seeingmachines

ABN 34 093 877 331

Annual Financial Report
For the year ended 30 June 2020

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 ($). The following information is current as at 30 June 2020.

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 directors' report is not part of the financial report. The following information is current as at 30 June 2020:

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

Company Secretary
Susan Dalliston

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Fyshwick ACT 2609

Principal place of business
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Fyshwick ACT 2609
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Email: info@seeingmachines.com

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Australia
Computershare Investor Services PLC
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United Kingdom

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

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Riverbank House
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Bankers
HSBC Commercial Bank
580 George Street
Sydney NSW 2000
Australia

Auditors
Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600
Australia

Directors' report

Your Directors submit their report for the year ended 30 June 2020.

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	Appointed Chair 22 July 2019
Jack Boyer	Non-Executive Director and Chair	Resigned 22 July 2019
Paul McGlone	CEO and Executive Director	Appointed 4 July 2019
Luke Oxenham	CFO and Finance Director	Resigned 22 July 2019
Rudolph Burger	Non-Executive Director	
Les Carmichael	Non-Executive Director	
Yong Kang (YK) Ng	Non-Executive Director	
Gerhard Vorster	Non-Executive Director	Appointed 1 Dec 2019
John Murray	Non-Executive Director	Appointed 1 Dec 2019
Michael Brown	Non-Executive Director	Appointed 14 May 2020

Financial Results

The Company's total sales revenue for the financial year (excluding foreign exchange gains and finance income) was A$40,012,000 compared to the 2019 revenue of A$31,889,000, representing a 25.5% increase.

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

Product	**2020**	**2019**	**Variance**
	A$'000	**A$'000**	**%**
OEM	12,789	9,720	32%
Aftermarket	27,019	20,782	30%
Scientific Advances	204	1,387	(85)%
Sales Revenue	**40,012**	**31,889**	**25.5%**

Revenue momentum accelerated through the second half of the year with Aftermarket revenue in H2 increasing by 10% on H1 results to A$14,153,000 (H1: A$12,866,000), despite the slowdown in installations arising as a result of local and global pandemic-related changes to business conditions. Original equipment manufacturer ("OEM") revenue increased by 233% on H1 results to A$9,834,000 (H1 A$2,955,000) primarily due to a USD$5,000,000 pre-production license deal with a major Automotive Tier 1 partner.

Gross profit decreased from A$18,525,000 in FY2019 to A$14,433,000 this year, reflecting the revised presentation of engineering costs associated with the provision of Non-Recurring Revenue to OEM customers. If this reclassification had not occurred then gross profit for the year would have been A$7,609,000 higher, at A$22,042,000.

Revenue from Scientific Advances in FY20 fell to A$204,000 (2019: A$1,387,000) and represents the remaining grant revenue from completed research projects funded by the Australian and ACT Government.

Australian Government COVID-19 Grants, JobKeeper and PAYG subsidy increased other income by A$1,971,000 to A$2,234,000 (2019: A$263,000). The initial phase of the JobKeeper Grant ran from 1 March 2020 to 27 September 2020 with subsequent phases to be subjected to additional qualifying tests.

The Company continued to invest in its core technology across global target OEM and Aftermarket industries, reflected in the research and development expenditure for the year of A$30,976,000 (2019: A$35,895,000). The current year amount is after the reallocation of A$7,609,000 to cost of sales.

Corporate services expenses were impacted by an additional one off charge of A$5,116,000 reflecting a change in the method of recognising the annual STI and LTI grant in the year to which the grant related, rather than the year in which the amounts were approved and paid based upon an assessment of the current facts and circumstances of those arrangements. This category was also impacted by restructuring costs, the benefit of which will be felt in future years.

Occupancy and facilities expenses declined from A$2,619,000 in 2019 to A$1,800,000 in 2020, with the adoption of AASB16 Leases as outlined in note 3 and note 29, and the depreciation change for the year increased accordingly.

Other expenses include the impairment of a A$2,986,000 non-recoverable receivable. Income tax expense includes A$1,246,000 in non-recoverable withholding taxes per note10.

Cash used in operations fell from A$34,244,000 to A$24,246,000 as a result of increased revenues from a similar cost base, one-off licence arrangements and a focus on working capital management.

The resultant loss for the period represented an increase of A$3,891,000 at A$46,488,000 (2019: A$42,598,000).

Cash and cash equivalents at 30 June 2020 totalled A$38,138,000 (2019: A$54,809,000).

Financial Results (continued)

On 23 October 2020, Seeing Machines issued 372,000,000 new ordinary shares of no par value each (the “New Ordinary Shares”) to Federated Hermes, a well known US institutional investor, at a price of 4.10 pence per New Ordinary Share, raising gross proceeds of approximately US$20,000,000 (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.

Operational Highlights

Despite the global economic conditions posed by COVID-19 in the second half of FY2019, Seeing Machines has achieved pleasing growth over the past 12 months as demand for Driver Monitoring System (DMS) technology continues to advance across its key transport sectors.

FY2020 saw the Company remove significant, permanent cost from the business to secure its ongoing financial strength. While some measures put in place during the year were temporary and specifically targeted at managing through COVID-19, Seeing Machines restructured the business to improve the balance between ongoing innovation, key to its leadership position, and project delivery and to achieve more efficient collaboration between the corporate services functions and engineering.

Guardian, the Company’s aftermarket solution for commercial drivers across transport and logistics, continues to expand as safety remains a top priority. Insurance interest has expanded in Australia and Seeing Machines will enter into its’ second year of exclusive joint marketing with leading Australian truck insurer, National Transport Insurance. Seeing Machines’ distribution network has expanded to 14 channel partners through which more than 80% of the Company’s Guardian business is sold. The increase in connections throughout the COVID-19 period has been steady, despite close-down periods across a range of jurisdictions, and the Company’s Monthly Recurring Revenue continues to increase.

In January 2020, Seeing Machines exhibited at the Consumer Electronics Show (CES) in Las Vegas, to showcase its capabilities to Automotive and Fleet stakeholders from across the world. Featured on BMW’s palatial CES stand, the Company was featured in daily presentations to promote its approach to Human Factors science which underpins its technology efficacy and ongoing development. CES also facilitated the launch of Seeing Machines’ work with Qualcomm. This represented the beginning of an extended collaboration which forms part of the Company’s recently announced Three-Pillar Embedded Product Strategy designed for the automotive market, announced post-period (2 September 2020).

Seeing Machines continues to grow as an automotive leader in DMS technology, now in tie-ups with six OEMs globally, across nine ongoing programs over an expanding range of vehicle models. The Seeing Machines FOVIO Chip remains the highest performing, lowest cost market solution for standalone DMS vehicle integration and now represents nearly one third of Seeing Machines booked business, and is projected to grow to approximately one half in response to Euro NCAP requirements.

Global regulatory momentum has created significant increased demand for DMS technology to enhance safety on roads and in cars around the world with Europe leading the charge. This past year also saw a positive shift in North America with the US “Moving Forward Act’ being passed in the House of Representatives (post period), representing the strongest automotive safety bill for that country, in decades. Seeing Machines is well placed to leverage this momentum and has resolved its strategic direction which will ensure it is poised to leverage this demand and support OEM requirements, and has continued to grow its Guardian footprint, now connected to over 23,000 vehicles worldwide.

While the Aviation industry has all but come to a stand-still over the past six months, Seeing Machines continues to deepen relationships and progress business opportunities for Crew Training and Pilot Monitoring with major aviation brands based on the Seeing Machines eye-tracking capability.

Chief Executive Officer

The Company's Chief Executive Officer (CEO) is Paul McGlone who stepped in initially as interim CEO until he was appointed on a permanent basis on 4 July 2019.

Company Secretary

The Company Secretary was Ryan Murphy, Chief Operating Officer, until 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 2020 the Group had 203 full-time employees (228 employees at 30 June 2019).

Directors

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

Name	Experience and special responsibilities
Kate Hill	Chair of the Board and Member of Risk, Audit and Finance Committee and appointed member of the People, Culture and Risk Committee (post period) Appointed to the Board on 13 December 2018, 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.
Paul McGlone	CEO & Executive Director Appointed on 4 July 2019. Paul comes into the role of CEO with extensive experience in management, public company leadership as well as logistics, supply chain management 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.

