Adacel Technologies Limited
(ASX: ADA)

14 August 2024

Appendix 4E - Preliminary Final Report

Year ended 30 June 2024
(Previous corresponding period: Year ended 30 June 2023)

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	UP	+13.66%	To	$30,971
Profit / (loss) before tax (PBT)	Down	-551%	To	$(4,077)
Profit / (loss) for the period attributable to owners	Down	-5621%	To	$(4,405)

Dividends/Distributions

	Amount per security
Interim dividend (cents per share)	-
Final dividend (cents per share)	-

Earnings / (loss) per Ordinary Share (cents per share) FY2024	(5.78)
Earnings / (loss) per Ordinary Share (cents per share) FY2023	(0.10)

Net Tangible Asset* Backing per Ordinary Share (cents per share) FY2024	3.5
Net Tangible Asset* Backing per Ordinary Share (cents per share) FY2023	8.00

**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 2024 consolidated financial statements and accompanying notes.

ADACEL

ANNUAL REPORT 2024

YEAR ENDED | JUNE 2024

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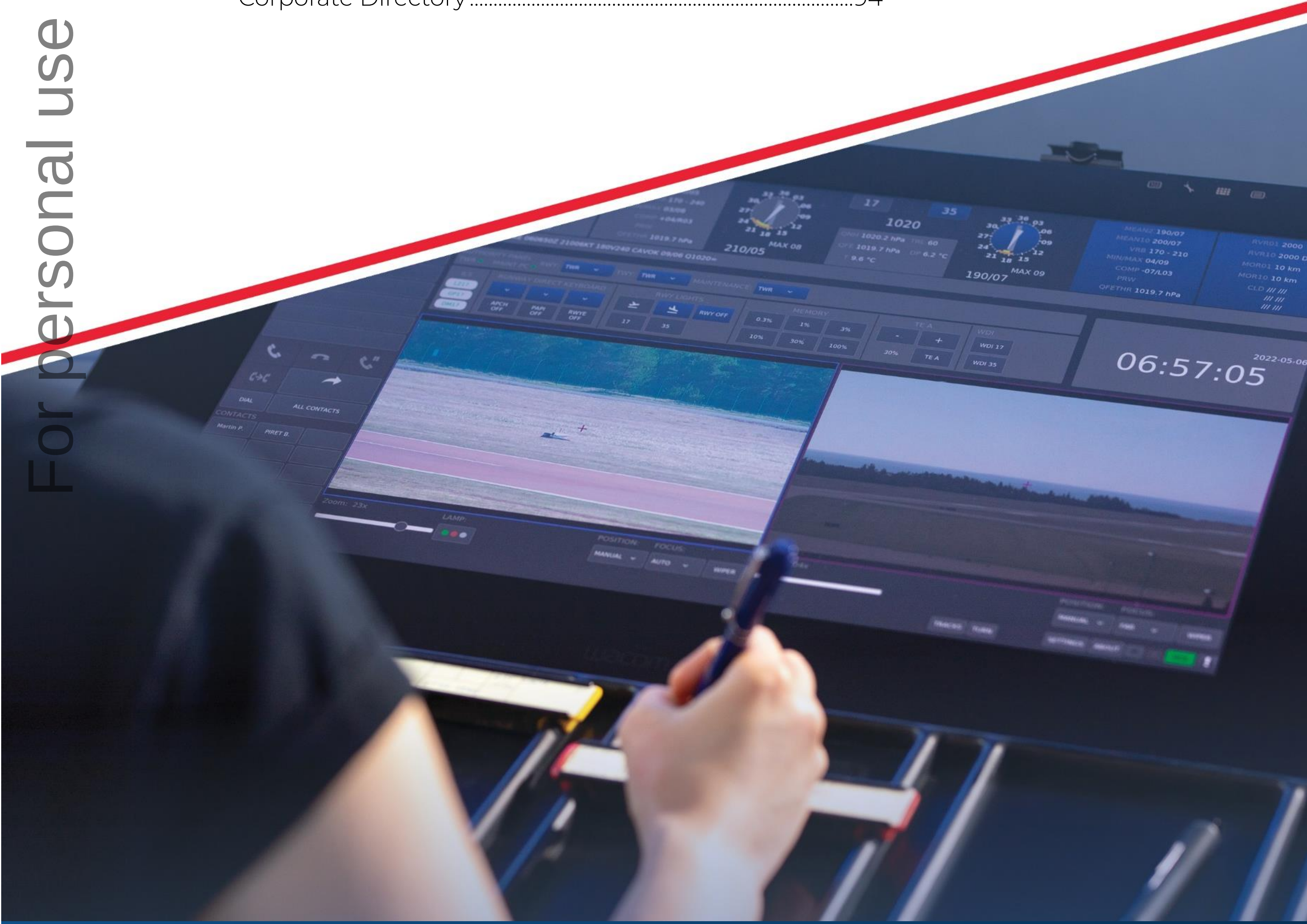


ADACEL

DIRECTORS' REPORT

This annual report from the 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 year ended on 30 June 2024.

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 (ATM) solutions and air traffic control (ATC) 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 2024 and 2023, respectively, are summarised in Table 1 on the following page.

Table 1 - Operating results for the twelve months ended 30 June 2024 and 2023.

KEY FINANCIAL MEASURES	YEAR ENDED 30 JUNE	
USD$'000, except dividends and percentages	**2024**	**2023**
Revenue	30,971	27,250
Gross margin	7,221	8,792
Gross margin %	23.3%	32.3%
Normalized EBITDA*	1,136	2,919
Normalized EBITDA %	3.7%	10.7%
EBITDA	(1,368)	2,919
Normalized profit (loss) before tax (PBT)*	(1,573)	904
Normalized profit (loss) before tax (PBT) %	(5.1%)	3.3%
Profit (loss) before tax (PBT)	(4,077)	904
Net profit (loss) after tax	(4,405)	(77)
Earnings per share (cents)	(5.78)	(0.10)
Net cash	(1,852)	889
Final dividend (unfranked) (cents)	-	AUD1.50
Interim dividend (unfranked) (cents)		AUD1.50
Total dividend (cents)		AUD3.00

**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. Normalized adjustments include the non-cash Impairment Charge of $1.9 million and the one-time restructuring and other charges of $0..6 million.

> In FY2024, Adacel's revenues stood at $31 million, an increase from FY2023.

For the year ended 30 June 2024, the Company delivered a net loss before tax (PBT) of $4.1 million compared to a profit of $0.9 million in FY2023. The results include a non-cash impairment charge of $1.9 million associated with Remote Towers' intellectual property. In addition, the Company recorded a charge of approximately $0.6 million related to severances, restructuring and legal and professional costs. These costs are mainly related to termination costs associated with a reduction of personnel to improve productivity and eliminate inefficiencies. The actions primarily relate to the decision to combine the ATM and Remote Tower business units, thereby streamlining operations and optimizing employee skill sets.

Gross margin decreased to $7.2 million in FY2024 compared to $8.8 million in FY2023. The gross margin includes allocations of overhead and other fixed costs. Despite higher revenues, gross margin was lower in FY2024 due to the mix of revenues. More specifically, the Company recorded $6.9 million of revenues related to the new FAA TSS Hardware Support (H/W) and Software Support (S/W) contracts. Most of this revenue was related to a hardware technical refresh which have lower margins than traditional system deliveries. In addition, during FY2024, the Company had lower revenues and lower gross margin from the Aurora ATM programs given the delay in finalizing the contract for a new program in Portugal. The contract was signed in December 2023. Lastly, the delay in finalizing the United States Air Force (USAF) 5-year contract, which was ultimately signed in February 2024, contributed to lower revenues and gross margin from this particular customer.

In FY2024, the Company reported normalized earnings before interest, taxes, depreciation and amortization (EBITDA) of $1.1 million compared to $2.9 million in FY2023. This decrease is due to the revenue mix associated with new contract wins in FY2024, the delays mentioned earlier in finalizing new contract awards, the non-cash impairment charge related to the Remote Towers business and the one-time restructuring costs. The Company reported EBITDA of $(1.4) million in FY2024 compared to $2.9 million in FY2023.

The Company's net loss after tax in FY2024 stood at $4.4 million, compared to a loss of $0.08 million in FY2023. The higher loss was mainly attributable to the impairment charge related to the Company's Remote Tower business in Estonia and lower margins. The Company continues to believe in the future of the Remote Towers business based on the expanding opportunity pipelines for REVAL, as well as MaxSim and Aurora.

As of 30 June 2024, the Company had a net cash overdraft balance of $1.9 million, compared to a net cash balance of $0.9 million at 30 June 2023. Cash was heavily impacted during the year given the working capital demands of our new H/W Support contract with the FAA. During FY2024, the company paid a total of $0.7 million in dividends to its shareholders (FY2023: $2.4 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

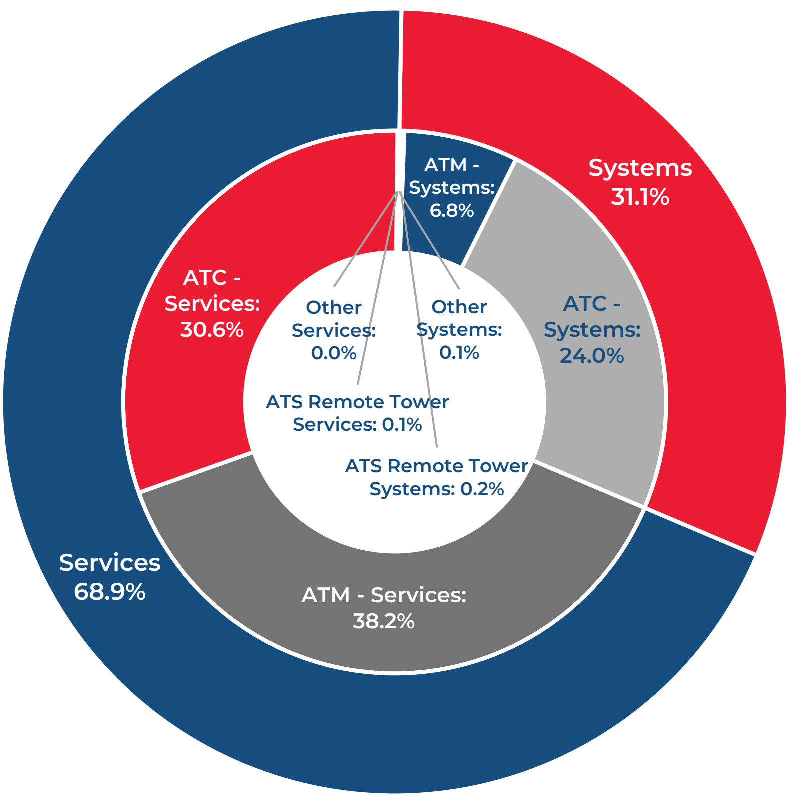
The Company's business segment performance is summarised in Table 2 below:

SEGMENT PERFORMANCE	YEAR ENDED 30 JUNE					
USD $'000, except percentages	2024			2023		
	Revenue	GM	GM%	Revenue	GM	GM %
Systems	9,612	675	7.0%	8,178	991	12.0%
Services	21,359	6,546	30.6%	19,072	7,801	40.9%
Total	30,971	7,221	23.3%	27,250	8,792	32.2%

Table 2 - Business Segment Performance for the twelve months ended 30 June 2024 and 2023.

