100	16,000

During the 2023 financial year, revenues of approximately 52% have been derived from 2 external customers. These customers are in North America, and the amount of revenues from them during the year were approximately \$10,300,000 and \$3,800,000. In 2022, 58% of revenues were from 2 customers, individually amounting to \$12,100,000 and \$3,900,000 respectively.

Notes to the Consolidated Financial Statements - 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)**(c) Segment Information for the year ended 30 June 2023**

	Notes	Systems		Services		Total	
		2023	2022	2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operations							
Total segment revenue	5	8,178	6,912	19,072	20,648	27,250	27,560
Total segment margin		991	758	7,801	10,084	8,792	10,842
Other income	6					1,353	2,780
Interest income						48	-
Net foreign exchange loss						(234)	(82)
R&D expenses						(365)	(535)
S&M expenses						(3,114)	(2,523)
G&A expenses						(3,513)	(3,562)
Other expenses						-	(35)
Depreciation & amortisation	7					(1,683)	(1,509)
Interest & finance charges	7					(380)	(197)
Profit / (loss) before income tax						904	5,179
Income tax (expense)						(981)	(1,917)
Profit / (loss) for the Period						(77)	3,262

Geographical Information

The consolidated entity is required to provide the following geographical information in accordance with AASB 8. This geographical information is based upon the location of the operating entities of the Company.

	USA		Canada		Australia		Estonia		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Segment Revenue	8,794	8,451	17,746	18,379	512	730	198	-	27,250	27,560
Total non-current assets	1,778	514	7,090	7,430	2,231	2,644	340	55	11,439	10,643

Notes to the Consolidated Financial Statements - 30 June 2023

5. REVENUE FROM CONTRACTS WITH CUSTOMERS**(a) Disaggregation of revenue from contracts with customers**

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of services and systems	27,250	27,560
	27,250	27,560
<i>Timing of revenue recognition</i>		
At a point in time	2,320	2,213
Over time	24,930	25,347
	27,250	27,560

As of June 30, 2023, the unsatisfied performance obligation resulting from contracts with customers is approximately \$14,120,000 (2022: \$19,293,000). Management expects that 75% of the unsatisfied contracts will be recognised as revenue during the next annual reporting period. The remaining 25% is expected to be recognised as revenue by fiscal year 2031.

The Company also has a provision for onerous contracts.

(b) Assets and liabilities related to contracts with customers

The Company has recognised the following accrued revenue and advance payments from customers related to contracts with customers:

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Accrued revenue</i>		
At 1 July	3,277	4,297
Revenue recognised, but not billed	8,543	4,757
Revenue billed during the year	(8,681)	(5,729)
Impact of foreign currencies	(60)	(48)
At 30 June	3,079	3,277
<i>Advanced payments from customers</i>		
At 1 July	2,841	3,080
Payments received for which revenue has not previously been recognized	17,662	17,471
Revenue recognised during the year	(17,645)	(17,547)
Impact of foreign currencies	(62)	(163)
At 30 June	2,796	2,841

Notes to the Consolidated Financial Statements - 30 June 2023

6. OTHER INCOME

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Other Income</i>		
Quebec Tax Credits	1,176	1,631
Paycheck Protection Program	-	777
Canadian Emergency Wage Subsidy Programs and Other	177	372
	1,353	2,780

The Company is eligible for tax credits of approximately \$1,176,000 (2022: \$1,631,000) from the Quebec government for R&D, 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. In 2022, the Company also received funds from the Paycheck Protection Program (PPP) in the United States, for which approximately \$777,000 was forgiven and recognized in Other Income in 2022. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The PPP loan and accrued interest were forgivable where the borrower used the loan proceeds for eligible purposes. No such government assistance was received in 2023. The Company also recognised approximately \$165,000 under the Canadian Subsidy Programs (Wages and Rent) (2022: \$367,000).

7. EXPENSES**(a) Material profit or loss items**

The Company has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Company.

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Depreciation of property, plant & equipment:		
Leasehold improvements	7	16
Furniture, fittings and equipment	294	280
Total depreciation	301	296
Amortisation of Intangibles assets	496	376
Depreciation of Right-of-use assets	886	837
Interest and finance charges	380	197
Legal fees and settlements	64	(36)
Net foreign exchange losses	234	82
Defined contribution superannuation expense	1,029	1,057
Onerous contract	(23)	(265)
Research and development (inclusive of labour)	365	535

7. EXPENSES (CONTINUED)

(b) Acquisition and integration costs

The Company has identified integration and acquisition costs, related to intellectual property ("IP"). Acquired IPs are listed in note 15.

	Consolidated	
	2023	2022
	\$'000	\$'000
Professional services	-	189
Travel & other costs	-	239
	-	<u>428</u>

Notes to the Consolidated Financial Statements - 30 June 2023

8. INCOME TAX

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	904	5,179
Income tax calculated at the effective tax rate	220	1,293
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Canadian Federal income tax credits	(539)	(687)
Other items (net)	45	51
Current year tax losses not brought to account	771	128
Taxable R&D tax credits	143	182
Reversal of previously booked tax losses	175	563
Income tax under provided in prior years	83	37
Withholding tax on overseas remittances	92	161
Other Items	(9)	189
Income tax expense	981	1,917
(b) Income tax expense		
Current tax expense	491	744
Deferred tax expense	622	1,140
Adjustments for current tax of prior periods	(132)	33
	981	1,917
Income tax expense is wholly attributable to continuing operations		
(c) Estimated unrecognised tax losses and tax credits		
Australia – tax losses	25,409	27,205
Canada – Federal tax credits	31,794	36,205
United States – tax losses	2,971	1,405
Total gross tax losses and credits	60,174	64,815
Potential tax benefit at applicable tax rates*	13,109	13,931
(d) Estimated unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised	144	149
Potential tax benefit at applicable tax rates*	43	45

Prior year comparatives as at June 30 2023 have been restated through reclassification.