Directors (continued)

Gerhard Vorster	Non-Executive Director Appointed on 1 December 2019. Gerhard is an accomplished senior executive and former Deloitte partner with a 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 University of 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.
John Murray	Non-Executive Director and Chair of the Risk, Audit and Finance Committee Appointed 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 on the Australian Stock Exchange (ASX: PCK). John has been non-executive director and Chair of several ASX-listed and high-growth companies throughout his career, which began in audit and investment banking, involved rising through various positions at large organisations, 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.
Dr Rudolph (Rudy) Burger	Non-Executive Director and member of the Risk, Audit and Finance Committee Appointed on 15 January 2014. 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

Directors (continued)

Les Carmichael	Non-Executive Director and Chair of the People, Culture and Remuneration Committee Appointed on 1 February 2016, 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.
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 a 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
Jack Boyer OBE	Non-Executive Director Appointed Director 16 July 2018. Appointed Chairman 19 September 2018. Stepped down as Chairman 5 June 2019, resigned from the board 22 July 2019.
Luke Oxenham	Appointed Finance Director 3 December 2018. Resigned 22 July 2019

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;
- Developing driver-monitoring technology to be incorporated into passenger cars;
- Entering commercial agreements with partners for the development, manufacturing and sale of products into key target markets;
- 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 October 2020, Seeing Machines issued 372,000,000 new ordinary shares of no par value each (the "New Ordinary Shares") to Federated Hermes, a well known US institutional investor, at a price of 4.10 pence per New Ordinary Share, raising gross proceeds of approximately US$20,000,000 (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 2 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 2020 (2019: nil) and no dividends or distributions have been recommended or declared by the Directors in respect of the year ended 30 June 2020 (2019: nil).

Share Options

Unissued shares

Reference is made to note 33 of the Financial Statements in respect of options and performance rights in relation to directors and staff members.

(i) Share options granted during or since the end of the year

During the year, 65,995,070 (2019: 19,936,023) options were granted by the Company under the performance rights scheme. The terms and conditions of these options are disclosed in note 33 to the financial report.

(ii) Shares Issued as a result of the Vesting of Options

During the year 18,150,781 (2019: 28,441,325) options vested and ordinary shares were transferred to the participant from the Group trust (the "Trust"). During the year the Company issued nil (2019 : 70,070,209) 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 2020 financial year, Eight 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	8/8	4/4	*
Les Carmichael	8/8	*	4/4
Paul McGlone	8/8	4/4	4/4
Rudolph Burger	8/8	2/2	2/2
Yong Kang (YK) Ng	8/8	3/4	*
Gerhard Vorster	5/5	*	*
John Murray	5/5	2/2	*
Michael Brown	2/2	*	1/1

* 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 ($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 2020, 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; and

b) No contraventions of 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
28 October 2020

Consolidated Statement of Financial Position

AS AT 30 June 2020	Notes	2020 A$000	2019 A$000 Restated (Note 3.d)	As at 1 July 2018 A$000 Restated (Note3.d)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	14	38,138	54,809	42,786
Trade and other receivables	15	9,584	15,670	19,758
Inventories	16	4,743	8,211	4,301
Current financial assets		512	9,561	579
Other current assets	17	4,233	4,761	876
TOTAL CURRENT ASSETS		57,210	93,012	68,300
NON-CURRENT ASSETS				
Property, plant & equipment	18	3,208	2,940	3,659
Intangible assets	19	899	2,539	3,529
Right-of-use assets	29	4,371	5,154	5,580
TOTAL NON-CURRENT ASSETS		8,478	10,633	12,768
TOTAL ASSETS		**65,688**	**103,645**	**81,068**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	21	7,874	3,621	6,300
Other current liabilities	25	1,057	1,115	810
Provisions	22	3,763	2,831	2,644
Contract liabilities	24	263	673	874
Current financial liabilities	25	553	903	-
TOTAL CURRENT LIABILITIES		13,510	9,143	10,628
NON-CURRENT LIABILITIES				
Provisions	22	215	211	81
Other liabilities	25	5,766	6,811	7,422
TOTAL NON-CURRENT LIABILITIES		5,981	7,022	7,503
TOTAL LIABILITIES		**19,491**	**16,165**	**18,131**
NET ASSETS		**46,197**	**87,480**	**62,937**
EQUITY				
Contributed equity	26	217,204	217,204	158,031
Treasury shares	26	-	(1,109)	(1,109)
Accumulated losses		(184,638)	(137,928)	(95,829)
Other reserves		13,631	9,313	1,844
Equity attributable to the owners of the parent		46,197	87,480	62,937
TOTAL EQUITY		**46,197**	**87,480**	**62,937**

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 2020	Notes	2020 A$000	2019 Restated A$000
Sale of goods and licence fees		24,665	15,840
Rendering of services		14,915	14,441
Research revenue		432	1,608
Revenue	**7**	**40,012**	**31,889**
Cost of sales		(25,579)	(13,364)
Gross profit		**14,433**	**18,525**
Net gain/(loss) in foreign exchange	8	(382)	178
Net gain on disposal of property, plant and equipment		(72)	-
Net gain/(loss) on disposal of investment	8	-	39
Other income	8	2,234	263
Finance income		829	778
Expenses	**9**		
Research and development expenses		(30,976)	(35,895)
Customer support and marketing expenses		(6,561)	(8,799)
Occupancy and facilities expenses		(1,800)	(2,619)
Corporate services expenses		(19,478)	(13,605)
Finance costs		(705)	(821)
Other expenses		(2,986)	(4)
Loss before income tax		**(45,464)**	**(41,960)**
Income tax expense	10	(1,246)	(46)
Loss after income tax		**(46,710)**	**(42,006)**
Loss for the period attributable to:			
Equity holders of the parent		(46,710)	(42,006)
		(46,710)	**(42,006)**
Other comprehensive income- to be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		222	(592)
Other comprehensive income/(loss) net of tax		222	(592)
Total comprehensive loss		**(46,488)**	**(42,598)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(46,488)	(42,598)
Total comprehensive loss for the year		**(46,488)**	**(42,598)**
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
Basic earnings per share	12	($0.01)	($0.02)
Diluted earnings per share	12	($0.01)	($0.02)

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 2020	Contributed Equity A$000	Treasury Shares A$000	Accumulated Losses A$000	Foreign Currency Translation Reserve A$000	Employee Equity Benefits & Other Reserve A$000	Total Equity A$000
As at 1 July 2018	158,031	(1,109)	(95,829)	(1,146)	2,990	62,937
Effect of adoption of new accounting standards (AASB9)	-	-	(93)	-	-	(93)
As at 1 July 2018 (restated)	158,031	(1,109)	(95,922)	(1,146)	2,990	62,844
Loss for the period	-	-	(42,006)	-	-	(42,006)
Other comprehensive income	-	-	-	(592)	-	(592)
Total comprehensive income	-	-	(42,006)	(592)	-	(42,598)
Transactions with owners in their capacity as owners:						
Shares issued	61,737	-	-	-	-	61,737
Capital raising costs	(2,564)	-	-	-	-	(2,564)
Share-based payments	-	-	-	-	8,061	8,061
At 30 June 2019	**217,204**	**(1,109)**	**(137,928)**	**(1,738)**	**11,051**	**87,480**
As at 1 July 2019	217,204	(1,109)	(137,928)	(1,738)	11,051	87,480
Loss for the period	-	-	(46,710)	-	-	(46,710)
Other comprehensive income	-	-	-	222	-	222
Total comprehensive income	-	-	(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**	**-**	**(184,638)**	**(1,516)**	**15,147**	**46,197**

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 2020	Note	2020 A$000	2019 Restated A$000
Operating activities			
Receipts from customers (inclusive of GST)		42,702	33,091
Payments to suppliers and employees (inclusive of GST)		(67,222)	(67,069)
Interest received		-	231
Interest paid		(705)	(630)
Income tax paid		(1,246)	(46)
Receipt of government grants		2,043	-
Receipt for research and development tax incentive		182	-
Net cash flows used in operating activities		**(24,246)**	**(34,423)**
Investing activities			
Proceeds from sale of property, plant and equipment		27	-
Purchase of plant and equipment		(815)	(390)
Payments for intangible assets		(246)	(455)
Maturity/(purchase) of term deposits		9,049	(8,982)
Proceeds on sale of investments		-	39
Net cash flows from/(used in) investing activities		**8,015**	**(9,788)**
Financing activities			
Payment of lease liabilities		(716)	(560)
Proceeds from issue of new shares		-	58,781
Cost of capital raising		-	(2,565)
Proceeds from borrowings		-	3,333
Repayment of borrowings		(30)	(2,090)
Net cash flows (used in)/from financing activities		**(746)**	**56,899**
Net (decrease)/increase in cash and cash equivalents		(16,977)	12,688
Net foreign exchange difference		306	(665)
Cash and cash equivalents at 1 July		54,809	42,786
Cash and cash equivalents at 30 June	14	**38,138**	**54,809**

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

Notes to the Financial Statements

1. Corporate Information

The consolidated financial report of Seeing Machines Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 28 October 2020.