OPERATING PERFORMANCE

FY2024 Revenue Percentage Per Segment & Product



Systems

During FY2024, revenues in the Systems segment increased to $9.6 million from $8.2 million in FY2023. During the year, revenues related to the new FAA H/W and S/W support contracts and the School House 21 program contributed to the increase offset by lower revenues related to the Aurora ATM projects.

ATM Systems revenues accounted for 6.8% of total revenues in FY2024, compared to 18.8% in FY2023, and amounted to $2.1 million in revenues, compared to $5.1 million in FY2023. The decrease was mainly due to advancement made in FY2023 on the Martinique project as well as the progress made in delivering Aurora in St. Lucia in FY2023. While these programs continued in FY2024, there was less activity when compared to FY2023. The Company had also planned to begin a new ATM project in Portugal earlier in FY2024, but a delay in finalizing the contract resulted in the project only beginning late in H2 FY2024.

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

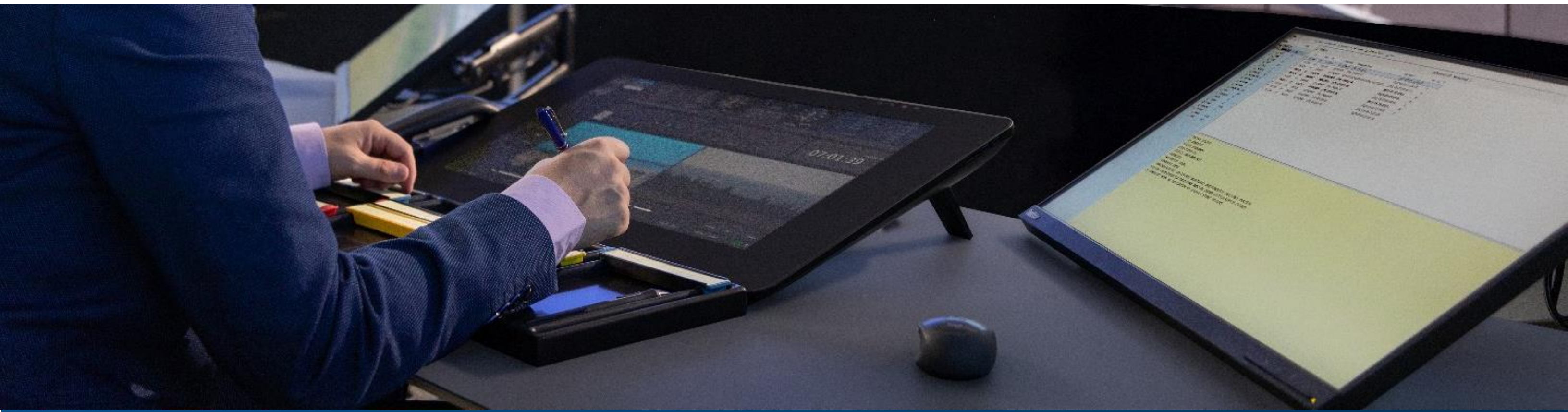
Gross margin decreased from almost $1 million in FY2023 to $0.7 million in FY2024. The reduction in margin was due to the mix of revenues, specifically with the new FAA H/W Support contract where the focus in FY2024 was on delivery of new hardware where the associated margins are lower than the related software component and services component.

Services

The Company's revenues from the Services segment increased to $21.4 million in FY2024 from $19.1 million in FY2023 mainly due to the new FAA H/W and S/W contracts signed in FY2024 offset partially by lower volumes from the USAF given the delay in finalizing the contract renewal. Gross margin for the segment amounted to $6.5 million in FY2024 compared to $7.8 million in FY2023. The reduction in gross margin despite higher revenues is attributable to the revenue mix.

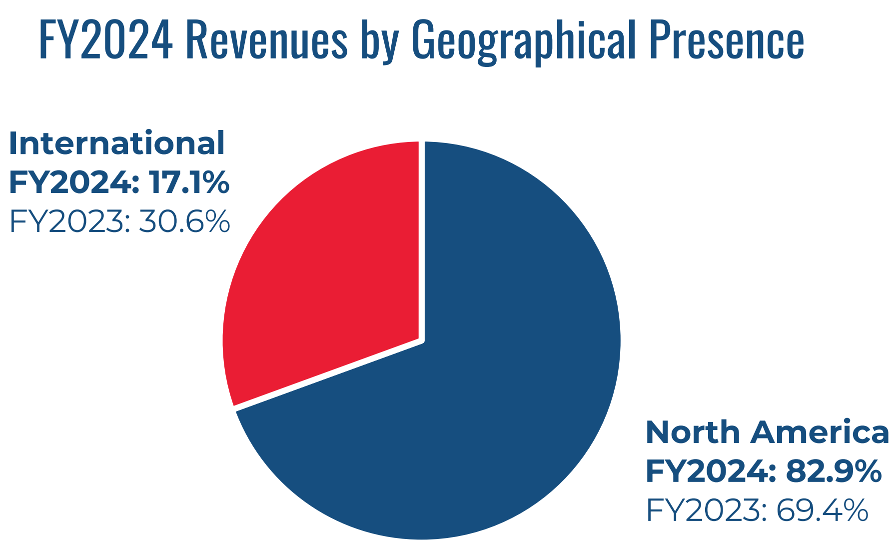
ATM services revenues accounted for 38.2% of consolidated revenues in FY2024, compared to 43.4% last year. The ATC services revenues accounted for 30.6% of FY2024 consolidated revenues, up from 26.4% in FY2023. The change in mix between ATM and ATC services revenues is due to the work related to the new FAA H/W and S/W support contracts which resulted in higher overall ATC revenues. ATM revenues are largely impacted by the Company's ATOP program which was initially awarded in 2001. Adacel continues to work closely with Leidos and the FAA to ensure the successful sustainment and enhancement of ATOP and the Company expects revenues from the ATOP program for FY2025 to be similar to FY2024 levels.

Systems revenues and Services revenues represented 31.1% and 68.9% of total revenues, respectively, in FY2024, compared to 30.0% and 70.0% in FY2023.



FY2024 Revenue by Geographical Presence

The portion of revenues from international customers decreased in FY2024 and represented 17.1% of total revenues, compared to 30.6% for the prior year. The revenues from North American customers accounted for 82.9% of Adacel's total revenues, an increase from 69.4% in FY2023. The change is due to the new FAA H/W and S/W support contracts which began in FY2024. In FY2024, revenues from civil customers made up 81.4% of total revenues compared to 77.7% for the preceding year while revenues from military sources accounted for 19.6% compared to 22.3% last year, as a results of higher sales for FAA H/W and S/W support contracts.



Financial Position

The Company's net assets decreased from $10.8 million in FY2023 to $5.3 million in FY2024. The decrease is due mainly to a reduction of intangible assets following the impairment charge discussed earlier, and an increase in our borrowings and bank overdraft. During the year, the Company drew on its USD$3 million non-revolving demand loan predominantly to meet the anticipated increase in working capital requirements associated with ramping up on the new contracts with the FAA. This entailed the hiring of new personnel and related expenses as well as ramping up on inventory required to deliver the technical refresh portion of the contract. The demand loan will be repaid over 84 months. Since the FAA TSS Hardware Support contract execution began in February, 31 technical refreshes at 17 sites across the US, including 15 at the FAA Academy have been delivered. That represents 28% of the total systems currently used by the FAA to support their training activities. Because of the amount of hardware involved, these technical refreshes required the up-front purchase of various systems and hardware components impacting working capital.

During the year the Company received tax credits and income tax refunds totalling $0.9 million generated in prior years. The Company also paid $0.7 million of dividends during the year.

The Company generated a net cash outflow of $2.3 million from operating activities in FY2024, compared to a cash inflow of $3.7 million in FY2023. The variance is due to a significant increase in working capital requirements associated with the new FAA H/W Support contract. At 30 June 2024, accrued revenue and inventories stood at $4.6 million and $2.0 million, respectively, compared to $3.1 million and $0.4 million, respectively at 30 June 2023. This represents an increase of $3 million.

TAX

Adacel has carry-forward tax losses and credits available in various jurisdictions to offset future taxable profits. At 30 June 2024, reflecting the Board's and management's confidence in future profitability, the Company has a deferred tax asset of $1.2 million (FY2023: $1.7 million) predominantly 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 2024. Tax credits continue to be recognised and utilised in accordance with the Company's policy and applicable accounting standards.

DIVIDENDS

During FY2024, Adacel paid total dividends of USD$0.7 million as the final dividend from FY2023. The Company does not intend to declare a dividend for the year ended 30 June 2024 as it continues to focus on executing its plan for FY2025.

KEY RISKS AND BUSINESS CHALLENGES

Business Risks

Adacel, as a leading provider of advanced Air Traffic Management (ATM) systems and Air Traffic Control (ATC) simulation and training solutions, faces several key risks and business challenges. These challenges span technological advancements, cybersecurity, regulatory compliance, market competition, economic fluctuations, global expansion, supply chain disruptions, talent acquisition, and customer dependence.

> **Adacel's Values:** To develop industry redefining solutions and advance safety and efficiency in aviation.

Technological Advancements and Innovation Risk

- Challenge: The rapid pace of technological change necessitates continuous innovation. Failure to keep up can render Adacel's products obsolete.
- Addressing the Risk: Adacel invests in research and development (R&D) to stay at the forefront of technological advancements.

Cybersecurity Threats

- Challenge: Cyber-attacks can compromise system integrity, leading to operational disruptions and loss of sensitive data.
- Addressing the Risk: Adacel implements robust cybersecurity measures, including regular security audits, employee training, and investing in advanced security technologies to protect its systems and data.

