ABN 34 093 877 331

Annual Financial Report
For the year ended 30 June 2021

Contents to annual report

Corporate Information

ABN 34 093 877 331

This annual report covers Seeing Machines Limited as a consolidated entity. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report commencing on page 3. The following information is current as at 30 June 2021.

Directors
Kate Hill, Non-Executive Director and Chair
Paul McGlone, Executive Director & Chief Executive Officer (CEO)
Yong Kang (YK) Ng, Non-Executive Director
Gerhard Vorster, Non-Executive Director
John Murray, Non-Executive Director
Michael Brown, Non-Executive Director
Rudolph Burger, Non-Executive Director (resigned 30 November 2020)
Les Carmichael, Non-Executive Director (resigned 30 November 2020)

Company Secretary
Susan Dalliston

Registered office
80 Mildura Street
Fyshwick ACT 2609

Principal place of business
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Fyshwick ACT 2609
Phone: + (61) 2 6103 4700
Email: info@seeingmachines.com

Share register
Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067
Australia

Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZY
United Kingdom

Seeing Machines Limited shares are listed on the London Stock Exchange AIM market.

Solicitors
Herbert Smith Freehills
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Castlereagh Street,
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HSBC Commercial Bank
580 George Street
Sydney NSW 2000
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Auditors
Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600
Australia

Directors' Report

Your Directors submit their report for the year ended 30 June 2021.

Directors

The names and details of the directors of Seeing Machines Limited (the " Company") in office during the year and until the date of this report are listed below. All directors were in office for this entire period covered by the report unless otherwise stated.

Kate Hill	Non-Executive Director and Chair	
Paul McGlone	CEO and Executive Director	
Yong Kang (YK) Ng	Non-Executive Director	
Gerhard Vorster	Non-Executive Director	
John Murray	Non-Executive Director	
Michael Brown	Non-Executive Director	
Rudolph Burger	Non-Executive Director	Resigned 30 November 2020
Les Carmichael	Non-Executive Director	Resigned 30 November 2020

Financial Results

The Company's total revenue for the financial year (excluding foreign exchange gains and finance income) was A$47,167,000 compared to the 2020 revenue of A$40,012,000, representing an 18% increase on prior year results.

Product	**2021 A$'000**	**2020 A$'000**	**Variance %**
OEM	12,088	12,789	(5)
Aftermarket	35,079	27,019	30
Scientific Advances	-	204	(100)
Sales Revenue	**47,167**	**40,012**	**18**

The previously anticipated start of production for our Original Equipment Manufacturer ("OEM") business unit (Automotive) contributed $2.3m in revenue marking the start of an increasing stream of royalty license revenue that will continue to be received over the model lifetime of awarded OEM programs. FY21 revenue was also boosted by a US$3,250,000 (2020: USD$5,000,000) pre-production license deal with a major Automotive Tier 1 partner. The remainder of the revenue in the OEM segment represents NRE revenue which is software development activities undertaken to embed DMS technologies into the specific OEM vehicle configuration prior to the commencement of vehicle production.

The Aftermarket business grew by 30% on the prior year despite a slowdown in installations arising as a result of local and global pandemic-related changes to business conditions. Revenue momentum accelerated through the second half of the year with revenue in H2 increasing by 33% on H1 results to A$20,039,000 (H1: A$15,040,000). Hardware and installation revenue increased by 55% over the prior year to A$18,798,000 (2020: A$12,130,000) and driver monitoring revenues increased by 13% to A$11,064,000 (2020: A$9,812,000).

Gross profit increased from A$14,433,000 in FY2020 to A$20,765,000 this year, reflecting increased sales of Guardian units and a 4% improvement in Aftermarket gross margin.

In line with the continued accelerating momentum in automotive safety legislation in both Europe and more recently in the US, the Company continued to invest in its core technology development across global OEM and Aftermarket industries. As a result, Seeing Machines has reflected a portion of development expenditure attributable to future revenues as an intangible asset amounting to A$8,311,000 (2020: A$nil). The remaining research and development costs have been expensed and amount to A$9,876,000. The total investment in research and development for the current year amount is A$18,187,000 (2020: A$24,736,000).

All cost categories across the business have reduced in line with a sustained focus on business performance and cost optimisation and reduced expenditure on tradeshows and travel that has been heavily impacted by COVID restrictions.

Australian Government COVID-19 Grants, JobKeeper and PAYG subsidy reduced other income to A$1,664,000 (2020: A$2,234,000). The initial phase of the JobKeeper Grant ran from 1 March 2021 to 27 September 2021 with Seeing Machines, like many other Australian companies, not qualifying for subsequent phases.

Cash used in operations fell from A$24,246,000 to A$19,641,000 primarily from the reduction in research and development expenditure, and increase in trade receivables in the second half of the year. Increased revenues, particularly in the later months of the financial year have not all converted to cash within the reporting cycle, however overall revenues were generated from a reduced cost base in line with continued focus on working capital management.

The resultant loss for the period represented a decrease of A$29,068,000 at A$17,420,000 (2020: A$46,488,000).

Net cash and cash equivalents at 30 June 2021 totaled A$47,393,000 (2020: A$38,138,000).

Financial Results (continued)

On 23 November 2021, Seeing Machines issued 277,123,492 new ordinary shares of no par value each (the "New Ordinary Shares") at a price of 11 pence per New Ordinary Share, raising gross proceeds of approximately US$41,000,000 (the "Placing"). The net proceeds of the Placing will be used to strengthen the Company's balance sheet, fund core technology expansion, and enhance OEM Business pursuit and Aftermarket product development and regional expansion.

Operational Highlights

Seeing Machines has managed to continue its growth track despite the obvious pressures stemming from Covid related interruptions, reporting a pleasing increase in revenue which is underpinned by the increase in global demand for safety technology across Fleet and Automotive. The regulatory landscape is transforming quickly to keep up with safety requirements in Europe, now increasing in North America and expected to continue around the world.

Driver Monitoring System (DMS) technology is fundamental to transport safety but is also a key enabler in Automotive as the intelligent cabin advances and semi-automated features emerge across an increasing number of vehicles, where understanding what the driver is doing is critical in maintaining driver attention and vehicle safety.

Seeing Machines is now actively engaged with seven automakers on nine ongoing automotive programs to deliver its FOVIO DMS and as vehicle models start production, the shape of the automotive revenue is changing from NRE (Non-Recurring Engineering) to royalties, which are expected to significantly ramp over the coming two to three years.

The Automotive pipeline continues to grow with the Company actively working on RFQ's (Request for Quote) from OEMs in Europe, North America and Asia. The current known pipeline (active and anticipated) of opportunities have a lifetime value of more than A$1,100m.

Seeing Machines' Aftermarket business has also achieved good growth as Guardian sales have continued to accelerate, despite the economic challenges. As a profitable, standalone business, Aftermarket is gaining good ground and attracting interest of key global organisations as they seek to enhance safety across their vehicle fleet. Post-period, the Company announced a Global Framing Agreement with Shell Global Solutions International, for the provision of Guardian across their global fleet.

Guardian connections now stand at 31,771 and were slower than expected due to the complications posed by Covid-related lockdowns and pressure on transport companies. However, hardware sales continued at the expected rate and the Company now has a backlog of around 5,000 units that have been sold and are due to be installed.

The Aviation industry is now emerging from the pressures of the global pandemic and Seeing Machines remains engaged on key opportunities associated with Simulated Training as well as Air Traffic Control applications of the Company's eye-tracking technology. With customers like the Royal Australian Air Force and Airservices Australia, Seeing Machines continues to invest in the Aviation business and is experiencing good momentum, with limited competition, in this growing market.

The announcement, post-period, of the Company's collaboration with Collins Aerospace, the world's largest Tier 1 Avionics company, is an extremely positive indication of the industry's desire for eye-tracking technology to enhance safety, training and efficiencies.

Chief Executive Officer

The Company's Chief Executive Officer (CEO) is Paul McGlone was formally appointed to the role on 4 July 2019.

Company Secretary

Susan Dalliston was appointed on 4 July 2019. Susan Dalliston is the Company Secretary at the date of this report.

Employee Numbers

At 30 June 2021 the Group had 213 full-time employees (203 employees at 30 June 2020).

Directors

The names and particulars of the directors of the Company are set out in the following table. The directors werein office for the entire period unless otherwise stated.

Name	Experience and special responsibilities
Kate Hill	Chair of the Board and Member of the Risk, Audit and Finance Committee and of the People, Culture and Risk Committee. Appointed as a Non-Executive Director on 13 December 2018, as interim Chair of the Board on 5 June 2019, as Chair of the Board on 22 July 2019. Kate is a non-executive director of CountPlus Limited (ASX: CUP), where she is the Chair of the Audit and Risk Committee and a member of the Acquisitions Committee. She is also a non- executive director of Elmo Software Limited (ASX: ELO) where she serves as Chair of the Audit and Risk Committee and is a member of the Remuneration and Nominations Committee. Kate had a distinguished 20+ year career with Deloitte ToucheTomatsu as an audit partner where she worked with Australian Securities Exchange (ASX) listed and privately owned clients. She has worked extensively in regulated environments including assisting with Initial Public Offerings, capital raising and general compliance, as well as operating in an audit environment. She held a variety of leadership and executive roles in Deloitte and was the first woman appointed to the Board of Partners of the Australian firm. Kate holds a Batchelor of Science (Honours) in Mathematics and Statistics from Bristol University, is a Member of Chartered Accountants in Australia and New Zealand, and a Graduate of the Australian Institute of Company Directors. Kate is considered to be an Independent Director.
Paul McGlone	CEO & Executive Director Appointed on 4 July 2019. Paul has held the CEO position for 2 years, previously he led the Fleet, Mining and Off-road business as the Senior Vice President (SVP). Paul has extensive experience in public company leadership, supply chain and technology driven businesses. During his 10-year career at Australian listed company, Brambles, Paul held operational and corporate leadership roles including President of CHEP Asia Pacific and Group Vice President Strategy, Planning and Innovation. He was the architect of its global growth plan which resulted in a threefold increase in the company's market capitalisation. Paul was appointed as a Director of Canberra Institute of Technology (CIT) in July 2021.

Directors (continued)

Gerhard Vorster	Non-Executive Director and Chair of the People, Culture and Remuneration Committee Appointed on 1 December 2019. Gerhard is an accomplished senior executive and former Deloitte partner witha growing board portfolio and significant expertise in strategy and technology. Gerhard is currently an alternate director of the Brisbane Airport Corporation and Chairman of the Bio Capital Impact Fund. Gerhard began his career at Deloitte in 1987 in the consulting business as a strategic management consultant and partner. Over a 28-year career with the firm, Gerhard was appointed to various executive roles, including Managing Partner for Consulting for the Australia and Asia Pacific region and his most recent role, Chief Strategy Office for the region. Gerhard holds a Bachelor of Science in Civil Engineering from the Universityof Pretoria and a Master of Business Administration (Cum Laude) from the University of Potchefstroom. He is a member of the Australian Institute of Company Directors. Gerhard is considered an Independent Director.
John Murray	Non-Executive Director and Chair of the Risk, Audit and Finance Committee Appointed on 1 December 2019. John is a highly experienced board director with significant expertise in the technology sector. He is currently Chairman of PainChek Limited, listed onthe Australian Stock Exchange (ASX: PCK). John has been non-executive director and Chair of several ASX-listed andhigh-growth companies throughout his career, which began in audit and investment banking, involved rising through various positions at largeorganisations, and eventually becoming Vice President and Head of Investment Banking at Bank of America Asia in 1989. From there, John joined the Australian Technology Group where he identified and managed investments into early-stage technology companies and went on to co-found the venture capital firm, Technology Venture Partners, in 1997, establishing a 20 year career of investing in, advising and directing technology companies. John holds an Honours Degree in Law from Edinburgh University and is a member of the Australian Institute of Company Directors. He is also a CA and a Member of the Institute of Chartered Accountants of Scotland. John is considered an Independent Director.