Seeing Machines Limited (the parent) is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the AIM of the London Stock Exchange.

The Group provides operator monitoring and intervention sensing technologies and services for the automotive, mining, transport and aviation industries.

2. Going Concern Basis of Accounting

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

The Group has made a loss for the year of A$46,710,000 (2019: Loss of A$42,006,000) and incurred net cash outflows in operating activities of A$24,250,000(2019: A$34,423,000). The Group has net current assets at 30 June 2020 of A$ 43,700,000 (2019 A$83,869,000). The balance of cash and cash equivalents at 30 June 2020 is A$38,138,000(2019: A$54,809,000).

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business. 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. In particular the Directors have considered the impact of COVID-19 on the operations of the Group, and make the following observations:

- OEM production schedules have remained on track and have not, in our view, been impacted by COVID-19. OEM production schedules will drive a large volume of revenue for the Group over the next 3-7 years.
- While delays in installations were experienced at the start of the pandemic, demand for our after-market product and the installation rate have returned to pre-COVID levels and show no signs of abating.
- Production and logistics arrangements for the supply chain of our after-market product has been tested during the period of shutdowns and found to be robust.
- Monitoring activities associated with the after-market business were able to be maintained seamlessly during the various worldwide shutdowns, and this is expected to continue.
- The Group's staff successfully transitioned to working from home at the start of the pandemic, and many are now back in our offices.
- The Group successfully raised gross proceeds of $27.4m through an equity placement announced to AIM on 23 October 2020 with settlement due on 28 October 2020.

- The Directors do not foresee any other impacts of COVID-19 on the Company's ability to continue as a going concern.

The Directors are confident that the above-mentioned strategies are appropriate to generate sufficient funds to allow the Group to continue as a going concern. This is based on the belief that the Company will meet projected revenue budgets, contain overheads to the amounts budgeted and generate additional funds from further licensing activity, through lending arrangements or from investors. The Company has a strong track record of achieving such aims.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies

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 as issued by the Australian Accounting Standards Board and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 July 2018 is presented in these consolidated financial statements due to the retrospective application of accounting policies as a result of the adoption of AASB 16 *Leases*. See note 3.d.

In March 2020, the World Health Organisation declared the outbreak of COVID-19 as a global pandemic. Management has considered the impact of COVID-19 on the preparation of the financial statements including the potential for impairment of current and non-current assets. No adjustments have been made to the financial statements as at 30 June 2020 for the impacts of COVID-19.

b. Compliance with Australian accounting standards and international financial reporting standards

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c. Changes in accounting policies and disclosures

Changes in accounting policies, new and amended standards and interpretations
Changes to presentation - classifications

The Group has revised its presentation of cost of sales to reclassify A$7,609,000 engineering development expenditure from Research and development expenses to Cost of sales, which can now be directly assigned to commercial NRE contracts. Management believes that this will provide more relevant information to stakeholders as it more fairly reflects the split in engineering costs between revenue generating development on OEM programs, and ongoing development of its core DMS technology. Program Related comparatives have not been restated because the information is not retrospectively available.

The Group has reclassified its disclosure of warranty expenses from sales and marketing expenses to cost of sales during the second half of FY20.

The Group re-assessed it's accounting presentation for treasury shares and on 1 July 2019 elected to reclassify treasury shares to the employee share reserve once they are expired/exercised. This has been presented in the Statement of Changes in Equity under Reclassification of treasury shares. The group believes that this reclassification is more relevant to the ongoing nature of these shares.

d. New accounting standards and interpretations

There were some amendments to existing accounting standards that were applicable to the Group this year.

During the current period, the Group applied AASB 16 *Leases*. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

d. New accounting standards and interpretations (continued)

(i) AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases*, AASB Interpretation 115 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted AASB 16 using the full retrospective method of adoption, with the date of initial application of 1 July 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 *Determining whether an Arrangement contains a Lease* at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adopting AASB 16 is, as follows:

Impact on the consolidated statement of financial position (increase/(decrease)):

	30 June 2020 A$000	30 June 2019 A$000	1 July 2018 A$000
Assets			
Right of use assets	4,371	5,154	5,580
Property,plant and equipment	(140)	(236)	-
Total Assets	**4,231**	**4,918**	**5,580**
Equity			
Retained Earnings	(680)	(600)	(389)
Total Equity	**(680)**	**(600)**	**(389)**
Liabilities			
Lease Liabilities	6,419	6,791	7,268
Provisions	59	60	52
Other liabilities	(1,567)	(1,334)	(1,350)
Total Liabilities	**4,911**	**5,517**	**5,970**

Impact on the consolidated statement of profit or loss (increase/(decrease)):

	30 June 2020 A$000	30 June 2019 A$000
Depreciation expense (included in Corporate services expenses)	795	749
Rent expense (included in Occupancy and facilities expense)	(1,261)	(1,143)
Operating profit	(466)	(394)
Finance costs	546	583
Loss /(Profit)for the period	**80**	**189**
Attributable to:		
Equity holders of the parent	(80)	(189)

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

d. New accounting standards and interpretations (continued)

Impact on consolidated statement of cash flows (increase/(decrease)):

	30 June 2020 A$000	30 June 2019 A$000
Net cash flows from operating activities	716	560
Net cash flows from financing activities	(716)	(560)

There is no material impact on other comprehensive income or the basic and diluted earnings per share.

(i) Nature of the effect of adoption of AASB 16

The Group has lease contracts for office space, and some IT equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

In accordance with the full retrospective method of adoption, the Group applied AASB 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in this consolidated financial statements has been restated.

As at 1 July 2018, 30 June 2019 and 30 June 2020:

- Right-of-use assets were recognised and presented separately in the statement of financial position. Lease assets recognised previously under finance leases, which were included under 'Property, plant and equipment', were reclassified as Right-of-use assets.
- Additional lease liabilities were recognised and included under 'Other liabilities'.
- 'Retained earnings' decreased due to the net impact of these adjustments

For the year ended 30 June 2020:

- Depreciation expense increased by A$795,000 relating to the depreciation of additional assets recognised (i.e., increase in right-of-use assets, net of decrease in Property, plant and equipment).
- Rent expense decreased by A$1,261,000 relating to previous operating leases previously included in Occupancy and facilities expense.
- Finance costs increased by A$546,000 relating to the interest expense on additional lease liabilities recognised.
- Cash outflows from operating activities decreased by A$716,000 and cash outflows from financing activities increased by the same amount, representing the payments for the principal portion of recognised lease liabilities.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

d. New accounting standards and interpretations (continued)

(ii) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Office Space A$000	Other equipment A$000	Total A$000	Lease liabilities A$000
As at 1 July 2018	5,580	-	5,580	7,268
Fx variance on opening balance	28	-	28	-
Addition to lease liabilities and right of use assets	-	236	236	427
Depreciation expense	(690)	-	(690)	-
Interest expense	-	-	-	583
Payments	-	-	-	(1,143)
As at 30 June 2019	**4,918**	**236**	**5,154**	**7,135**
As at 30 June 2019	4,918	236	5,154	7,135
Fx variance on opening balance	12	-	12	-
Depreciation expense	(699)	(96)	(795)	-
Interest expense	-	-	-	546
Payments	-	-	-	(1,261)
As at 30 June 2020	**4,231**	**140**	**4,371**	**6,420**

Set out below, are the amounts recognised in profit or loss:

	2020 A$000	2019 A$000
Depreciation expense of right-of-use assets	**795**	**749**
Interest expense on lease liabilities	**546**	**583**
Rent expense	**(1,261)**	**(1,143)**
Total amounts recognised in profit or loss	**80**	**189**

Set out below, are the movements in the cashflow:

	A$000	A$000
Net cash flows from operating activities	716	560
Net cash flows from financing activities	(716)	(560)

e. Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2020. The Standards and Interpretations that might be relevant to the Group are outlined below:

(i) AASB Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

e. Standards issued but not yet effective (continued)

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.
The interpretation did not have an impact on the consolidated financial statements of the Group.

(ii) AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle*

The amendments clarify certain requirements in:

- AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation
- AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity
- AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

Based on an initial assessment, the application of these amendments is not expected to have a material impact on the Group's financial position and performance.