Regulatory Compliance

- Challenge: Compliance with stringent aviation standards from authorities like the Federal Aviation Administration) FAA and International Civil Aviation Organization (ICAO) is essential but demanding.
- Addressing the Risk: Adacel maintains a dedicated Quality team that ensures its products meet regulatory requirements. Adacel engages with regulatory bodies to stay updated on changes and adapt its systems accordingly.

Market Competition

- Challenge: Intense competition from established players and new entrants can erode market share.
- Addressing the Risk: Adacel differentiates itself through continuous innovation, offering superior technology and customer support. Adacel continues to explore strategic partnerships and acquisitions to strengthen its market position.

Economic Fluctuations

- Challenge: Economic downturns can reduce spending on air traffic management infrastructure and training.
- Addressing the Risk: Adacel diversifies its revenue streams across different regions and customer segments, including military and commercial sectors.

Global Expansion and Political Risk

- Challenge: Expanding into new markets involves navigating different regulatory environments and political instability.

- Addressing the Risk: Adacel conducts thorough market research and risk assessments before entering new regions. Adacel establishes local partnerships to navigate regulatory and political landscapes effectively.

Supply Chain Disruptions

- Challenge: Reliance on a network of suppliers makes Adacel vulnerable to supply chain disruptions.
- Addressing the Risk: Adacel diversifies its supplier base and maintains strategic stockpiles of critical components. Adacel also develops contingency plans to manage potential disruptions.

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

Talent Acquisition and Retention

- Challenge: Attracting and retaining skilled professionals in a competitive market is crucial for innovation and operational efficiency.
- Addressing the Risk: Adacel offers competitive compensation, career development opportunities, and a positive work environment to attract top talent. Adacel also invests in training and development programs to retain and upskill its workforce.

Customer Dependence and Diversification

- Challenge: Dependence on a limited number of large customers can significantly impact financial stability.
- Addressing the Risk: Adacel seeks to diversify its customer base by targeting new markets and sectors. Adacel also focuses on building long-term relationships with existing customers through exceptional service and support.

Liquidity Risk

- Challenge: Increased demand on working capital arising from contracts that require the up-front purchase of equipment can significantly impact our liquidity.
- Addressing the Risk: Adacel is constantly working with its (i) customers to ensure that amounts due are paid promptly, (ii) suppliers to ensure we benefit from volume discounts and appropriate payments terms, and (iii) lenders to ensure we have sufficient access to liquidity.

Other Risk

- Challenge: In certain competitive markets, contracts awarded to the Company may be challenged resulting in uncertainty in future revenues and profitability.
- Addressing the Risk: Adacel works closely with its customers to ensure that challenges to contracts awarded to the Company are adequately defended. In addition, Adacel relies on expert legal counsel to represent the Company during the challenge process.

Adacel's approach to addressing these risks and challenges involves a strategic mix of innovation, diversification, and operational excellence. By investing in R&D, enhancing cybersecurity, ensuring regulatory compliance, staying competitive, diversifying revenue streams, expanding globally, managing supply chains, attracting top talent, and diversifying its customer base, Adacel aims to navigate the complexities of its business environment successfully. These efforts are designed to sustain Adacel's market leadership and drive long-term growth.

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

STRATEGIC ACTIVITIES AND OUTLOOK

Looking ahead, Adacel aims to capitalize on growth opportunities in emerging markets and integrate advanced technologies to enhance its product offerings. By leveraging the digital transformation in the aviation industry, Adacel seeks to sustain its market leadership and drive long-term growth, ensuring sustained leadership and growth in its cores markets:

- Air Traffic Control Simulation and Training
- Air Traffic Management
- Technical Services

In FY2024, Adacel unveiled its latest tool bringing together its core market areas, FAST – Framework for Accelerating System Training. FAST is designed to provide real-time training and testing solutions to operational ATM systems. Driven by Adacel's state-of-the-art MaxSim simulator engine, FAST interfaces with ATM systems to augment and enhance the training process. FAST has a variety of applications, some of which include:

- Evaluating concepts of operation and de-risking implementation.
- Validating operational procedures based on realistic traffic scenarios in a representative Controller Working Position (CWP) environment.
- Interfacing with existing systems to simulate training scenarios, emergencies, higher traffic levels, and new ATC procedures.
- Providing a solution for performance or capacity testing.

At Airspace World 2024 in Geneva, Switzerland, Adacel once again took the stage to speak to key stakeholders, government agencies and industry partners. Titled "Accelerated ATC System Training – Interfacing ATM Systems, Remote Towers, and Simulators for Resilience Capacity and Enhanced Training", Adacel provided insights on how simulation of remote or on-premises ATM systems can provide real-time training and testing solutions to evaluate concepts of operations, de-risk implementation, simulate scenarios.

Air Traffic Control Simulation and Training

Adacel's simulation business is strategically positioned for expansion, integrating advanced technologies to meet evolving market demands efficiently. Over the past 12 months, Adacel has focused on advancing its simulation technology and expanding its market reach. The company has made significant investments in research and development to enhance its ATC simulation products, ensuring they remain at the cutting edge of technology.

In FY2024, Adacel announced it joined the CAE-led Team AU Stringer in response to the Commonwealth of Australia's Project AIR 5428 Phase 3, Future Air Mission Training System (F-AMTS). Under the terms of collaboration, if successful, Adacel will support CAE Australia in the provision of state-of-the-art training solutions and services to deliver immersive Air Traffic Control (ATC) training seamlessly integrated within the F-AMTS located at RAAF Base East Sale, Victoria.

Adacel announced two awards from the FAA (i) to provide ATC Tower Simulation System (TSS) Software and Support Services for technical and operational training of Air Traffic Controllers at selected FAA Air Traffic

Control Towers (ATCTs) and (ii) the maintenance and support of the TSS hardware and a full-scale technical refresh for all major components within the TSS large and small systems and TSS Mobile Units. The latter contract remains under protest and Adacel continues to deliver under the terms of the contract whilst reviewing all legal options.

In February 2024, Adacel announced a renewal of its TSS contract with the United States Air Force (USAF). Adacel supports TSS units across the USAF, Air Force Reserve Command, and Air National Guard at both Contiguous United States (CONUS) and Outside the Continental United States (OCONUS) locations. The USAF TSS program scope of work includes Program Management, TSS System Performance of minimum operational Availably Rate, TSS Maintenance Support, TSSC operations, TSS Technical Support, System Relocations, TSS Site Activation and Deployment activities, Visual Database (VDB) and model development and modifications, and software enhancements.

Adacel's simulation business is set for continued growth, fuelled by cutting-edge innovation, expanding markets, and advanced technology integration.

Air Traffic Management (ATM)

Adacel's ATM business is poised for strategic growth, driven by innovative solutions and a commitment to industry-leading standards and practices. In the past 12 months, Adacel has focused on advancing its ATM technology and targeted expanding its market presence, particularly in emerging regions and drive long-term growth. The ATM business was bolstered by the Executive appointment of Neil Bowles as Vice President, Air Traffic Management. Neil provides executive leadership to Adacel's operational ATM technology Business Units which includes Aurora and REVAL, as well as the FAA Advanced Technologies & Oceanic Procedures (ATOP) program.

In FY2024, Adacel announced a new contract with NAV Portugal to prevent runway incursions in Azorean airports where ATC services are provided. The new contract coincided with the 20th anniversary of NAV Portugal and Adacel's relationship. NAV Portugal's Aurora ATM system, also referenced by NAV Portugal as System Atlantico or SATL, provides state-of-the-art air traffic management services in the Santa Maria Flight Information Region (FIR) and is also used to control traffic at four airports in the Azores. The new upgrade will automate various actions and extend the surveillance coverage to improve the prevention and immediate detection of runway incursions. The update will also include new functionalities to simplify air traffic controller interactions with the system and enhance the displayed information.

In FY2024, Adacel and Estonian Air Navigation Services (EANS) announced that the REVAL air traffic remote tower system at Kuressaare Airport (EEKE) transitioned into operational service. The system at Kuressaare received its air traffic service approval from the Estonian Transport Administration (ETA) on 8 May 2024.

Technical Services

Adacel's technical services business continued to grow in FY2024, driven by its commitment to delivering exceptional support and solutions. With a robust foundation in aviation and simulation technologies, Adacel offers specialized technical expertise to both the FAA and US Department of Defence. Adacel's proactive approach to expanding service capabilities and enhancing client relationships positions it strongly in the market, paving the way for sustained growth and leadership in technical services.

FY2025 Financial Outlook

For FY2025, the Company anticipates a normalized EBITDA of between $4.0 million and $5.0 million.

In FY2024, the Company focused on staffing up for the new FAA H/W and S/W support contracts signed in H1 FY2024 as well as investing in inventory required to deliver the technical refresh across the FAA's 111 sites in the US. In FY2025, the Company will continue to deliver on both these contracts and expects the pressure on working capital to subside in early H2 FY2025. The backlog for FY2025 is strong with the recent 5-year renewal to continue its long-standing service provision for the USAF's Tower Simulator System (TSS) program and new contract awards from existing customers such as Nav Portugal's contract to prevent runway incursions in Azorean airports. With a robust pipeline across Adacel's three product lines, the Company is actively pursuing very specific opportunities that are expected to be awarded in the next 12 months with some expected to contribute as early as FY2025. In addition, our cost base has been adjusted following the restructuring plan carried out in June 2024.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no significant events since 30 June 2024.

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 the following public-traded companies: OneSpan, Powerfleet, QuikFee and Beonic. Additionally, he serves on the advisory Board at Jacob Stern & Sons and is the Non-executive Chairman of Thorney Investments North America, both private companies. 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, fin-tech 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 of 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.

SALLY MCDOW

COMPANY SECRETARY

Ms. McDow is a corporate governance and finance professional with extensive experience as a company secretary, and governance advisor working with both private and public listed companies. She is the holder of a Bachelor of laws (LLB), admitted as a solicitor, and holder of a Master of Business Administration (MBA), a graduate of the Governance Institute of Australia and a graduate of the Australian Institute of Company Directors. Ms. McDow is the person appointed under Listings Rule 12.6 to be responsible for communication with the ASX in relation to Listing Rules Matters.

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 DIRECTORS		MEETINGS OF COMMITTEES: AUDIT AND RISK MANAGEMENT		MEETINGS OF COMMITTEES: REMUNERATION	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Michael McConnell	5	5	4	3	2	2
Natalya Jurcheshin	5	5	4	4	2	2
Peter Landos	5	5	4	3	N/A	2
Silvio Salom	5	5	4	4	2	2

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.

ADACEL

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 21 November 2023 AGM, 91.54% 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 2024, 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	ORDINARY DIVIDEND DECLARED (PER SHARE)
	$	$	AUD$	$'000'S	AUD CENTS
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
2024	(4,077)	(4,405)	0.47 to 0.88	37	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 tables on the following pages.