Directors (continued)

Yong Kang (YK) Ng	Non-Executive Director and member of the Risk, Audit and Finance Committee Appointed on 22 March 2016. YK has extensive engineering and operations experience in the manufacturing sector with multinational corporations. Based in Johor, Malaysia, YK has been managing the manufacturing operations of V S Industry Berhad (VSI) since 2002 and was appointed as executive director in 2005. VSI is a leading integrated electronics manufacturing services provider and a strategic investor in Seeing Machines Limited. YK has a Bachelor of Science in Mechanical Engineering from the National Taiwan University and an MBA from Heriot-Watt University in Edinburgh, UK.
Michael Brown	Non-Executive Director and member of the People, Culture and Remuneration Committee Appointed on 14 May 2020. Michael Brown is a highly experienced financial markets professional based in London and comes to the Seeing Machines board with a deep knowledge of the AIM market and small to mid-cap technology companies, as well as previous plc non-executive and observer board roles. He is currently a portfolio manager within the Volantis team at Lombard Odier Investment Managers. Michael has a BA (Economics and Politics) from Durham University, UK.
Dr Rudolph (Rudy) Burger	Non-Executive Director and member of the Risk, Audit and Finance Committee Appointed on 15 January 2014; Resigned 30 November 2020. Over the past twenty-five years, Rudy has founded five digital media technology companies in the US, run a European public company, and served as a senior executive for two global 500 companies. He is widely recognised as an effective, dynamic leader with a proven track record in management, strategic planning, business development, and M&A. Rudy is currently Founder and Managing Partner of an investment bank headquartered in California. Rudy has a BSc and MSc from Yale University and a PhD from Cambridge University.
Les Carmichael	Non-Executive Director and Chair of the People, Culture and Remuneration Committee Appointed on 1 February 2016; Resigned 30 November 2020. Les, based in Dallas, is a veteran of the North American transportation and logistics sectors, where he has spent over 40 years of his professional career. Holding numerous senior management and operational positions, he has experience in all aspects of fleet logistics, sales, marketing, operations, business development, and turnaround management. After a proven track record as Vice-President and General Manager of Dedicated Services at Swift Transportation Corporation, Les became CEO of Taylor Companies, the largest independent crude oil transportation company in the US. After retiring as an executive in 2015, Mr Carmichael served on the Board of Directors of GlobalTranz, Inc., a venture capital funded, technology focused, freight forwarding company operating in the US until its sale in June 2018. Les also served on the Board of TriCon Logistics LLC, an innovative and customer-focused third-party logistics company based in the US, until it was sold on 30 June 20.

Principal activities

The Company's principal activities during the year were:

- Developing, selling and licensing products, services and technology to detect and manage driver fatigue and distraction, including continued market development to secure sustainable channels to market for the product;
- Entering commercial agreements with partners for the development, manufacturing and sale of products into key target markets; and
- Research and development of the Company's core vision processing technologies to support the development and refinement of the Company's products.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Company other than those referred to elsewhere in this report and in the financial statements or notes thereto.

Subsequent Events after the Balance Date

On 23 November 2021, Seeing Machines issued 277,123,492 new ordinary shares of no par value each (the "New Ordinary Shares") at a price of 11 pence per New Ordinary Share, raising gross proceeds of approximately US$41,000,000 (the "Placing"). The net proceeds of the Placing will be used to strengthen the Company's balance sheet and for general working capital and corporate purposes.

Likely developments and expected results

The likely developments and expected results are disclosed in Note 3(c) of the financial statements.

Environmental Regulations

The Company holds no licenses issued by relevant Environmental Protection Authorities and there have been no known breaches of any environmental regulations.

Dividends

No dividends or distributions have been made to members during the year ended 30 June 2021 (2020: nil) and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2021 (2020: nil).

Performance rights and share options

Unissued shares

Reference is made to Note 33 of the financial statements in respect of performance rights and options in relation to directors and staff members.

(i) Performance rights granted during or since the end of the year

During the year, 29,964,495 (2020: 65,995,070) performance rights were granted by the Company under the performance rights scheme for employees. The terms and conditions of these rights are disclosed in Note 33 to the financial report.

(ii) Shares Issued as a result of the Vesting of Performance rights and options

During the year 28,552,140 (2020: 18,150,781) rights vested and ordinary shares were transferred to the employee participants from the Group trust (the "Trust"). During the year the Company issued 70,000,000 (2020: nil) ordinary shares to the Trust following the vesting of certain performance rights and options. The New Ordinary Shares will be held in the existing trust until such time as the beneficiaries of the award exercise the performance rights and options. On the exercise of such performance rights and / or options, the Trust will transfer the shares to the relevant beneficiary.

Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of Seeing Machines Limited (and its wholly owned subsidiaries), the Company Secretary, and all executive officers of those companies against a liability incurred as such a Director, secretary, or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors’ Meetings

During the 2021 financial year, eleven Board meetings were held. The following table sets out the number of Board and Committee meetings each Director attended and the number they were eligible to attend.

Meetings Attended / Meetings Eligible to Attend

Director	Board	Risk, Audit & Finance Committee	People, Culture & Remuneration Committee
Kate Hill	11/11	4/4	6/6
Paul McGlone	11/11	*	*
Yong Kang (YK) Ng	11/11	4/4	*
Gerhard Vorster	11/11	*	4/4
John Murray	11/11	4/4	*
Michael Brown	11/11	*	6/6
Rudolph Burger (resigned 30 Nov 2020)	5/5	*	2/2
Les Carmichael (resigned 30 Nov 2020)	5/5	*	2/2

* Not a member of the Committee

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Rounding

The amounts contained in the financial report have been rounded to the nearest A$1,000 (where rounding is applicable) where noted (A$000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Auditor’s Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young. The signed declaration is included after this report.

Non-Audit Services

Ernst & Young rendered taxation services to Seeing Machines Limited as disclosed at Note 37.

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services did not compromise the external auditor’s independence as the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

Signed at Canberra on in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

Paul McGlone
Executive Director & Chief Executive Officer
Canberra

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Auditor's independence declaration to the directors of Seeing Machines Limited

As lead auditor for the audit of Seeing Machines Limited for the financial year ended 30 June 2021, I declare 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;

b) No contraventions of any applicable code of professional conduct in relation to the audit; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Seeing Machines Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
24 November 2021

Consolidated Statement of Financial Position

AS AT 30 JUNE	Notes	2021 A$000	2020 A$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14	47,393	38,138
Other short-term deposits	20	472	512
Trade and other receivables	15	19,851	9,584
Inventories	16	2,627	4,743
Other current assets	17	5,438	4,245
TOTAL CURRENT ASSETS		**75,781**	**57,222**
NON-CURRENT ASSETS			
Property, plant & equipment	18	3,361	3,208
Intangible assets	19	9,540	899
Right-of-use assets	29	4,252	4,371
TOTAL NON-CURRENT ASSETS		17,153	8,478
TOTAL ASSETS		**92,934**	**65,700**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	8,839	7,874
Lease liabilities	29	918	1,057
Provisions	22	4,893	3,763
Contract liabilities	24	772	263
Current financial liabilities	25	-	553
TOTAL CURRENT LIABILITIES		**15,422**	**13,510**
NON-CURRENT LIABILITIES			
Provisions	22, 23	192	215
Lease liabilities	29	5,272	5,766
TOTAL NON-CURRENT LIABILITIES		5,464	5,981
TOTAL LIABILITIES		**20,886**	**19,491**
NET ASSETS		**72,048**	**46,209**
EQUITY			
Contributed equity	26	257,382	217,204
Accumulated losses		(202,046)	(184,626)
Other reserves		16,712	13,631
Equity attributable to the owners of the parent		72,048	46,209
TOTAL EQUITY		**72,048**	**46,209**

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE	Notes	2021 A$000	2020 A$000
Sale of goods and licence fees		28,542	24,665
Rendering of services		18,620	14,915
Research revenue		5	432
Revenue	7	**47,167**	**40,012**
Cost of sales		(26,402)	(25,579)
Gross profit		**20,765**	**14,433**
Net loss in foreign exchange	8	(417)	(382)
Net gain/(loss) on disposal of property, plant and equipment		5	(72)
Other income	8	1,664	2,234
Finance income		322	829
Expenses	9		
Research and development expenses		(9,876)	(24,736)
Customer support and marketing expenses		(6,092)	(8,079)
Operations expenses		(7,946)	(11,506)
General and administration expenses		(14,590)	(17,480)
Finance costs		(518)	(705)
Loss before income tax		**(16,683)**	**(45,464)**
Income tax expense	10	(737)	(1,246)
Loss after income tax		**(17,420)**	**(46,710)**
Loss for the period attributable to:			
Equity holders of the Company		**(17,420)**	(46,710)
		(17,420)	**(46,710)**
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations		(169)	222
Other comprehensive (loss)/income net of tax		**(169)**	**222**
Total comprehensive loss		**(17,589)**	**(46,488)**
Total comprehensive loss attributable to:			
Equity holders of the Company		(17,589)	(46,488)
Total comprehensive loss for the year		**(17,589)**	**(46,488)**
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	12	($0.01)	($0.01)
Diluted loss per share	12	($0.01)	($0.01)

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE	Contributed Equity	Treasury Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits & Other Reserve	Total Equity
	A$000	A$000	A$000	A$000	A$000	A$000
As at 1 July 2019	217,204	(1,109)	(137,916)	(1,738)	11,051	87,492
Loss for the period	-	-	(46,710)	-	-	(46,710)
Other comprehensive income	-	-	-	222	-	222
Total comprehensive loss	-	-	(46,710)	222	-	(46,488)
Transactions with owners in their capacity as owners:						
Reclassification of treasury shares	-	1,109	-	-	(1,109)	-
Shares to be issued	-	-	-	-	1,109	1,109
Share-based payments	-	-	-	-	4,096	4,096
At 30 June 2020	**217,204**	**-**	**(184,626)**	**(1,516)**	**15,147**	**46,209**
As at 1 July 2020	217,204		(184,626)	(1,516)	15,147	46,209
Loss for the period	-	-	(17,420)	-	-	(17,420)
Other comprehensive loss	-	-	-	(169)	-	(169)
Total comprehensive loss	**-**	**-**	**(17,420)**	**(169)**	**-**	**(17,589)**
Transactions with owners in their capacity as owners:						
Shares issued	41,199	-	-	-	-	41,199
Capital raising costs	(1,021)	-	-	-	-	(1,021)
Share-based payments	-	-	-	-	3,250	3,250
At 30 June 2021	**257,382**	-	**(202,046)**	**(1,685)**	**18,397**	**72,048**