(iii) AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*

The Standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

(iv) AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*

The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and includes guidance relating to obscuring information that could be reasonably expected to influence decisions of the primary users of the financial information.

(v) AASB 2019-1 *Amendments to Australian Accounting Standards - References to the Conceptual Framework*

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the *Conceptual Framework for Financial Reporting* (Conceptual Framework) by the AASB.

The amendments to the Conceptual Framework apply to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and other for-profit entities that voluntarily elect to apply the Conceptual Framework, which would permit compliance with Australian Accounting Standards (Tier 1) and International Financial Reporting Standards (IFRS Standards).

f. Basis of consolidation

The consolidated financial statements comprise the financial statements of Seeing Machines Limited 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)

3. Summary of Significant Accounting Policies (continued)

f. 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

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 Statement of Comprehensive Income 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.

g. 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 least twelve 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.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

h. Segment Information- refer note 7

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 operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

Operating segments that meet the qualitative criteria as prescribed by AASB 8 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.

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

i. Foreign currency translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

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.

(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.

j. Cash and cash equivalents- refer note 14

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

k. Inventories- refer note 16

Inventories including raw materials, work in progress and finished goods 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:

Raw materials, work in progress and finished goods - average cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. 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.

l. Property, plant and equipment - refer note 18

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depending upon the sub-classification of the asset, the depreciation is calculated on the diminishing value or straight line basis using the following depreciation rates of the specific asset as follows:

- Office furniture, fittings and equipment - 11.25% to 66.67%
- Research and development equipment - 33.3%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

m. Leases – refer note 29

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

• 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)

m. Leases (continued)

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 recognised as expenses (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 its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.At transition the incremental borrowing rate was 8% pa and at 30 June 20 it was 8% pa. 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 used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing loans and borrowings.

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 machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that 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.

n. 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 CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not 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.

In assessing value in use, the Group conducts an annual internal review of asset values, which is used as a source of 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 the statement of profit or loss in expense categories consistent with the functions of the impaired asset.

For assets excluding 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 reversed only 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 the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

o. Intangibles- refer note 19

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated Intellectual Property, excluding capitalised development costs, is not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the intangible relates. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Patents, Trademarks and Licenses

The Group made upfront payments to acquire patents and licences. The patents have been granted for a period of 15-20 years, depending on the patent, by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between 3 and 20 years depending on the specific licences.

Research and development costs

Research costs are mostly expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

o. Intangibles (continued)

Research and development costs (continued)

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

	Patents and Trademarks	Licences	Development Costs of assets in use
Useful lives	Finite	Finite	Finite
Amortisation method used	15-20 years – Straight line	3–20 years – Straight line	3-5 years – Straight line
Internally generated or acquired	Acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	When an indicator of impairment exists	When an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised.

p. Financial instruments - initial recognition and subsequent measurement

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.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of 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 determined under AASB 15.

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.

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (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, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

p. Financial instruments - initial recognition and subsequent measurement (continued)

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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 includes cash and cash equivalents, trade receivables, receivables subject to financial guarantee and term deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group holds A$512,000 financial assets at fair value through profit or loss at 30 June 2020 (30 June 2019: A$9,561,000).

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.

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 of financial assets

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.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

p. Financial instruments - initial recognition and subsequent measurement (continued)

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).

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.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost, or financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("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 taking into account 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 the Statement of Comprehensive Income.

Financial guarantee contracts

After initial recognition, financial guarantee contracts are subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with AASB 9.5.5; and
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with AASB 15.

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 the Statement of Comprehensive Income.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

q. Provisions - refer 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 the Statement of Comprehensive Income 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 using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 Corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated 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. Annual leave is recognised in current liabilities.

(iii) Warranty Provision

A provision is recognised for expected warranty claims on products sold during the last 5 years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred within the next four financial years. Assumptions used to calculate the provision for warranties was based on the current information available about returns based on the extended warranty period of up to 5 years for all products sold.

r. Share-based payments transactions - refer note 33

The Group provides benefits to employees, including KMP and directors, in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Seeing Machines Limited (market conditions).The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions and/or service conditions are fulfilled (the vesting period) ending on the date on which the relevant employees become fully-entitled to the award (the vesting date).

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

r. Share-based payments transactions (continued)

At each subsequent reporting date until vesting, the charge to the Statement of Comprehensive Income is the product of:

(a) The grant date fair value of the award.
(b) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
(c) The expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or if otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. 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.

s. Contributed equity- refer 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.

t. Revenue recognition

Revenue of the Group arises mainly from the sale and licencing of Driver (or Operator) Monitoring System ("DMS") 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.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 5.

The following specific recognition criteria must also be met before revenue is recognised:

(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.

(ii) Licence fees

Licences granted to customers are perpetual licences for use of intellectual property ("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.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

t. Revenue recognition (continued)

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. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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, Seeing Machines will determine whether the performance obligation is satisfied at a point in time or over time. For performance obligations satisfied over time, Seeing Machines 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.

(iv) Interest revenue

Revenue is recognised as interest accrues using the effective interest 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 the financial asset to the net carrying amount of the financial asset.

(v) 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. 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.

(vi) Paid Research

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

(vii) 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 performs by transferring 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).

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

t. Revenue recognition (continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

u. Income taxes and other taxes - refer note 10

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. 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 the taxable income. Current income tax relating to the items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

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

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

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;
- when the taxable temporary difference is associated with investments in subsidiaries, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference 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 of the transaction, affects neither the accounting profit nor taxable profit or loss;
- 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 income 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 income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed 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.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

3. Summary of Significant Accounting Policies (continued)

u. Income taxes and other taxes (continued)

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.

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.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

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

The net amount of GST 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 GST 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 GST recoverable from, or payable to, the taxation authority.

v. 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.

w. Earnings per share- refer note 12

Basic earnings per share is calculated as net profit 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 earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

x. 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 use when 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 value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

y. Comparatives

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

The effects of reclassifications in accordance with AASB 16 are shown in note 3.d.

Reclassification of warranty expenses have been effected in 2019 resulting in Cost of sales increasing and Customer support and marketing expenses decreasing by A$209,000.

4. 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 borrowings.

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.

Notes to the Financial Statements (continued)

4. Financial Risk Management Objectives and Policies (continued)

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 2020 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	
	2020	2019
FOR THE YEAR ENDED	A$000	A$000
Financial Assets		
Cash and cash equivalents:		
Exposed to Australian variable interest rate risk	28,109	48,747
Exposed to United States of America variable interest rate risk	9,030	3,867
Exposed to United Kingdom variable interest rate risk	920	2,177
Exposed to Japanese variable interest rate risk	79	18
Total Cash and cash equivalents	**38,138**	**54,809**

In addition to the above, the group had term deposits classified as financial assets at amortised cost totalling A$510,000 (2019: A$9,560,000) that were subject to short term fixed interest rates.

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 2020, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Post Tax Profit Higher / (Lower)	
FOR THE YEAR ENDED	2020 A$000	2019 A$000
Consolidated		
+ 1% (100 basis points)	381	548
- 0.5% (50 basis points)	(191)	(274)

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

Interest rates on the lease and financing 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 bank accounts. Approximately 70% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 47% of costs are denominated in the functional currency.

The Group requires that on specific contracts with a value greater than A$200,000, the contract may be hedged to any level within the amount of the contract. Group policy is that forward exchange contracts are limited to a total of A$2,000,000.

Notes to the Financial Statements (continued)

4. Financial Risk Management Objectives and Policies (continued)

It is the Group's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivative to exactly match the terms of the hedged item to maximize hedge effectiveness. The Group did not enter into any forward contracts during the 30 June 2020 financial year. Further, for the purpose of settlement of accounts that will likely occur within three months, funds received may be held in a currency other than the functional currency to settle such amounts.