* Effective tax rates applicable are: Australia: 30%, Canada Federal: 15%, Canada Provincial 11.5%, USA: 24.14%.

Notes to the Consolidated Financial Statements - 30 June 2023

9. CURRENT ASSETS - CASH

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Cash at bank and in hand	909	1,898
	909	1,898

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:

Balances as above	909	1,898
Bank overdraft (note 21)	(20)	-
Balances per consolidated statement of cash flows	889	1,898

(b) Cash at bank and in hand

Cash at bank is interest bearing at rates of 0.0% to 2.6% (2022: 0.0% to 1.0%). Cash at bank is mainly at call but is invested in term deposits with maturity of 3 months or less from date of acquisition where possible.

(c) Interest rate risk exposure

The Company's exposure to interest rate risk is discussed in note 2.

10. CURRENT ASSETS – TRADE, OTHER RECEIVABLES

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Trade receivables	2,965	4,410
Sundry debtors	592	397
Provincial tax credits	3,265	2,975
Prepayments	783	559
	7,605	8,341

Notes to the Consolidated Financial Statements - 30 June 2023

10. CURRENT ASSETS – TRADE, OTHER RECEIVABLES (CONTINUED)**(a) Past due but not impaired**

As of 30 June 2023, trade receivables of approximately \$378,000 (2022: \$1,772,000) were past due but not impaired. Whilst these amounts are past due, dialogue continues with these customers and payment is expected to be received in full.

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Up to 3 months	162	1,034
3 to 6 months	42	58
Over 6 months	174	680
	378	1,772

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

(b) Foreign exchange and interest rate risk

Information about the Company's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Company and the credit quality of the entity's trade receivables.

11. CURRENT ASSETS – WIP AND INVENTORIES

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Current		
Inventory	240	314
Work-in-progress on contracts	199	724
	439	1,038

Notes to the Consolidated Financial Statements - 30 June 2023

12. CURRENT ASSETS – OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

In 2022, the Company had a term deposit with the bank as a security for a bank guarantee:

	30 June 2023	30 June 2022
	\$'000	\$'000
Deposits	-	38

Further, the Company has the following financial instruments measured and recognised at fair value at 30 June 2023:

	2023	2022
	\$'000	\$'000
Financial Assets/(Liabilities)	Level 2	Level 2
Foreign exchange forwards	16	(10)

(a) Risk exposures

Information about the Company's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

(b) Instruments used by the Company

During the year ended 30 June 2023, the Company entered into foreign currency forward contracts mainly to manage the variability in the expected foreign currency exchange rate of the Canadian dollar against the US Dollar.

(c) 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).

(d) 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 (see note 18).

13. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
Deposits	105	47

Notes to the Consolidated Financial Statements - 30 June 2023

14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Total
	Furniture, fittings & equipment	Leasehold improvements	
	\$'000	\$'000	
At 1 July 2021			
Cost	3,159	1,097	4,256
Accumulated depreciation	(2,637)	(1,058)	(3,695)
Net book amount	522	39	561
Year ended 30 June 2022			
Opening net book value	522	39	561
Additions	299	-	299
Depreciation expense	(280)	(16)	(296)
Exchange differences	(13)	-	(13)
Closing net book amount	528	23	551
At 30 June 2022			
Cost	3,371	1,060	4,431
Accumulated depreciation	(2,843)	(1,037)	(3,880)
Net book amount	528	23	551
Year ended 30 June 2023			
Opening net book value	528	23	551
Additions	397	-	397
Depreciation expense	(294)	(7)	(301)
Exchange differences	(8)	-	(8)
Closing net book amount	623	16	639
At 30 June 2023			
Cost	3,715	1,032	4,747
Accumulated depreciation	(3,092)	(1,016)	(4,108)
Net book amount	623	16	639

Notes to the Consolidated Financial Statements - 30 June 2023

15. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated				
	Core intellectual property \$'000	Purchased intellectual property \$'000	Internally generated software \$'000	Goodwill \$'000	Total \$'000
At 1 July 2021					
Cost	11,711	1,267	1,065	1,888	15,931
Accum amortisation & impairment	(11,559)	(1,017)	(14)	(1,888)	(14,478)
Net book amount	152	250	1,051	-	1,453
Year ended 30 June 2022					
Opening net book value	152	250	1,051	-	1,453
Additions	-	2,709 ¹	903	-	3,612
Amortisation expense	(118)	(142)	(116)	-	(376)
Exchange differences	(5)	(151)	(58)	-	(214)
Closing net book amount	29	2,666	1,780	-	4,475
At 30 June 2022					
Cost	11,048	3,748	1,911	1,760	18,467
Accum amortisation & impairment	(11,019)	(1,082)	(131)	(1,760)	(13,992)
Net book amount	29	2,666	1,780	-	4,475
Year ended 30 June 2023					
Opening net book value	29	2,666	1,780	-	4,475
Additions	-	28	818	-	846
Amortisation expense	(29)	(330)	(137)	-	(496)
Exchange differences	-	(93)	(47)	-	(140)
Closing net book amount	-	2,271	2,414	-	4,685
At 30 June 2023					
Cost	10,686	3,635	2,675	1,699	18,695
Accum amortisation & impairment	(10,686)	(1,365)	(260)	(1,699)	(14,010)
Net book amount	-	2,270	2,415	-	4,685