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	Note	2021 A$00	2020 A$000
Operating activities			
Receipts from customers		37,990	42,702
Payments to suppliers and employees		(58,985)	(67,222)
Interest received		322	-
Interest paid		(518)	(705)
Income tax paid		(15)	(1,246)
Receipt of government grants		1,565	2,043
Receipt for research and development tax incentive		-	182
Net cash flows used in operating activities	28	**(19,641)**	**(24,246)**
Investing activities			
Proceeds from sale of property, plant and equipment		5	27
Purchase of plant and equipment		(446)	(815)
Payments for intangible assets (patents, licences and trademarks)		(484)	(246)
Payments for intangible assets (capitalised development costs)		(8,311)	-
Maturity of term deposits		40	9,049
Net cash flows (used in)/from investing activities		**(9,196)**	**8,015**
Financing activities			
Principal repayment of lease liabilities		(1,459)	(716)
Proceeds from issue of new shares		41,071	-
Cost of capital raising		(1,021)	-
Repayment of borrowings		-	(30)
Net cash flows from financing activities		**38,591**	**(746)**
Net increase/(decrease) in cash and cash equivalents		9,754	(16,977)
Net (decrease)/increase due to foreign exchange difference		(499)	306
Cash and cash equivalents at 1 July		38,138	54,809
Cash and cash equivalents at 30 June	14	**47,393**	**38,138**

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

Notes to the Financial Statements

1. Corporate Information

Seeing Machines Limited (the “Company”) is a limited liability company incorporated and domiciled in Australia and listed on the AIM market of the London Stock Exchange. The address of the Company’s registered office is 80 Mildura Street, Fyshwick, Australian Capital Territory, Australia.

Seeing Machines Limited and its subsidiaries (the “Group”) provide operator monitoring and intervention sensing technologies and services for the automotive, mining, transport and aviation industries.

The consolidated financial report of the Group (the “financial report”) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 24 November 2021.

2. Basis of Accounting

The principal accounting policies applied in the preparation of the financial report are set out in Notes 2 and 3 below. These policies have been applied consistently to all periods presented, unless otherwise stated.

a. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements as issued by the Australian Accounting Standards Board (“AASB”). The financial report also complies with International Financial Reporting Standards (“IFRS”) and interpretations (“IFRICs”) adopted by the International Accounting Standards Board (“IASB”). The financial report has been prepared under the historical cost convention.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand (A$000), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

b. Going concern

The financial report has been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has made a loss for the year of A$17,420,000 (2020: Loss of A$46,710,000) and incurred net cash outflows in operating activities of A$19,641,000 (2020: A$24,246,000). The Group has net current assets at 30 June 2021 of A$60,359,000 (30 June 2020: A$43,700,000). The balance of cash and cash equivalents at 30 June 2021 is A$47,393,000 (30 June 2020: A$38,138,000).

The ability of the Group to continue its activities as a going concern is dependent on a range of factors including:

i) the ability to meet projected revenue levels;
ii) timing of cash receipts;
iii) the ability to manage overheads to budgeted levels; and
iv) the ability to generate additional funds from further licensing activity, through lending arrangements or from investors.

The Directors have reviewed the Company's financial position and cash flow forecasts for the next twelve months, including giving consideration to the range of options the Group is exploring for obtaining further funding if required, and are of the opinion that the use of the going concern basis of accounting is appropriate.

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (as outlined in Note 30) as at 30 June each year (the Group).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

Notes to the Financial Statements (continued)

2. Basis of Accounting (continued)

c. Basis of consolidation (continued)

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation, with an exception to foreign currency profit or loss on monetary items.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the statement of comprehensive income. Any investment retained is recognised at fair value.

d. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period;

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at leasttwelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes to the Financial Statements (continued)

2. Basis of Accounting (continued)

e. Segment reporting (refer to Note 7)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executives of the Company.

f. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Company is Australian dollars (A$), which is also the presentation currency of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or reporting date where monetary items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

3. Summary of Significant Accounting Policies

a. Changes in accounting policies and disclosures

The accounting policies and disclosures adopted are consistent with those of the previous year. Where applicable, certain comparatives have been reclassified to comply with accounting presentation adopted in the current year (refer to Note 3(t)).

b. New and amended standards and interpretations effective and adopted in 2021

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020.

(i) Impact of the initial application of AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions

AASB 2020-4 amends AASB 16 *Leases* to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in the standard.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

b. New and amended standards and interpretations effective and adopted in 2021 (continued)

(i) Impact of the initial application of AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions (continued)

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

The amendment in AASB 2020-4 applies to annual reporting periods beginning on or after 1 June 2020 and applied to rent concessions affecting payments originally due on or before 30 June 2021.

In the current financial year, the Group has applied the amendment in AASB 2020-4, applying the practical expedient retrospectively to all rent concessions that meet the conditions in, and has not restated prior period figures.

(ii) Amendments to existing standards effective and adopted in 2021 with no significant impact to the Group

There has been no significant impact due to the adoption of any of the following standards or amendments thereto.

AASB 2018-6	*Amendments to Australian Accounting Standards – Definition of a Business*
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*
AASB 2019-1	*Amendments to Australian Accounting Standards – References to the Conceptual Framework*
AASB 2019-3	*Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
AASB 2019-5	*Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

c. New and amended standards and interpretations that have been issued but not yet effective or early adopted by the Group

At the date of authorisation of the financial report, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective.

Standard / Amendment		**Effective for annual reporting periods beginning on or after**
AASB 17 and AASB 2020-5	*Insurance Contracts and Amendments to Australian Accounting Standards – Insurance Contracts*	1 January 2023
AASB 2014-10; AASB 2015-10; and AASB 2017-5	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128; and Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 January 2022 (Editorial corrections in AASB 2017-5 applied from 1 January 2018)
AASB 2020-1 and AASB 2020-6	*Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*	1 January 2022
AASB 2020-3	*Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1 January 2022
AASB 2020-8	*Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	1 June 2021
AASB 2021-2	*Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-3	*Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

c. New and amended standards and interpretations that have been issued but not yet effective or early adopted by the Group (continued)

In addition, at the date of authorisation of the financial report the following IASB Standards and IFRS Interpretations Committee Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued:

Standard / Amendment	Effective for annual reporting periods beginning on or after
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - *Amendments to IAS 12*	1 January 2023

The Group is currently in the process of assessing the impact of the above standards or amendments.

d. Cash and cash equivalents (refer to Note 14)

Cash and cash equivalents comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

e. Inventories (refer to Note 16)

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Finished goods: weighted average cost. The cost of purchase comprises the purchase price and other ancillary costs, where appropriate. Volume discounts and rebates are included in determining the cost of purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale, including direct costs.

f. Property, plant and equipment (refer to Note 18)

Cost

Assets under construction are stated at cost less accumulated impairment losses, if any. Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes the purchase consideration, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Such cost includes the cost of replacing parts of plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation

The major categories of property, plant and equipment are depreciated over the estimated useful lives of the assets on a diminishing value or straight-line basis using the following depreciation rates of the specific asset as follows:

- Office furniture, fittings and equipment — 2 to 20 years
- Research and development equipment — 3 to 10 years
- Asset under construction — Not depreciated

Depreciation commences when an asset is available for use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

f. Property, plant and equipment (refer to Note 18) (continued)

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

g. Intangibles (refer to Note 19)

Cost

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Amortisation

The useful lives of the Group's intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Derecognition

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

i) Patents, Trademarks and Licences

The Group made upfront payments to acquire patents, trademarks and licences. The patents and trademarks have been granted for periods ranging between15 to 20 years, depending on the patent or trademark, by the relevant government agency with the option of renewal at the end of the period. Licences for the use of intellectual property ("IP") are granted for periods ranging between 3 to 20 years depending on the specific licences.

ii) Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the statement of comprehensive income when incurred.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other research and development expenditure is recognised in the statement of comprehensive income when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the development is complete and the asset is available for use. The asset is amortised over the period of expected future benefit and amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

g. Intangibles (refer to Note 19) (continued)

A summary of the policies applied to the Group's intangible assets is, as follows:

	Patents and Trademarks	Licences	Development Costs
Useful lives	Finite (15-20 years)	Finite (3-20 years)	Finite (5-7 years)
Amortisation method used	Amortised on a straight-line basis over the period of the patent or trademark	Amortised on a straight-line basis over the period of the licence	Amortised on a straight-light basis over the period of expected future sales from the related project
Internally generated or acquired	Acquired	Acquired	Internally generated

h. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset doesnot generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group conducts an annual internal review of asset values, which is used as a sourceof information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Impairment losses, including write-down of inventories to net realisable value, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For non-financial assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists,the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversedonly if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

i. Leases (refer to Note 29)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contractconveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets in which the Group are reasonably certain to obtain ownership of the underlying leased asset at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office Space 3 to 10 years
- Other equipment 3 to 5 years

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

i. Leases (refer to Note 29) (continued)

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3(h).

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets and are recognised as an expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate ("IBR") at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term,a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate usedto determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group's lease liabilities are further disclosed at Note 29.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment(i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain apurchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipmentthat are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

j. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair valuethrough OCI, and fair value through profit or loss.

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in Note 3(p).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

j. Financial instruments (continued)

Financial assets (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Group classifies its financial assets as financial assets at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash and cash equivalents, term deposits and trade and other receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset,or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

j. Financial instruments (continued)

Financial assets (continued)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities (refer to Note 25)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, the Group classifies its financial liabilities as financial liabilities at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

k. Provisions (refer to Notes 22 and 23)

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued by employees. A provision is made for the estimated liability for annual leave because of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave. Annual leave is recognised in current liabilities, as it is expected to be wholly settled within 12 months of the reporting date.

3. Summary of Significant Accounting Policies (continued)

k. Provisions (refer to Notes 22 and 23) (continued)

ii) Long service leave

Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made. 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, theestimated future cash outflows. Long service leave is recognised in current and non-current liabilities, provided there is an unconditional right to defer settlement of the liability.

iii) Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

l. Contingent liabilities (refer to Note 35)

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

m. Share-based payments (refer to Note 33)

The Group provides benefits to employees, including Key Management Personnel ("KMP"), in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of these equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 33.

That cost is recognised in employee benefits expense (Note 9), together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share (refer to Notes 3(o) and 12).

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

n. Contributed equity (refer to Note 26)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o. Earnings per share (refer to Note 12)

Basic earnings per share ("EPS") is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members of the parent divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

p. Revenue recognition

Revenue of the Group arises mainly from the sale and licencing of Driver Monitoring System ("DMS") and Occupant Monitoring System ("OMS") hardware and software, after-sales monitoring and consulting services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services (i.e., transaction price).

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

(i) Sale of goods

Revenue from the sale of goods is recognised when control of the goods is transferred to the customer, usually at the time of delivery of the goods to customer, even if the terms include a right of return or other price protection features. The normal credit term is 30 to 60 days upon delivery.