At 30 June 2020 the Group had the following exposure to foreign currency:

	Consolidated	
	2020 A$000	2019 A$000
Financial Assets		
Cash and cash equivalents (US$)	9,030	3,867
Cash and cash equivalents (GB£)	920	2,177
Cash and cash equivalents (JP¥)	79	18
Term deposits (GB£)	-	9,049
Trade and other receivables (US$)	2,423	6,985
Trade and other receivables (EUR)	41	-
Trade and other receivables (GB£)	1,168	1,138
Trade and other receivables (NZD)	1,048	1,271
Trade and other receivables (ZAR)	6	3
Total	14,715	24,508
Financial Liabilities		
Trade and other payables (US$)	(2,126)	(471)
Trade and other payables (GBP)	(395)	(163)
Trade and other payables (EUR)	(491)	-
Trade and other payables (JP¥)	(95)	(22)
Trade and other payables (NZD)	(13)	-
Trade and other payables (SGD)	(3)	-
Trade and other payables (ZAR)	(1)	(7)
Total	(3,124)	(663)
Net exposure	**11,591**	**23,845**

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

Had the Australian dollar moved against major trading currencies, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Effect on profit before tax		Equity Higher / (Lower)	
	2020 A$000	2019 A$000	2020 A$000	2019 A$000
Consolidated				
Change in USD rate				
AUD / foreign currency +10%	(848)	(944)	(848)	(944)
AUD / foreign currency -5%	491	546	491	546
Change in GBP rate				
AUD / foreign currency +10%	(154)	(287)	(154)	(287)
AUD / foreign currency -5%	89	166	89	166
Change in EUR rate				
AUD / foreign currency +10%	41	-	41	-
AUD / foreign currency -5%	(24)	-	(24)	-
Change in NZD rate				
AUD / foreign currency +10%	(94)	(116)	(94)	(116)
AUD / foreign currency -5%	54	67	54	67

Notes to the Financial Statements (continued)

4. Financial Risk Management Objectives and Policies (continued)

	Effect on profit before tax		Equity Higher / (Lower)	
	2020 A$000	2019 A$000	2020 A$000	2019 A$000
Change in ZAR rate				
AUD / foreign currency +10%	(1)	-	(1)	-
Change in JPY rate				
AUD / foreign currency +10%	1	-	1	-
AUD / foreign currency -5%	(1)	-	(1)	-

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

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 4 a). 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 assessment of each customer is done on the payment history and the reputation and size of the customer. Outstanding customer receivables are regularly monitored and followed up. Refer 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 2020. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2020.

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.

Notes to the Financial Statements (continued)

4. Financial Risk Management Objectives and Policies (continued)

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

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

FOR THE YEAR ENDED 30 June 2019	<=6 months A$000	6-12 months A$000	>1 year A$000	Total A$000
Trade and other payables	3,621	-	-	3,621
Borrowings	218	147	403	768
Financial guarantee	209	214	480	903
Lease Liabilities	370	380	6,408	7,158
Total	**4,418**	**741**	**7,291**	**12,450**

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

Fair values

As at 30 June 2020, the carrying values of the financial instruments approximate their fair value.

5. 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 statements. 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 recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required 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 deductible temporary differences and tax losses can be utilised.

Notes to the Financial Statements (continued)

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

Significant accounting judgements (continued)

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.

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. That is, 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 as well as 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.

Notes to the Financial Statements (continued)

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

Significant accounting estimates and assumptions (continued)

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

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.

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).

6. Business combinations and acquisition of non-controlling interests

No new business combinations or acquisitions of non-controlling interests have occurred throughout the year ended 30 June 2020.

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 previously classed Automotive and Aviation businesses which generate largely license based revenue, channeled through Tier 1 customers. The Aftermarket segment includes previously classed Fleet and Off-Road, which generates revenue from a mix of direct and indirect customers who retro-fit Seeing Machines technology into commercial vehicles.

Notes to the Financial Statements (continued)

7. Segment information (continued)

a. Segment Revenue based on operating segment (continued)

	Segment Revenue		Segment (Loss) / Profit*	
	2020 A$000	2019 A$000	2020 A$000	2019 A$000
OEM	12,789	9,720	(2,525)	4,399
Aftermarket	27,019	20,782	(2,186)	(3,005)
Scientific Advances	204	1,387	(1,449)	206
Research & Development	-	-	(15,617)	(26,022)
Other	-	-	(24,933)	(17,584)
Total	**40,012**	**31,889**	**(46,710)**	**(42,006)**

*Segment (Loss) / Profit includes A$7,609,000 (2019: $nil) engineering development expenditure reclassified from research and development expenses to cost of sales in OEM (A$6,458,000) and Aftermarket (A$1,152,000) segments.

b. Revenue from contracts with customers

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

FOR THE YEAR ENDED 30 June 2020	OEM A$000	Aftermarket A$000	Scientific Advances A$000	Total A$000
Revenue Types				
Sales at a point in time				
Paid Research	228	1,432	204	1,864
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	7	-	3,315
Licensing	86	3,638	-	3,724
Total revenue	**12,789**	**27,019**	**204**	**40,012**

FOR THE YEAR ENDED 30 June 2019	OEM A$000	Aftermarket A$000	Scientific Advances A$000	Total A$000
Revenue Types				
Sales at a point in time				
Paid Research	221	802	1,387	2,410
Hardware and Installations	2,566	8,348	-	10,914
Sales over time				
Driver Monitoring	-	5,662	-	5,662
Non-recurring Engineering	6,933	-	-	6,933
Licensing	-	5,970	-	5,970
Total revenue	**9,720**	**20,782**	**1,387**	**31,889**

Notes to the Financial Statements (continued)

7. Segment information (continued)

c. Geographic Information

	2020 A$000	2019 A$000
Revenues from external customers		
Australia	12,532	9,428
North America	13,429	13,834
Asia-Pacific (excluding Australia)	9,755	1,441
Europe	1,448	5,591
Other	2,848	1,595
Total revenue from external customers	**40,012**	**31,889**

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

8. Other income

	Consolidated	
	2020 A$000	2019 A$000
a. Net gain/(loss) on foreign exchange		
Unrealised gain/(loss)	306	(65)
Realised gain/(loss)	(688)	243
Total gain on foreign exchange	**(382)**	**178**
b. Net gain on disposal of investment		
Net gain/(loss) on disposal of investment	-	39
Total gain on disposal of investment	**-**	**39**
c. Other income		
Government Grants	2,043	-
Research and development refundable tax incentives	182	243
Other income	9	20
Total other income	**2,234**	**263**

A total of 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.
A total of A$182,000 relating to Research and Development refundable tax incentives from the Australian Taxation Office were recognised during the year (2019: A$243,000). These are included in Other income and result from Research and Development expenditure incurred in previous financial years.

Notes to the Financial Statements (continued)

9. Expenses

	Consolidated 2020 A$000	Consolidated 2019 A$000
a. Depreciation, impairment and amortisation expense		
Depreciation expenses	1,337	873
Amortisation expense	1,105	1,444
Total depreciation, impairment and amortisation expense	2,442	2,317
b. Employee benefits expense		
Wages and salaries and on-costs (excluding superannuation)	45,155	35,154
Superannuation expense	2,708	2,170
Share-based payment expense	5,205	11,017
Wages and salaries reported as cost of sales	(2,761)	(2,194)
Wages and salaries reported as cost of sales(NRE)	(7,609)	-
Total employee benefits expense	42,698	46,147
c. Short-term leases		
Short-term leases and variable lease payments	112	8
	112	8
d. Other expenses		
Impairment of receivable	2,986	-
Sundry net rebate	-	4
Total other expenses	2,986	4

Employees benefit expenses include A$5,116,000 reflecting a change in the method of recognising the annual STI and LTI grant in the year to which the grant related, rather than the year in which the amounts were approved and paid, based upon an assessment of the current facts and circumstances of those arrangements. This has resulted in the current year including both 2019 and 2020 amounts.