The key management personnel of the Group were the directors of Adacel Technologies Limited (see pages 15-16) in addition to:

- Daniel Verret, the Chief Executive Officer (CEO) and interim Chief Financial Officer (CFO)
- Michael Saunders, the Vice President, Business Development and Strategy
- Neil Bowles, the Vice President, Air Traffic Management
- Kevin Pickett, the Vice President of Operations (departed on 27 September 2023)

2024 Emoluments of the Directors and Key Management Personnel

2024 IN USD$	SHORT-TERM EMPLOYEE BENEFITS CASH SALARY AND FEES	 CASH BONUS	 NON-MONETARY	 OTHER	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION	OTHER TERMINATION BENEFITS	SHARE-BASED PAYMENTS RIGHTS & OPTIONS	TOTAL
Non-Executive Directors								
Michael McConnell *(Chairman)*	62,282	-	-	-	17,489	-	-	79,771
Peter Landos**	32,783	-	-	-	3,606	-	-	36,389
Natalya Jurcheshin	42.617	-	-	-	4,474	-	-	47,091
Silvio Salom	32,783	-	-	-	3,606	-	-	36,389
Sub-total: Non-Exec Directors	**170,465**	**-**	**-**	**-**	**29,175**	**-**	**-**	**199,640**
Other Key Management								
Daniel Verret	302,628	19,348	24,953	-	16,992	-	-	363,921
Michael Saunders	188,687	13,286	38,706	-	10,048	-	31,933	282,660
Neil Bowles***	90,936	4,713	13,655	-	416	-	-	109,720
Kevin Pickett****	106,208	-	-	-	2,490	46,250	-	154,948
Sub-total: Other Key Management	**688,459**	**37,347**	**77,314**	**-**	**29,946**	**46,250**	**31,933**	**911,249**
Total Key Management Personnel Compensation	**858,924**	**37,347**	**77,314**	**-**	**59,121**	**46,250**	**31,933**	**1,110,889**

**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.*
**** Neil Bowles started at Adacel on 1 January 2024*
***** Kevin Pickett departed Adacel on 27 September 2023*

2023 Emoluments of the Directors and Key Management Personnel

2023	SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER	SHARE-BASED PAYMENTS	
IN USD$	CASH SALARY AND FEES	CASH BONUS	NON-MONETARY	OTHER	SUPER-ANNUATION	TERMINATION BENEFITS	RIGHTS & OPTIONS	TOTAL
Non-Executive Directors								
Michael McConnell *(Chairman)*	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	-	-	-	3,357	-	-	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 Picket***	185,100	15,000	27,108	-	9,250	-	-	236,458
Michael Saunders	175,671	48,129	32,413	-	8,783	-	32,815	297,811
Maura 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.*

**** Kevin Pickett departed Adacel on 27 September 2023*

***** Mauro Ferrara departed Adacel on 5 May 2023*

C. SERVICE AGREEMENTS

Remuneration and other terms of employment for the key management personnel (KMP) 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 - Fixed-term agreement was executed on 15 April 2024 ending on 30 June 2026.
- Base salary, superannuation, automobile allowance, and medical/health insurance benefits for the year ended 30 June 2024 of $344,573. 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 $19,348 has been earned for the year ended 30 June 2024. 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 761,000 performance rights and 483,000 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 2024 of $269,374. This equates to 95% 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 $ 13,286 has been earned for the year ended 30 June 2024. This equates to 5% 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 and would vest over time, based on the vesting condition of continuous employment until 30 June 2024. The performance rights vested on 30 June 2024. An amount of $31,933 was recognized during the year. Mr. Saunders also has 290,000 performance rights and 285,000 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. These equate to 11% of his total earnings.

Neil Bowles (Vice President, Air Traffic Management) – began 2 January 2024

- Term of agreement - No fixed term.
- Base salary, superannuation and medical/health insurance benefits for the year ended 30 June 2024 of $105,007. This equates to 96% 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. Bowles is eligible for performance-related cash bonuses as determined by the Board. An amount of $4,713 has been earned for the year ended 30 June 2024. This equates to 4% of his total earnings.
- Participation, when eligible, in the ADA Executive Share Option and Performance Rights Plan.

Kevin Pickett (Vice President, Operations) – departed 27 September 2023

- Term of agreement - No fixed term.
- Base salary, superannuation and medical/health insurance benefits for the year ended 30 June 2024 of $ 108,698. This equates to 71% of his total earnings.
- There is no defined contractual obligation to provide a benefit upon termination of employment. However, a payment $ 46,250 for early termination benefits, other than for cause, was paid during the current fiscal year. This equates to 29% of his total earnings.
- There is no contractual provision for performance-related cash bonuses. However, Mr. Pickett was eligible for performance-related cash bonuses as determined by the Board.
- Participation, when eligible, in the ADA Executive Share Option and Performance Rights Plan.

Eryl Baron (Company Secretary) – departed 17 August 2023

- 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.

Sally McDow (Company Secretary) – began 17 August 2023

- Term of agreement – Effective 17 August 2023.
- Ms. McDow 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 (AGM) in November 2017 and subsequently re-approved by the shareholders at the AGMs in November 2020 and November 2023 (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 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 2024, the ADA Executive Share Option and Performance Rights Plan is described in note 34 and 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/OROPTIONS VESTING (%)	VESTING CONDITIONS
FY2024		Continuous Employment until 30 June 2026
	75%	An average annual growth rate in revenue of 10%, or greater, over the three years beginning with FY2024.
	25%	An average annual return on invested capital (ROIC) of 26%, or greater, over the three years beginning with FY2024.
FY2023		Continuous Employment until 30 June 2025
	75%	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		Continuous Employment until 30 June 2024
	75%	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.

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
September 2023	August 2026	30 June 2031	0.56	0.16	To be determined	-

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 2023	August 2026	30 June 2031	0.56	To be determined	N/A
September 2022	August 2025	30 June 2030	0.69	To be determined	N/A
September 2021*	June 2024	30 June 2029	1.27	Achieved	Yes
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	No

* These rights grant 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.

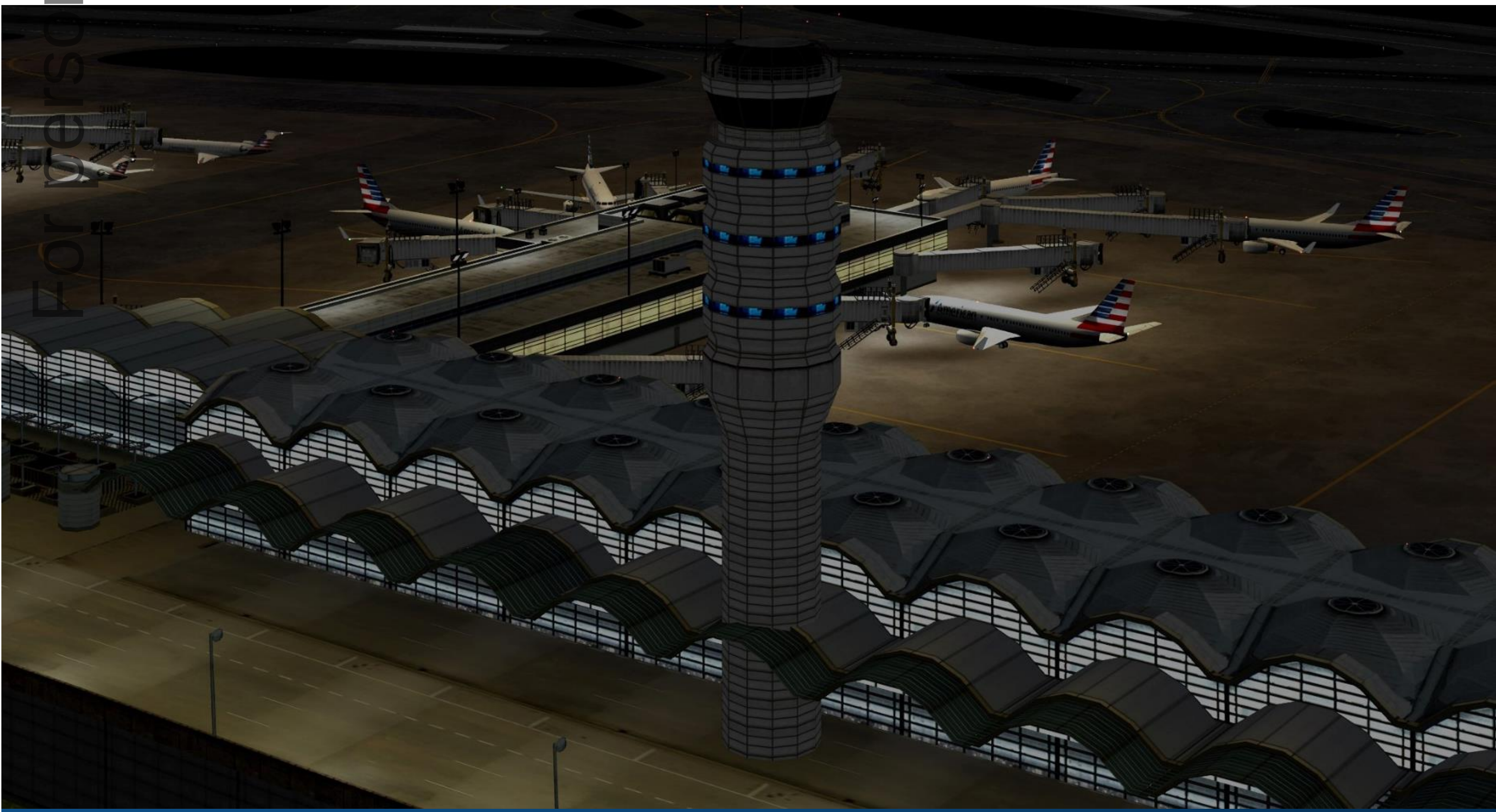
2024 NAME & GRANT DATES	BALANCE AT THE START OF THE YEAR (UNVESTED)	GRANTED DURING YEAR	VESTED NUMBER	VESTED %	EXERCISED	FORFEITED NUMBER	FORFEITED %	OTHER CHANGES	BALANCE AT THE END OF THE YEAR (VESTED AND EXERCISABLE)	BALANCE AT THE END OF THE YEAR (UNVESTED)
D Verret										
Sept 2023	-	483,000	-	-	-	-	-	-	-	483,000
July 2020	523,000	-	-	-	-	523,000	-	-	-	-
K Pickett										
July 2020	312,000	-	-	-	-	312,000	-	-	-	-
Aug 2019	286,000	-	286,000	100	-	-	-	-	286,000	-
M Saunders										
Sept 2023	-	285,000	-	-	-	-	-	-	-	285,000

Performance Rights

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

NAME	FISCAL YEAR GRANTED	BALANCE AT THE START OF THE YEAR (UNVESTED)	GRANTED DURING YEAR	VESTED NUMBER	VESTED %	FORFEITED NUMBER	FORFEITED %	BALANCE AT THE END OF THE YEAR (UNVESTED)	MAXIMUM VALUE YET TO VEST* $AUD
D Verret									
	2024	-	241,000	-	-	-	-	241,000	134,960
	2023	-	326,000	-	-	-	-	326,000	224,940
	2022	194,000	-	-	-	-	-	194,000	246,380
	2021	226,000	-	-	-	226,000	-	-	-
K Pickett									
	2023	-	184,000	-	-	184,000	-	-	-
	2022	106,000	-	-	-	106,000	-	-	-
	2021	135,000	-	-	-	135,000	-	-	-
M Saunders**									
	2024	-	142,000	-	-	-	-	142,000	79,520
	2023	-	184,000	-	-	-	-	184,000	126,960
	2022	206,000**	-	100,000	49%	-	-	106,000	134,620

* 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. These vested on 30 June 2024.