(ii) Licence fees

Licences granted to customers are perpetual licences for use of IP (usually in the form of software). Where the software is provided on a hardware kit this is treated as one deliverable of a license due to the fact that the hardware provided is of no value to the customer without the inclusion of the software and that the software cannot be delivered through any other acceptable mechanism to the customer.

Recognition of revenue from licence fees is dependent on the nature of the license and whether it is a right to access or a right to use license.

Licenses that provide a right to use IP are performance obligations satisfied at a point in time, generally recognised upon provision of access to the software.

Licenses that provide a right to access Seeing Machines IP are performance obligations satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group uses time elapsed to measure progress toward complete satisfaction of the service and recognises revenue on that basis.

(iii) Rendering of services

Revenue from support and consultancy, including monitoring services, is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract which is determined by a set quotation with the customer.

These contracts are typically customer-specific, and revenue recognition is therefore dependent on the facts and circumstances of each arrangement.

For each contract of this type, the Group will determine whether the performance obligation is satisfied at a point in time or over time. For performance obligations satisfied over time, the Group will use the method to measure progress that best depicts transfer of control to the customer, which could be an output or an input method.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

p. Revenue recognition (continued)

(iv) Interest revenue

Revenue is recognised as interest accrues using the EIR method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of thefinancial asset to the net carrying amount of the financial asset.

(v) Royalty revenue

Revenue from royalties are performance obligations satisfied at a point in time, generally recognised when the customer produces a unit (i.e., a vehicle is produced). The Group recognises revenue on a monthly basis using total number of units produced.

(vi) Agreements with multiple deliverables

Where the Group enters into agreements for the provision of both goods and services as part of a single arrangement, each deliverable that is considered to have a value to the customer on a standalone basis is accounted for separately. The consideration from the arrangement is allocated to each deliverable based on the relative stand-alone selling prices of those deliverables.

The disclosures of significant estimates and assumptions relating to the estimation of the stand-alone selling price of each deliverable are provided in Note 4.

(vii) Paid research and Consulting

The Group receives funding for research activities and consulting projects. These are typically multi-year agreements where the Group is paid after the achievement of certain milestones. Revenue is recognised once the milestone has been achieved.

Timing of revenue recognition

Revenue is recognised either at a point in time or over time, when or as the Company satisfies performance obligations by transferring the promised goods or services to its customers.

If the Company satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

q. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

r. Taxes (refer to Note 10)

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not through profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time ofthe transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax consolidation legislation

Seeing Machines Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005.

The head entity, Seeing Machines Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

r. Taxes (refer to Note 10) (continued)

Tax consolidation legislation (continued)

In addition to its own current and deferred tax amounts, Seeing Machines Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 10.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part ofthe expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the sales tax component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of sales tax recoverable from, or payable to, the taxation authority.

s. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would usewhen pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair valuemeasurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair valuemeasurement is unobservable

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

s. Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

t. Comparatives

Where necessary, comparatives have been reclassified to ensure consistency with current year disclosures.

For enhanced visibility over cost analysis at a segmental reporting level, account codes have been recategorised during the year resulting in a change in presentation. 'Operations expenses' and 'General and administrative expenses' replace 'Occupancy and facilities expenses' and 'Corporate services expenses' in the prior year accounts respectively. 'Research and development expenses' incorporates 'Other expenses' within the overall balance.

For comparability, reclassifications for software and operational costs totalling A$3,273,000 from 'General and administration expenses' to 'Operations expenses', and for salaries and wages totalling A$9,226,000 from 'Research and development expenses', being split between 'Operations expenses' (A$6,433,000), 'Customer support and marketing expenses' (A$1,518,000) and 'General and administration expenses' (A$1,275,000), have been effected in 2020. These reclassifications are wholly between the expense lines.

4. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial report. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgements

Capitalised development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

Taxation

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences,are recognised only where it is considered probable that taxable profit will be available against which the deductibletemporary differences and tax losses can be utilised.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Notes to the Financial Statements (continued)

4. Significant accounting judgements, estimates and assumptions (continued)

Significant accounting judgements (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. Thatis, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Significant accounting estimates and assumptions

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined (higher of fair value less cost of disposal and its value in use).

The Group determines whether intangible assets and capitalised development costs are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the intangibles with indefinite useful lives are allocated.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes method, with the assumptions detailed in Note 33. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and manufacturers' warranties (for plant and equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Revenue recognition - Agreements with multiple deliverables

Where the Group enters into agreements for the provision of both goods and services as part of a single arrangement, each deliverable that is considered to have a value to the customer on a stand-alone basis is accounted for separately. The consideration from the arrangement is allocated to each deliverable based on the relative stand-alone selling prices of those deliverables. In the absence of a stand-alone selling price, the deliverable is measured based on the best estimate of the stand-alone selling price. The price of each component is set in order to achieve a margin on that component of the sale consistent with that which would be achieved if the Company sold each item separately.

Revenue recognition - Non-recurring engineering

The Group recognises revenue from pre-production engineering services over time, using the completion of specific performance obligations to measure progress towards the complete satisfaction of the service.

Revenue recognition - Licences

Licences that provide a right to use IP are performance obligations satisfied at a point in time, generally recognised upon provision of access to the software. Licences that provide a right to access Seeing Machines IP are performance obligations satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group.

Notes to the Financial Statements (continued)

4. Significant accounting judgements, estimates and assumptions (continued)

Significant accounting estimates and assumptions (continued)

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, trade receivables, term deposits and trade payables. The Group has various other financial assets and liabilities such as sundry receivables and lease liabilities.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of this policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Primary responsibility for identification and control of risk rests with the Board. The Board reviews and agrees policies for managing each of its risks identified below, including, credit allowances and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates to the Group's short-term cash holdings. The Group did not enter into any forward contracts during the 30 June 2021 financial year.

The Group's exposure to interest rate risk is minimal.

At reporting date, the Group had the following mix of financial assets exposed to variable interest rates at the designated variable interest rate:

	Consolidated	
	2021	2020
FOR THE YEAR ENDED	A$000	A$000
Financial Assets		
Cash and cash equivalents:		
Exposed to Australian variable interest rate risk	19,001	28,109
Exposed to United States of America variable interest rate risk	18,539	9,030
Exposed to United Kingdom variable interest rate risk	9,791	920
Exposed to Japanese variable interest rate risk	62	79
Total cash and cash equivalents	**47,393**	**38,138**

In addition to the above, the group had term deposits classified as financial assets at amortised cost totaling A$472,000 (2020: A$512,000) that were subject to short-term fixed interest rates (refer to Note 20).

Notes to the Financial Statements (continued)

5. Financial Risk Management Objectives and Policies (continued)

Interest rate risk sensitivity

The Group's policy is to not hedge against interest rate movements as funds held are in cash and short-term deposits.

At 30 June 2021, if interest rates had moved, as illustrated in the table below, with all other variables heldconstant, post-tax profit would have been affected as follows:

	Post Tax Profit Higher / (Lower)	
FOR THE YEAR ENDED	**2021 A$000**	**2020 A$000**
Consolidated		
+ 1% (100 basis points)	474	381
- 0.5% (50 basis points)	(237)	(191)

The movement in profit is due to interest rate changes on cash balances.

Interest rates on the lease arrangements outstanding at year end are fixed and range from 8% to 10%.

Foreign currency risk

As a result of significant sales in North America, New Zealand and Europe (denominated in those currencies), staffing costs and significant purchases of inventory denominated in United States dollars, the Group's statement of financial position can be affected by movement in exchange rates generally and the US$/A$ exchange rate in particular. The Group seeks to mitigate the effect of its foreign currency exposure by operating US Dollar (US$), British Pound (GB£) and Japanese Yen (JP¥) bank accounts.

Approximately 73% of the Group's sales and approximately 60% of the Group's expenses and inventory purchases are denominated in currencies other than the functional currency of the operating entity making the transaction. The Group evaluates the concentration of risk with respect to foreign currency as low, as the Group is naturally hedged by holding funds in multiple operating currency accounts, with revenues and expenses being closely aligned on an annual basis.

At 30 June 2021 the Group had the following exposure to foreign currency:

	Consolidated	
	2021 A$000	**2020 A$000**
Financial Assets		
Cash and cash equivalents (US$)	18,539	9,030
Cash and cash equivalents (GB£)	9,791	920
Cash and cash equivalents (JP¥)	62	79
Trade and other receivables (US$)	9,710	2,423
Trade and other receivables (EUR)	8	41
Trade and other receivables (GB£)	1,091	1,168
Trade and other receivables (NZD)	97	1,048
Trade and other receivables (ZAR)	14	6
Trade and other receivables (JP¥)	13	-
Total	39,325	14,715
Financial Liabilities		
Trade and other payables (US$)	(436)	(2,126)
Trade and other payables (GBP)	(105)	(395)
Trade and other payables (EUR)	(69)	(491)
Trade and other payables (JP¥)	(52)	(95)
Trade and other payables (NZD)	-	(13)
Trade and other payables (SGD)	-	(3)
Trade and other payables (ZAR)	-	(1)
Total	(662)	(3,124)
Net exposure	**38,663**	**11,591**

Notes to the Financial Statements (continued)

5. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Effect on profit before tax		Equity Higher / (Lower)	
	2021 A$000	2020 A$000	2021 A$000	2020 A$000
Consolidated				
Change in USD rate				
AUD / foreign currency +5%	(1,324)	(444)	(1,324)	(444)
AUD / foreign currency -5%	1,464	491	1,464	491
Change in GBP rate				
AUD / foreign currency +5%	(513)	(81)	(513)	(81)
AUD / foreign currency -5%	567	89	567	89
Change in EUR rate				
AUD / foreign currency +5%	3	21	3	21
AUD / foreign currency -5%	(3)	(24)	(3)	(24)
Change in NZD rate				
AUD / foreign currency +5%	(5)	(49)	(5)	(49)
AUD / foreign currency -5%	5	54	5	54
Change in ZAR rate				
AUD / foreign currency +5%	(1)	(0.2)	(1)	(0.2)
AUD / foreign currency -5%	1	0.2	1	0.2
Change in JPY rate				
AUD / foreign currency +5%	(0.5)	1	(0.5)	1
AUD / foreign currency -5%	1	(1)	1	(1)

Management believes the reporting date risk exposures are representative of the risk exposure inherent in financial instruments.

Notes to the Financial Statements (continued)

5. Financial Risk Management Objectives and Policies (continued)

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, contract assets and other financial assets. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each particular note. The Group accounts for expected credit losses in accordance with its policy on impairment of financial assets detailed in Note 3(j). The Group does not hold any credit derivatives to offset its credit exposure.

Trade receivables

It is the Group's policy that all customers who wish to trade are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Customer credit risk is managed in line with the Group's established policy, procedures and control relating to customer credit risk management. The Group also engaged a Credit Assessment Provider for a list of recommendations and insurance policy limits and has insurance policies in place for the most significant customers. The internal assessment of each customer is based on the payment history and the reputation and size of the customer. Outstanding customer receivables are regularly monitored and followed up. Refer to Note 15 for credit risk disclosures on trade and other receivables.