10. Income Tax

The major components of income tax expense for the years ended 30 June 2020 and 2019 are:

	Consolidated 2020 A$000	Consolidated 2019 A$000
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	(9,046)	(8,352)
Adjustments in respect of current income tax of previous year	(71)	4,282
Taxation loss not recognised	10,363	4,116
Deferred tax:		
Relating to the origination and reversal of temporary differences	(935)	(4,294)
Temporary differences not recognised	935	4,294
Income tax expense reported in the statement of comprehensive income	1,246	46

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 2019 and 2020:

Loss before income tax	**(45,464)**	**(41,960)**
At the parent entity's statutory income tax rate of 27.5% (2019:27.5%)	(12,503)	(11,539)
Share based payments (equity settled)	1,359	3,030
Entertainment	12	8
Research and development – R&D tax credit	(50)	(67)
Equity raising costs	-	(705)
Other	18	-
Origination and reversal of temporary differences		
Other temporary differences	(63)	(3,917)
Temporary differences not recognised	935	4,699
Adjustments in respect of current income tax of previous years	(71)	4,282
Taxation loss not recognised	10,363	4,116
Foreign tax-withholding not recoverable	1,246	46
Impact of tax rate change on deferred tax balances not recognised	-	93
Total	**1,246**	**46**

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

Deferred tax relates to the following:

	Consolidated Statement of Financial Position 2020 A$000	Consolidated Statement of Financial Position 2019 A$000
(i) Deferred tax liabilities		
Intangible assets	58	(268)
Right of use assets	(1,163)	(1,352)
Accrued income (Jobkeeper)	(175)	-
Gross deferred tax liabilities	(1,280)	(1,620)
Set off deferred tax assets	1,280	1,620
Net deferred tax liabilities	-	-
(ii) Deferred tax assets		
R&D offset	3,244	3,244
Provision for expected credit loss	41	69
Accrued expenses	1,067	11
Annual leave	726	566
Long service leave	221	192
Warranties	131	65
S. 40-880 Deduction	868	1,286
Finance lease liabilities	1,765	1,868
Unrealised FX loss	(85)	20
OPEX interest	150	213
Gross deferred tax assets	8,128	7,534
Net deferred tax balance not brought to account	**6,848**	**5,914**
Tax Losses	(37,941)	(27,578)
Losses not recognised	37,941	27,578
Net deferred tax asset	-	-

Notes to the Financial Statements (continued)

10. Income Tax (continued)

c. Unrecognised temporary differences

At 30 June 2020, Seeing Machines Limited (consolidated) has unrecognised temporary differences in relation to unbooked tax losses of A$138,225,000 (DTA of A$37,941,000) for which no deferred tax asset has been recognised on the Statement of Financial Position (2019: Unrecognised tax losses of A$100,284,000 and DTA of A$27,578,000). These losses are available for recoupment subject to satisfaction of relevant statutory tests in each jurisdiction. As at 30 June 2020 there are net unrecognised deductible temporary differences of A$24,901,000 (DTA of A$6,848,000) for which no deferred tax asset has been recognised on the Statement of Financial Position (2019: net unrecognised deductible temporary differences of A$21,500,000 and DTA of A$5,913,000).

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 2016. 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.

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 2020 (2019: nil) and no dividends or distributions have been recommended or declared by the directors in respect of the year ended 30 June 2020 (2019: nil).

Notes to the Financial Statements (continued)

12. Earnings Per Share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the sum of the weighted average number of ordinary shares outstanding during the year and the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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	
	2020 A$000	2019 A$000
For basic and diluted earnings per share:		
Net Profit/(loss)	(46,710)	(42,006)
Net (Loss) attributable to ordinary equity holders of the company	**(46,710)**	**(42,006)**

Weighted average number of shares

	2020 Thousands	2019 Thousands
Weighted average number of ordinary shares for basic earnings per share	3,365,319	2,479,697
Weighted average number of ordinary shares adjusted for the effect of dilution	**3,365,319**	**2,479,697**

There are no instruments (e.g. share options) 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.

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

Options 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 determination of basic earnings per share.

13. Parent Entity Information

Information relating to Seeing Machines Limited	2020 A$000	2019 A$000
Current assets	70,433	94,760
Total assets	78,507	100,327
Current liabilities	12,250	8,198
Total liabilities	17,878	10,004
Issued capital	217,204	217,204
Accumulated losses	(171,359)	(136,652)
Reserves	14,784	9,771
Total shareholders' equity	60,629	90,323
Loss of the Parent entity	(34,377)	(43,197)
Total comprehensive income of the parent entity	(34,377)	(43,197)

Notes to the Financial Statements (continued)

13. Information relating to Seeing Machines Limited (the Parent) (continued)

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.

14. Current Assets – Cash and Cash Equivalents

	Consolidated	
	2020 A$000	2019 A$000
Reconciliation to Statement of Cash Flows For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank	38,138	54,809
Total Cash and cash equivalents	**38,138**	**54,809**

15. Current Assets – Trade and Other Receivables

	Consolidated	
Current	2020 A$000	2019 A$000
Trade receivables	9,389	15,353
Provision for expected credit losses	(150)	(250)
Deferred finance income	(546)	(774)
	8,693	**14,329**
Receivables subject to financial guarantee	553	903
Other receivables	338	438
Total trade and other receivables - current	**9,584**	**15,670**

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 (see note a)). The provision for impairment loss recognised by the Group at 30 June 2020 was A$150,000 (2019: A$250,000). See below for the movement in the allowance for expected credit losses:

	Individually Impaired	
	2020 A$000	2019 A$000
As at 1 July	**250**	**-**
Provision recognised on adoption of AASB9	-	92
Provision for expected credit losses (decrease)/increase	(100)	158
As at 30 June	**150**	**250**

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 contract assets using a provision matrix:

	Trade receivables					
		Days past due				
2020	**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	7,752	319	452	321	545	9,389
Expected credit loss	23	5	16	21	58	123*
2019						
Expected credit loss rate	0.30%	1.60%	3.60%	6.60%	10.60%	
Estimated total gross carrying amount assessed	12,774	473	131	238	1,737	15,353
Expected credit loss	38	7	5	16	184	250

*A specific provision for the amount of A$27,000 (2019: A$nil) was created for certain balances in addition to the expected credit loss 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 48.

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$2,986,000 (2019: A$nil) has been recognised and included in Other expenses. Receivables 90 days past due but not considered in default are: A$545,000 (2019: A$1,737,000). 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 4.

16. Current Assets – Inventories

	Consolidated	
	2020 A$000	**2019 A$000**
Finished goods	5,168	7,932
Work in progress	-	304
Write-down of inventories for the period	(425)	(25)
Total inventories	**4,743**	**8,211**

Notes to the Financial Statements (continued)

17. Other Current Assets

	Consolidated 2020 A$000	Consolidated 2019 A$000
Prepayments	831	25
Rental bonds	103	84
Contract assets	2,952	4,516
Other	347	136
Total other current assets	**4,233**	**4,761**

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 $000	Research and Development Equipment $000	Total $000
At 1 July 2019 net of accumulated depreciation and impairment			
At 1 July 2019	2,801	139	2,940
Additions	731	191	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**	**208**	**3,208**
At 30 June 2020			
Cost	6,685	793	7,478
Accumulated depreciation and impairment	(3,685)	(585)	(4,270)
Net carrying amount	**3,000**	**208**	**3,208**

CONSOLIDATED	Office Furniture, Fittings and Equipment A$000	Research and Development Equipment A$000	Total A$000
At 1 July 2018 net of accumulated depreciation and impairment			
At 1 July 2018	3,490	169	3,659
Additions	382	8	390
Disposals	-	-	-
Transfer to Right Of use assets	(236)	-	(236)
Depreciation charge for the year	(835)	(38)	(873)
At 30 June 2019 net of accumulated depreciation and impairment	**2,801**	**139**	**2,940**
At 30 June 2019			
Cost	6,078	726	6,804
Accumulated depreciation and impairment	(3,277)	(587)	(3,864)
Net carrying amount	**2,801**	**139**	**2,940**

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

CONSOLIDATED	Development costs A$000	Patents, Licences and Trademarks A$000	Total A$000
At 1 July 2018 net of accumulated amortisation	2,764	765	3,529
Additions	109	346	455
Amortisation	(1,417)	(28)	(1,445)
At 30 June 2019 net of accumulated amortisation	**1,456**	**1,083**	**2,539**
At 30 June 2019			
Cost	4,644	1,595	6,239
Accumulated amortisation	(3,188)	(512)	(3,700)
Net carrying amount	**1,456**	**1,083**	**2,539**

20. Other Financial Assets

	Consolidated 2020 A$000	2019 A$000
Financial assets at amortised cost		
Term deposits	512	9,561
Total Financial assets	**512**	**9,561**

21. Current Liabilities – Trade and Other Payables

	Consolidated 2020 A$000	2019 A$000
Trade payables	1,789	2,313
Accrued expenses	1,349	659
GST, Payroll Tax and Payroll Liabilities	4,666	573
Other current liabilities	70	76
Total trade and other payables	**7,874**	**3,621**

Notes to the Financial Statements (continued)

21. Current Liabilities – Trade and Other Payables (continued)

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 FY20 STI and AIP (Annual Incentive Plan) amounting to 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 4.

22. Provisions

	Consolidated	
	2020 A$000	2019 A$000
Current		
Annual leave	2,641	2,055
Long service leave	647	539
Warranties provision	475	237
Total provisions - current	**3,763**	**2,831**
Non-current		
Long service leave	156	158
Other provisions	59	53
Total provisions - non-current	215	211

a. Nature and timing of provisions

Refer to note 3(q) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of the provisions.