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.

2024 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	-	-	-	-	-	-	-

2023 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	1,250,000	-	-	-	-	-	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	-	-	-	-	-	-	-

Kevin Pickett departed Adacel on 27 September 2023

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 of 30 June 2024 (FY2023: 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	
	2024	2023
Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services	20,211	18,108
	20,211	18,108
Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance services	67,366	78,473
Tax consulting services	6,111	11,495
	73,477	89,968
Other Assurance Services	1,546	-
Total remuneration for taxation services	95,235	108,076

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 33.

ROUNDING

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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 90.

Signed in accordance with a resolution of the Directors.

Michael McConnell	Natalya Jurcheshin
Chairman	**Director**

Melbourne, 14 August 2024

Auditor's Independence Declaration

As lead auditor for the audit of Adacel Technologies Limited for the year ended 30 June 2024, 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.

Matthew Probert
Partner
PricewaterhouseCoopers

Melbourne
14 August 2024

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

ADACEL TECHNOLOGIES LIMITED
ABN 15 079 672 281

ANNUAL FINANCIAL STATEMENTS – 30 JUNE 2024

Contents **Page**

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
Suite 31, Level 4
150 Albert Road
SOUTH MELBOURNE, VIC, 3205

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 17, which does not form part of this financial report.

The financial report was authorised for issue by the directors on 14 August 2024. 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 2024 (in US Dollars)

	Notes	Consolidated 2024 $'000	2023 $'000
Revenue from contracts with customers	5	**30,971**	27,250
Interest income		**-**	48
Other income	6	**1,530**	1,353
Net foreign exchange gain (loss)		**68**	(234)
Materials and consumables		**(8,170)**	(4,146)
Labour expense		**(20,769)**	(18,977)
Depreciation and amortisation expense		**(1,970)**	(1,683)
Finance costs		**(739)**	(380)
Restructuring and Other Charges	20	**(584)**	-
Impairment charge	15	**(1,920)**	-
Other expenses		**(2,494)**	(2,327)
Profit (loss) before tax		**(4,077)**	904
Income tax expense	8	**(328)**	(981)
(Loss) from continuing operations, net of tax		**(4,405)**	(77)
Other comprehensive (loss)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	23	**(374)**	(591)
Total other comprehensive (loss), net of tax		**(374)**	(591)
Total comprehensive (loss) for the year		**(4,779)**	(668)
(Loss) for the year is attributable to:			
Owners of Adacel Technologies Limited		**(4,405)**	**(77)**
Total comprehensive (Loss) for the year is attributable to:			
Owners of Adacel Technologies Limited		**(4,779)**	**(668)**
Earnings per share for (Loss) attributable to the ordinary equity owners of the Company:		**Cents**	Cents
Basic (loss) per share (cents per share)	33	**(5.78)**	(0.10)
Diluted (loss) per share (cents per share)	33	**(5.78)**	(0.10)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (in US Dollars)

	Notes	Consolidated 30 June 2024 $'000	30 June 2023 $'000
Current assets			
Cash	9	**1,548**	909
Trade and other receivables	10	**7,560**	7,605
Accrued revenue	5	**4,596**	3,079
Inventories	11	**2,033**	439
Other financial assets	12	**17**	16
Total current assets		**15,754**	12,048
Non-current assets			
Property, plant and equipment	14	**1,318**	639
Intangible assets	15	**2,643**	4,685
Right-of-use assets	16	**4,549**	3,161
Tax receivable		**532**	1,151
Deferred tax asset	17	**1,205**	1,698
Other financial assets	13	**100**	105
Total non-current assets		**10,347**	11,439
Total assets		**26,101**	23,487
Current liabilities			
Bank overdraft	21	**3,400**	20
Borrowings	21	**2,589**	-
Trade and other payables	18	**4,821**	2,747
Advance payments from customers	5	**1,482**	2,796
Current tax liabilities	8	**540**	1,034
Provisions	20	**2,272**	1,500
Lease liabilities	16	**640**	922
Total current liabilities		**15,744**	9,019
Non-current liabilities			
Lease liabilities	16	**4,181**	2,754
Deferred tax liability	17	**868**	930
Total non-current liabilities		**5,049**	3,684
Total liabilities		**20,793**	12,703
Net assets		**5,308**	10,784
Equity			
Contributed equity	22	**53,189**	53,189
Reserves	23	**(6,933)**	(6,595)
Accumulated losses	23	**(40,948)**	(35,810)
Total equity		**5,308**	10,784

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 2024 (in US Dollars)

		Attributable to the owners of Adacel Technologies Limited			
		Contributed Equity	Reserves	Accumulated Losses	Total Equity
	Notes	$'000	$'000	$'000	$'000
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	23	-	(591)	-	**(591)**
Total comprehensive income for the year		**-**	**(591)**	**(77)**	**(668)**
Transactions with owners in their capacity as owners:					
Share buyback equity reductions	22	(103)	-	-	**(103)**
Employee share schemes – value of employee services	23	-	35	-	**35**
Dividends provided for or paid	24	-	-	(2,368)	**(2,368)**
		(103)	**35**	**(2,368)**	**(2,436)**
Balance at 30 June 2023		**53,189**	**(6,595)**	**(35,810)**	**10,784**
Balance at 1 July 2023		**53,189**	**(6,595)**	**(35,810)**	**10,784**
Loss for the year		-	-	(4,405)	**(4,405)**
Exchange differences on translation of foreign operations	23	-	(374)	-	**(374)**
Total comprehensive income for the year		**-**	**(374)**	**(4,405)**	**(4,779)**
Transactions with owners in their capacity as owners:					
Employee share schemes – value of employee services	23	-	36	-	**36**
Dividends provided for or paid	24	-	-	(733)	**(733)**
		-	**36**	**(733)**	**(697)**
Balance at 30 June 2024		**53,189**	**(6,933)**	**(40,948)**	**5,308**

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 2024 (in US Dollars)

	Notes	Consolidated	
		2024	2023
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		**29,365**	29,686
Payments to suppliers and employees		**(32,671)**	(26,703)
Payments for research and development expenditure		**(75)**	(76)
Refund of security deposits		**-**	50
Payments for security deposits		**5**	(72)
		(3,376)	2,885
Interest received		**-**	48
Income tax received		**857**	426
Tax credits refunded		**933**	724
Finance costs		**(739)**	(380)
Net cash inflow (outflow) from operating activities	30	**(2,325)**	3,703
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,078)**	(399)
Payments for intellectual property and developments costs		**(507)**	(851)
Net cash outflow from investing activities		**(1,585)**	(1,250)
Cash flows from financing activities			
Dividend paid	24	**(733)**	(2,368)
Principal elements of lease payments	16	**(784)**	(894)
Shares repurchased through on market buy-back	22	**-**	(103)
Proceeds from new loan		**3,000**	-
Loan repayment		**(411)**	-
Net cash inflow (outflow) from financing activities		**1,072**	(3,365)
Net increase / (decrease) in cash		**(2,838)**	(912)
Cash and bank overdraft at the beginning of the financial year	9	**889**	1,898
Effects of exchange rate changes on cash		**97**	(97)
Cash and bank overdraft at the end of the financial year	9	**(1,852)**	889

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

Contents of the notes to the consolidated statements

1. SUMMARY OF MATERIAL 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 (Company).

(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 14, 2024.

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

The financial statements have been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2024, the Group incurred a loss after tax of $4.4 million (2023: loss of $0.08 million) and incurred net cash outflows from operating activities of $2.3 million (2023: inflows $3.7 million). As of 30 June 2024, the Group had a Cash and Cash Equivalents balance of $1.6 million, and net current assets of $0.01 million (2023: net current assets of $3.0 million). Current liabilities as at 30 June 2024 includes borrowings of $2.6 million and $3.5 million of a revolving credit facility. As of 30 June 2024, Adacel was not compliant with its original banking covenants, and an amendment to the original letter of agreement was signed on 20 June 2024 with a modification of the covenants for a period of 12 months, where a reporting would be completed monthly instead of quarterly.

The loss for the year was mainly attributable to the impairment charge related to the Group's remote tower business intellectual property in Estonia, a one-time restructuring charge and lower margins when compared to FY2023. During the year, the Company drew on its $3 million nonrevolving demand loan predominantly to meet the anticipated increase in working capital requirements associated with ramping up on the new contracts with the FAA. This entailed the hiring of new personnel and related expenses as well as ramping up on inventory required to deliver the technical refresh portion of the contract.

As at 30 June 2024 the Group has unused bank facilities of $2.3 million.

The Directors are confident that the Group has the adequate cash resources to meet its obligations and continue its business activities having given regard to 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2024 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(h) 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.

(i) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(o) 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).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(t) 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate.

(v) 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.

(vi) 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.

(u) 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.

(v) 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.

(w) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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 2023

a) AASB 17 Insurance Contracts
b) AASB 1056 Superannuation Entities - New principal version, issued in December 2023
c) AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates
d) AASB 2021-5 Amendments to Australian Accounting Standards - Deferred - Tax related to Assets and Liabilities arising from Single Transaction
e) AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards
f) AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
g) AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
h) AASB 2022-8 Amendments to Australian Accounting Standards - Insurance Contracts: Consequential Amendments
i) AASB 2023-2 Amendments to Australian Accounting Standards - International Tax Reform – Pillar Two Model Rules
j) IAS 1 Amendments to International Financial Reporting Standards – Disclosure of Accounting Policies: Materiality Practice Statement

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 2024 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.