Capital management and liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and by undertaking ongoing monitoring of actual and forecast cash flows and maturity profiles of financial assets and liabilities, in particular, the impact of differing sources of funds on cost and shareholder dilution are taken into consideration when contemplating any funding shortfalls.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2021. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2021.

Maturity analysis of liabilities based on management's expectation

The risk implied from the table below reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as plant, equipment and investments in working capital (e.g., inventories and trade receivables). To monitor existing financial liabilities as well as to enable an effective controlling of future risks, Seeing Machines Limited has established risk reporting systems that reflects expectations of management of expected settlement of financial liabilities.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted payments:

FOR THE YEAR ENDED 30 June 2021	<=6 months A$000	6-12 months A$000	>1 year A$000	Total A$000	Carrying Value A$000
Trade and other payables	8,839	-	-	8,839	8,839
Lease liabilities	685	694	6,345	7,724	6,190
Total	**9,524**	**694**	**6,345**	**16,563**	**15,029**

FOR THE YEAR ENDED 30 June 2020	<=6 months A$000	6-12 months A$000	>1 year A$000	Total A$000	Carrying Value A$000
Trade and other payables	7,874	-	-	7,874	7,874
Borrowings	82	82	239	403	403
Financial guarantee	212	224	117	553	553
Lease Liabilities	459	434	5,527	6,420	6,420
Total	**8,627**	**740**	**5,883**	**15,250**	**15,250**

The group monitors rolling forecasts of liquidity reserves on the basis of expected cash flows.

Fair values

As at 30 June 2021, the carrying values of the financial instruments approximate their fair value.

Notes to the Financial Statements (continued)

6. Business combinations and acquisition of non-controlling interests

No business combinations or acquisitions of non-controlling interests have occurred throughout the year ended 30 June 2021 (2020: none).

7. Segment information

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operational decision makers to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

Operating segments that meet the qualitative criteria as prescribed by AASB 8 *Operating Segments* are reported separately. However, an operating segment that does not meet the qualitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

There are no inter-segment revenues and there have been no changes to how each segment's profit or loss is measured.

a. Segment Revenue based on operating segment

For management purposes, the Group is organised into key business units based on the nature of its products and services.

The Company has identified two key operating segments, OEM and Aftermarket. The OEM segment includes the Automotive and Aviation business units which generate largely license based revenue, channeled through Tier 1 customers. The Aftermarket segment includes Fleet and Off-Road business units, which generate revenue from a mix of direct and indirect customers who retro-fit Seeing Machines technology into commercial vehicles.

	Segment Revenue		Segment Profit/(Loss)	
	2021 A$000	2020 A$000	2021 A$000	2020 A$000
OEM	12,088	12,993	(7,634)	(14,366)
Aftermarket	35,079	27,019	3,039	(7,411)
Other	-	-	(12,825)	(24,933)
Total	**47,167**	**40,012**	**(17,420)**	**(46,710)**

Notes to the Financial Statements (continued)

7. Segment information (continued)

a. Revenue from contracts with customers

In the following tables, revenue segments have been disaggregated by type of goods or services which alsoreflects the timing of revenue recognition.

FOR THE YEAR ENDED 30 June 2021	OEM A$000	Aftermarket A$000	Total A$000
Revenue Types			
Sales at a point in time			
Paid Research	5	-	5
Consulting	-	1,706	1,706
Hardware and Installations	727	18,798	19,525
Royalties	2,280	-	2,280
Licencing	4,190	-	4,190
Sales over time			
Driver Monitoring	-	11,064	11,064
Non-recurring Engineering	4,886	-	4,886
Licencing and royalties	-	3,511	3,511
Total revenue	**12,088**	**35,079**	**47,167**

FOR THE YEAR ENDED 30 June 2020	OEM A$000	Aftermarket A$000	Total A$000
Revenue Types			
Sales at a point in time			
Paid Research	432	-	432
Consulting	-	1,432	1,432
Hardware and Installations	1,140	12,130	13,270
Licencing	8,027	-	8,027
Sales over time			
Driver Monitoring	-	9,812	9,812
Non-recurring Engineering	3,308	-	3,315
Licencing and royalties	86	3,638	3,724
Total revenue	**12,993**	**27,019**	**40,012**

Notes to the Financial Statements (continued)

7. Segment information (continued)

b. Geographic Information

	2021 A$000	2020 A$000
Revenues from external customers		
Australia	14,874	12,532
North America	19,566	13,429
Asia-Pacific (excluding Australia)	6,172	9,755
Europe	3,407	1,448
Other	3,148	2,848
Total revenue from external customers	**47,167**	**40,012**

The revenue information above is based on the locations of the customers.

8. Other income

	Consolidated	
	2021 A$000	2020 A$000
a. Net gain/(loss) on foreign exchange		
Unrealised gain/(loss)	(217)	306
Realised gain/(loss)	(200)	(688)
Total gain on foreign exchange	**(417)**	**(382)**
b. Other income		
Government Grants	1,565	2,043
Research and development refundable tax incentives	-	182
Other income	99	9
Total other income	**1,664**	**2,234**

A total of A$1,565,000 (2020: A$1,690,000) is included in Government grants, relating to the JobKeeper Payment scheme subsidy issued by the Australian Government for businesses significantly affected by COVID-19.

Notes to the Financial Statements (continued)

9. Expenses

	Consolidated 2021 A$000	Consolidated 2020 A$000
a. Depreciation, impairment and amortisation expense		
Depreciation expenses	525	1,337
Amortisation expense	787	1,105
Total depreciation, impairment and amortisation expense	**1,312**	**2,442**
b. Employee benefits expense		
Wages and salaries and on-costs (excluding superannuation)	40,188	45,155
Superannuation expense	2,362	2,708
Share-based payment expense	3,250	5,205
Wages and salaries reported as cost of sales	(3,382)	(2,761)
Wages and salaries reported as cost of sales (NRE)	(5,878)	(7,609)
Wages and salaries capitalised to development costs	(7,314)	-
Total employee benefits expense	**29,226**	**42,698**
c. Short-term leases		
Short-term leases and variable lease payments	-	112
	-	**112**
d. Other expenses		
Impairment of receivable	26	2,986
Total other expenses	**26**	**2,986**

10. Income Tax

The major components of income tax expense for the years ended 30 June 2021 and 2020 are:

	Consolidated 2021 A$000	Consolidated 2020 A$000
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	(1,319)	(9,046)
Adjustments in respect of current income tax of previous year	-	(71)
Taxation loss not recognised	2,056	10,363
Deferred tax:		
Relating to the origination and reversal of temporary differences	(791)	(935)
Temporary differences not recognised	791	935
Income tax expense reported in the statement of comprehensive income	**737**	**1,246**

Notes to the Financial Statements (continued)

10. Income Tax (continued)

a. Reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2020 and 2021:

Loss before income tax	**(17,420)**	**(45,464)**
At the parent entity's statutory income tax rate of 26.0% (2020:27.5%)	(4,529)	(12,503)
Share based payments (equity settled)	844	1,359
Entertainment	8	12
Research and development – R&D tax credit	-	(50)
Equity raising costs	-	-
Origination and reversal of temporary differences		
Other temporary differences	(81)	(63)
Temporary differences not recognised	(791)	935
Adjustments in respect of current income tax of previous years	-	(71)
Taxation loss not recognised	2,056	10,363
Other non-deductible	50	18
Foreign tax-withholding not recoverable	737	1,246
Impact of tax rate change on deferred tax balances not recognised	2,443	-
Total	**737**	**1,246**

b. Deferred income tax at 30 June relates to the following:

Deferred tax relates to the following:

	Consolidated Statement of Financial Position	
	2021 A$000	2020 A$000
(i) Deferred tax liabilities		
Intangible assets	(16)	58
Right of use assets	(1,106)	(1,163)
Fixed assets	(97)	-
Accrued income (JobKeeper)	-	(175)
Gross deferred tax liabilities	(1,219)	(1,280)
Set off deferred tax assets	1,219	1,280
Net deferred tax liabilities	-	-

Notes to the Financial Statements (continued)

10. Income Tax (continued)

b. Deferred income tax at 30 June relates to the following (continued):

	Consolidated Statement of Financial Position	
	2021 A$000	2020 A$000
(ii) Deferred tax assets		
R&D offset	3,244	3,244
Provision for expected credit loss	29	41
Accrued expenses	28	39
Annual leave	763	726
Long service leave	217	221
Warranties	167	131
S. 40-880 deduction	427	868
Finance lease liabilities	1,626	1,765
Accrued bonuses	640	1,028
Unrealised foreign exchange loss	56	(85)
OPEX interest	78	150
Gross deferred tax assets	7,275	8,128
Set-off deferred tax liabilities	(1,219)	(1,280)
Net deferred tax balance not brought to account	**6,056**	**6,848**
Tax losses	(39,997)	(37,941)
Losses not recognised	39,997	37,941
Net deferred tax asset	-	-

c. Unrecognised temporary differences

At 30 June 2021, Seeing Machines Limited (consolidated) has unrecognised temporary differences in relation to unbooked tax losses of A$153,836,000 (DTA of A$39,997,000) for which no deferred tax asset has been recognised on the statement of financial position (2020: unrecognised tax losses of A$138,255,000 and DTA of A$37,941,000). These losses are available for recoupment subject to satisfaction of relevant statutory tests in each jurisdiction.

As at 30 June 2021 there are net unrecognised deductible temporary differences of A$23,294,000 (DTA of A$6,056,000) for which no deferred tax asset has been recognised on the statement of financial position (2020: net unrecognised deductible temporary differences of A$24,901,000 and DTA of A$6,848,000).

d. Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Seeing Machines Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2005. Seeing Machines Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

Notes to the Financial Statements (continued)

10. Income Tax (continued)

d. Tax consolidation (continued)

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement, the funding of tax within the Group is based on accounting profit, which is not an acceptable method of allocation under AASB Interpretation 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

11. Dividends Paid and Proposed

No dividends or distributions have been made to members during the year ended 30 June 2021 (2020: nil) and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2021 (2020: nil).

Notes to the Financial Statements (continued)

12. Earnings Per Share

The following table reflects the income and share data used in the basic and diluted earnings per share computations:

Earnings used in calculating earnings per share

	Consolidated	
	2021 A$000	**2020 A$000**
For basic and diluted earnings per share:		
Net loss	(17,420)	(46,710)
Net loss attributable to ordinary equity holders of the Company	**(17,420)**	**(46,710)**

Weighted average number of shares

	2021 Thousands	**2020 Thousands**
Weighted average number of ordinary shares for basic earnings per share	3,634,037	3,365,319
Weighted average number of ordinary shares adjusted for the effect of dilution	3,634,037	3,365,319

There are no instruments (e.g. share awards) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are either non-dilutive or anti-dilutive for both of the periods presented.

Other than the transaction highlighted in Note 36, there have been no transactions involving ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Information on the classification of securities

Awards granted to employees (including KMP) as well as in the form of capital raising cost as described in Note 33 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. These shares have not been included in the determinationof basic earnings per share.