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 2018	**255**
Arising during the year	388
Utilised	(406)
At 30 June 2019	**237**

Notes to the Financial Statements (continued)

24. Contract liabilities

	Consolidated 2020 A$000	Consolidated 2019 A$000
Deferred R&D grant relating to capitalised labour	-	182
Contract liabilities	263	491
Total contract liabilities	**263**	**673**

25. Financial Liabilities

Current	Consolidated 2020 A$000	Consolidated 2019 A$000
Financial liabilities at amortised cost		
Lease liabilities	893	750
Loans and borrowings	164	365
Total financial liabilities at amortised cost	**1,057**	**1,115**
Financial guarantee contracts		
Financial guarantor	553	903
Total financial guarantee contracts	**553**	**903**
Total financial liabilities - current	**1,610**	**2,018**

Non-Current	Consolidated 2020 A$000	Consolidated 2019 A$000
Financial liabilities at amortised cost		
Lease liabilities	5,527	6,408
Loans and borrowings	239	403
Total financial liabilities at amortised cost	**5,766**	**6,811**
Total financial liabilities - non-current	**5,766**	**6,811**

Securitisation finance, in loans and borrowings, relates to the financing of system hardware and support. The term of the finance is from October 2017 to October 2022. The finance is secured by the related equipment.

Inventory finance of nil (2019 A$200,000) was part of loans and borrowings, which was an Export Line of Credit Agreement with the Export Finance and Insurance Corporation which was signed on 31 January 2019. The Agreement provided a revolving loan facility to the Company up to the value of US$2,000,000 for funding inventory purchases for sales to approved overseas customers.

Notes to the Financial Statements (continued)

25. Financial Liabilities (continued)

Loan facilities

	Consolidated 2020 A$000	Consolidated 2019 A$000
Loan facilities	-	2,849
Amount utilised	-	(214)
Unused facilities	**-**	**2,635**

The unused facility related to a revolving loan facility of US$2,000,000 provided by the Export Finance and Insurance Corporation. The facility expired 31 October 2019. This facility was secured by a general security deed over all present and after-acquired assets of the Group.

26. Contributed Equity

	Consolidated 2020 A$000	Consolidated 2019 A$000	A$000 Restated
Ordinary shares	217,204	217,204	158,031
Treasury shares	-	(1,109)	(1,109)
Total contributed equity	**217,204**	**216,095**	**156,922**

Number of ordinary shares

	Consolidated 2020 Thousands	Consolidated 2019 Thousands
Issued and fully paid	3,365,214	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 2018	2,240,954	158,031
Shares issued	1,124,260	61,737
Transaction costs	-	(2,564)
As at 30 June 2019	**3,365,214**	**217,204**
As at 1 July 2019	3,365,214	217,204
Shares issued	-	-
At 30 June 2020	**3,365,214**	**217,204**

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

FOR THE YEAR ENDED 30 June 2020	Consolidated 2020 A$000	2019 A$000
Reconciliation of net loss after tax to net cash flows from operations		
Loss after tax	**(46,710)**	**(42,006)**
Depreciation	**1,337**	**873**
Amortisation	**1,105**	**1,444**
Net gain on foreign exchange (unrealised)	**305**	**(65)**
Foreign exchange movement relating to financing activities	**-**	**(9)**
Financial guarantor	**(350)**	**750**
(Profit)/Loss on disposal of investment	**-**	**(39)**
Share-based payments	**5,206**	**11,017**
Changes in assets / liabilities net of the effect of purchases		
(Increase) / decrease in inventories	**3,469**	**(3,911)**
(Increase) / decrease in trade and other receivables	**6,086**	**4,087**
Decrease / (increase) in other assets	**528**	**(3,884)**
Increase / (decrease) in provisions	**932**	**217**
Increase / (decrease) in trade and other payables	**4,256**	**(2,680)**
Increase / (decrease) in other liabilities	**-**	**(16)**
Increase / (decrease) in contract liabilities	**(410)**	**(201)**
Net Cash used in operating activities	**(24,246)**	**(34,423)**

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	Other equipment	Total
	A$000	A$000	A$000
As at 1 July 2018 (restated)	**5,580**	**-**	**5,580**
Additions	-	236	236
Depreciation expense	(690)	-	(690)
Fx difference on opening balance	28	-	28
As at 30 June 2019 (restated)	**4,918**	**236**	**5,154**
Depreciation expense	(699)	(96)	(795)
Fx difference on opening balance	12	-	12
As at 30 June 2020 (restated)	**4,231**	**140**	**4,371**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2020	2019
	A$000	A$000 Restated
As at 1 July	**7,158**	**7,268**
Additions	-	428
Accretion of interest	546	583
Payments	(1,284)	(1,121)
At 30 June	**6,420**	**7,158**
Current	893	750
Non-current	5,527	6,408

The maturity analysis of lease liabilities are disclosed in note 4.

The following are the amounts recognised in profit or loss:

	2020	2019
	A$000	A$000 Restated
Depreciation expense of right-of-use assets	795	749
Interest expense on lease liabilities	546	583
Expense relating to short-term leases (included in occupancy and facilities expense)	112	8
At 30 June	1,453	1,340

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 (see note 5).

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' details are as follows:

Name	Country of incorporation	% Equity Interest 2020	2019	Investment 2020	2019
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	12,132
Seeing Machines Germany	Germany	100%	-%	41,689	-

b. Materially owned subsidiaries

There are no subsidiaries held at 30 June 2020 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 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 04/07/2019)	-	-	-	-	-
R Burger	606,383	187,080	-	-	793,463
L Carmichael	1,696,654	374,159	-	-	2,070,813
Y K NG*	1,411,190	374,159	-	-	1,785,349
J Murray (appointed 01/12/2019)	-	-	-	-	-
G Vorster (appointed 01/12/2019)	-	-	-	-	-
M. Brown (appointed 01/05/2020)	-	-	-	-	-
J Boyer (resigned 19/07/2019)	666,667	-	(666,667)	-	-
L Oxenham (resigned 22/07/2019)	100,000	-	(100,000)	-	-
	5,030,894	1,122,478	683,333	-	6,836,705

Notes to the Financial Statements (continued)

30. Related Party Disclosure (continued)

d. Director-related transactions (continued)

	Balance 1 July 2018	Granted as remuneration	Acquired or sold for cash	Net change other	Balance 30 June 2019
Directors					
K Kroeger* (resigned 06/06/2019)	8,331,393	410,377	400,000	-	9,141,770
T Crane (resigned 30/04/2019)	156,753	102,585	384,615	-	643,953
R Burger	503,798	102,585	-	-	606,383
J A Walker (resigned 13/12/2018)	604,558	123,102	-	-	727,660
L Carmichael	327,402	102,585	1,266,667	-	1,696,654
Y K NG*	308,605	102,585	1,000,000	-	1,411,190
J Boyer (appointed 16/07/2018)	-	-	666,667	-	666,667
K Hill (appointed 13/12/2018)	-	-	550,000	-	550,000
L Oxenham (appointed 3/12/2018)	-	-	100,000	-	100,000
	10,232,509	943,819	4,367,949	-	15,544,277

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 sharecapital.

(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
Rudolph Burger	Non-Executive Director
Les Carmichael	Non-Executive Director
Yong Kang NG	Non-Executive Director
Gerhard Vorster	Non-Executive Director
John Murray	Non-Executive Director
Michael Brown	Non-Executive Director

(ii) Executives (Other Key Management Personnel)

Paul McGlone	Chief Executive Officer
Naomi Rule	Chief Financial Officer
Ryan Murphy	Chief Operating Officer
Nicolas Difiore	Senior Vice President (SVP) OEM Solutions
Mike Lenne	Senior Vice President (SVP) Aftermarket Solutions

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 2020	**Salary/Fees/ Bonus/Leave**	**Superannuation**	**Options/Rights**	
Chair				
Kate Hill	114	-	45	159
Paul McGlone (appointed 4 July 2019)	548	25	645	1,218
Non-Executive Directors				
R Burger	58	-	30	88
L Carmichael	55	-	61	116
Y K NG	44	-	61	105
John Murray (appointed 1 Dec 2019)	40	-	15	55
Gerhard Vorster (appointed 1 Dec 2019)	33	-	9	42
Other Key Management Personnel**	2,475	209	1,257	3,941
Total	**3,367**	**234**	**2,123**	**5,724**

*Share based payments includes accrued Director shares pertaining to remuneration taken as shares during the financial year which will be granted post balance date. In previous financial years, only the value of shares issued during the year were included in the compensation disclosure.