¹ On 23 February 2022, the Company announced the acquisition of the virtual ATC tower Intellectual Property ("IP") from Cybernetica, an Estonian based entity, for cash consideration of approximately €2,500,000 (\$2,675,000). The transaction closed on April 29, 2022. This tower is suitable for a variety of functional needs, including integration with existing or new air traffic management, communication, navigation, and surveillance systems. As at 30 June 2023, the net book amount of the IP deriving from this acquisition is approximately \$2,159,000. The IP has a remaining useful life of 8 years and 10 months, as it is being amortised on a 10-year useful life with a residual value of \$Nil.

Notes to the Consolidated Financial Statements - 30 June 2023

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The consolidated statement of financial position shows the following amounts relating to leases:

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Right-of-use assets		
Buildings	3,123	3,310
Equipment	10	32
Vehicles	28	10
	<u>3,161</u>	<u>3,352</u>
Lease liabilities		
Current	922	893
Non-current	2,754	2,999
	<u>3,676</u>	<u>3,892</u>
Additions of right-of-use assets		
Building	763	33
Equipment	-	-
Vehicles	31	-
	<u>794</u>	<u>33</u>

The consolidated statement of comprehensive income / (loss) shows the following amounts relating to leases:

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Depreciation of right-of-use assets		
Buildings	(852)	(802)
Equipment	(22)	(23)
Vehicles	(12)	(12)
	<u>(886)</u>	<u>(837)</u>
Interest expense	(160)	(197)

The total cash outflow for leases in 2023 was approximately \$1,054,000 (2022: \$1,037,000).

Notes to the Consolidated Financial Statements - 30 June 2023

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities have been recognised in relation to unused tax credits and temporary differences to the extent that the directors are confident that future profits will be available in the same taxation jurisdiction to use them.

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Deferred tax assets comprise the following temporary differences attributable to:		
Unused tax credits brought to account	2,897	3,232
Other items	(375)	(131)
Set off of deferred tax liabilities pursuant to set-off provisions	(824)	(883)
	1,698	2,218
Deferred tax liabilities comprise the following temporary differences attributable to:		
Temporary difference on unused tax credits brought to account	(767)	(857)
Temporary difference on utilised Federal tax credits	(144)	(178)
Temporary difference on utilised Provincial tax credits	(843)	(623)
Set off of deferred tax assets pursuant to set-off provisions	824	883
	(930)	(775)

Notes to the Consolidated Financial Statements - 30 June 2023

18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Trade payables	1,090	1,306
Accrued expenses	1,657	1,635
	2,747	2,941

(a) Risk exposure

Information about the Company's exposure to foreign exchange risk is provided in note 2.

19. NON-CURRENT LIABILITIES - RETIREMENT BENEFIT OBLIGATIONS

All employees from the Company are entitled to benefits from accumulated benefits superannuation plans on retirement, disability or death. Australian employees are covered by the Australian Government's Superannuation Guarantee. Canadian employees are covered by a Deferred Profit Sharing Plan (DPSP) and the USA employees are covered by a 401k Plan. The expense recognised in relation to these defined contribution plans is disclosed in note 7.

20. LIABILITIES – PROVISIONS

	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Current		
Employee benefits – long service leave (b), (c)	83	78
Annual leave payable (c)	1,177	1,250
Service and contract performance warranties (a),(b)	97	190
Customer contract provisions	143	158
	1,500	1,676
Non-Current		
Employee benefits – long service leave (b),(c)	-	-
	-	-

20. LIABILITIES – PROVISIONS (CONTINUED)

(a) Service and contract performance warranties

Provision is made for the estimated warranty claims in respect of contracts delivered which are still under warranty at balance date. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

(b) Movements in provisions

Movements in warranty and long service leave provisions during the financial year are set out below.

	Warranty \$'000	Long Service Leave \$'000
Carrying amount at the beginning of the year	190	78
Charged/(credited) to the profit and loss		
-additional provisions recognised	131	5
-amounts used during the period	(218)	-
Foreign exchange impact	(6)	-
Carrying amount at the end of the year	97	83

(c) Amounts not expected to be settled within the next 12 months

The entire obligation for annual leave payable is presented as current, since the Company does not have an unconditional right to defer settlement. Similarly, the current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Company does not have an unconditional right to defer settlement.