13. Parent Entity Information

Information relating to Seeing Machines Limited	**2021 A$000**	**2020 A$000**
Current assets	72,783	70,433
Total assets	89,716	78,507
Current liabilities	13,657	12,250
Total liabilities	18,969	17,878
Issued capital	257,380	217,204
Accumulated losses	(204,844)	(171,359)
Reserves	18,212	14,784
Total shareholders' equity	**70,748**	**60,629**
Loss of the Parent entity	(18,297)	(34,377)
Total comprehensive income of the Parent entity	(18,297)	(34,377)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 3, except, investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Notes to the Financial Statements (continued)

14. Current Assets – Cash and Cash Equivalents

	Consolidated 2021 A$000	Consolidated 2020 A$000
Cash at bank	47,393	38,138
Total cash and cash equivalents	**47,393**	**38,138**

15. Current Assets – Trade and Other Receivables

Current	Consolidated 2021 A$000	Consolidated 2020 A$000
Trade receivables	19,537	9,389
Provision for expected credit losses	(110)	(150)
Deferred finance income	(302)	(546)
	19,125	**8,693**
Receivables subject to financial guarantee	-	553
Other receivables	726	338
Total trade and other receivables - current	**19,851**	**9,584**

a. Allowance for expected credit loss

Trade receivables are non-interest bearing and are generally 30-60 days terms. The Group applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECL's at reporting date (refer to Note 3(j)). The provision for impairment loss recognised by the Group at 30 June 2021 was A$110,000 (2020: A$150,000).

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Individually Impaired 2021 A$000	Individually Impaired 2020 A$000
As at 1 July	**150**	**250**
Provision for expected credit losses increase/(decrease)	(40)	(100)
As at 30 June	**110**	**150**

Notes to the Financial Statements (continued)

15. Current Assets – Trade and Other Receivables (continued)

a. Allowance for expected credit loss (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contractassets using a provision matrix:

	Trade receivables					
		Days past due				
2021	**Current**	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 + days**	**Total A$000**
Expected credit loss rate	0.30%	1.60%	3.60%	6.60%	10.60%	
Estimated total gross carrying amount assessed	18,426	386	391	69	265	19,537
Expected credit loss	57	6	14	5	28	110
2020						
Expected credit loss rate	0.30%	1.60%	3.60%	6.60%	10.60%	
Estimated total gross carrying amount assessed	7,752	319	452	321	545	9,389
Expected credit loss[1]	23	5	16	21	58	123

[1] A specific provision for A$27,000 was created for certain balances in addition to the expected creditloss calculated using the provision matrix. The specific provision and expected loss amount in total constitute the allowance for expected credit loss as shown in the previous table on page 46.

The Group considers a financial asset in default when contractual payments are 90 days past due unless the Group has entered into discussion with the customer to agree varied payment terms. An impairment of A$26,000 (2020: A$2,986,000) has been recognised and included in other expenses. Receivables 90 days past due but not considered in default are A$265,000 (2020: A$545,000). Payment terms on these amounts have been re-negotiated, and satisfaction has been gained that payment will be received in full. It is expected that all other balances will be received when due.

b. Fair value and credit risk

All trade receivables are short-term in nature and therefore, the carrying values approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables.

c. Foreign exchange risk

Detail regarding foreign exchange risk exposure is disclosed in Note 5.

16. Current Assets – Inventories

	Consolidated	
	2021 A$000	**2020 A$000**
Finished goods	2,640	5,168
Write-down of inventories for the period	(13)	(425)
Total inventories	**2,627**	**4,743**

Notes to the Financial Statements (continued)

17. Other Current Assets

	Consolidated 2021 A$000	2020 A$000
Prepayments	3,098	831
Rental bonds	133	103
Contract assets	2,151	2,952
Other	56	359
Total other current assets	**5,438**	**4,245**

18. Non-current Assets – Property, Plant and Equipment

a. Reconciliation of carrying amounts at the beginning and end of the year

CONSOLIDATED	Office Furniture, Fittings and Equipment A$000	Research and Development Equipment A$000	Asset under Construction A$000	Total A$000
At 1 July 2020 net of accumulated depreciation and impairment	3,000	56	152	3,208
Additions[1]	358	87	12	457
Disposals	-	-	-	-
Depreciation charge for the year[2]	(426)	(18)	-	(444)
Transferred from right-of-use assets[3] (Note 29)	140	-	-	140
At 30 June 2021 net of accumulated depreciation and impairment	**3,072**	**125**	**164**	**3,361**
At 30 June 2021				
Cost	7,461	728	164	8,353
Accumulated depreciation and impairment	(4,389)	(603)	-	(4,992)
Net carrying amount	**3,072**	**125**	**164**	**3,361**

[1] Additions include foreign exchange losses of A$80,000 during year ended 30 June 2021.

[2] Depreciation charges include foreign exchange gains of A$81,000 during year ended 30 June 2021.

[3] Office equipment leased at 30 June 2020 was purchased during the financial year ending 30 June 2021, thereby extinguishing the lease. The transfer to property, plant and equipment consisted of original cost of A$418,000 and accumulated depreciation of A$278,000.

CONSOLIDATED	Office Furniture, Fittings and Equipment A$000	Research and Development Equipment A$000	Asset under Construction A$000	Total A$000
At 1 July 2019 net of accumulated depreciation and impairment	2,801	139	-	2,940
Additions	731	39	152	922
Disposals	(21)	(80)	-	(101)
Depreciation charge for the year	(511)	(42)	-	(553)
At 30 June 2020 net of accumulated depreciation and impairment	**3,000**	**56**	**152**	**3,208**
At 30 June 2020				
Cost	6,685	641	152	7,478
Accumulated depreciation and impairment	(3,685)	(585)	-	(4,270)
Net carrying amount	**3,000**	**56**	**152**	**3,208**

Notes to the Financial Statements (continued)

19. Non-current Assets – Intangible Assets and Development Costs

a. Reconciliation of carrying amounts at the beginning and end of the year

CONSOLIDATED	Development Costs A$000	Patents, Licences and Trademarks A$000	Total A$000
At 1 July 2020 net of accumulated amortisation and impairment	-	899	899
Additions	8,311	484	8,795
Write-offs	-	(106)	(106)
Amortisation charge for the year	-	(48)	(48)
At 30 June 2021 net of accumulated amortisation and impairment	**8,311**	**1,229**	**9,540**
At 30 June 2021			
Cost	8,311	1,751	10,062
Accumulated amortisation and impairment	-	(522)	(522)
Net carrying amount	**8,311**	**1,229**	**9,540**

CONSOLIDATED	Development Costs A$000	Patents, Licences and Trademarks A$000	Total A$000
At 1 July 2019 net of accumulated amortisation and impairment	1,456	1,083	2,539
Additions	-	246	246
Amortisation charge for the year	(1,456)	(430)	(1,886)
At 30 June 2020 net of accumulated amortisation and impairment	**-**	**899**	**899**
At 30 June 2020			
Cost	4,251	1,373	5,624
Accumulated amortisation and impairment	(4,251)	(474)	(4,725)
Net carrying amount	**-**	**899**	**899**

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. Refer to Note 3(g) for the relevant accounting policy related to intangible assets, including development costs.

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 30 June. Intangible assets are reviewed at each reporting period to determine whether there is an indication of impairment or impairment reversal. Where an indicator of impairment or impairment reversal exists, a formal estimate of the recoverable amount is made at the reporting period. At 30 June 2021, no impairment indicators were noted.

Notes to the Financial Statements (continued)

20. Other Financial Assets

	Consolidated 2021 A$000	Consolidated 2020 A$000
Financial assets at amortised cost		
Term deposits	472	512
Total other financial assets	**472**	**512**

At 30 June 2021, term deposits held are classified as short-term and consist of a term deposit of $140,000 maturing on 25 February 2022 with an interest rate of 0.15% and a term deposit of $332,000 maturing on 2 May 2022 with an interest rate of 0.0325%.

The term deposits are short-term in nature and therefore, the carrying values approximate their fair value.

21. Current Liabilities – Trade and Other Payables

	Consolidated 2021 A$000	Consolidated 2020 A$000
Trade payables	2,186	1,789
Accrued expenses	1,981	1,349
GST, Payroll Tax and Payroll Liabilities	4,631	4,666
Other current liabilities	41	70
Total trade and other payables	**8,839**	**7,874**

a. Fair value

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

Included in the GST, Payroll Tax and Payroll Liabilities is the accrual for the FY21 STI (short-term incentive) amounting to A$2,461,000 (2020: A$3,739,000).

b. Foreign exchange, interest rate and liquidity risk

Information regarding foreign exchange, interest rate and liquidity risk exposure is set out in Note 5.

22. Provisions

	Consolidated 2021 A$000	Consolidated 2020 A$000
Current		
Annual leave	2,936	2,641
Long service leave	705	647
Warranties provision (Note 23)	641	475
Provision for income tax	611	-
Total provisions - current	**4,893**	**3,763**
Non-current		
Long service leave	128	156
Other provisions	64	59
Total provisions - non-current	**192**	**215**

a. Nature and timing of provisions

Refer to Note 3(k) for the relevant accounting policy and a discussion of the significant estimations andassumptions applied in the measurement of the provisions.

Notes to the Financial Statements (continued)

23. Warranties – Provisions

	Maintenance Warranties A$000
At 1 July 2019	**237**
Arising during the year	238
At 30 June 2020	**475**
At 1 July 2020	**475**
Arising during the year	212
Utilised	(46)
At 30 June 2021	**641**

24. Contract liabilities

	Consolidated	
	2021 A$000	2020 A$000
Contract liabilities	772	263
Total contract liabilities	**772**	**263**

Contract liabilities totalling A$263,000 included in the balance at 30 June 2020 were satisfied and recognised as revenue during the year ended 30 June 2021.

25. Financial Liabilities

	Consolidated	
Current	2021 A$000	2020 A$000
Financial liabilities at amortised cost		
Lease liabilities	918	893
Loans and borrowings	-	164
Total financial liabilities at amortised cost	**918**	**1,057**
Financial guarantee contracts		
Financial guarantor	-	553
Total financial guarantee contracts	**-**	**553**
Total financial liabilities - current	**918**	**1,610**

	Consolidated	
Non-Current	2021 A$000	2020 A$000
Financial liabilities at amortised cost		
Lease liabilities	5,272	5,527
Loans and borrowings	-	239
Total financial liabilities at amortised cost	**5,272**	**5,766**
Total financial liabilities - non-current	**5,272**	**5,766**

Notes to the Financial Statements (continued)

26. Contributed Equity

	Consolidated	
	2021 A$000	2020 A$000
Ordinary shares	257,382	217,204
Total contributed equity	**257,382**	**217,204**

Number of ordinary shares

	Consolidated	
	2021 Thousands	2020 Thousands
Issued and fully paid	3,875,618	3,365,214

Fully paid shares carry one vote per share and carry the right to dividends.

The Company has no set authorised share capital and shares have no par value.

Movement in ordinary shares:

	Shares Thousands	A$000
As at 1 July 2019	3,365,214	217,204
Shares issued	-	-
At 30 June 2020	**3,365,214**	**217,204**
As at 1 July 2020	3,365,214	217,204
Shares issued	510,404	41,199
Transaction costs	-	(1,021)
As at 30 June 2021	**3,875,618**	**257,382**

Notes to the Financial Statements (continued)

27. Accumulated Losses and Reserves

a. Movements in accumulated losses and reserves

Refer to the statement of changes in equity for movements in accumulated losses and other reserves.

b. Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share-based payments provided to employees, including KMP, as part of their remuneration. Refer to Note 33 for further details of the plan.