	Short-Term A$000	Post-Employment A$000	Share-Based Payments A$000	Total A$000
FOR THE YEAR ENDED 30 June 2019	**Salary/Fees/ Bonus/Leave**	**Superannuation**	**Options/Rights**	
Chairman				
CEO and Executive Directors				
Kate Hill (appointed 13 Dec 2018)	37	-	-	37
Jack Boyer (resigned 22 July 2019)	170	-	-	170
K. Kroeger (resigned 6 Jun 2019)	457	43	155	655
L Oxenham (appointed 3 Dec 2018)	201	13	-	214
Non-Executive Directors				
R Burger	63	-	12	75
J A Walker (resigned 13 Dec 2018)	22	2	15	39
T Crane (resigned 30 Apr 2019)	51	-	12	63
L Carmichael	50	-	12	62
Y K NG	43	-	12	55
Other Key Management Personnel**	3,504	207	6,323	10,034
Total	**4,598**	**265**	**6,541**	**11,404**

**Other key management personnel include the Executive as listed at note Executives (Other Key Management Personnel)

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

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	
	2020 A$000	2019 A$000
Expense arising from the performance rights long term incentive	4,919	10,741
Expense arising from options under long term incentive	23	60
Expense arising from the shares issued to employees	171	153
Directors' shares	93	63
Total expense arising from share-based payment transactions	**5,206**	**11,017**

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 - 2019 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 2020 the weighted average remaining life for the outstanding share options was 8.87 years (2019: 9.18 years) and the exercise price for all outstanding options was £0.0561. No new options were granted during the year.

In October 2019 the Company awarded a total of 28,995,070 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 2020 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.

(ii) STI 2019 - Ordinary Shares

In October 2019 the Company issued a total of 3,250,877 ordinary shares to staff and non-executive directors in lieu of cash remuneration. The shares were valued at grant date at £0.0441. The number of shares issued to each employee was calculated with reference to the cash equivalent the individual would have received based on their performance, net of superannuation and tax payable on the gross bonus.

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 2019. 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 3 years (2019: nil)

(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

Notes to the Financial Statements (continued)

33. Share-based payments plans (continued)

At 30 June the weighted average remaining life for the outstanding performance rights was 4.2 years (2019: Nil).

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 2020, the Company has recognised A$5,206,000 of share-based payment expense in the statement of profit or loss (2019: A$11,017,000).

e. Summaries of shares issued and held in Trust:

	2020 No '000	2020 WAEP (pence)	2019 No '000	2019 WAEP (pence)
Shares held in Trust at 1 July 2019	59,556	7.06	17,927	5.78
Issued during the year	-	-	70,070	6.60
Vested and transferred during the year	(18,151)	4.57	(28,441)	5.13
Shares held in Trust at 30 June	41,405	6.92	59,556	7.06

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

	2020 Number	2020 WAEP (pence)	2019 Number	2019 WAEP (pence)
Outstanding at 1 July	87,717,529	7.06	111,920,976	8.25
Granted during the year	65,995,070	4.27	19,936,023	6.75
Forfeited during the year	(8,450,406)	4.99	(13,975,165)	10.25
Exercised during the year	(12,928,785)	7.65	(30,164,305)	8.79
Outstanding at 30 June	**132,333,408**	5.97	**87,717,529**	7.06
Exercisable at 30 June	48,116,677	7.50	39,099,094	7.75

34. Commitments

At 30 June 2020, the group had commitments of A$30,284,000 (2019: A$nil) relating to the manufacturing contract for the Group's Guardian 2.1 product for the period July 2020 to March 2021.

Notes to the Financial Statements (continued)

35. Contingent Assets and Contingent Liabilities

During the 2019 financial year, the Company made a sale of its Fleet product to a customer in New Zealand. The customer subsequently entered into a sale and leaseback agreement with HP Financial Services (New Zealand) for the total amount of the sale being A$1,200,000. The proceeds from the sale and leaseback agreement were used by the customer to pay the Company in full for the sale. The Company has agreed to act as 'step in guarantor' to HP Financial Services New Zealand such that - in the event of a default by the customer on the repayments of the loan - the Company will 'step in' and assume responsibility for the loan repayments. In the event that the customer defaults on the loan agreement, the maximum exposure to the Company would be A$500,000. There is currently no reason to expect that such a circumstance should arise.

36. Events After the Reporting Date

On 23 October 2020, Seeing Machines issued 372,000,000 new ordinary shares of no par value each (the "New Ordinary Shares") to Federated Hermes, a well known US institutional investor, at a price of 4.10 pence per New Ordinary Share, raising gross proceeds of approximately US$20,000,000 (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 Seeing Machines Limited is Ernst & Young.

	Consolidated 2020 A$	Consolidated 2019 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	199,443	163,386
Other services in relation to the entity and any other entity in the consolidated group:		
Tax compliance	56,900	34,105
	256,343	**197,491**

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 2020 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 3.6; 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 2020.

On behalf of the board

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 2020, 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 2020 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 determined the matters described below to be the key audit matters to be communicated in our report.

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

The Group has contractual arrangements with certain customers for non-recurring engineering services. In the year ending 30 June 2020 non-recurring engineering services accounted for $3.3m of total revenues of $40.0m. 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 2020 licensing revenue accounted for $11.5m of total revenues of $40.0m. 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 have determined this to be a key audit matter.

How our audit addressed the key audit matter

Our 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 reconciliation of key inputs into the revenue recognition calculations.

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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 5 of the financial report.	► We evaluated the associated financial report disclosures.

Share based payments

Why significant	How our audit addressed the key audit matter
The Group provides benefits to employees and directors, in the form of share based payment arrangements, whereby employees render services in exchange for shares or rights over shares. A new plan was entered into with the Chief Executive Officer (CEO) of the Group during the year. The total expense arising from share-based payments arrangements for the year ended 30 June 2020 is $5.2m. The accounting for share based payments is complex, including the valuation of options on grant date, assessing the impact of modifications or cancellations of awards and determining the vesting period. Given the significant judgement and complexity in accounting for share based payments, we have determined this to be a key audit matter. The Group has included disclosures for share based payments in Note 33 of the financial report.	Our procedures included the following: ► We obtained the share based payment plans and agreed the key terms to the valuation calculations. ► We assessed the accounting treatment adopted by the Group, including the judgement applied in determining vesting periods, to determine whether it is in accordance with the requirements of Australian Accounting Standards. ► On a sample basis we agreed key inputs to the valuation calculation to individual employment contracts. ► We considered the third party valuation for the new plan provided to the CEO during the year. In conjunction with EY valuation specialists, we assessed the assumptions and inputs applied by the third party valuation. We assessed the competence, capabilities and objectivity of the third party expert. ► We tested the mathematical accuracy of each valuation model used in calculating the share based payment expense recognised during the year. ► We evaluated the associated financial report disclosures.

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Preparation of the financial report on a going concern basis

Why significant	How our audit addressed the key audit matter
As explained in Note 2, the Group reported a loss for the year of $46.7m, incurred net cash outflows from operating activities of $24.5m and had a balance of cash and cash equivalents at 30 June 2020 of $38.1m. Subsequent to year end, on 23 October 2020, the Group announced a placement of 372m shares to raise gross proceeds of approximately $27m. The financial report has been prepared on a going concern basis. Following the capital raise, based on the forecasts prepared by Management, the Group has sufficient liquidity to meet it's requirements beyond 12 months from the date of this financial report. Given the significance of this matter to the basis of preparation of the financial report and the subjective nature of estimating future cash flows and results, we have determined this to be a key audit matter. The Group has included disclosures for the going concern basis of preparation in Note 2 of the financial report.	Our procedures included the following: ► Obtained an understanding of the process undertaken by Management to prepare the FY21 budget and FY22 cash flow forecast; ► Obtained the board approved FY21 budget and FY22 cash flow forecast and assessed the reasonableness of a sample of key inputs and assumptions used, with reference to historical performance and the Group's strategic plans; ► Challenged the key assumptions in the forecasts including those pertaining to revenue growth and the timing of significant payments for the 12 month period from the date of this report including the performance of a number of sensitivity tests for key assumptions; ► Obtained the Group's market announcement of the share placement dated 23 October 2020 and reconciled the total number of shares issued and the gross proceeds raised to the transaction statement provided by the broker of the placement; and ► 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 2020 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.

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.

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
28 October 2020