(y) Impairment of assets

The Company reviews long-lived assets and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

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 Executive 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

		Consolidated	
	Notes	**30 June 2024 $'000**	30 June 2023 $'000
Financial assets			
Cash	9	**1,548**	909
Trade receivables	10	**3,328**	2,965
Foreign exchange forwards	12	**17**	16
Deposits	13	**100**	105
		4,993	3,995
Financial liabilities			
Bank Overdraft	21	**3,400**	20
Borrowings	21	**2,589**	-
Trade and other payables	18	**4,821**	2,747
Lease liabilities	16	**4,821**	3,676
		15,631	6,443

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 2024**			30 June 2023		
	USD	**EURO**	**GBP**	USD	EURO	GBP
	$'000	**€'000**	**£'000**	$'000	€'000	£'000
Cash	**(12)**	**76**	**-**	740	19	-
Trade and other receivables	**2,117**	**240**	**-**	1,414	502	-
Foreign exchange forwards	**-**	**-**	**-**	1,650	-	-
Trade and other payables	**(221)**	**(42)**	**(2)**	(95)	3	(2)

Sensitivity
Based on the financial instruments held at 30 June 2024, 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 $126,000 lower/$154,000 higher (in 2023, the post-tax profit would have been $142,000 lower/$173,000 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 $27,000 lower/$33,000 higher (in 2023, the post-tax profit would have been $52,000 lower/$63,000 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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) 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 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 2024		30 June 2023	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Cash at bank[1]	**0.03**	**1,669**	0.04	1,722
Gross overdraft	**7.95**	**(3,521)**	7.45	(833)
Loan	**7.95**	**(2,589)**	-	-
Net exposure to cash flow interest rate risk		**(4,441)**		889

[1] As at June 30 2024, the consolidated statement of financial position discloses cash at bank of $1,548,000 and an overdraft of $3,400,000 (2023: $909,000 and $20,000 respectively). The amounts in the above tables reflect the net overdraft position of Adacel's subsidiary company, Adacel Inc, which has cash at the bank of $121,000 and an overdraft of $3,521,000 (2023: $813,000 and $833,000 respectively). Thus, the consolidated interest bearing cash position is $1,669,000 (2023: $1,742,000).

Sensitivity

The Company's main interest rate risk arises from loans and other receivables with variable interest rates. Had the interest rate increased/decreased by 10%, with all other variables held constant, the Company's post tax profit for the year would have been $49,000 lower/$49,000 higher (in 2023, the impact would not have been material).

(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.

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 Executive 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 2024	**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	**4,821**	**-**	**-**	**-**	**4,821**	**4,821**
Lease liabilities	**628**	**618**	**2,130**	**3,867**	**7,243**	**4,821**
Total	**5,449**	**618**	**2,130**	**3,867**	**12,064**	**9,642**

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
Commitments	156	341	1,096	2,335	3,928	-
Total	3,742	912	2,805	3,000	10,459	6,423

The carrying amount 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 (o). 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 amortization, and in certain instances through impairment charges, as stated in note 1 (o).

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	
	2024	2023
	$'000	$'000
Customer one	**9,900**	10,300
Customer two	**6,900**	-
Customer three	**3,300**	3,800
	20,100	14,100

During the 2024 financial year, revenues of approximatively 65% have been derived from three external customers. These customers are in North America, and the amount of revenues from them during the year were approximately $9,900,000, $6,900,000 and $3,300,000. In 2023, 52% of revenues were from two of those customers, individually amounting to $10,300,000 and $3,800,000 respectively.

4. SEGMENT INFORMATION (CONTINUED)

(c) Segment Information for the year ended 30 June 2024

	Notes	Systems		Services		Total	
		2024 $'000	2023 $'000	**2024 $'000**	2023 $'000	**2024 $'000**	2023 $'000
Operations							
Total segment revenue	5	**9,612**	8,178	**21,359**	19,072	**30,971**	27,250
Total segment margin		**675**	991	**6,546**	7,801	**7,221**	8,792
Other income	6					**1,530**	1,353
Interest income						**-**	48
Net foreign exchange (loss)/gain						**68**	(234)
R&D expenses						**(783)**	(365)
S&M expenses						**(3,058)**	(3,114)
G&A expenses						**(3,842)**	(3,513)
Depreciation & amortisation	7					**(1,970)**	(1,683)
Restructuring and other charges						**(584)**	-
Impairment charges						**(1,920)**	-
Interest & finance charges	7					**(739)**	(380)
Profit / (loss) before income tax						**(4,077)**	904
Income tax expense						**(328)**	(981)
Profit / (loss) after income tax						**(4,405)**	(77)

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	
	2024 $'000	2023 $'000	**2024 $'000**	2023 $'000	**2024 $'000**	2023 $'000	**2024 $'000**	2023 $'000	**2024 $'000**	2023 $'000
Total Segment Revenue	**15,784**	8,794	**14,728**	17,746	**368**	512	**91**	198	**30,971**	27,250
Total non-current assets	**3,664**	1,778	**6,191**	7,090	**183**	2,231	**309**	340	**10,347**	11,439

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

	Consolidated	
	2024	2023
	$'000	$'000
Sales revenue		
Sale of services and systems	**30,971**	27,250
	30,971	27,250
Timing of revenue recognition		
At a point in time	**5,983**	2,320
Over time	**24,988**	24,930
	30,971	27,250

As of June 30, 2024, the unsatisfied performance obligation resulting from contracts with customers is approximately $20,430,000 (2023: $14,120,000). Management expects that 88% of the unsatisfied contracts will be recognised as revenue during the next annual reporting period. The remaining 12% is expected to be recognised as revenue by fiscal year 2032.

The Company also has a provision for onerous customer contracts (note 20).

(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	
	2024	2023
	$'000	$'000
Accrued revenue		
At 1 July	**3,079**	3,277
Revenue recognised, but not billed	**9,585**	8,543
Revenue billed during the year	**(8,035)**	(8,681)
Impact of foreign currencies	**(33)**	(60)
At 30 June	**4,596**	3,079
Advanced payments from customers		
At 1 July	**2,796**	2,841
Payments received for which revenue has not previously been recognized	**20,028**	17,662
Revenue recognised during the year	**(21,295)**	(17,645)
Impact of foreign currencies	**(47)**	(62)
At 30 June	**1,482**	2,796

6. OTHER INCOME

	Consolidated	
	2024	2023
	$'000	$'000
Other Income		
Quebec Tax Credits	**1,085**	1,176
Canadian Emergency Wage Subsidy Programs and Other	**445**	177
	1,530	1,353

The Company is eligible for tax credits of approximately $1,085,000 (2023: $1,176,000) 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. No government assistance was received in 2024 under the Canadian Subsidy Programs (Wages and Rent) (2023: $165,000).

7. EXPENSES

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	
	2024	2023
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation of property, plant & equipment:		
Leasehold improvements	**39**	7
Furniture, fittings and equipment	**349**	294
Total depreciation	**388**	301
Amortisation of Intangibles assets	**543**	496
Depreciation of Right-of-use assets	**1,039**	886
Legal fees and settlements	**186**	64
Defined contribution superannuation expense	**988**	1,029
Onerous contract expense/(reversal)	**28**	(23)
Research and development (inclusive of labour)	**783**	365

8. INCOME TAX

	Consolidated 2024 $'000	Consolidated 2023 $'000
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit (loss) from continuing operations before income tax expense	**(4,077)**	904
Income tax calculated at the effective tax rate	**(1,078)**	220
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Canadian Federal income tax credits	**(335)**	(539)
Other items (net)	**(219)**	45
Current year tax losses not brought to account	**1,603**	771
Taxable R&D tax credits	**(63)**	143
Reversal of previously booked tax losses	**226**	175
Income tax under provided in prior years	**136**	83
Withholding tax on overseas remittances	**42**	92
Other Items	**16**	(9)
Income tax expense	**328**	981
(b) Income tax expense		
Current tax expense	**(81)**	491
Deferred tax expense	**409**	622
Adjustments for current tax of prior periods	**-**	(132)
	328	981
Income tax expense is wholly attributable to continuing operations		
(c) Estimated unrecognised tax losses and tax credits		
Australia – tax losses	**27,613**	25,409
Canada – Federal tax credits	**31,403**	31,794
United States – tax losses	**520**	2,971
Total gross tax losses and credits	**59,536**	60,174
Potential tax benefit at applicable tax rates*	**13,120**	13,109
(d) Estimated unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised	**144**	144
Potential tax benefit at applicable tax rates*	**43**	43

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

9. CURRENT ASSETS - CASH

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Cash at bank and in hand	**1,548**	909
	1,548	909

(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	**1,548**	909
Bank overdraft (note 21)	**(3,400)**	(20)
Balances per consolidated statement of cash flows	**(1,852)**	889

(b) Cash at bank and in hand

Cash at bank is interest bearing at rates of 0.0% to 2.8% (2023: 0.0% to 2.6%).