28. Statement of Cash Flow Information

a. Reconciliation of net loss after tax to net cash flows

	Consolidated	
FOR THE YEAR ENDED 30 JUNE	**2021 A$000**	**2020 A$000**
Reconciliation of net loss after tax to net cash flows from operations		
Loss after tax	**(17,420)**	**(46,710)**
Depreciation	525	1,337
Amortisation	787	1,105
Net gain on foreign exchange (unrealised)	219	305
(Profit)/loss on sale of assets	(5)	-
Financial guarantor	-	(350)
Share-based payments	3,376	5,206
Changes in assets / liabilities net of the effect of purchases		
Decrease in inventories	2,116	3,469
(Increase) / decrease in trade and other receivables	(9,386)	6,086
(Increase) / decrease in other assets	(2,283)	528
Increase in provisions	1,108	932
Increase in trade and other payables	969	4,256
Increase in other liabilities	353	-
Decrease in contract liabilities	-	(410)
Net cash used in operating activities	**(19,641)**	**(24,246)**

29. Leases

Group as a lessee

The Group has lease contracts for office space and other equipment used in its operations. Leases of office space and other equipment generally have lease terms between 3 and 15 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Notes to the Financial Statements (continued)

29. Leases (continued)

Group as a lessee (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Office space A$000	Other equipment A$000	Total A$000
As at 1 July 2019	**4,918**	**236**	**5,154**
Amortisation expense	(699)	(96)	(795)
Foreign exchange difference on opening balance	12	-	12
As at 30 June 2020	**4,231**	**140**	**4,371**
Additions	729	-	729
Amortisation expense[1]	(708)	-	(708)
Transferred to property, plant and equipment[2] (Note 18)	-	(140)	(140)
As at 30 June 2021	**4,252**	**-**	**4,252**

[1] Amortisation charges include foreign exchange gains of A$31,000 during year ended 30 June 2021.

[2] Office equipment leased at 30 June 2020 was purchased during the financial year ending 30 June 2021, thereby extinguishing the lease. The transfer to property, plant and equipment consisted of original cost of A$418,000 and accumulated depreciation of A$278,000.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021 A$000	2020 A$000
As at 1 July	**6,420**	**7,158**
Additions	757	-
Accretion of interest	472	546
Payments	(1,459)	(1,284)
At 30 June	**6,190**	**6,420**
Current	918	893
Non-current	5,272	5,527

The maturity analysis of lease liabilities are disclosed in Note 5.

The following are the amounts recognised in profit or loss:

	2021 A$000	2020 A$000
Amortisation expense of right-of-use assets	708	795
Interest expense on lease liabilities	472	546
Expense relating to short-term leases (included in operations expense)	-	112
At 30 June	**1,180**	**1,453**

The incremental borrowing rate at 30 June 2021 is 8% per annum (2020: 8% per annum).

The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (refer to Note 4).

Notes to the Financial Statements (continued)

30. Related Party Disclosure

a. Information about subsidiaries

The consolidated financial statements include the financial statements of Seeing Machines Limited and its subsidiaries' as follows:

Name	Country of incorporation	% Equity Interest 2021	% Equity Interest 2020	Investment 2021	Investment 2020
Seeing Machines Incorporated	United States	100%	100%	770,307	770,307
Seeing Machines Executive Share Plan Pty Ltd	Australia	100%	100%	100	100
Seeing Machines Share Plans Trust	Australia	100%	100%	10	10
Seeing Machines (Sales) Pty Ltd	Australia	100%	100%	12	12
Fovio Pty Limited (formerly Fovionix Pty Limited)	Australia	100%	100%	100	100
Fovio Incorporated	United States	100%	100%	50	50
Seeing Machines (UK) Ltd	United Kingdom	100%	100%	169	169
Seeing Machines Japan Ltd	Japan	100%	100%	13,636	13,636
Seeing Machines Germany	Germany	100%	100%	41,689	41,689

b. Materially owned subsidiaries

There are no subsidiaries held at 30 June 2021 that have non-controlling interests.

c. Key management personnel

Details relating to key management personnel, including remuneration paid are included in Note 32.

d. Director-related transactions

(i) Shareholdings of Directors

	Balance 1 July 2020	Granted as remuneration	Acquired or sold for cash	Net change other	Balance 30 June 2021
Directors					
K Hill	2,187,080	375,000	200,000	-	2,762,080
P McGlone	-	-	250,000	-	250,000
Y K NG*	1,785,349	375,000	-	-	2,160,349
J Murray	-	182,291	250,000	-	432,291
G Vorster	-	109,375	-	-	109,375
M Brown	-	-	-	-	-
R Burger (resigned 30 Nov 2020)	793,463	187,500	-	(980,963)	-
L Carmichael (resigned 30 Nov 2020)	2,070,813	375,000	-	(2,445,813)	-
	6,836,705	**1,604,166**	**700,000**	**(3,426,776)**	**5,714,095**

Notes:
* Yong Kang NG has an additional indirect interest in the Company by virtue of his direct and deemed (by virtue of his spouse) ownership of shares in V S Industry Berhad (VSI), being 0.1606% of VSI's current issued share capital.

Notes to the Financial Statements (continued)

30. Related Party Disclosure (continued)

d. Director-related transactions (continued)

	Balance 1 July 2019	Granted as remuneration	Acquired or sold for cash	Net change other	Balance 30 June 2020
Directors					
K Hill	550,000	187,080	1,450,000	-	2,187,080
P McGlone (appointed 4 Jul 2019)	-	-	-	-	-
Y K NG*	1,411,190	374,159	-	-	1,785,349
J Murray (appointed 1 Dec 2019)	-	-	-	-	-
G Vorster (appointed 1 Dec 2019)	-	-	-	-	-
M Brown (appointed 1 May 2020)	-	-	-	-	-
R Burger	606,383	187,080	-	-	793,463
L Carmichael	1,696,654	374,159	-	-	2,070,813
J Boyer (resigned 19 Jul 2019)	666,667	-	-	(666,667)	-
L Oxenham (resigned 22 Jul 2019)	100,000	-	-	(100,000)	-
	5,030,894	**1,122,478**	**1,450,000**	**(766,667)**	**6,836,705**

Notes:
* Yong Kang NG has an additional indirect interest in the Company by virtue of his direct and deemed (by virtue of his spouse) ownership of shares in V S Industry Berhad (VSI), being 0.1606% of VSI's current issued share capital.

(ii) Other Director related transactions

All transactions with director-related entities were made under normal commercial terms and conditions.

31. Key Management Personnel

a. Details of Key Management Personnel

(i) Directors

Kate Hill	Non-Executive Director and Chair
Paul McGlone	CEO and Executive Director
Yong Kang NG	Non-Executive Director
Gerhard Vorster	Non-Executive Director
John Murray	Non-Executive Director
Michael Brown	Non-Executive Director
Rudolph Burger	Non-Executive Director (resigned 30 November 2020)
Les Carmichael	Non-Executive Director (resigned 30 November 2020)

(ii) Executives (Other Key Management Personnel)

Paul McGlone	Chief Executive Officer
Naomi Rule	Chief Financial Officer
Nicolas Difiore	Senior Vice President (SVP) OEM Solutions
Mike Lenne	Senior Vice President (SVP) Aftermarket Solutions
Max Verberne	General Manager - (GM) Aftermarket Solutions
Ryan Murphy	Chief Operating Officer (role terminated 4 June 2021)

Notes to the Financial Statements (continued)

32. Compensation for Key Management Personnel

	Short-Term A$000	Post-Employment A$000	Share-Based Payments A$000	Total A$000
FOR THE YEAR ENDED 30 June 2021	**Salary/Fees/ Bonus/Leave**	**Superannuation**	**Rights/Options**	
Chair				
Kate Hill	123	7	-	130
CEO and Executive				
Paul McGlone	705	25	331	1,061
Non-Executive Directors				
Y K NG	72	-	-	72
John Murray	68	6	-	74
Gerhard Vorster	74	4	-	78
Michael Brown	47	-	-	47
R Burger (resigned 30 Nov 2020)	27	-	-	27
L Carmichael (resigned 30 Nov 2020)	32	-	-	32
Other Key Management Personnel[1]	2,810	98	688	3,596
Total	**3,958**	**140**	**1,019**	**5,117**

1. Other key management personnel include the Executives as listed at Note 31(a)(ii).

	Short-Term A$000	Post-Employment A$000	Share-Based Payments[2] A$000	Total A$000
FOR THE YEAR ENDED 30 June 2020	**Salary/Fees/ Bonus/Leave**	**Superannuation**	**Rights/Options**	
Chair				
Kate Hill	114	-	45	159
CEO and Executive				
Paul McGlone (appointed 4 Jul 2019)	548	25	645	1,218
Non-Executive Directors				
Y K NG	44	-	61	105
John Murray (appointed 1 Dec 2019)	40	-	15	55
Gerhard Vorster (appointed 1 Dec 2019)	33	-	9	42
R Burger	58	-	30	88
L Carmichael	55	-	61	116
Other Key Management Personnel[1]	2,475	209	1,257	3,941
Total	**3,367**	**234**	**2,123**	**5,724**

1. Other key management personnel include the Executives as listed at Note 31(a)(ii).
2. Share based payments includes accrued Director shares pertaining to remuneration taken as shares during the financial year which will be granted post balance date.

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Notes to the Financial Statements (continued)

33. Share-based payments plans

a. Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2021 A$000	2020 A$000
Expense arising from the performance rights long term incentive	3,249	4,919
Expense arising from options under long term incentive	1	23
Expense arising from the shares issued to employees	-	171
Directors' shares	-	93
Total expense arising from share-based payment transactions	**3,250**	**5,206**

b. Type of share-based payment plan

2010 Executive Share Plan

In July 2010 the Company adopted an Executive Share Plan (2010 Plan). Under the 2010 Plan the Board may offer and issue ordinary fully paid shares (Shares) to employees or officers (including Directors) of the Company from time to time. The Company has made the following types of offers under the 2010 Plan:

(i) Long Term Incentive – 2020 Performance rights or share options offers – Executive and key staff

From 1 July 2015, senior staff and other key staff are offered long term incentive (LTI) performance rights or share options. Under this structure, the staff are only able to exercise the rights, and have new ordinary shares issued to them, if any performance, market and vesting conditions are met. These conditions typically include a performance condition requiring the staff member to achieve a minimum "meets expectations" rating and some rights have included a market condition in the form of a minimum Target Share Price (TSP). The vesting period ranges from 9 months to 5 years from the end of the relevant financial year or grant date. Performance rights or options are often offered as part of the annual remuneration review and may be offered at other times. Any offer of performance rights or options requires Board approval and, when granted, is announced to the market.