However, based on past experience, the Company does not expect all employees to take their full amount of accrued annual leave and accrued long service leave nor require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Annual leave obligation expected to be settled after 12 months	328	369
Long service leave obligation expected to be settled after 12 months	83	78
	411	447

Notes to the Consolidated Financial Statements - 30 June 2023

21. FINANCING ARRANGEMENTS

The Company had access to the following borrowing facilities at the end of the reporting period:

	Consolidated	
	30 June 2023	30 June 2022
Bank facilities available (a)		
Overdraft	5,000	2,029
Demand Loan	3,000	-
Credit Cards	527	540
	8,527	2,569
Bank facilities used at balance date		
Overdraft (b)	833	-
Demand Loan	-	-
Credit Cards	66	67
	899	67
Bank facilities unused at balance date		
Overdraft	4,167	2,029
Demand Loan	3,000	-
Credit Cards	461	473
	7,628	2,502
The Company had access to the following other facilities at the end of the reporting period:		
Other facilities available (a)		
Letters of Credit	2,046	1,110
Foreign Exchange Contracts	3,000	-
	5,046	1,110
Other used at balance date		
Letters of Credit	46	1,110
Foreign Exchange Contracts	56	-
	102	1,110
Other facilities unused at balance date		
Letters of Credit	2,000	-
Foreign Exchange Contracts	2,944	-
	4,944	-

(a) Adacel signed a new facility agreement with the Bank of Montreal effective on 7 October 2022. The facility is governed by pre-agreed covenants with the bank and is repayable on demand. The facility comprises: a \$5,000,000 revolving credit facility, a \$3,000,000 non-revolving demand loan, a dedicated \$2,000,000 facility for letters of credit, a \$3,000,000 hedging program facility, and a MasterCard credit card facility of \$200,000.

The \$3,000,000 non-revolving demand loan is available to draw upon no later than August 31, 2023. As at June 30 2023, no amount has been drawn.

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 Technologies Holdings Inc., Adacel technologies Ltd., Adacel Systems Inc., and Adacel technical Services.

The Company also has a \$46,000 letters of credit facility with the Royal Bank of Canada and American Express (AMEX) facilities. Adacel Inc has an approved AMEX limit of CAD\$100,000 and Adacel Systems Inc has an approved limit of \$250,000.

(b) As at June 30 2023, the consolidated statement of financial position shows an overdraft of \$20,000. This reflects the net overdraft position of Adacel's subsidiary company, Adacel Inc, which has cash at bank of \$813,000 and an overdraft of \$833,000.

22. CONTRIBUTED EQUITY

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) Share capital		
Ordinary shares	53,189	53,292

(b) Movements in ordinary share capital

Date	Details	Number of Shares	\$'000
1 July 2021	Balance	75,951,652	53,115
01 Jul 21 – 30 Jun 22	Exercise of stock options (note 34)	402,000	207
01 Jul 21 – 30 Jun 22	Exercise of performance rights (note 34)	381,000	123
01 Jul 21 – 30 Jun 22	Share Buy Back	(312,827)	(153)
30 June 2022	Balance	<u>76,421,825</u>	<u>53,292</u>
01 Jul 22 – 30 Jun 23	Share Buy Back	(196,836)	(103)
30 June 2023	Balance	<u>76,224,989</u>	<u>53,189</u>

(c) Share options

At the end of the year there were 286,000 unissued ordinary shares under the Executive Share Option and Performance Rights Plan. Also see note 34.

(d) Terms and conditions of ordinary shares

The ordinary shares of Adacel Technologies Limited have no par value. Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(e) Terms and conditions of share options

Staff Share Options and Performance Rights

The terms and conditions of the options issued under the Executive Share Option and Performance Rights Plan are disclosed in note 34.

(f) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Notes to the Consolidated Financial Statements - 30 June 2023

23. RESERVES AND RETAINED PROFITS / ACCUMULATED LOSSES

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) Accumulated losses		
Accumulated losses	<u>(35,810)</u>	(33,365)
<i>Movements in accumulated losses were as follows:</i>		
Balance at the beginning of the year	(33,365)	(33,297)
Net profit / (loss) for the year	(77)	3,262
Dividends provided for or paid (note 24)	<u>(2,368)</u>	<u>(3,330)</u>
Balance at the end of the year	<u>(35,810)</u>	(33,365)
(b) Reserves		
Foreign currency translation reserve	(6,711)	(6,120)
Employee share schemes	116	81
	<u>(6,595)</u>	<u>(6,039)</u>

(i) Nature and purpose of reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Movements in reserve

Balance at the beginning of the year	(6,039)	(5,114)
Exchange differences on translation of foreign operations	(591)	(760)
Employee share schemes	35	(165)
Balance at the end of the year	<u>(6,595)</u>	<u>(6,039)</u>

24. DIVIDENDS

	2023	2022
	\$'000	\$'000
(a) Ordinary shares		
A final dividend for the year ended 30 June 2022 of AUD \$0.0325 was paid during FY2023 (AUD \$0.0325 during FY2022) All dividends were paid in cash.	(1,574)	(1,808)
An interim dividend of AUD \$0.0150 was paid during FY2023 (AUD \$0.0275 during FY 2022). All dividends were paid in cash.	(794)	(1,522)
	<u>(2,368)</u>	<u>(3,330)</u>
(b) Dividends not recognised at the end of the reporting period		
In fiscal year 2023, no final dividend will be paid (AUD \$0.0325 during FY2022).	-	1,802

(c) Franking balance

Adacel Technologies Limited and its Australian controlled entities have not paid Australian income tax. Accordingly there is a nil balance in the franking account of the Company.