(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 2024 $'000	30 June 2023 $'000
Trade receivables	**3,328**	**2,965**
Sundry debtors	**409**	**592**
Provincial tax credits	**3,146**	**3,265**
Prepayments	**677**	**783**
	7,560	**7,605**

10. CURRENT ASSETS – TRADE, OTHER RECEIVABLES (CONTINUED)

(a) Past due but not impaired

As of 30 June 2024, trade receivables of approximately $2,197,000 (2023: $378,000) were past due but not impaired. Whilst these amounts are past due, payment is expected to be received in full.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Up to 3 months	**1,024**	162
3 to 6 months	**403**	42
Over 6 months	**166**	174
	1,593	378

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 – INVENTORIES

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Current		
Inventory	**297**	240
Work-in-progress on contracts	**1,736**	199
	2,033	439

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

The Company has the following financial instruments measured and recognised at fair value at 30 June 2024:

	2024	2023
	$'000	$'000
Financial Assets/(Liabilities)	**Level 2**	Level 2
Foreign exchange forwards	**17**	16

(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 2024, 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 2024	30 June 2023
	$'000	$'000
Deposits	**100**	105

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

	Consolidated		
	Furniture, fittings & equipment	Leasehold improvements	Total
	$'000	$'000	$'000
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
Year ended 30 June 2024			
Opening net book value	623	16	639
Additions	426	651	1,077
Depreciation expense	(349)	(39)	(388)
Exchange differences	(10)	-	(10)
Closing net book amount	690	628	1,318
At 30 June 2024			
Cost	4,070	1,517	5,587
Accumulated depreciation	(3,380)	(889)	(4,269)
Net book amount	690	628	1,318

15. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated				
	Core intellectual property	Purchased intellectual property	Internally generated software	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000
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	-	(94)	(46)	-	(140)
Closing net book amount	-	2,270	2,415	-	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
Year ended 30 June 2024					
Opening net book value	-	2,270	2,415	-	4,685
Additions	-	-	499	-	499
Impairment	-	(1,920)	-	-	(1,920)
Amortisation expense	-	(300)	(243)	-	(543)
Exchange differences	-	3	(81)	-	(78)
Closing net book amount	-	53	2,590	-	2,643
At 30 June 2024					
Cost	10,472	1,180	3,082	1,678	16,412
Accum amortisation & impairment	(10,472)	(1,127)	(492)	(1,678)	(13,769)
Net book amount	-	53	2,590	-	2,643

[1] In 2022, the Company acquired the virtual ATC tower Intellectual Property ("IP") from Cybernetica, an Estonian based entity, for cash consideration of €2,500,000 ($2,675,000). 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 2024, it was determined that ATC tower IP was fully impaired following the revision of the Company's assessment of forecasted earnings and profitability generated by the IP. A net impairment of $1,920,000 was recorded on June 30, 2024 as a result of the assessment.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Right-of-use assets		
Buildings	**4,445**	3,123
Equipment	**56**	10
Vehicles	**48**	28
	4,549	3,161
Lease liabilities		
Current	**640**	922
Non-current	**4,181**	2,754
	4,821	3,676
Additions of right-of-use assets		
Building	**4,506**	763
Equipment	**61**	-
Vehicles	**36**	31
	4,603	794
Modifications of right-of-use-assets		
Building	**(2,213)**	-
	(2,213)	-

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

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Depreciation of right-of-use assets		
Buildings	**(1,011)**	(852)
Equipment	**(15)**	(22)
Vehicles	**(13)**	(12)
	(1,039)	(886)
Interest expense	**(356)**	(160)

The total cash outflow for leases in 2024 was approximately $1,140,000 (2023: $1,054,000).

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 2024 $'000	30 June 2023 $'000
Deferred tax assets comprise the following temporary differences attributable to:		
Unused tax credits brought to account	**2,400**	2,897
Other items	**(473)**	(375)
Set off of deferred tax liabilities pursuant to set-off provisions	**(722)**	(824)
	1,205	1,698
Deferred tax liabilities comprise the following temporary differences attributable to:		
Temporary difference on unused tax credits brought to account	**(636)**	(767)
Temporary difference on utilised Federal tax credits	**(88)**	(144)
Temporary difference on utilised Provincial tax credits	**(866)**	(843)
Set off of deferred tax assets pursuant to set-off provisions	**722**	824
	(868)	(930)

18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Trade payables	**2,358**	1,090
Accrued expenses	**2,463**	1,657
	4,821	2,747

(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 2024 $'000	30 June 2023 $'000
Current		
Employee benefits – long service leave (b), (c)	**23**	83
Annual leave payable (c)	**1,127**	1,177
Service and contract performance warranties (a),(b)	**172**	97
Restructuring and other charges	**584**	-
Customer contract provisions	**366**	143
	2,272	1,500
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	**Long Service Leave**
	$'000	$'000
Carrying amount at the beginning of the year	97	83
Charged/(credited) to the profit and loss		
-additional provisions recognised	154	-
-amounts used during the period	(76)	(60)
Foreign exchange impact	(3)	-
Carrying amount at the end of the year	172	23

(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 2024	30 June 2023
	$'000	$'000
Annual leave obligation expected to be settled after 12 months	**306**	**328**
Long service leave obligation expected to be settled after 12 months	**23**	**83**
	329	**411**

21. FINANCING ARRANGEMENTS

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

	Consolidated	
	30 June 2024	30 June 2023
Bank facilities available (a)		
Overdraft	**5,000**	**5,000**
Demand Loan	**3,000**	**3,000**
Credit Cards	**565**	**527**
	8,565	**8,527**
Bank facilities used at financial position date		
Overdraft (b)	**3,521**	**833**
Demand Loan	**2,589**	**-**
Credit Cards	**178**	**66**
	6,228	**899**
Bank facilities unused at financial position date		
Overdraft	**1,479**	**4,167**
Demand Loan	**411**	**3,000**
Credit Cards	**387**	**461**
	2,277	**7,628**

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

Other facilities available (a)		
Letters of Credit	**2,000**	2,046
Foreign Exchange Contracts	**3,000**	3,000
	5,000	5,046
Other used at financial position date		
Letters of Credit	**857**	46
Foreign Exchange Contracts	**-**	56
	857	102
Other facilities unused at financial position date		
Letters of Credit	**1,143**	2,000
Foreign Exchange Contracts	**3,000**	2,944
	4,143	4,944

(a) Adacel signed a 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 31 August 2023. The full amount was drawn upon on 17 August 2023. It is being repaid monthly over 84 instalments.

For this facility, Adacel must comply with bank covenants. As of 30 June 2024, Adacel was not compliant, and an amendment to the original letter of agreement was signed on 20 June 2024 with a modification of the covenants for a period of 12 months, where a reporting would be completed monthly instead of quarterly.

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.

21. FINANCING ARRANGEMENTS (CONTINUED)

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 2024, the consolidated statement of financial position shows an overdraft of $3,400,000 (2023: $20,000). This reflects the net overdraft position of Adacel's subsidiary company, Adacel Inc, which has cash at bank of $121,000 (2023: $813,000) and an overdraft of $3,521,000 (2023: $833,000).

22. CONTRIBUTED EQUITY

	Consolidated	
	2024	2023
	$'000	$'000
(a) Share capital		
Ordinary shares	**53,189**	53,189

(b) Movements in ordinary share capital

Date	Details	Number of Shares	$'000
1 July 2022	Balance	76,421,825	53,292
01 Jul 22 – 30 Jun 23	Share buy-back (note 34)	(196,836)	(103)
30 June 2023	Balance	76,224,989	53,189
01 Jul 23 – 30 Jun 24		-	-
30 June 2024	Balance	76,224,989	53,189

(c) Share options
At the end of the year there were 386,000 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.

23. RESERVES AND RETAINED PROFITS / ACCUMULATED LOSSES

	Consolidated 2024 $'000	Consolidated 2023 $'000
(a) Accumulated losses		
Accumulated losses	**(40,948)**	**(35,810)**

Movements in accumulated losses were as follows:

	2024 $'000	2023 $'000
Balance at the beginning of the year	**(35,810)**	**(33,365)**
Net profit / (loss) for the year	**(4,405)**	**(77)**
Dividends provided for or paid (note 24)	**(733)**	**(2,368)**
Balance at the end of the year	**(40,948)**	**(35,810)**

	2024 $'000	2023 $'000
(b) Reserves		
Foreign currency translation reserve	**(7,085)**	**(6,711)**
Employee share schemes	**152**	**116**
	(6,933)	**(6,595)**

(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 reserves

	2024 $'000	2023 $'000
Balance at the beginning of the year	**(6,595)**	(6,039)
Exchange differences on translation of foreign operations	**(374)**	(591)
Employee share schemes	**36**	35
Balance at the end of the year	**(6,933)**	(6,595)

24. DIVIDENDS

	2024 $'000	2023 $'000
(a) Ordinary shares		
A final dividend for the year ended 30 June 2023 of AUD $0.0150 was paid during FY2024 (AUD $0.0325 during FY2023) All dividends were paid in cash.	**(733)**	**(1,574)**
No interim unfranked dividend was paid during FY2024 ($0.0150 during FY 2023). All dividends were paid in cash.	**-**	**(794)**
	(733)	**(2,368)**

(b) Dividends not recognised at the end of the reporting period

	2024	2023
In fiscal year 2024, no final dividend will be paid (nil during FY2023).	**-**	-

(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.

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	
	2024	2023
	$	$
PricewaterhouseCoopers Australia		
(a) Audit and other assurance services		
Audit and review of financial statements	**61,851**	58,004
Total remuneration for audit and other assurance services	**61,851**	58,004
(b) Taxation services		
Tax compliance services	**20,211**	18,108
Tax consulting services	**-**	-
Total remuneration for taxation services	**20,211**	18,108
(c) Other services		
Assurance services	**1,546**	-
	1,546	-
Total for PricewaterhouseCoopers Australia	**83,608**	76,112
Related firms of PricewaterhouseCoopers Australia		
(a) Audit and other assurance services		
Audit and review of financial statements	**287,121**	235,254
Total remuneration for audit and other assurance services	**287,121**	235,254
(b) Taxation services		
Tax compliance services	**67,366**	78,473
Tax consulting services	**6,111**	11,495
Total remuneration for taxation services	**73,477**	89,968
(c) Other services		
Consulting services	**-**	-
	-	-
Total for related firms of PricewaterhouseCoopers Australia	**360,598**	325,222

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	
	2024	2023
	$	$
Short-term employee benefits	**1,006,526**	1,069,373
Post-employment benefits	**91,054**	100,246
Termination benefits	**46,250**	-
Share-based payments	**31,933**	32,815
	1,175,763	1,202,434

The detailed remuneration disclosures can be found in sections A – C of the remuneration report on pages 19 to 25.

27. CONTINGENCIES

As at 30 June 2024, the parent entity, Adacel Technologies Limited, will continue to provide financial support to subsidiaries that are in a net liability position.

Guarantees of approximately $857,000 (2023: $46,000) have been given to banks and customers in relation to contract warranty and performance.

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 2024 and 2023, 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).

			Equity holding *	
	Country of	**Class of**	**2024**	2023
Name of entity	**incorporation**	**shares**	**% held**	% 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.

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

	Consolidated	
	2024	2023
	$'000	$'000
Operating profit / (loss) from ordinary activities after income tax	**(4,405)**	(77)
Depreciation and amortisation	**931**	797
Depreciation of right-of-use assets	**1039**	886
Restructuring and other costs	**584**	-
Impairment	**1,920**	-
Performance rights expenses	**36**	35
Net foreign exchange differences	**(68)**	234
Changes in assets and liabilities:		
(Increase) / decrease in trade receivables and accrued revenue	**(2,048)**	1,532
(Increase) / decrease in other receivables and other assets	**169**	(557)
(Increase) / decrease in inventory	**(1,600)**	574
(Increase) / decrease in prepayments	**92**	(239)
Decrease in deferred tax assets, liabilities, tax payable/receivable	**533**	1,309
(Decrease) / increase in trade and other payables	**2,091**	(625)
(Decrease) in employee benefits provisions	**(87)**	(44)
(Decrease) / increase in other provisions	**302**	(101)
(Decrease) / increase in advanced payments from customers	**(1,257)**	37
(Decrease) in non-current assets	**(557)**	(58)
Net cash inflow / (outflow) from operating activities	**(2,325)**	3,703

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 2022	(3,892)
Cash flow – principal elements of lease payments	894
Recognition – leases	(794)
Foreign exchange adjustments	116
Net debt as at 30 June 2023	**(3,676)**
Cash flow – principal elements of lease payments	784
Recognition – leases	(4,603)
Modification – leases	2,213
Foreign exchange adjustments	461
Net debt as at 30 June 2024	**(4,821)**

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no significant events after the balance sheet date.