Options were issued to a key staff member in October 2016, the options were valued using a binomial model using volatility as a proxy for implied volatility, long term UK government bond prices for the risk free rate and AIM share price information. All options expire after 10 years. At 30 June 2021 the weighted average remaining life for the outstanding share options was 6.21 years (2020: 7.21 years) and the exercise price for all outstanding options was £0.0561. No new options were granted during the year.

In November 2020 the Company awarded a total of 29,964,495 performance rights in respect of ordinary shares to Executive and key staff to be issued at nil cost. The rights were valued at the spot rate of the shares at grant date. The rights vest annually over 3 years in equal tranches with the first vesting date being 1 July 2021 and require the employee to remain continuously employed by the Company until each relevant vesting date. If an employee leaves before the rights vest and the service condition is therefore not met the rights lapse.

In some cases, for 'good leavers', determined on a discretionary basis by management, options are prorated for service in the current period and that portion are vested on termination, the remaining rights are cancelled.

There is no cash settlement of the rights. The Group accounts for the Executive Share Plan as an equity-settled plan.

(ii) Ordinary Shares

In November 2020 the Company issued a total of 1,604,166 ordinary shares to non-executive directors in lieu of cash remuneration. The shares were valued at grant date at £0.04. The number of shares issued to each drector was calculated with reference to the cash equivalent the director would have received based on their performance, net of superannuation.

Notes to the Financial Statements (continued)

33. Share-based payments plans (continued)

(iii) 2019 CEO Call Options Scheme

In September 2019 the Company awarded rights to acquire 12,000,000 ordinary shares as part of the Company's Call Option Scheme to the CEO. These rights will vest on 1 July 2022, providing the CEO remains continuously employed by the company, and will be exercisable at any point within one year at a price of £0.0441 per ordinary share, being the average daily volume weighted average price (VWAP) over the 5 trading days to 27 September 2020. There is no cash settlement of the options and the options will expire if they are not exercised by 1 July 2023.

Taking into account the terms and conditions upon which the options were granted, and the assumptions outlined below, the weighted average fair value of the options at grant date is £0.0182. At 30 June the weighted average remaining life for the outstanding share options was 2 years (2020: 3 years)

(iv) 2019 CEO LTI Performance Rights

In September 2019 the Company awarded 25,000,000 rights in respect of ordinary shares to the CEO to be issued at nil cost. The rights vest annually over 5 years in equal tranches with the first vesting date being 1 July 2020, with each issue conditional on the satisfaction of key conditions including TSP performance and require the employee to remain continuously employed by the Company until each relevant vesting date. For the purposes of determining whether the TSP has been achieved at a particular vesting date the share price will be determined by the 30-day VWAP immediately prior to the particular vesting date. If the employee leaves before the rights vest and the service condition is therefore not met the rights lapse.

Achievement of the following TSP performance is required for each tranche to vest:

Tranche 1: £0.061
Tranche 2: £0.076
Tranche 3: £0.095
Tranche 4: £0.119
Tranche 5: £0.149

If the TSP has been achieved at the particular vesting date, then 100% of the performance rights allocated to that tranche will vest. Where at least 90% of the TSP has been achieved at the particular vesting date the corresponding Performance Rights equal to the proportion of the TSP achieved for that year will vest.

Where less than 90% of the TSP is achieved 0% of the rights will vest. However, the performance rights issued under the tranche will have the opportunity to achieve 50% vesting two years later by way of re-test. The re-test feature is such that 50% will vest if the original TSP is achieved at the following two consecutive LTI vesting dates. The remaining 50% will lapse.

In some cases, for ‘good leavers’, the Board, in its absolute discretion, may partially allow some of the rights to acquire Shares to be exercised or allocate cash on a pro rata basis, having regard to the group performance to that point and the likelihood that the group will achieve the KPIs by the performance date. Any remaining rights are cancelled.

Taking into account the terms and conditions upon which the options were granted, and the assumptions outlined below, the following fair values have been calculated:

Tranche 1: £0.0190
Tranche 2: £0.0193
Tranche 3: £0.0193
Tranche 4: £0.0192
Tranche 5: £0.0192

At 30 June the weighted average remaining life for the outstanding performance rights was 8.23 years (2020: 9.23).

Notes to the Financial Statements (continued)

33. Share-based payments plans (continued)

(iv) 2019 CEO LTI Performance Rights (continued)

The fair values at grant date are estimated using a binomial pricing model using historic volatility as a proxy for implied volatility, long term UK government bond prices for the risk-free rate and share price information from DataStream. The following assumptions have been used in calculating the fair values in relation to offers made to the CEO:

Dividend yield: 0%
Volatility: 63%
Post-vesting Withdrawal Rate (options only): 0%
Risk-free interest rate:
1 Year: 0.56%
2 Year: 0.44%
3 Year: 0.39%
4 Year: 0.36%
5 Year: 0.35%
6 Year: 0.36%
7 Year: 0.37%

For the year ended 30 June 2021, the Company has recognised A$3,250,000 of share-based payment expense in the statement of comprehensive income (2020: A$5,206,000).

e. Summaries of shares issued and held in Trust:

	2021 No '000	2021 WAEP (pence)	2020 No '000	2020 WAEP (pence)
Shares held in Trust at 1 July 2020	41,405	6.92	59,556	7.06
Issued during the year	70,000	9.50	-	-
Vested and transferred during the year	(25,270)	6.80	(18,151)	4.57
Shares held in Trust at 30 June	**86,135**	**9.64**	**41,405**	**6.92**

f. Summaries of rights granted under the Performance Right Scheme:

	2021 Number	2021 WAEP (pence)	2020 Number	2020 WAEP (pence)
Outstanding at 1 July 2020	132,333,408	5.97	87,717,529	7.06
Granted during the year	29,964,495	5.60	65,995,070	4.27
Forfeited during the year	(7,072,085)	4.79	(8,450,406)	4.99
Exercised during the year	(24,010,464)	7.69	(12,928,785)	7.65
Outstanding at 30 June	**131,215,354**	**5.65**	**132,333,408**	**5.97**
Exercisable at 30 June	51,806,200	7.02	48,116,677	7.50

34. Commitments

As at 30 June 2021, the group had commitments of A$15,981,803 (2020: A$30,284,000) relating to the manufacturing contract for the Group's Guardian 2.1 product for the period July 2021 to May 2022.

35. Contingent Liabilities

As at 30 June 2021, there were no contingent liabilities (2020: A$500,000 in relation to a guarantee with HP Financial Services New Zealand, which is no longer applicable as the underlying loan has been repaid in full).

Notes to the Financial Statements (continued)

36. Events After the Reporting Date

Other than the matters outlined below, there have been no matters that have occurred subsequent to the reporting date, which have significantly affected, or may significantly affect, the Group's operations, results or state of affairs in future years.

- On 23 November 2021, Seeing Machines issued 277,123,492 new ordinary shares of no par value each (the "New Ordinary Shares") at a price of 11 pence per New Ordinary Share, raising gross proceeds of approximately US$41,000,000 (the "Placing"). The net proceeds of the Placing will be used to strengthen the Company's balance sheet and for general working capital and corporate purposes.

37. Auditors' Remuneration

The auditor of the Group is Ernst & Young.

	Consolidated	
	2021	2020
	A$	A$
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in		
the consolidated group	139,000	199,443
Other services in relation to the entity and any other entity in the consolidated group:		
Tax compliance	74,861	56,900
	213,861	**256,343**

Directors' declaration

In accordance with a resolution of the Directors of Seeing Machines Limited, I state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

      (ii) Complying with Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

   (b) The financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 2(a); and

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

On behalf of the board

Paul McGlone
Executive Director & Chief Executive Officer
Canberra

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Independent Auditor's Report to the Members of Seeing Machines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Seeing Machines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue recognition for non-recurring engineering services and licensing arrangements

Why significant	How our audit addressed the key audit matter
The Group has contractual arrangements with certain customers for non-recurring engineering services. In the year ending 30 June 2021 non-recurring engineering services accounted for $4.9m of total revenues of $47.2m. There is significant judgement associated with determining when performance obligations have been satisfied in order to recognise revenue over time. The Group has licensing arrangements with customers for use of technology developed by the Group. In the year ending 30 June 2021 licensing revenue accounted for $7.7m of total revenues of $47.2m. There is significant judgement associated with determining whether a licence conveys either: ► A right to access the Group's intellectual property throughout the licence period, which results in revenue that is recognised over time; or ► A right to use the Group's intellectual property as it exists at the point in time the licence is granted, which results in revenue that is recognised at a point in time. Based on the significant judgement required to determine revenue recognition for non-recurring engineering services and licences and their significance to total revenues recorded by the Group, we considered this to be a key audit matter.	Our audit procedures included the following: ► We assessed whether the Group's revenue recognition policies were in accordance with Australian Accounting Standards. ► For all non-recurring engineering and licence arrangements that we considered to be individually significant and for a sample of the remaining arrangements we: ► obtained an understanding of the transaction through inspection of the underlying contractual agreements and other related documents, as well as discussions with the Group's accounting and/or sales representatives; ► evaluated management's analysis of the engineering services delivered with reference to the performance obligations and obtained evidence of service delivery and customer acceptance. We agreed inputs into the revenue recognition calculation to sales documentation, employee time and cost records; and ► evaluated management's analysis of the licence arrangements including whether the licence conveyed a right to use or a right to access the Group's intellectual property and the performance obligations, if any, over the licence period. We obtained and read the licence agreements to assess the position adopted by Group including

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Why significant	How our audit addressed the key audit matter
The Group has included disclosures for revenue recognition in Note 7 and related significant judgments in Note 4 of the financial report.	reconciliation of key inputs into the revenue recognition calculations. ► We evaluated the associated financial report disclosures.

Capitalised software development costs

Why significant	How our audit addressed the key audit matter
Capitalised software development costs represent 9.0% of the total assets. These costs were capitalised as they meet the criteria set out in Australian Accounting Standards and will be amortised over a period of 5 to 7 years. Judgement is exercised by the Group in determining the nature and amount of costs to be capitalised and in determining the useful lives over which costs are amortised. Capitalised software development costs were considered to be a key audit matter given the value of these assets relevant to total assets, the significant value of amounts capitalised during the year, and the judgements required when determining whether costs should be capitalised, the useful lives over which costs should be amortised and the recoverability of capitalised software development costs. Disclosure of capitalised software development costs and the associated judgements are included in Note 19 and Note 4.	Our audit procedures included the following: ► We assessed whether the Group's accounting policy for capitalisation of software development costs complied with Australian Accounting Standards. ► For a sample of capitalised software development costs, we assessed whether the labour hours incurred were authorised, the costs incurred met the criteria for capitalisation set out in Australian Accounting Standards and recalculated the capitalisation rate used by management in determining the amount of the costs to be capitalised. ► We assessed the appropriateness of the useful life attributed to these costs by taking into consideration the economic life of the software and the terms of customer contracts. ► We evaluated the Group's assessment for any indicators of impairment of capitalised software development costs. ► We evaluated the associated financial report disclosures.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2021 annual report other than the financial report and our auditor’s report thereon. We obtained the directors’ report that is to be included in the annual report, prior to the date of this auditor’s report, and we expect to obtain the remaining sections of the annual report after the date of this auditor’s report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating 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 this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
Sydney
24 November 2021