Notes to the Consolidated Financial Statements - 30 June 2023

25. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2023	2022
	\$	\$
PricewaterhouseCoopers Australia		
<i>(a) Audit and other assurance services</i>		
Audit and review of financial statements	58,004	39,536
Total remuneration for audit and other assurance services	58,004	39,536
<i>(b) Taxation services</i>		
Tax compliance services	18,108	9,585
Tax consulting services	-	-
Total remuneration for taxation services	18,108	9,585
<i>(c) Other services</i>		
Consulting services	-	-
	-	-
Total for PricewaterhouseCoopers Australia	76,112	49,121
Related firms of PricewaterhouseCoopers Australia		
<i>(a) Audit and other assurance services</i>		
Audit and review of financial statements	235,254	242,691
Total remuneration for audit and other assurance services	235,254	242,691
<i>(b) Taxation services</i>		
Tax compliance services	78,473	7,983
Tax consulting services	11,495	1,365
Total remuneration for taxation services	89,968	9,348
<i>(c) Other services</i>		
Consulting services	-	17,121
	-	17,121
Total for related firms of PricewaterhouseCoopers Australia	325,222	269,160

The Company's policy is to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Company are considered important. These assignments are principally tax compliance, tax advice and advice relating to changes to the accounting compliance regulations. It is the Company's policy to seek competitive tenders for all major consulting projects.

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	1,069,373	1,122,761
Post-employment benefits	100,246	88,785
Termination benefits	-	-
Share-based payments	32,815	29,456
	<u>1,202,434</u>	<u>1,241,002</u>

The detailed remuneration disclosures can be found in sections A – C of the remuneration report on pages 16 to 26.

27. CONTINGENCIES

As at 30 June 2023, the parent entity, Adacel Technologies Limited, will continue to provide financial support to subsidiaries that are in a net liability position.

Guarantees of approximately \$46,000 (2022: \$1,110,000) have been given to banks and customers in relation to contract warranty and performance.

As at 30 June 2023, the Company 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 Company's position. There is uncertainty as to the final amounts payable, if any.

Other than the above, there are no other known contingencies.

28. RELATED PARTY TRANSACTIONS

(a) Parent entity

Adacel Technologies Limited, incorporated in Australia, is the ultimate parent entity.

(b) Subsidiaries

Interests in subsidiaries are disclosed in note 29.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 26.

(d) Transactions with related Parties

During fiscal years 2023 and 2022, there were no transactions with related parties.

(e) Terms and conditions

All transactions between Adacel Technologies Limited and its controlled entities were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The payables are all considered to be short-term and are expected to be repaid periodically. Therefore, no interest has been charged from June 2008 onwards.

29. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2023 % held	2022 % held
Adacel Inc	Canada	Ordinary	100	100
Adacel Technologies Holdings Inc	USA	Ordinary	100	100
Adacel Technologies Inc	USA	Ordinary	100	100
Adacel Systems Inc	USA	Ordinary	100	100
Adacel Technical Services Inc	USA	Ordinary	100	100
Adacel Limited	UK	Ordinary	100	100
Adacel Technologies Estonia	Estonia	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

Notes to the Consolidated Financial Statements - 30 June 2023

30. RECONCILIATION OF PROFIT (LOSS) AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2023	2022
	\$'000	\$'000
Operating profit / (loss) from ordinary activities after income tax	(77)	3,262
Depreciation and amortisation	797	672
Depreciation of right-of-use assets	886	837
Other Income	-	(777)
Performance rights expenses	35	30
Net foreign exchange differences	234	82
Changes in assets and liabilities:		
(Increase) / decrease in trade receivables and accrued revenue	1,532	(682)
(Increase) in other receivables and other assets	(557)	(1,816)
(Increase) / decrease in inventory / WIP	574	(654)
(Increase) in prepayments	(239)	(114)
Decrease in deferred tax assets, liabilities, tax payable/receivable	1,309	1,697
(Decrease) in trade and other payables	(625)	(704)
(Decrease) in employee benefits provisions	(44)	(55)
(Decrease) in other provisions	(101)	(258)
(Decrease) / increase in advanced payments from customers	37	(108)
(Decrease) in non-current assets	(58)	-
Net cash inflow from operating activities	3,703	1,412

Notes to the Consolidated Financial Statements - 30 June 2023

31. NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets – note 16
- Performance rights exercised under the ADA Executive Share Option and Performance Rights Plan. – note 34

Net debt reconciliation

	\$'000
Net debt as at 1 July 2021	(4,854)
Cash flow – principal elements of lease payments	840
Acquisition – leases	(33)
Foreign exchange adjustments	155
Net debt as at 30 June 2022	(3,892)
Cash flow – principal elements of lease payments	894
Acquisition – leases	(794)
Foreign exchange adjustments	116
Net debt as at 30 June 2023	(3,676)

32. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Notes to the Consolidated Financial Statements - 30 June 2023

33. EARNINGS PER SHARE

	Consolidated	
	2023	2022
Basic earnings per share (cents per share)	(0.10)	4.27
Diluted earnings per share (cents per share)	(0.10)	4.26

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

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Basic earnings per share</i>		
Profit / (loss) from continuing operations	(77)	3,262
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(77)	3,262
<i>Diluted earnings per share</i>		
Profit / (loss) from continuing operations	(77)	3,262
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	(77)	3,262

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

	Consolidated	
	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	76,343,671	76,410,018
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	76,057,671	76,579,106

(c) Information concerning the classification of securities

Executive Share Option and Performance Rights Plan options and performance rights are considered to be potential ordinary shares and would be included in the determination of diluted earnings per share to the extent to which they are dilutive. There were 286,000 outstanding options and performance rights at 30 June 2023 (2022: 286,000), and hence have been included in the determination of basic earnings per share for this year. Details of options and performance rights are set out in note 34.