33. EARNINGS / (LOSS) PER SHARE

	Consolidated	
	2024	2023
Basic (loss) per share (cents per share)	**(5.78)**	(0.10)
Diluted (loss) per share (cents per share)	**(5.78)**	(0.10)

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

	Consolidated	
	2024	2023
	$'000	$'000
Basic (loss) per share		
(Loss) from continuing operations	**(4,405)**	(77)
(Loss) attributable to the ordinary equity holders of the Company used in calculating basic (loss) per share	**(4,405)**	(77)
Diluted (loss) per share		
(Loss) from continuing operations	**(4,405)**	(77)
(Loss) attributable to the ordinary equity holders of the Company used in calculating diluted (loss) per share	**(4,405)**	(77)

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

	Consolidated	
	2024	2023
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**76,224,989**	76,343,671
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**75,838,989**	76,057,671

(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 2024 (2023: 286,000), and 100,000 performance rights outstanding at 30 June 2024 (2023: Nil), 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 Meetings in November 2020 and November 2023. 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 19 to 25.

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:

	2024		2023	
	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**	0.52	1,121,000
Granted during the year	**0.56**	**768,000**	-	-
Exercised during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**(835,000)**	-	-
As at 30 June	**0.53**	**1,054,000**	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 30 June 2024	Share Options 30 June 2023
19 August 2019	30 June 2026	0.45	**286,000**	286,000
30 July 2020	30 June 2028	0.54	**-**	**835,000**
28 September 2023	30 June 2031	0.56	**768,000**	-
			1,054,000	1,121,000

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

	2024 Number of performance rights	2023 Number of performance rights
As at 1 July	**1,561,000**	**867,000**
Granted during the year	**383,000**	**694,000**
Exercised during the year	**-**	**-**
Forfeited during the year	**(651,000)**	**-**
As at 30 June	**1,293,000**	**1,561,000**
Vested and exercisable at 30 June	**100,000**	-

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

Grant Date	Expiry Date	Performance Rights 30 June 2024	Performance Rights 30 June 2023
30 July 2020	30 June 2028	**-**	361,000
30 September 2021	30 June 2029	**400,000**	506,000
30 September 2022	30 June 2030	**510,000**	694,000
28 September 2023	30 June 2031	**383,000**	-
		1,293,000	1,561,000

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

(a) Summary financial information	**30 June 2024 $'000**	30 June 2023 $'000
The individual financial statements for the parent entity show the following aggregate amounts:		
Statement of Financial Position		
Current Assets	**428**	497
Total Assets	**611**	2,807
Current Liabilities	**670**	682
Total Liabilities	**2,581**	1,889
Shareholder's Equity (Deficiency)		
Issued Capital	**53,189**	53,189
Accumulated Losses	**(52,393)**	(49,463)
Reserves	**(2,766)**	(2,808)
Total Equity (Deficiency)	**(1,970)**	918
Profit (loss) for the year	**(2,197)**	1,386
Total comprehensive income (loss)	**(2,191)**	1,272

(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 2024 or 30 June 2023. 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 2024 or 30 June 2023.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Name of entity	Type of entity	Trustee, partner or participant in JV	% of share capital	Place of business/country of incorporation	Australian resident or foreign resident	Foreign jurisdiction (s) of foreign residents
Adacel Technologies Limited	Body corporate	-	100	Australia	Australian	n/a
Adacel Technologies Holdings Inc	Body corporate	-	100	US	Foreign	US
Adacel Technologies Inc	Body corporate	-	100	US	Foreign	US
Adacel Systems Inc	Body corporate	-	100	US	Foreign	US
Adacel Technical Services Inc	Body corporate	-	100	US	Foreign	US
Adacel Inc	Body corporate	-	100	Canada	Foreign	Canada
Adacel Limited	Body corporate	-	100	UK	Foreign	UK
Adacel Technologies Estonia	Body corporate	-	100	Estonia	Foreign	Estonia

DIRECTORS' DECLARATION

In the Directors' opinion:

a. the financial statements and notes set out on pages 34 to 82 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 2024 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;
c. the consolidated entity disclosure statement on page 83 is true and correct; and
d. The remuneration disclosures set out on pages 18 to 30 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, 14 August 2024

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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 2024 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 financial report comprises:

- the consolidated statement of financial position as at 30 June 2024
- 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, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 30 June 2024
- 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.

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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.

Audit scope	*Key audit matters*
• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Revenue recognition – Recoverability of deferred tax assets • These are further described in the *Key audit matters* 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*
Revenue recognition *Refer to note 1(e) Summary of significant accounting policies-Revenue recognition, note 3 Critical accounting estimates, note 5 Revenue from contracts with customers, note 10 Current assets – Trade, other receivables* The Group's revenue includes project based revenue under contracts with customers. These projects are generally tailored applications developed for specific	We performed the following procedures, amongst others over revenue recognition: • 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.

Key audit matter	How our audit addressed the key audit matter

customers and are often completed across a number of months.
 	
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.
 	
When losses are forecasted on contracts these are recognised in the period they are identified.
 	
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.
 	
We considered this a key audit matter due to the following:
 	
• 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).
	• 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.
	
	• Assessed revenue recognised for customer contracts by performing the following procedures amongst others:
	  ○ 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 for a sample project to the approved project budgets less the actual costs incurred to date.
	
	• Compared actual and forecast contract profitability for a sample of projects and enquired with management 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.
	
	• Evaluated the reasonableness of the disclosures against the requirements of Australian Accounting Standards.

Recoverability of deferred tax assets *Refer to note 1 (g) Summary of significant accounting policies-income tax, note 3 Critical accounting estimates, note 8 Income tax and note 17 Deferred tax assets and liabilities* The Group has unrecognised carry forward gross tax losses and tax credits amounting to $59.5 million as at 30 June 2024. These arise from different jurisdictions across the North American and Australian operations.	Together with PwC tax experts, we performed the following procedures amongst others: • 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

Key audit matter	How our audit addressed the key audit matter
While tax losses have no expiry date, Canadian Federal and Provincial tax credits expire after 10 years. The directors have reassessed that there is enough convincing evidence of future taxable profits being available to support the continuation of the recognition of a deferred tax asset. 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. 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.	assumptions used in the forecast results of the Group. • Re-performed calculations over the mathematical accuracy of selected 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 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 2024, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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 in accordance with Australian Accounting Standards and the *Corporations Act 2001,* including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

pwc

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 the directors' report for the year ended 30 June 2024.

In our opinion, the remuneration report of Adacel Technologies Limited for the year ended 30 June 2024 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

Matthew Probert
Partner

Melbourne
14 August 2024

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 31 July 2024.

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	76,224,989	2,703
Performance Rights	1,293,000	2
Performance Options (including vested options)	1,054,000	3

Voting Rights of Equity Securities

The only class of equity securities on issue in the Company which carry voting rights are 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	797	445,170	0.58
1,001 - 5,000	1,080	2,961,011	3.88
5,001 - 10,000	331	2,611,082	3.43
10,001 - 100,000	433	12,974,459	17.02
100,001 Over	62	57,233,267	75.08
Totals	**2,703**	**76,224,989**	**100.00**

Distribution of Holders of Performance Rights

	CLASS OF PERFORMANCE RIGHTS		
	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	2	1,293,000	100.00
Totals	**2**	**1,293,000**	**100.00**

Distribution of Holders of Performance Options

	CLASS OF PERFORMANCE OPTIONS		
	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	3	1,054,000	100.00
Totals	**3**	**1,054,000**	**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 28 JUNE 2024	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $0.57 per unit	877	591	242,095

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	25,472,118	34.452%
Silvio Salom	5,195,191	6.815%

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	25,472,118	34.45
MR SILVIO SALOM	5,195,191	6.82
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,979,622	5.22
CITICORP NOMINEES PTY LIMITED	3,596,352	4.72
D & E SMITH SUPERANNUATION NOMINEES PTY LTD	2,225,665	2.92
MR MICHAEL MCCONNELL	1,250,000	1.64
GLIOCAS INVESTMENTS PTY LTD <GLIOCAS GROWTH FUND A/C>	1,082,679	1.42
OBENA RIDGE PTY LTD	1,062,276	1.39
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,000,072	1.31
UBS NOMINEES PTY LTD	875,000	1.15
COALWELL PTY LTD	796,182	1.05
GRACEY FAMILY INVESTMENTS PTY LTD <GRACEY FAMILY INVESTMENT A/C>	734,376	0.96
MR DAVID WALLACE SMITH	726,257	0.95
MR DANIEL VERRET	719,000	0.94
MAST FINANCIAL PTY LTD <A TO Z INVESTMENT A/C>	682,372	0.90
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	633,397	0.83

SHAREHOLDER NAME	SHARES HELD	% HELD
MR JAMES DOUGLAS CARNEGIE <JAMES CARNEGIE FAMILY A/C>	599,564	0.79
WESTOR ASSET MANAGEMENT PTY LTD <VALUE PARTNERSHIP A/C>	540,881	0.71
MRS EMMA JANE GRACEY	505,958	0.66
IAN HARRISS SUPER PTY LTD <IAN HARRISS SUPER A/C>	378,074	0.50
Total Number of Shares of Top 20 Holders	**50,214,871**	**65.88**
Total Remaining Holders Balance	**26,010,118**	**34.12**

Unquoted Equity Securities

Performance Rights expiring at various dates	1,293,000
Options expiring at various dates and exercisable at various prices	1,054,000

Escrow

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

Other Information

The Company did not conduct any on-market share buy-back transaction during FY2024.

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

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Telephone +61 03 7024 6060

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
Sally McDow

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Bank of Montreal
119 Saint-Jacques Street
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H2Y 1L6

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Ashurst Australia
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Solicitors – USA
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Auditor
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Stock Exchange
Australia Securities Exchange (ASX:ADA)