34. 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. The ADA Executive Share Option and Performance Rights Plan is designed to provide long-term incentives for executives (key management personnel (KMP)) to deliver long-term shareholder returns. Under the plan, participants are granted options and/or performance rights which generally vest if certain performance and continuous employment conditions are met. In certain circumstances, to address retention, a continuous employment period may be the sole vesting condition. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options and performance rights that will vest depends on the achievement of the performance conditions. The performance conditions for options and performance rights affecting remuneration in the current or in future reporting periods can be found in sections A - C of the remunerations report on pages 16 to 26.

Options and performance rights are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option and performance right is convertible into one ordinary share from vesting date, which is generally within one month of the release to the market of the relevant annual financial report (see note b) for further details).

The exercise price of options is based on the closing price on the trading day of grant date or immediately preceding grant date. Performance rights do not have an exercise price.

When the options and performance rights are exercised, the Company ensures the appropriate amount of shares are allocated to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

b) Options and Performance Rights Granted Under the Plan

Set out below are summaries of options granted under the plan:

	2023		2022	
	Average exercise price per share option AUD	Number of options	Average exercise price per share option AUD	Number of options
As at 1 July	0.52	1,121,000	0.50	1,523,000
Granted during the year	-	-	-	-
Exercised during the year	-	-	0.45	(402,000)
Forfeited during the year	-	-	-	-
As at 30 June	0.52	1,121,000	0.52	1,121,000
Vested and exercisable as at 30 June	0.45	286,000	0.45	286,000

34. SHARE-BASED PAYMENTS (CONTINUED)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price AUD	Share Options	Share Options
			30 June 2023	30 June 2022
19 August 2019	30 June 2026	0.45	286,000	286,000
30 July 2020	30 June 2028	0.54	835,000	835,000
			1,121,000	1,121,000

Set out below are the summaries of performance rights granted during the plan:

	2023	2022
	Number of performance rights	Number of performance rights
As at 1 July	867,000	742,000
Granted during the year	694,000	506,000
Exercised during the year	-	(381,000)
Forfeited during the year	-	-
As at 30 June	1,561,000	867,000
Vested and exercisable at 30 June	-	-

Performance rights outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	Performance Rights	Performance Rights
		30 June 2023	30 June 2022
30 July 2020	30 June 2028	361,000	361,000
30 September 2021	30 June 2029	506,000	506,000
30 September 2022	30 June 2030	694,000	-
		1,561,000	867,000

Performance rights have no exercise price.

c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense are disclosed in note 26.

d) Fair value of options and performance rights granted

The method used to determine the fair value of options and performance rights is disclosed in note 1 (w).

35. PARENT ENTITY FINANCIAL INFORMATION

	30 June 2023 \$'000	30 June 2022 \$'000
(a) Summary financial information		

The individual financial statements for the parent entity show the following aggregate amounts:

Balance Sheet

Current Assets	497	417
Total Assets	2,807	3,142
Current Liabilities	682	1,075
Total Liabilities	1,889	1,098
<i>Shareholder's Equity</i>		
Issued Capital	53,189	53,292
Accumulated Losses	(49,463)	(48,519)
Reserves	(2,808)	(2,729)
Total Equity	918	2,044
Profit (loss) for the year	1,386	3,892
Total comprehensive income (loss)	1,272	3,640

(b) Guarantees entered into by the parent entity

There have been no guarantees entered into by the parent entity and therefore no liability has been recognised by the parent entity in relation to guarantees.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022. For information about guarantees given by the parent entity, see (b) above.

(d) Contractual commitments for the acquisition of property, plant or equipment.

The parent entity did not have any material contractual commitments for the acquisition of property, plant or equipment as at 30 June 2023 or 30 June 2022.

DIRECTORS' DECLARATION

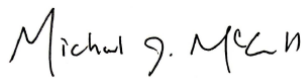
In the Directors' opinion:

- a. the financial statements and notes set out on pages 31 to 80 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 30 June 2023 and of its performance for the financial year ended on that date; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c. The remuneration disclosures set out on pages 16 to 26 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.



Michael McConnell
Chairman



Natalya Jurcheshin
Director

Melbourne, 16 August 2023



Independent auditor's report

To the members of Adacel Technologies Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Adacel Technologies Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2023
- the consolidated statement of comprehensive income/(loss) for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group is a developer of advanced simulation training systems and air traffic management automation solutions for the military and civil sectors. The Group's operations and executive team are based primarily in North America. The Group's operations are broken down into systems and services operating segments. The systems segment includes sale of advanced systems, technical software and hardware. The services segment includes development and support, and field technical services.

Materiality	Audit scope	Key audit matters
<p>For the purpose of our audit we used overall Group materiality of \$0.272million, which represents approximately 1% of the Group's revenue.</p> <p>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</p> <p>We chose Group revenue because, in our view, it is the measure that is most representative of the Group's operations.</p> <p>We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable revenue related thresholds.</p>	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Management Committee: <ul style="list-style-type: none"> Revenue recognition Recoverability of deferred tax assets These are further described in the <i>Key audit matters</i> section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition <i>Refer to note 1(e) Summary of significant accounting policies-Revenue recognition and note 5 Revenue from contracts with customers</i></p> <p>The Group's revenue includes project based revenue under contracts with customers. These projects are generally tailored applications developed for specific customers and are often completed across a number of months.</p> <p>Project based revenue is recognised over time under the percentage of completion method, as described in note 1(e) and is subject to the Group's assessment of the nature and type of performance obligations in the contract and estimates of revenue and cost.</p> <p>When losses are forecasted on contracts these are recognised in the period they are identified.</p> <p>Invoicing and subsequent collection of these amounts are subject to the customer's agreement of milestone completion and are sometimes delayed due to the nature of the projects and customers, resulting in accrued revenue balances.</p> <p>We considered this a key audit matter due to the following:</p> <ul style="list-style-type: none"> • Financial significance of the trade and other receivables balance and the accrued revenue balance. • Complexity involved in identifying performance obligations required by Australian Accounting Standards given the bespoke terms and conditions in and long-term nature of contracts with customers. • Judgement required by the Group in determining the timing of recognising project based revenue (refer above). 	<p>We performed the following procedures, amongst others over revenue recognition:</p> <ul style="list-style-type: none"> • Updated our understanding of the nature of the project based activities of the Group and terms of customer contracts. • Developed an understanding of relevant controls over recognition of project based revenue and assessed whether they were appropriately designed and whether a sample of these controls were operating effectively throughout the year. • Inspected the Groups' analysis of customer contracts and considered the appropriateness of significant judgements made related to its performance obligations under those contracts, in the determination of revenue recognition at either a point in time or over time against the requirements of Australian Accounting Standards. <p>Assessed revenue recognised for customer contracts by performing the following procedures amongst others:</p> <ul style="list-style-type: none"> ○ Re-performing calculations over the mathematical accuracy of a sample of percentage of completion calculations. ○ Agreeing a sample of actual labour costs to approved timesheets and payroll records. ○ Comparing forecast costs to complete a project to the approved project budgets less the actual costs incurred to date. ○ On a sample basis, checking whether monthly management project status reviews were performed. <ul style="list-style-type: none"> • Compared actual and forecast contract profitability and enquired with management on a sample of projects where margins had deviated from forecasts. • Agreed a sample of significant accrued revenue and outstanding accounts receivable balances to cash receipts subsequent to year end and enquired with management on significant unpaid balances.



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> Evaluated the reasonableness of the disclosures made in note 1(e) and note 5 against the requirements of Australian Accounting Standards.
<p>Recoverability of deferred tax assets <i>Refer to note 8 Income tax and note 17 Deferred tax assets and liabilities</i></p> <p>The Group has unrecognised carry forward gross tax losses and tax credits amounting to \$60.2 million as at 30 June 2023. These arise from different jurisdictions across the North American and Australian operations. While tax losses have no expiry date, Canadian Federal and Provincial tax credits expire after 10 years. The Group has assessed that there is convincing evidence of future taxable profits available in Canada sufficient to carry forward deferred tax assets of \$1.7 million.</p> <p>Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits.</p> <p>We considered this a key audit matter due to the significant judgement required by the Group in assessing the timing and quantum of future taxable profits.</p>	<p>Together with PwC tax experts, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> Assessed the appropriateness of the Group’s policy for recognition of deferred tax assets in the context of the requirements of Australian Accounting Standards, considering the historical results and the appropriateness of significant assumptions used in the forecast results of the Group. Re-performed calculations over the mathematical accuracy of deferred tax calculations. Agreed tax rates used for deferred tax calculations to enacted or substantially enacted tax rates in each jurisdiction in which tax losses and tax credits existed. Agreed available carry forward tax losses and tax credits to the Group’s filed tax returns. Compared the utilisation of deferred tax assets in the Group’s current year filed tax returns to the Board approved forecasts made in the prior year, to determine the accuracy of the Group’s budgeting process. Evaluated the reasonableness of the disclosures made in note 8 and 17 against the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 16 to 26 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Adacel Technologies Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Matthew Probert', with a long horizontal stroke extending to the right.

Matthew Probert
Partner

Melbourne
16 August 2023

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information is current as at 16 August 2023 (Reporting Date).

Corporate Governance Statement

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any recommendations that have not been followed, and provides reasons for not following such recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Adacel's website (<https://www.adacel.com/investors>) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

Number of Holdings of Equity Securities

As at the Reporting Date, the number of holders in each class of equity securities on issue in Adacel is as follows:

SECURITY TYPE	NO OF SECURITIES	NO OF SHAREHOLDERS
Fully Paid Ordinary Shares	76,421,825	3,117
Performance Rights	867,000	3
Performance Options	1,121,000	2

Voting Rights of Equity Securities

The only class of equity securities on issue in the Company which carry voting rights is ordinary shares. At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up on that partly paid share bears to the total amounts paid. Amounts paid in advance of a call or credited on a partly paid share without payment in money or money's worth being made to the Company are ignored when calculating the proportion.

Distribution of Holders of Ordinary Shares

	CLASS OF EQUITY SECURITY		
	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	942	529,344	0.69
1,001 - 5,000	1,255	3,482,319	4.56
5,001 - 10,000	428	3,393,944	4.44
10,001 - 100,000	444	12,832,454	16.79
100,001 Over	48	56,183,764	73.52
Totals	3,117	76,421,825	100.00

Distribution of Holders of Performance Rights

	CLASS OF PERFORMANCE RIGHTS		
	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	0	0	0
1,001 - 5,000	0	0	0
5,001 - 10,000	0	0	0
10,001 - 100,000	0	0	0
100,001 Over	3	867,000	100
Totals	3	867,000	100.00

Distribution of Holders of Performance Options

	CLASS OF PERFORMANCE OPTIONS		
	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	0	0	0
1,001 - 5,000	0	0	0
5,001 - 10,000	0	0	0
10,001 - 100,000	0	0	0
100,001 Over	2	1,121,000	100
Totals	2	1,121,000	100.00

Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares as at the Reporting Date is as follows:

UNMARKETABLE PARCELS AS AT 29 JULY 2022	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum \$500.00 parcel at \$0.8700 per unit	575	489	137,386

Substantial holders

As at the Reporting Date, the names of the substantial holders of Adacel and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to Adacel, are as follows:

SHAREHOLDER	NO. OF SHARES HELD	% OF ISSUED CAPITAL
Thorney Holdings Proprietary Limited	25,542,818	33.42%
Silvio Salom	5,861,858	7.40%

Twenty Largest Holders of Quoted Equity Securities

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder is as follows:

SHAREHOLDER NAME	SHARES HELD	% HELD
THORNEY HOLDINGS PTY LTD	24,597,118	32.19
CITICORP NOMINEES PTY LIMITED	7,189,161	9.41
MR SILVIO SALOM	4,230,026	5.54
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,184,161	4.17
D & E SMITH SUPERANNUATION NOMINEES PTY LTD	2,225,665	2.91
MR MICHAEL MCCONNELL	1,250,000	1.64
OBENA RIDGE PTY LIMITED	1,062,276	1.39
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,022,236	1.34
MRS EMMA JANE GRACEY	1,000,000	1.31
UBS NOMINEES PTY LTD	875,000	1.14
COALWELL PTY LTD	796,182	1.04
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	744,654	0.97
MR DAVID WALLACE SMITH	726,257	0.95
MR DANIEL VERRET	719,000	0.94
MR JAMES DOUGLAS CARNEGIE <JAMES CARNEGIE FAMILY A/C>	599,564	0.78
WESTOR ASSET MANAGEMENT PTY LTD <VALUE PARTNERSHIP A/C>	431,564	0.56
IAN HARRISS SUPER PTY LTD <IAN HARRISS SUPER A/C>	378,074	0.49
BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT>	316,000	0.41

SHAREHOLDER NAME	SHARES HELD	% HELD
MR MICHAEL MURRAY	274,470	0.36
BNP PARIBAS NOMS PTY LTD <DRP>	221,604	0.29
Total number of shares of Top 20 Holders	51,843,012	67.84
Total Remaining Holders Balance	24,578,813	32.16

Unquoted equity securities

Performance Rights expiring at various dates	867,000
Options expiring at various dates and exercisable at various prices	1,121,000

Escrow

CLASS OF RESTRICTED SECURITIES	TYPE OF RESTRICTION	NUMBER OF SECURITIES	END DATE OF ESCROW PERIOD
Ordinary shares	Voluntary escrow	0	NA

Other Information

The Company conducted on-market share buy-back starting from 17 March 2022 and ended on 16 March 2023.

The Company conducted a further on-market share buy-back starting from 17 March 2023 and ending on 2 April 2024.

There are no issues of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

CORPORATE DIRECTORY

Adacel Technologies Limited
ABN 15 079 672 281

Registered Office

Unit 29, 3 Westside Avenue,
Port Melbourne Victoria Australia 3207
Telephone +61 3 8530 7777
www.adacel.com

Principal Place of Business

Unit 29, 3 Westside Avenue,
Port Melbourne Victoria Australia 3207
Telephone +61 3 8530 7777

Board of Directors

Michael McConnell (Non-Executive Chairman)
Peter Landos (Non-Executive Director)
Natalya Jurcheshin (Non-Executive Director)
Silvio Salom (Non-Executive Director)

Company Secretary

Eryl Baron

Bank

Bank of Montreal
3225 Boul St-Martin Ouest, Suite 201,
Laval, QC
H7T 1S2

Solicitors – Australia

Ashurst Australia
Level 16
80 Collins Street
South Tower, Melbourne Victoria 3000

Solicitors- USA

Morrison Foerster
425 Market Street
San Francisco, CA
94105-2482

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank Victoria 3006

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067 w
essential.registry@computershare.com.au
Phone No: 03 9415 5000

Stock Exchange

Australia Securities Exchange (ASX:ADA)